



Folli Follie

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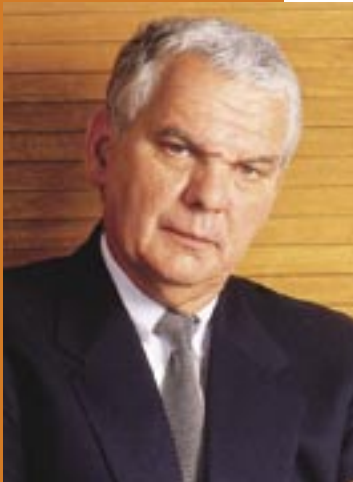
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CHAIRMAN'S MESSAGE



Dear Shareholders,

The year 2004 was yet another excellent year for us. This year, like every year, I am delighted to be presenting you with our company achievements, which concern the impressive growth rates of our annual turnover and the accomplishment of the strategic goals, which we had set for the financial year of 2004, relating to Folli Follie's active presence on a worldwide level.

Continued increase in economic growth rates

The last few years have seen Folli Follie follow a steady growth development path, despite unfavourable factors or socio-economic happenings that have occurred worldwide. The financial results for the year 2004 confirm this statement, since the results demonstrate the best performance yet ever for Folli Follie, in terms of profit making and turnover.

Consolidation of the Folli Follie brand name in all the countries the brand already has an active presence in

Following a thoroughly considered strategic schedule which concerns each country respectively, Folli Follie has been evolving very fast in the countries it is active in, by targeting and strengthening these markets.

International success of Folli Follie watches

Out of all of Folli Follie's product categories, Folli Follie watches have been tremendously successful in all international markets. In the extremely competitive branded watch field, Folli Follie has successfully gained a significant share in the international markets, strengthening at the same time its brand name. Folli Follie watches are distinguished widely because of their fashionable and modern design, their high quality and affordable price.

Increase of the sales network

One of the main targets set for 2004 was to strengthen the sales network in the countries Folli Follie already has a presence in. By the end of the year 2004, Folli Follie had 283 stores in 20 countries, a significant boost of its presence worldwide especially in the Asian countries, such as China and Japan. Within 2004, the company focused on the dynamic and fast developing markets of South East Asia, by opening over 20 points of sale in the specific region. The Chinese market was especially a priority for the company, given the fact that the country is rapidly expanding in the field of fashion and luxury goods.

Stronger presence in the Travel Retail sector

The travel retail sector is undeniably a very important means of strengthening our brand awareness. With a strong presence in international airports such as Vancouver, Athens and Seoul and on board airlines such as British Airways, KLM, Japan Airlines, Cathay Pacific and Korean, Folli Follie has invested during 2004 in the specific sector and will continue to do so throughout 2005 in further international airports and airlines. The company strongly considers this action a strategic move towards establishing a world wide brand.

Thus it is suffice to say that the company is following a steady general increase, rendering value to its shareholders and to all who show preference to the Folli Follie brand. With the company's strategic goal being its international establishment, the company will continue to invest in infiltrating its brand on a worldwide scale, which will develop into further increases over the next few years. The company's long term development goals will be achieved not only through its product choices, but also through its sales networks, human resources and its distinct know how in the sales sector and the field of luxury branded goods.

At this point, I would like to thank the shareholders for their loyalty and the company's personnel worldwide who have contributed this year towards the materialization of our goals..

Dimitris Koutsolioutsos
President

HIGHLIGHTS 2004



General

For yet another year, the company presents high growth rates in sales and profits for 2004. This success is a result of several combining factors, which are listed in detail below.

Sales Network

As far as Folli Follie's sales network is concerned, there has been a steady development internationally with the exception of Asia, where the strengthening of the network has been especially important and even stronger. Once again, the Sales Network Development Plan for 2004 placed emphasis on the fast developing and promising Chinese market, targeting over 150 million middle class consumers and guaranteeing the opening of 30 stores, which by the end of 2004 had subsequently been accomplished. New store openings included cities additional to those of Shanghai and Beijing, such as Ningbo, Hangzhou, Harbin, Shenzhen. By the end of 2004, the company's points of sales reached 280; a remarkable increase from 2003.



HIGHLIGHTS 2004

Product Collections

As for the product range, it is worth noting that the stainless steel jewellery range, which was launched in 2003, was very successful in all the markets worldwide Folli Follie has an active presence in. The line is being constantly enriched by the company's in-house designers, who experiment with various materials, presenting fresh and modern designs. Although the stainless steel collection was aimed at a younger market when it was first launched, results show that the modern designs and the new material attract independent ladies of varying age ranges. Furthermore, there were remarkable reactions towards the modern and elegantly designed collection of white gold and diamonds.



The Design and Brand Image Teams

Throughout 2004, the Folli Follie in-house design team increased in number with new designers, whose previous experiences descend from well known fashion houses. In fact, the Autumn/Winter 2004 collections already featured some of their new designs. In addition, the team of consultants that deals with Folli Follie's brand image, was responsible for a programme that aimed for the "refreshment" of Folli Follie's look, stemming from shop layouts to packaging designs. Additionally, this programme also involved Folli Follie working with the internationally renowned photographer Michel Comte, who conducted the advertisement campaigns for 2004 and 2005.



Hong Kong, Mongkok, Kowloon, Langham Place Seibu



Bus campaign in Barcelona, Spain

Advertising and Public Relations

The advertising campaigns which were applied both in Europe and Asia made a huge impression on the general public. One particular impressive form of advertisement involved full blown Folli Follie images advertised on buses circulating the main central streets of London, Paris and Madrid. The result of Michel Comte's photography, displayed on buses circulating the fashion capitals of Europe, was truly unique.



Travel Retail Sector

For a further year, Folli Follie invested once more in the travel retail sector. As part of its strategy to increase international brand awareness, the company became further active in this field, by increasing its presence in international airports and airlines. Airlines boasting Folli Follie's presence onboard include KLM, British Airways, Cathay Pacific, Korean and Japan Airlines.

Finally, Folli Follie's enterprising decision of acquiring part of the Hellenic Duty Free Shops' (HDFS) share capital proves a very successful move, as the invested capital has a positive performance, allowing both Folli Follie and the partner company GERMANOS to set new goals and perspectives.



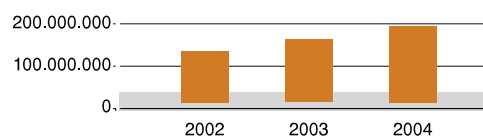
Bus campaign in Paris, France



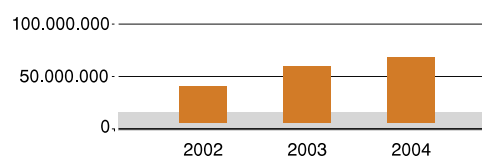
Duty Free Shop at Eleftherios Venizelos Airport, Athens, Greece

FINANCIAL HIGHLIGHTS

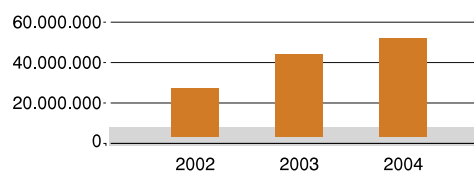
Total Sales



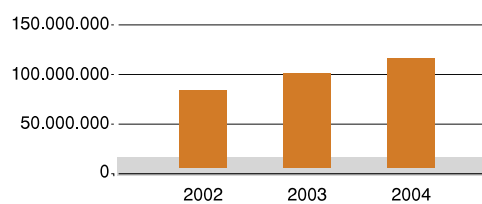
Earnings before
Depreciation/Amortization and Taxes



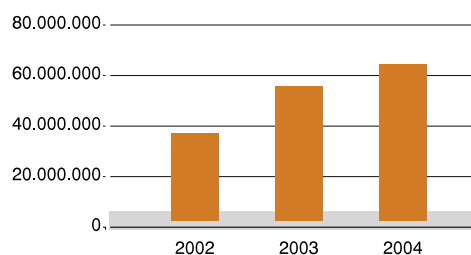
Earnings after Taxes of the period,
previous years tax differences and
Minority Interests



Gross Margin



Earnings before Taxes



MAIN FINANCIAL DATA OF FOLLI FOLLIE GROUP

Main Data of Profit and Loss Statement	2002	2003	2004
Total Sales	131.594.344	160.583.929	194.661.729
Gross Margin ⁽²⁾	82.473.917	100.580.926	117.118.716
Operating Profit ⁽²⁾	39.890.408	52.029.800	60.714.532
Earnings before Interest, Depreciation/Amortization and Taxes	39.589.434	62.341.909	73.237.266
Earnings before Depreciation/Amortization and Taxes	38.256.976	59.158.080	68.633.170
Earnings before Taxes	35.890.424	55.448.812	64.287.225
Earnings of the period after Taxes	29.013.789	45.419.963	53.616.852
Earnings after Taxes of the period, previous years tax differences and Minority Interests	25.748.116	43.498.871	51.811.779

