

FOLLI FOLLIE S.A
INTERIM FINANCIAL STATEMENTS
COMPILED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

30 JUNE 2006

(Period from 1 January to 30 June 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 Period from 1 January 2006 to 30 June 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, 22th of August 2006

For account of FOLLI FOLLIE S.A.

Dimitrios Koutsolioutsos

Chairman of the Board of Directors

AUDITORS REVIEW REPORT

To the Shareholders of « **FOLLI-FOLLIE A.B.E.E** »

We have reviewed the accompanying Interim Financial Statements and the Consolidated Interim Financial Statements of the societe anonyme « **FOLLI