Main Data of Balance Sheet	31-12-02	31-12-03	31-12-04
Net Book Value of Capitalized Formation Expenses	3.802.484	6.936.395	6.239.705
Total Fixed Assets	46.041.650	68.162.929	79.694.915
Total Current Assets	131.061.694	149.555.963	175.228.451
Total Assets	183.113.202	226.464.215	263.422.738
Total Shareholders' Equity	123.583.716	61.885.803	92.120.942
Provisions	2.052.200	3.089.007	4.039.457
Total Long-term Liabilities	21.575.106	118.363.713	122.969.110
Total Short-term Liabilities	35.216.193	41.923.954	42.802.631
Total Liabilities	183.113.202	226.464.215	263.422.738
Number of Shares (weighted average)	32.946.875	32.946.875	32.946.875
Number of Shares (as of the end of the period)	32.946.875	32.946.875	32.946.875

Number of Personnel (average)	791	820	851
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Data per Share ⁽¹⁾	2002	2003	2004
Earnings before Interest, Depreciation/Amortization and Taxes	1.20	1.89	2,22
Earnings before Depreciation/Amortization and Taxes	1.16	1.80	2,08
Earnings before Taxes	1.09	1.68	1,95
Earnings of the period after Taxes	0.88	1.38	1,63
Earnings after Taxes of the period, previous years tax differences and Minority Interests	0.78	1.32	1,57

Remarks

⁽¹⁾ Based on the Number of Shares (weighted average)

⁽²⁾ Before Depreciation/Amortization

MAIN FINANCIAL DATA OF FOLLI FOLLIE SA

Main Data of Profit and Loss Statement	2002	2003	2004
Total Sales	35.681.748	35.681.184	35.786.295
Gross Margin ⁽³⁾	19.434.967	21.207.319	24.085.825
Operating Profit ⁽³⁾	9.479.793	10.558.912	12.520.997
Earnings before Interest, Depreciation/Amortization and Taxes	9.051.554	14.944.152	19.816.037
Earnings before Depreciation/Amortization and Taxes	7.865.073	11.928.702	15.382.532
Earnings before Taxes	6.703.653	10.012.284	13.026.512
Earnings of the period after Taxes	4.361.917	8.590.019	11.314.383
Earnings after Taxes of the period, prior years' tax differences and Minority Interests	4.149.997	8.590.019	11.002.047

Main Data of Balance Sheet	31-12-02	31-12-03	31-12-04
Net Book Value of Capitalized Formation Expenses	723.991	3.074.128	2.614.789
Total Fixed Assets	69.106.186	174.780.408	186.102.984
Total Current Assets	46.717.789	45.619.691	46.852.827
Total Assets	117.616.360	224.049.881	236.047.961
Total Shareholders' Equity	82.475.154	91.772.149	94.906.711
Provisions	435.205	552.219	603.475
Total Long-term Liabilities	17.608.217	113.000.000	119.730.228
Total Short-term Liabilities	17.079.029	18.544.613	20.477.191
Total Liabilities	117.616.360	224.049.881	236.047.961
Dividends	3.953.625	5.930.438	7.248.313
Number of Shares (weighted average)	32.946.875	32.946.875	32.946.875
Number of Shares (as of the end of the period)	32.946.875	32.946.875	32.946.875
Number of Personnel (average)	262	253	252

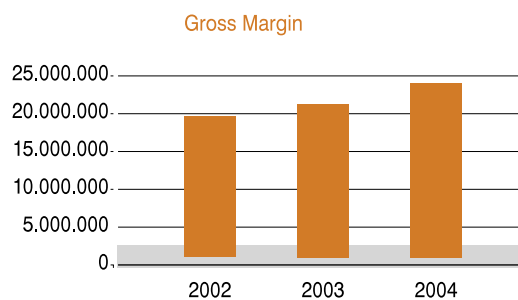
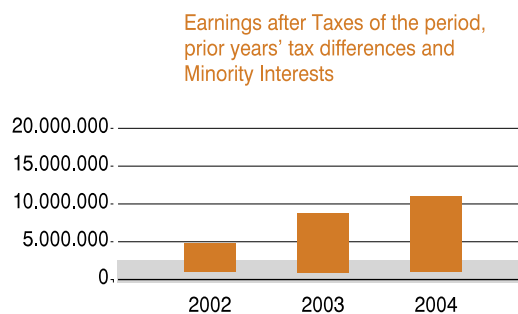
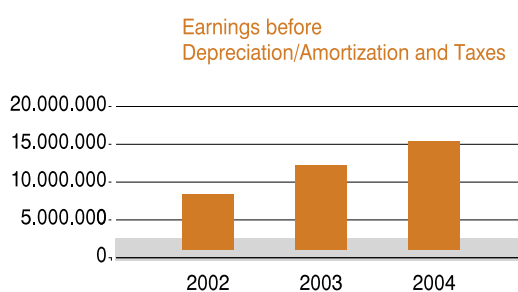
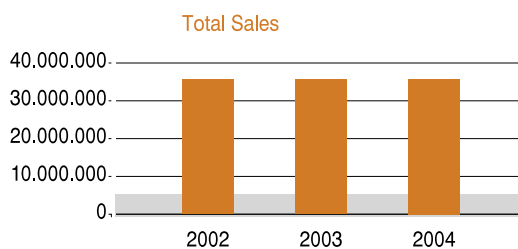
Data per Share (1)	2002	2003	2004
Earnings before Interest, Depreciation/Amortization and Taxes	0.27	0.45	0.60
Earnings before Depreciation/Amortization and Taxes	0.24	0.36	0.47
Earnings before Taxes	0.20	0.30	0.40
Earnings of the period after Taxes	0.13	0.26	0.34
Earnings after Taxes of the period, prior years' tax differences and Minority Interests	0.13	0.26	0.33
Dividend per Share ⁽²⁾	0.12	0.18	0.22

Remarks:

⁽¹⁾ Based on the Number of Shares (weighted average)

⁽²⁾ Based on the Number of Shares as of the end of the period restated retroactively only in regard to the decrease in the Nominal Value of each Share from 10.000 GRD to 100 GRD as decided by the Extraordinary General Assembly of the Shareholders on 02/04/97 and on 11/09/97.

⁽³⁾ Before Depreciation/Amortization



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 01/01/2004 – 31/12/2004 is presented below.

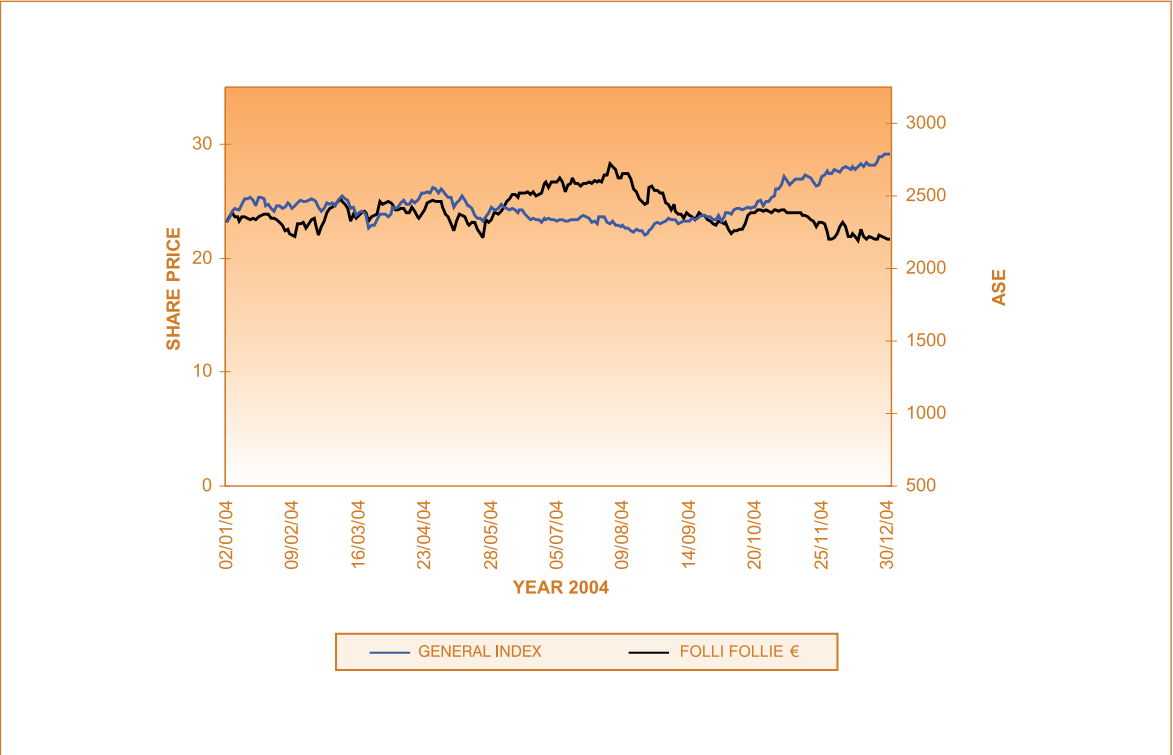
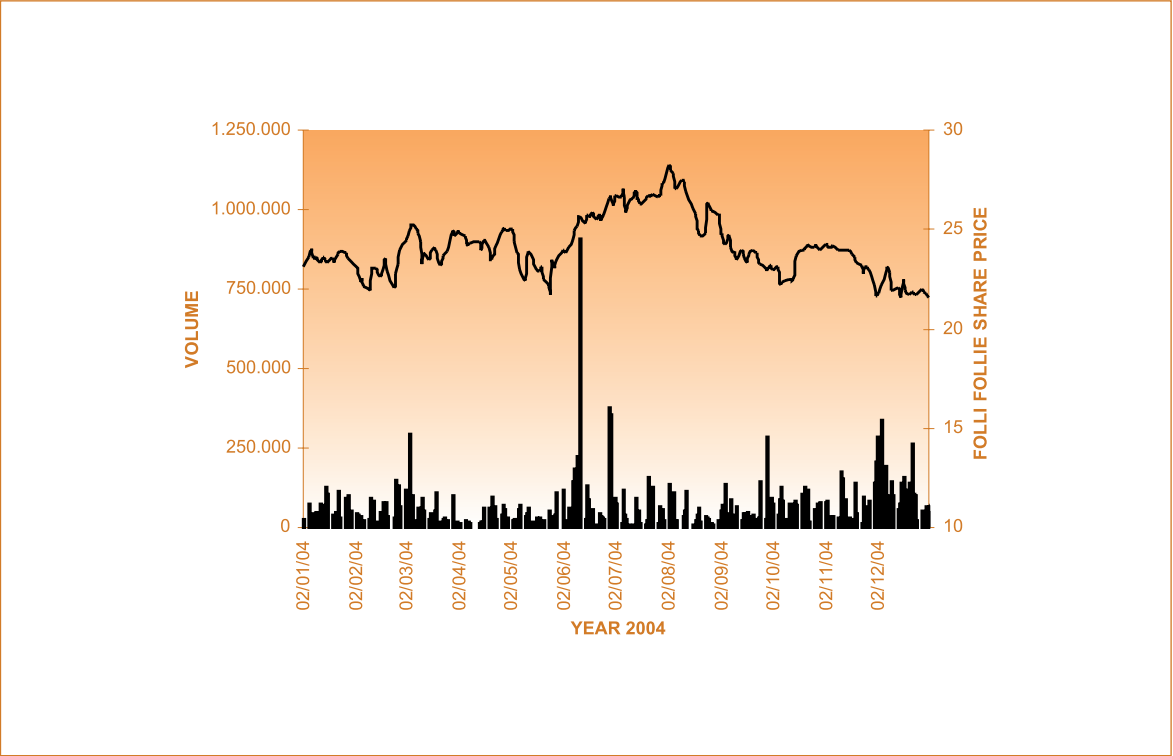
Date	Volume	Share Price €	ASE	FTSE 20
30-01-04	1,271,870	23.40	2432.58	1259.35
27-02-04	1,081,113	23.98	2451.50	1269.45
31-03-04	1,361,358	24.80	2370.65	1238.13
30-04-04	687,971	24.98	2517.62	1330.66
28-05-04	744,535	23.42	2423.72	1288.23
30-06-04	3,016,759	26.22	2349.16	1260.12
30-07-04	1,062,105	27.34	2319.30	1231.31
31-08-04	874,313	25.68	2314.26	1238.01
30-09-04	1,406,044	23.18	2328.24	1266.05
29-10-04	1,400,527	24.00	2489.19	1374.09
30-11-04	1,623,118	21.68	2654.81	1459.71
31-12-04	2,857,433	21.60	2786.18	1547.47

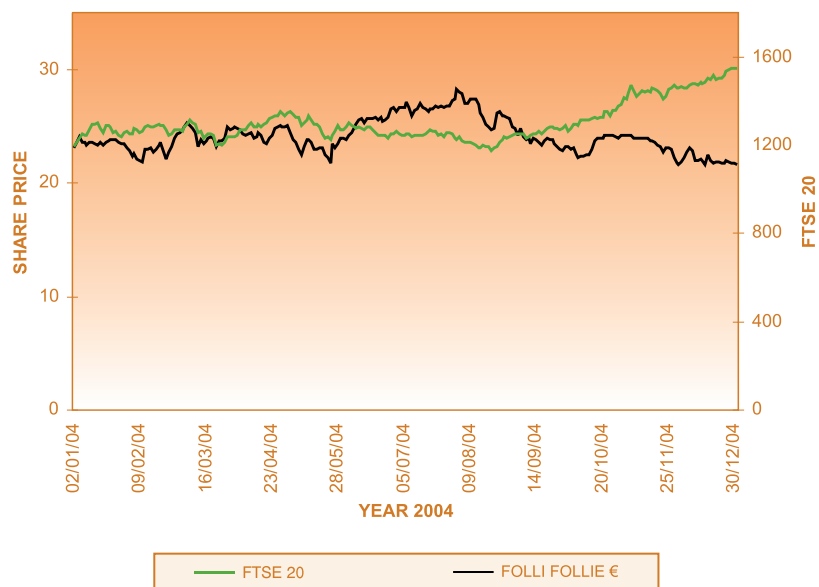
The evolution of the share price for 2004 was quite stable. The strong financial results and the continuous penetration into the Chinese market (the company's "goldmine") gave a considerable impetus to the Folli Follie stock leading to the historical high price of €28.70. On June 11th 2004 there was a significant increase in the trade volume of the Company's shares due to the private placement of 800.000 shares (2,4% of the share capital). The demand was approximately 3 times higher than the available shares and the transaction was realized at €25,94 through the distribution of shares to investors from USA, Europe and Greece. The share's marketability remained at high levels and amounted to approximately 73.120 shares per session, indicating the high interest shown on the part of investors, especially institutional investors.

Stock Data

High/ Low (52 wk)	€20,06 / €28,70
Market cap. (€ mil)	€780.84
Shares outstanding (mil)	32.95
Free Float (% , € mil)	49%, 382.61 mil
Index constituent & weight	FTSE 20 (0,78%), FTSE 140 (0,65%)

FOLLI FOLLIE SHARE PRICE





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 Ordinal General Meeting held in June 28th 2002, Folli Follie has a six-member Board of Directors, whose duty ends in 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

Katerina Koutsolioutsos

Member, Executive Member

Elias Culucundis

Member, non Executive Member

Charalambos Papadopoulos

Member, Non Executive Member

Zacharias Mangiavinos

Member, Non Executive Member

Shareholders (31/5/2003)	No. of Shares	%
Dim. Koutsolioutsos	16.490.048	50.05%
Investors	16.456.827	49.95%
Total	32,946,875	100%

CORPORATE GOVERNANCE

Participation over 50%

The table below indicates the list of companies that Folli Follie S.A. has a direct or indirect equity participation of over 50% along with the % equity participation, share capital and shareholders equity.

Consolidated Company	Participation of Folli-Follie (in %)	Share Capital 31/12/2004	Shareholders Equity 31/12/2004
FOLLI FOLLIE HONG KONG LTD	99.99 %	22.630.250	94.167.600
FOLLI FOLLIE UK LTD	99.99 %	3.110.761	6.053.325
FOLLI FOLLIE FRANCE SA	99.94 %	3.607.776	1.242.159
FOLLI FOLLIE SPAIN SA	100.00 %	3.409.533	746.946
FOLLI FOLLIE CZECH SRO	100.00 %	1.299.953	274.951
FOLLI FOLLIE POLAND SZOO	100.00 %	1.017.352	148.438
FOLLI FOLLIE SLOVAKIA SRO	100.00 %	299.200	127.940
FOLLI FOLLIE ASIA LTD	99.99 %	710.554	2.474.700
FOLLI FOLLIE TAIWAN LTD	99.99 %	22.963	167.100
FOLLI FOLLIE GERMANY Gmbh	99.99 %	50.000	50.852
FOLLKOR (KOREA) LTD	99.99 %	33.195	(457.000)
BLUEFOL SINGAPORE LTD	99.99 %	44.986	(1.092.800)
BLUEFOL GUAM LTD	99.99 %	118.764	911.600
BLUEFOL HAWAII LTD	99.99 %	39.588	(948.100)
BLUEFOL HONG KONG LTD	99.99 %	101	1.950.900
BLUEFOL MALAYSIA LTD	99.99 %	20.835	(462.000)



CORPORATE GOVERNANCE

GENERAL MANAGEMENT

The General Management team consists of:

Dimitris Koutsolioutsos

President, Managing Director and General Manager 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.

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

Dionysis Frangos

Financial Director. A graduate of the University of Munich in Germany in Business Administration. Mr Frangos joined the company in 2000.

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

Chief Accountant since 1994. A graduate of Piraeus University of Industry (ABSP). Mr Alavanos has been working in the private field since 1991.

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 ETVA 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.

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.

Anna Douka

Internal Auditor. A graduate of Pandeion University with a degree in Public Administration. Assistant auditor of the group of chartered accountants. From 1998 until 2003 Miss Douka worked for various auditing companies.

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 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.

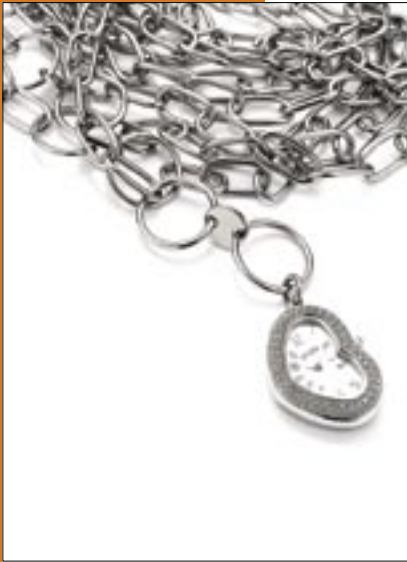
The Executives' postal address is:

Folli Follie

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



CORPORATE PROFILE



Folli Follie is a Greek Company which designs, manufactures and distributes jewellery, watches and fashion accessories in a sales network of almost 300 points of sale in 20 countries under the Folli Follie brand.



CORPORATE PROFILE



HISTORY

Folli Follie was founded in 1982 in Greece by Dimitris Koutsolioutsos, President of Folli Follie S.A. and his wife Ketty, opening the first shop in down town Athens. The original goal was to create a company providing branded, fashionable, and affordable jewellery of excellent quality mainly to 20-40 year old women.

Following its initial success in the Greek market, where Folli Follie rapidly expanded during the 1980s to a chain of 15 locations and established itself as a leading force in the Greek jewellery market, the Folli Follie brand turned its sights to the international scene. The early 1990s saw the creation of Folli Follie boutiques in key European cities such as Geneva and by the mid 1990s this geographic expansion had reached New York, Hawaii, Guam, and had culminated with the brand's launch in Japan in 1995. Today, Folli Follie is ranked amongst the top 10 brands in luxury goods in Japan.

While increasing its international exposure, the Folli Follie brand was making great strides in expanding and enriching its product assortment with the launch of a watch line in 1994, a handbag and small leather goods collection in 1998, a men's and women's perfume as well as a coordinated line of personal accessories such as sunglasses, pens, scarves etc.

The dynamic combination of geographic and product expansion allowed the Company to reach a critical mass, and in 1997 to be successfully listed in the Athens Stock Exchange. As a result of this strategic move, the Company has been able, in these last few years, to successfully begin the implementation of its international growth plans, centered on the following key objectives:

■ the re-evaluation and improvement of the existing distribution network: this is being achieved by new subsidiaries in certain key markets (France, UK in 1999), acquisition of a 40% stake in the Japanese distribution operation in 2000, opening of a number of prestigious and high traffic flagship shop locations around the world (New Bond Street, Rue Royale, Paseo de Gracia, etc.)

■ the expansion into new key markets and distribution channels (Hong Kong in 1998, pan Asian expansion during 1999-2002 including the creation of substantial initial presence in the People's Republic of China, Spain in 2002 via subsidiary companies) as well as the expansion into the all important travel retail market (airline, airport and down town duty free).

■ the constant enrichment and expansion of the brand's product lines with additional resources being deployed in exploring new materials and design trends. As a result, Folli Follie has maintained and reinforced its innovative and creative profile, and having diversified its product lines, successfully undertook its transition from a purely jewellery brand to an international fashion accessories brand.

CUSTOMER PROFILE

Folli Follie's target customer is mainly the 20-40 years old, fashion-conscious working woman, a rapidly expanding segment and the biggest spender on fashion products. Folli Follie appeals to the modern working lady's needs for branded, trendy jewellery, watches and accessories of high quality at affordable prices.

CORPORATE PROFILE



“FULL FASHION” CONCEPT

The core product category of the Folli Follie brand is jewellery, which depending on the market, represents between 50% and 70% of total sales. Within this category, in a retail price range from 50 to 1000 euros depending on the materials used (18K gold, diamonds, sterling silver, bronze, stainless steel, precious and semi-precious stones) and a core retail price of 100 to 200 euros, Folli Follie offers an unrivalled assortment of styles. Indeed, in the highly fragmented jewellery market, where, unlike the fashion industry it is estimated that only 20% of the market consists of branded products (mostly positioned in the over 1000 euro price range), Folli Follie has chosen to be a pioneer within its chosen market segment.

In addition to its core jewellery line, Folli Follie has in recent years developed comprehensive assortments in the fashion watch, handbags as well as other fashion accessories categories such as pashminas, wallets, belts and sunglasses.

In 2004, Folli Follie's line of watches completed a 10-year successful presence in a very competitive field. Folli Follie offers a complete line of women's watches as well as a men's collection. After the tremendous success of Folli Follie watches within the mono-brand boutiques worldwide, the Greek watchmaker and jeweller is recently developing a distribution network of fine watch retailers worldwide.

In the last few years, the company's watch lines have played an ever increasing role as Folli Follie watches, with their design, quality and price characteristics, have successfully established themselves as fashionable and cost effective alternatives to the traditional high end brands. This phenomenon has also been strengthened by the fact that ladies watches are no longer considered as simply time pieces or expensive jewels, but, increasingly as everyday fashion accessories, to be mixed and matched at whim.

Similarly, Folli Follie's ever expanding collections of handbags and small leather goods follow the same philosophy of affordable fashionable luxury, which is the fundamental concept of Folli Follie.

THE “DESIGN” STRENGTH

Folli Follie's design team consists of Swiss, Italian, Greek and Chinese designers who create two collections per year, Autumn / Winter and Spring / Summer. Our designers' goal is to maintain a fashion orientation complementing the prevalent fashion trends. This fashion orientation is one of our key differentiation factors compared to other branded jewellery companies.

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 design 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



The Plaza, Guam

INTERNATIONAL PRESENCE

Selecting shop locations is an essential element of Folli Follie's expansion strategy. Folli Follie has a presence in more than 20 countries with almost 300 points of sale, including shops in the most fashionable streets of the world's major cosmopolitan cities such as London, Tokyo, Paris, Hawaii, Hong Kong, New York, Athens, Shanghai and Seoul. Folli Follie products are sold through retail standalone shops such as Rue Royale in Paris, New Bond Street in London, Ginza in Tokyo and Central in Hong Kong. Furthermore, one can find Folli Follie products in department stores such as Galleries Lafayette, Isetan, Takashimaya and in Corte Ingles in Spain.



IFC Mall, Hong Kong

Folli Follie's recent achievement includes the strengthening of the Company's presence in countries such as China and Japan with the opening of more Folli Follie stores.



Landmark Shopping Mall, Doha, Qatar

In 2003 Folli Follie bought a 40% share of the Hellenic (Greek) Duty Free Shops along with GERMANOS Group of Companies, thus entering into a very promising sales segment. The Company has, thus, acquired a strong presence in the duty free and travel retail sector, with points of sale in the airports of Athens, Vancouver, Seoul and many more. In addition, Folli Follie products are also available in flight in major international airlines such as British Airways, KLM, Cathay Pacific, Japan Airlines and Korean Airlines.



Kifissia, Athens, Greece



Harbour City, Hong Kong



Gingko Shopping Center, Kunming, China

THE PRODUCT RANGE





During 2004 the jewellery collection continued its strong growth and recorded results in line with its objectives all over the world.

The stainless steel jewellery collection again accounted a big percentage to the profitability in the jewellery section. The design strength and the expertise in the creation of jewellery, made of the relatively new material, render Folli Follie a pioneer in the market. The good quality and affordable price of the stainless steel material has driven many companies in the fashion business to launch stainless steel jewellery collections. Folli Follie's lines, however, are distinguished in the markets for a number of reasons, such as the great variety of fashionable designs and expertise in craftsmanship, which account for the success of the specific collection.

A remarkable growth in sales was also recorded in the K Collection, the unique line of jewellery consisting of designs made of gold, silver, precious and semi precious stones. The collection linked to Mrs Ketty Koutsolioutsos, who is responsible for the image and has the overall supervision of the collection, is performing extremely well in all countries especially in Europe but also in Asia. K Collection jewellery convey an originality, which is evident in the designs characterized by a cultural blend and interesting mix of materials.

Last but not least, the White Gold and Diamond Collection performed remarkably well in Asian countries and especially in Japan. Strong, clean motifs with an elegant touch and an attention to detail were the main elements of Folli Follie's Diamond Collection.

The jewellery line continues to record the highest percentage of sales and it is believed that with the new policy focused on creativity and unique design, the brand will strengthen further its presence in the market.





Watches and accessories are two of the most dynamic product lines for a fashion brand to expand, strengthen and consolidate its image and name worldwide.

The year 2004 has been very dynamic, with the watches collection recording a significant raise in sales and consequently a reinforcement of the brand name. Defining modern chic and confirming the company's commitment to style, Folli Follie presented during 2004 a watch collection denoting a passion for colour and shape and conveying a real fashionable quality.

With a fashion driven philosophy behind the design, Folli Follie watches have been expanding in all major watch markets, posting particularly strong performances all over the world.

During 2004, Folli Follie participated for the first time in Baselworld, one of the world's biggest watch and jewellery fairs held in Basel, Switzerland. Gracing the fair with new, innovative and inspirational pieces, the company's success during the last years opened up new avenues for Folli Follie in its attempt to inaugurate a selected distribution network. As well as Baselworld, Folli Follie also took part in the Inhorgenta Exhibition held every year in Munich. This also gave the company an opportunity to present its successful line of watches and stainless steel jewellery which complement each other impeccably.

The company focused on accelerating the marketing of the new watch collections to satisfy the expectations of customers. Larger investments in terms of marketing and advertising will be made during 2005 and the company strongly believes that this will lead to further growing brand recognition and success in the respective watch field.

Folli Follie's leather accessories were enthusiastically received by customers, continuing their excellent performance of the last years.

The international success of the "Classic" line, which includes some of the company's best sellers "retouched" every season, was again an international success along with the new designs the company presented.

The Italian designed line of accessories included in 2004 designs created out of materials such as leather, suede, canvas amongst others, conveying always the season's trends. Both the Spring Summer and the Winter collection included designs that revealed innocence, passion, romanticism with a drive to fashionable luxury. The wide range of styles, designs, sizes and materials undoubtedly fulfilled the customers' needs and accounted for the successful sales.

The company is investing in the design of the accessories collection with new experienced designers and will continue its strategy to further renew its product line, capitalising on its exceptional know how in leatherwork.



INTERNATIONAL MEDIA PRESENCE & ADVERTISING



The progress effectuated by Folli Follie in its international media presence was achieved through various forms of advertising campaigns and communications with the media. The year 2004 saw Folli Follie launch a new worldwide brand campaign, the strategic objective being to continue building Folli Follie as a Global Brand and enhance its image on a worldwide spectrum. The campaign in question was undertaken by the famous fashion photographer Michel Comte, known the world over for his inspiring and creative talent. The fact that he is at the forefront of fashion photography means there could be no fault in the collaboration of Michel Comte and Folli Follie. The images created were synonymous with Folli Follie's new vision to portray a bold, alluring yet elegant look; an innovative, contemporary approach to the world of fashion jewellery. The campaign had a huge impact worldwide by satisfying the expectations of media and customers alike.

Various methods of advertising took shape with Michel Comtes' images. Placing adverts in top international magazines as well as in a range of selected others to target its customers, meant that Folli Follie was able to expedite the worldwide awareness of its innovative and strongest campaign so far. Sixteen-page catalogues were inserted in various magazines, as well as double and single page spreads.

Furthermore, in the respective markets Folli Follie has a presence in, other forms of advertisement were deployed. Described as the "Supermodel of the people's catwalk", bus advertisement was the chosen form of promotion in Paris, Madrid and London. Bus routes running along the most famous shopping areas and landmarks in the centre of the above mentioned cities, displayed the remarkable Michel Comte lifestyle photography. The specific advertising medium proved to be really effective.

In the same year, all advertising campaigns were backed up by media investments and public relations activities. From events in Folli Follie shops around the world to major press and VIP events, Folli Follie attracted the interest of the international media throughout the year.

There were a number of events and sponsorships which took place in all local markets Folli Follie has a presence in. As an example, Athens was the chosen city for The Kabuki Theatre renown for its classic and traditional Japanese dance and music to perform in 2004. Folli Follie had great delight in sponsoring the three day

performance which took place in the famous Athens Megaron Music Hall in the centre of the city.

Moreover, in-store events took place all over Folli Follie's worldwide sales network, which included special occasion collection previews for significant press and media types, as well as for Folli Follie loyal customers.

As far as Folli Follie's presence in publications is concerned, the company's line of jewellery, watches and accessories was regularly featured throughout international publications. Folli Follie's product has been welcomed and unanimously praised throughout the world, which is evident through the immense amount of editorial coverage achieved.

The Athens Olympic Games of 2004 were very important for Folli Follie as a Greek company. It was a significant factor in that the company was able to share its Greek foundations on a grand spectrum

by communicating its brand to international media in various forms. Consequential media trips were organized in which selected titles were invited to Greece by Folli Follie throughout the summer of 2004. As an example, twelve pages plus front page coverage were dedicated to Folli Follie in Cosmopolitan China, whose trip to Athens involved Folli Follie product being modelled by a top actress and singer from the rapidly evolving country. Special interviews with the management of Folli Follie were also conducted in other titles such as the French magazine Paris Match and local financial and fashion publications in Greece and other countries, mainly European and Asian.

Overall, Folli Follie's strategic objective is rapidly becoming a reality and Folli Follie should continue to thrive into 2005 with new ideas and merchandise, which will create a global phenomenon and achieve permanent acceptance of a prime position amongst all its competitors.



UK



SPAIN



TAIWAN



CHINA



KOREA



FORESEEING 2005



The company's long term aim and strategy is to establish its brand name in the fashion field of jewellery, watches and accessories on an international basis.

Folli Follie is uniquely positioned as an "affordable luxury" brand. The product range features high quality designed jewellery, watches and accessories and is designed with the 20-45 year old working woman in mind. Folli Follie's unique philosophy means it combines the affordable with the luxurious. This combination is the element that makes the brand so unique and places it without any direct competition in the so-called premium positioning field. With the product itself and the unique positioning of the brand, the company invests in a combination of factors that will lead to further development.

The strengthening of the sales network in strategic markets such as China and the rest of Asia is included in the immediate plans of the company. The aim of the company in the forthcoming years is to focus on these countries currently distinguished for their ongoing success in the branded field just like France in Europe and Japan in Asia. The establishment of the brand name in the markets referred to above will conclude with demand for the brand in other equally important markets such as America and the rest of Europe.

As far as the product range of the company is concerned, Folli Follie is constantly enriching its collections. Folli Follie is expected to gain further international public interest with its new strong team of in-house designers who specialize in jewellery, watch and accessory designs in distinguished and unmatched styles. These enhancements will appear throughout Folli Follie's next collections, which apart from the modern and luxurious styles, are distinguished by a tendency to pioneer. With the combination of new materials and elaborate designs, the company will create a niche in the fashion market while solidly establishing its brand name internationally.

Finally, a thoroughly studied strategic plan for the promotion of products, which involves marketing and effective advertisement campaigns as well as communication and public relation activities, is expected to contribute significantly to the company's growth worldwide.



ADDITIONAL FINANCIAL DATA



The following table indicates Folli Follie's development of Consolidated Financial Data in the period 2002-2004.

	2002	2003	2004
Net Turnover (Sales)	131.594.344	160.583.929	194.661.729
Less: Cost of Sales ¹	49.120.427	60.003.003	77.543.013
Gross Margin	82.473.917	100.580.926	117.118.716
(% Sales)	62.67%	62.63%	60,17%
Other Operating Income	1.537.502	1.047.598	1.207.299
Gross Operating Profit	84.011.419	101.628.524	118.326.015
(% Sales)	63.84%	63.28%	60,78%
Administrative Expenses ¹	9.117.236	10.303.831	8.592.426
(% Sales)	6.9%	6.4%	4,4%
Research and Development Expenses ¹	351.305	438.098	247.572
(% Sales)	0.27%	0.27%	0,13%
Selling Expenses ¹	34.542.470	38.706.795	48.571.485
(% Sales)	26.2%	24.1%	24,95%
Directors' Remuneration	110.000	150.000	200.000
Net Operating Profit	39.890.408	52.029.800	60.714.532
(% Sales)	30.31%	32.4%	31,2%
Income from Participations	332.806	11.649.370	13.266.361
Gains from sale of Participations and Securities	14.332	78.464	3.238
Expenses and Losses from Participations and Securities	193.326	97.786	0
Extraordinary Results	-454.786	-1.317.939	-746.865
Earnings before Interest, Depreciation/Amortization and Taxes	39.589.434	62.341.909	73.237.266
(% Sales)	30.1%	38.8%	37,62%
Interest income/expenses and Similar Income/Expenses	-1.332.458	-3.183.829	-4.604.096
Earnings before Depreciation/Amortization and Taxes	38.256.976	59.158.080	68.633.170
(% Sales)	29.1%	36.8%	35,26%
Depreciation/Amortization	2.366.552	3.709.268	4.345.945
Earnings before Taxes	35.890.424	55.448.812	64.287.225
(% Sales)	27.3%	34.5%	33,03%
Income Tax	6.876.635	10.028.849	10.358.038
Net Profit for the Period	29.013.789	45.419.964	53.929.187
(% Sales)	22.05%	28.3%	27,7%
Prior years' tax differences	101.920	0	312.336
Minority Interests	3.163.753	1.921.091	1.805.072
Earnings after Taxes of the period, prior years' tax differences and Minority Interests	25.748.116	43.498.872	51.811.779
(% Sales)	19.56%	27.1%	26,62%

⁽¹⁾ Before Depreciation

The allocation of the Depreciation per year is shown in the following table:

	2002	2003	2004
A. Depreciation charged to:			
Cost of Sales	175.784	144.398	185.356
Administrative Expenses	548.978	1.230.755	1.285.597
Selling Expenses	1.540.473	1.728.062	2.311.423
Research and Development Expenses	12.655	51.417	8.933
B. Depreciation not charged to the Operating Expenses	88.662	554.636	554.636
TOTAL DEPRECIATION (A+B)	2.366.552	3.709.268	4.345.945

RECALCULATION OF EARNINGS BASED ON NOTES

	2004
Net Earnings for the year before Taxes	64.287.225
Recalculated Net Operating Profit	56.923.223
Recalculated Total Profits of the period	65.125.051
Recalculated Operating Profits of the period	64.378.187
Recalculated Earnings before Taxes based on Company's Note (No.3) and Remarks (No. 1 & 2) of Auditors' Report.	64.378.187

RECALCULATED SHAREHOLDERS' EQUITY

RECALCULATED SHAREHOLDERS' EQUITY	2004
Total Shareholders' Equity after Recalculation based on Company's Notes and Remarks of Auditors' Report	91.566.306

BALANCE SHEET DATA OF THE YEARS 2002-2004

ASSETS	2002	2003	2004
Formation Expenses	5.563.687	9.734.357	9.853.557
Less: Amortization (accumulated)	1.761.203	2.797.962	3.613.852
Net Book Value of Formation Expenses	3.802.484	6.936.395	6.239.705
Total Tangible & Intangible Assets	30.334.821	31.794.728	41.169.547
Less: Depreciation (accumulated)	7.541.368	8.484.423	9.049.201
Net Book Value of Tangible & Intangible Assets	22.793.453	23.310.304	32.120.346
Participating Interests in Associated Companies	14.249.972	39.283.401	41.498.922
Long-term Receivables	8.998.225	5.569.224	6.075.647
Total Fixed Assets	46.041.650	68.162.929	79.694.915
Inventories	29.750.322	42.276.486	47.056.164
Receivables	78.351.193	80.530.261	91.681.831
Marketable Securities	12.575.935	3.224.824	2.764.757
Cash and Cash Equivalents	10.384.244	23.524.393	33.725.699
Total Current Assets	131.061.694	149.555.963	175.228.451
Prepayments and Accrued Income	2.207.374	1.808.928	2.259.667
GRANDTOTAL ASSETS	183.113.202	226.464.215	263.422.738
<i>Debit Memo. Accounts</i>	<i>1.393.517</i>	<i>2.061.068</i>	<i>846.027</i>
LIABILITIES	2002	2003	2004
Share Capital	9.884.063	9.884.063	9.884.063
Share Premium Account	62.531.731	62.531.731	62.531.731
Reserves and Profits Carried Forward	49.585.075	84.734.497	116.425.372
Exchange difference from translation of foreign Subsidiaries' Balance Sheets	-853.168	-10.822.236	-12.354.947
Consolidation differences and Valuation differences of Associated Companies	-1.464.179	-89.279.134	-89.086.141
Minority Interest	3.900.194	4.836.883	4.720.864
Total Shareholders' Equity	123.583.716	61.885.803	92.120.942
Provisions	2.052.200	3.089.007	4.039.457
Long-term Debt	21.575.106	118.363.713	122.969.110
Suppliers-Cheques Payable	11.606.608	16.667.083	12.004.818
Short-term liabilities to banks	6.890.401	3.241.469	4.955.875
Advance payments from Trade Debtors	34.173	105.984	110.799
Taxes and social security	5.498.818	7.435.909	8.000.376
Other short-term liabilities	11.186.193	14.473.509	17.730.764
Total Short-term Liabilities	35.216.193	41.923.954	42.802.632
Accruals and Deferred Income	685.987	1.201.738	1.490.597
TOTAL LIABILITIES	183.113.202	226.464.215	263.422.738
<i>Credit Memo. Accounts</i>	<i>1.393.517</i>	<i>2.061.068</i>	<i>846.027</i>

CONSOLIDATED CASH FLOW STATEMENT OF “FOLLI FOLLIE” S.A.

FOLLI FOLLIE S.A.
Public Companies (S.A.) Reg. No.18989/06/B/89/17
for the year 2004 from 1.1.2004 to 31.12.2004

Serial No.	Analysis	Amounts in €	Amounts in €
	Cash Flows from Operating Activities	2004	2003
A 100	Cash Inflows	198.584.659,85	163.915.262,70
101	Sales	194.661.728,51	160.583.928,62
102	Other operating income	1.207.299,46	1.047.597,85
103	Extraordinary and non-operating income	2.414.982,81	1.485.214,93
104	Prior years' income	0,00	0,00
105	Credit interest (deposits etc.)	286.952,35	70.999,61
106	Income from securities	840,00	19.932,35
107	Disposal of securities	12.856,72	707.589,34
108	Decrease in debtors	0,00	0,00
	Deducted:	11.264.737,39	2.219.077,68
109	Purchase of securities	12.487,26	49.926,33
110	Increase in debtors	11.252.250,13	2.169.151,35
	Total Cash Inflows (A.100)	187.319.922,46	161.696.185,02
A 200	Cash Outflows	149.428.212,23	133.763.668,93
201	Cost of sales (less depreciation and provisions)	77.521.108,83	59.979.185,95
202	Administrative expenses	7.955.240,83	10.264.963,71
203	Research and development costs	246.438,62	433.687,90
204	Distribution costs	48.104.578,26	38.773.888,87
205	Underemployment and idle time cost	0,00	0,00
206	Other expenses	3.296.556,54	11.785.777,61
207	Increase in inventories	7.040.192,67	12.526.164,89
208	Increase in prepayments and accrued income	452.308,96	0,00
209	Decrease in accruals and deferred income	0,00	0,00
210	Decrease in creditors (except Banks)	4.811.787,52	0,00
	Deducted:	279.233,33	5.969.090,04
211	Decrease in inventories	0,00	0,00
212	Decrease in prepayments and accrued income	0,00	398.446,70
213	Increase in accruals and deferred income	279.233,33	515.750,92
214	Increase in creditors (except Banks)	0,00	5.054.892,42
	Total Cash Outflows (A.200)	149.148.978,90	127.794.578,89
A 300	Cash Outflows for taxes	10.836.531,66	10.028.849,01
301	Income Tax	0,00	10.028.849,01
302	Other not charged to the operating cost taxes	0,00	0,00
303	Tax differences upon tax control	312.336,00	0,00
304	Decrease in taxes-duties	10.524.195,66	0,00
	Deducted:	0,00	2.406.470,17
305	Increase in taxes - duties	0,00	2.406.470,00
	Total Cash Outflows (A.300)	10.836.531,66	7.622.378,84
	Net Cash from Operating Activities		
	(A 100 - A 200 - A 300) = A	27.334.411,90	26.279.227,29
B	Cash Flows from Investing Activities		
B 100	Cash Inflows	0,00	0,00
101	Sales of intangible Fixed Assets	0,00	0,00
102	Cash receipts from sales of tangible Fixed Assets	766.642,72	1.173.921,41
103	Sales of equity and other assets	0,00	684.802,75
104	Decrease in long-term receivables	0,00	0,00
105	Proceeds from investments	7.800.000,00	3.429.001,04
106	Credit interest (long-term, ect. - receivables)	0,00	5.210.784,53
	Total Cash Inflows (B 100)	8.566.642,72	10.498.509,73
B 200	Cash Outflows	0,00	0,00
201	Purchase of intangible Fixed Assets	0,00	0,00
202	Purchase of tangible Fixed Assets	11.256.903,50	2.251.280,00
203	Purchase of investments	0,00	3.318.631,48
204	Increase in long-term receivables	953.824,62	88.706.586,00
205	Increase in formation expenses	981.332,39	4.170.669,29
	Total Cash Outflows (B 200)	13.192.060,51	98.447.166,77

		Net Cash from Investing Activities		
		(B 100 – B 200) = B	-4.625.417,79	-87.948.657,04
C		Cash Flows from Financing Activities		
C	100	Cash Inflows	0,00	0,00
	101	Proceeds from issuance of shares and share premium account	0,00	0,00
	102	Proceeds from grants for investments in Fixed Assets	0,00	0,00
	103	Increase in long-term debt	4.652.136,90	0,00
	104	Increase in current liabilities (Bank accounts)	1.693.483,44	96.788.606,75
		Total Cash Inflows (C 100)	6.345.620,34	96.788.606,75
C	200	Cash Outflows	0,00	0,00
	201	Decrease (acquire or redeem) in share capital	0,00	0,00
	202	Cash Repayments of grants for investments in F.A's	0,00	0,00
	203	Decrease in long-term debt	0,00	0,00
	204	Decrease in current liabilities (Bank accounts)	0,00	0,00
	205	Interest paid	4.891.048,60	3.648.932,29
	206	Dividends paid	4.304.785,55	3.254.828,70
	207	Profit sharing (Distribution to personnel)	0,00	4.956.198,09
	208	Directors' participation rights from year's profit	200.000,00	150.000,00
		Total Cash Outflows (C 200)	9.395.834,15	12.009.959,08
		Net Cash from Financing Activities		
		(C100 – C200) = C	-3.050.213,81	84.778.647,67
		Cash Flows of the Company (A + B + C)	19.658.780,30	23.109.217,92
		PLUS: CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	23.524.392,50	10.384.243,63
		CASH & CASH EQUIVALENTS AT END OF PERIOD	43.183.172,85	33.493.461,55
			-9.457.474,09	-9.969.069,00
			33.725.698,76	23.524.392,55

Ag. Stefanos, 10 May 2005

The Chairman
of the Board. of Directors

DIM. G. KOUTSOLIOUTSOS
ID. No. H 159150

The Vice-chairman
of the Board. of Directors

GEORG. D. KOUTSOLIOUTSOS
ID. No. Ξ 433750

The Head
of Accounts Dept.

GEORGIOS D. ALAVANOS
ID. No. P 520955
H.E.C. Licence No. 0008211/A' Class

Auditors' Certification of Audit

We have audited the above Cash Flow Statement of "FOLLIE FOLLIE" S.A. for the year 2004. and we certify that this is the Cash Flow Statement referred to in the Auditors' Report issued and submitted by ourselves on 16 May 2005 for the Financial Statements of this year. In our opinion the aforestated Cash Flow Statement presents the Cash Inflows and Outflows from the activities of the above company during the year.

Ag. Stefanos, 10 May 2005

The Certified Public Accountant Auditor

DIMITRIOS I. IAKOVIDIS
SOEL Reg. No.13251
SOL S.A. - Certified Public Accountants Auditors

FOLLI-FOLLIE
Public Companies (S.A.)
CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2004
6th YEAR

ASSETS	YEAR ENDED 2004			YEAR ENDED 2003		
	Acquisition cost	Depreciation	Net Book value	Acquisition cost	Depreciation	Net Book value
B. FORMATION EXPENSES						
1. Preliminary expenses	510.154,53	387.479,34	122.675,19	1.711.307,48	1.218.278,68	493.028,80
4. Other formation expenses	9.343.402,26	3.226.372,36	6.117.029,90	8.023.049,07	1.579.683,25	6.443.365,82
	<u>9.853.556,79</u>	<u>3.613.851,70</u>	<u>6.239.705,09</u>	<u>9.734.356,55</u>	<u>2.797.961,93</u>	<u>6.936.394,62</u>
C. FIXED ASSETS						
I. Intangible Assets						
2. Concessions and industrial rights	118.540,11	62.947,61	55.592,50	115.096,48	40.720,55	74.375,93
5. Other intangible assets	735.499,07	507.765,38	227.733,69	1.383.310,08	893.177,64	490.132,44
	<u>854.039,18</u>	<u>570.712,99</u>	<u>283.326,19</u>	<u>1.498.406,56</u>	<u>933.898,19</u>	<u>564.508,37</u>
II. Tangible Assets						
1. Land	3.806.545,91	0,00	3.806.545,91	2.008.007,63	0,00	2.008.007,63
3. Buildings and technical works	26.043.893,82	2.473.968,02	23.569.925,80	13.757.055,53	2.664.425,37	11.092.630,16
4. Machinery, technical installations and other mechanical equipment	1.578.863,53	1.041.272,46	537.591,07	1.500.935,32	940.411,47	560.523,85
5. Transportation equipment	475.114,40	269.235,27	205.879,13	475.114,40	222.196,89	252.917,51
6. Furniture and fixtures	8.411.090,03	4.694.011,85	3.717.078,18	7.375.137,57	3.723.491,86	3.651.645,71
7. Payments on account and tangible assets in course of construction	0,00	0,00	0,00	5.180.071,26	0,00	5.180.071,26
	<u>40.315.507,69</u>	<u>8.478.487,60</u>	<u>31.837.020,09</u>	<u>30.296.321,71</u>	<u>7.550.525,59</u>	<u>22.745.796,12</u>
Total Tangible and Intangible Assets (CI+CII)	<u>41.169.546,87</u>	<u>9.049.200,59</u>	<u>32.120.346,28</u>	<u>31.794.728,27</u>	<u>8.484.423,78</u>	<u>23.310.304,49</u>
III. Financial Assets						
1a. Participating interests in associated companies			41.498.921,92			39.283.401,03
7. Other long-term receivables			6.075.646,64			5.569.223,87
			<u>47.574.568,56</u>			<u>44.852.624,90</u>
Total Fixed Assets (CI+CII+CIII)			<u>79.694.914,84</u>			<u>68.162.929,39</u>
D. CURRENT ASSETS						
I. Inventories						
1. Merchandise			43.911.979,62			39.084.405,81
2. Finished and semi-finished products, by-products and scrap			571.453,25			719.999,89
4. Raw and auxiliary materials-consumables-spare parts and packing items			2.106.846,39			1.872.353,70
5. Payments on account for stock purchases			465.884,91			599.726,99
			<u>47.056.164,17</u>			<u>42.276.486,39</u>
II. Receivables						
1. Trade debtors	82.752.729,58			73.902.795,47		
Less: Provisions	0,00		82.752.729,58	129.403,50		73.773.391,97
3a. Cheques receivable			2.164.772,46			1.245.686,29
3b. Cheques overdue			5.327,95			5.327,95
11. Sundry debtors			6.711.353,11			5.492.722,73
12. Advances to account for			47.647,79			13.131,67
			<u>91.681.830,89</u>			<u>80.530.260,61</u>
III. Marketable securities						
1. Shares	4.461.806,46			4.468.823,79		
3. Other securities	2.030.085,73			2.019.460,98		
Less: Provisions for value decline	3.727.135,45		2.764.756,74	3.263.460,91		3.224.823,86
IV. Cash and cash equivalents						
1. Cash on hand			1.712.268,29			3.105.071,89
3. Current and time deposits			32.013.430,47			20.419.320,66
			<u>33.725.698,76</u>			<u>23.524.392,55</u>
Total Current Assets (DI+DII+DIII+DIV)			<u>175.228.450,56</u>			<u>149.555.963,41</u>
E. PREPAYMENTS AND ACCRUED INCOME						
1. Prepaid expenses			1.836.633,39			1.625.185,58
3. Other prepayments and accrued income			423.034,59			183.742,38
			<u>2.259.667,98</u>			<u>1.808.927,96</u>
GRAND TOTAL-ASSETS (B+C+D+E)			<u>263.422.738,47</u>			<u>226.464.215,38</u>
DEBIT MEMO. ACCOUNTS						
1. Third party asset items			846.026,66			846.026,66
4. Other memo.accounts			0,00			1.215.041,32
			<u>846.026,66</u>			<u>2.061.067,98</u>

Notes:

1) The above consolidated Balance Sheet includes the companies 1) FOLLI – FOLLIE S.A. (parent) and the companies 2) FOLLI – FOLLIE HONG KONG LTD, with percentage 99,99% (direct participation) 3) FOLLI – FOLLIE U.K. LTD with percentage 99,99% (direct participation) 4) FOLLI – FOLLIE FRANCE S.A. with participation percentage 99,94% (direct participation) 5) FOLLI – FOLLIE JAPAN LTD with percentage 40% (direct participation) 6) FOLLI – FOLLIE POLAND S.Z.O.O. with percentage 100% (direct participation) 7) FOLLI – FOLLIE SLOVAKIA S.R.O. with percentage 100% (direct participation) 8) FOLLI – FOLLIE CZECH S.R.O. with percentage 100% (direct participation) 9) FOLLI – FOLLIE SPAIN S.A. with percentage 100% (direct participation) 10) FOLLI – FOLLIE GERMANY GMBH with percentage 100% (direct participation) 11) FOLLI – FOLLIE ASIA LTD with percentage 99,99% (indirect participation) 12) BLUEFOL GUAM INC with percentage 99,99% (indirect participation) 13) BLUEFOL HAWAI INC with percentage 99,99% (indirect participation) 14) BLUEFOL HONG KONG LTD with percentage 99,99% (indirect participation) 15) BLUEFOL MALAYSIA SDN. BHD with percentage 99,99% (indirect participation) 16) BLUEFOL THAILAND CO LTD with percentage 99,99% (indirect participation). 17) BLUEFOL SINGAPORE with percentage 99,99% (indirect participation). 18) FOLLI FOLLIE TAIWAN with percentage 99,99% (indirect participation). 19) FOLLI LTD with percentage 99,99% (indirect participation), which were consolidated by the full consolidation method, as well as also. 20) DUTY FREE SHOPS S.A. with percentage 24,679% (direct participation), 21) MFK FASHION INVESTMENT LTD with participation 40% (direct participation), which were consolidated by the equity method. The consolidation was made, according to the provisions of article 90 until 109 of c.L. 2190/1920 (Companies' Act of Greece). In the items of the previous year was not included the company "FOLLI – FOLLIE GERMANY GMBH".

S.A.
Reg. No. 18989/06/B/89/17
(JANUARY 1 - DECEMBER 31, 2004)
(Amounts in EURO)

LIABILITIES

	YEAR ENDED 2004	YEAR ENDED 2003
A. SHAREHOLDERS' EQUITY		
I. Share Capital		
1. Paid-up capital	9.884.062,50	9.884.062,50
II. Share premium account	62.531.731,47	62.531.731,47
III. Revaluation Reserves - Investment Grants		
2. Reserves from revaluation of other assets	44.501,46	0,00
IV. Reserves		
1. Legal reserve	5.558.057,09	3.729.200,79
Less: Loss on value decline of securities for netting off	3.868.348,24	3.404.673,70
	1.689.708,85	324.527,09
5. Tax-free reserves under special laws	16.601.662,23	14.281.662,23
6. Reserves taxed at special provisions	711.651,35	709.732,08
	19.003.022,43	15.315.921,40
Less: Valuation differences of associated companies	-85.563.675,67	-85.563.675,67
Less: Consolidation differences	-3.522.465,02	-3.715.459,02
V. Results carried forward		
Profit carried forward	97.377.848,01	69.418.575,99
VII. Exchange difference from translation of foreign subsidiaries' Balance Sheets	-12.354.946,70	-10.822.236,49
IX. Minority Interests	4.720.863,71	4.836.883,05
Total Shareholders' Equity (AI+AII+AIII+AIV+AV+AVII+AIX)	92.120.942,19	61.885.803,23
B. PROVISIONS FOR LIABILITIES AND CHARGES		
1. Provisions for staff retirement benefits	2.694.862,82	1.539.661,67
2. Other provisions	1.344.594,57	1.549.345,10
	4.039.457,39	3.089.006,77
C. LIABILITIES		
I Long-term debt		
2. Bank loans	120.775.168,78	118.363.712,98
8. Other long - term debt	2.193.941,16	0,00
	122.969.109,94	118.363.712,98
II. Current Liabilities		
1. Suppliers	11.287.572,10	15.751.224,58
2a. Cheques payable	717.245,64	915.858,46
3. Banks	4.955.874,61	3.241.468,75
4. Advances from trade debtors	110.799,24	105.984,32
5. Taxes-duties	7.430.797,21	7.009.442,89
6. Social security	569.578,90	426.465,88
10. Dividends payable	10.174.538,36	7.231.011,41
11. Sundry creditors	7.556.225,21	7.242.497,91
	42.802.631,27	41.923.954,20
Total Liabilities (CI + CII)	165.771.741,21	160.287.667,18
D. ACCRUALS AND DEFERRED INCOME		
2. Accrued expenses	1.150.905,85	1.201.059,54
3. Other accruals and deferred income	339.691,83	678,66
	1.490.597,68	1.201.738,20
GRAND TOTAL SHAREHOLDERS' EQUITY & LIABILITIES (A+B+C+D)	263.422.738,47	226.464.215,38
CREDIT MEMO. ACCOUNTS		
1. Beneficiaries of asset items	846.026,66	846.026,66
4. Other memo.accounts	0,00	1.215.041,32
	846.026,66	2.061.067,98

2] There are no real or other liens on the fixed assets.

3] The last value adjustment of the parent company's property assets was made at 31.12.2004, based on the provisions of L. 2065/92 as in effect, owing to which the acquisition cost of land increased by € 30.538,28, of buildings by € 66.929,55 and the accumulated depreciation of the buildings increased by € 52.966,37. The depreciation of the buildings was calculated on their adjusted value and therefore it is higher than that, which would have arisen had the revaluation not occurred, by € 3.346,48. The arising revaluation surplus of € 44.501,46 was recorded in the account A.III.2 "Reserves from revaluation of other assets" under Equity.

4] In the Assets items D.III.1 "Shares" and D.III.3 "Other securities" which belong to the parent company are also included shares of companies listed on the Stock Exchange of EURO 2.902.228,11, shares of foreign companies listed on the Stock Exchange of EURO 1.559.578,35 as well as units of Mutual Funds of EURO 2.030.085,73, namely total acquisition cost EURO 6.491.892,19, which were valued at 31.12.2004 at their market value. The loss from the value decline of EURO 463.674,54 that incurred at their valuation in the current year, was directly transferred, in decrease of the shareholders' equity.

5] The parent company has undergone an audit from Tax Authorities up to the year 2003, inclusive.

CONSOLIDATED INCOME STATEMENT

At 31 December 2004 (January 1 - December 31, 2004)

	YEAR ENDED 2004		YEAR ENDED 2003	
I. Operating Results				
Net turnover (sales)		194.661.728,52		160.583.928,62
Less: Cost of sales		<u>77.728.368,56</u>		<u>60.147.400,51</u>
Gross operating results (profit)		116.933.359,96		100.436.528,11
Plus: Other operating income		<u>1.207.299,46</u>		<u>1.047.597,85</u>
Total		<u>118.140.659,42</u>		<u>101.484.125,96</u>
LESS: 1. Administrative expenses	9.878.022,59		11.534.586,98	
1a. Directors remuneration	200.000,00		150.000,00	
2. Research and development costs	256.505,25		489.514,81	
3. Distribution costs	<u>50.882.908,24</u>	<u>61.217.436,08</u>	<u>40.434.856,33</u>	<u>52.608.958,12</u>
Sub-total (profit)		56.923.223,34		48.875.167,84
PLUS: 1. Income from participating interests	3.250.840,00		5.210.784,53	
3. Gains from sale of participating interests & securities	3.237,93		78.464,15	
4. Credit interest and similar income	286.952,35		70.999,61	
Plus: Gains from participations in associated companies	<u>10.015.520,89</u>		<u>6.438.586,48</u>	
	13.556.551,17		11.798.834,77	
Less: 2. Expenses and losses from participating interests & securities	0,00		97.785,91	
3. Debit interest and similar charges	<u>4.891.048,60</u>	<u>4.891.048,60</u>	<u>3.254.828,70</u>	<u>3.352.614,61</u>
Total operating results (profit)		65.588.725,91		57.321.388,00
II. PLUS: Extraordinary results				
1. Extraordinary and non-operating income	2.323.385,24		1.066.889,75	
2. Extraordinary gain	<u>226.306,76</u>		<u>418.325,18</u>	
	2.549.692,00		1.485.214,93	
Less:				
1. Extraordinary and non-operating expenses	3.169.248,03		2.483.259,08	
2. Extraordinary losses	<u>127.308,51</u>	<u>3.296.556,54</u>	<u>319.895,84</u>	<u>2.803.154,92</u>
Operating and extraordinary results (profit)		64.841.861,37		56.003.448,01
LESS: Total depreciation of fixed assets	4.345.945,33		3.709.268,29	
Less: Charged to the operating cost	<u>3.791.309,29</u>	<u>554.636,04</u>	<u>3.154.632,20</u>	<u>554.636,09</u>
NET RESULTS (PROFIT) FOR THE YEAR BEFORE TAXES		<u>64.287.225,33</u>		<u>55.448.811,92</u>
LESS: - Prior years' tax differences		312.336,00		0,00
- Income tax		<u>10.358.037,72</u>		<u>10.028.849,01</u>
NET RESULTS (PROFIT) FOR THE YEAR		53.616.851,61		45.419.962,91
Less: Minority interests - quota		<u>1.805.072,24</u>		<u>1.921.091,58</u>
NET CONSOLIDATED PROFIT		<u>51.811.779,37</u>		<u>43.498.871,33</u>

Ag. Stefanos, 10 May 2005

The Chairman of the Board. of Directors DIM. G. KOUTSOLIOUTSOS ID. No. H 159150	The Vice-chairman of the Board. of Directors GEORG. D. KOUTSOLIOUTSOS ID. No. Ξ 433750	The Finance & Tax Advisor IOANNIS D. ZANNOS ID. No. K 004406	The Head of Accounts Dept. GEORGIOS D. ALAVANOS ID. No. P 520955 H.E.C. Licence No. 0008211/A' Class
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AUDITORS' REPORT
To the Shareholders of "FOLLI – FOLLIE, S.A." and its subsidiaries

We have audited according to the provisions of art. 108 of c.L. 2190/1920 the sixth Consolidated Financial Statements, the consolidated Cash Flow Statement as well as the related Notes to the Financial Statements of "FOLLI – FOLLIE" S.A. and its subsidiary undertakings, for the year ended 31 December 2004. Our examination, included such auditing procedures as we considered appropriate for the purpose of our audit, which are in conformity with the standards of auditing followed by the Institute of Certified Auditors Accountants in Greece and lastly we verified that the Consolidated Directors' Report is consistent with the related Consolidated Financial Statements. We have not extended our audit to the examination a) of the financial statements of the companies "FOLLI – FOLLIE HONG KONG LTD", "FOLLI – FOLLIE U.K. LTD", "FOLLI – FOLLIE FRANCE S.A.", "FOLLI – FOLLIE SPAIN S.A.", "FOLLI – FOLLIE CZECH s.r.o." "FOLLI – FOLLIE POLAND s.z.o.o." "FOLLI – FOLLIE SLOVAKIA s.r.o.", "FOLLI – FOLLIE GMBH", which are included in the consolidation and represent 45% and 64% of consolidated total assets and turnover respectively, the company "DUTY FREE SHOPS S.A.", which was consolidated by the equity method, the Financial Statements of which are audited by other recognized Certified Auditors, on whose Auditors' Report we have relied on, in order to express our opinion hereof, insofar as it relates to the items included in the consolidation of the aforesaid undertakings b) the financial statements of the company "FOLLI – FOLLIE JAPAN LTD" which is included in the consolidation and represents 12% and 16% of consolidated total assets and turnover respectively, the financial statements of which are not accompanied by an Auditors' Report of a recognized auditor, because its fiscal year ends on 28.2.2005 and the Auditors' Report is issued afterwards and c) the financial statements of the company "MFK FASHION INVESTMENTS LTD", which is included in the consolidation by the equity method, the financial statements of which are not accompanied by an Auditors' Report of a recognized auditor and as it represents a minus rate we did not extend our audit, thereto. As a result of our audit arose the following matters: 1) The Parent Company valued the shares and the other securities at their market value as stated in detail in the Company's note No. 4. 2) In the net carrying value of the Assets item B.4. "Other Formation Expenses" is included also an amount of € 554.636,09, which concerns the 1/3 of debit exchange differences incurred in the year 2003 at the valuation and collection of claims in U.S.D. of the parent company on the basis of POL. 1026/26.3.2004 decision of the Ministry of Economy and Finance, which will be amortized within the following year, therefore the results for the year are decreased by this amount and the Shareholders' Equity is equally in amount improved. In our opinion, after taking into consideration our foregoing notes, as well as the Company's notes under the Balance Sheet, the above Consolidated Financial Statements, have been prepared according to the provisions of c.L. 2190/1920 and in conformity with legal requirements and generally accepted accounting principles applied by the parent company on a basis consistent with that of the preceding year, give a true and fair view of the net assets and financial position, the results of operations and the Cash Flows of all the companies which are included in the consolidation, as at 31 December, 2004.

Ag. Stefanos, 16 May 2005

The Certified Public Accountant Auditor

DIMITRIOS I. IAKOVIDIS

SOEL Reg. No.13251

SOL S.A. - Certified Public Accountants Auditors





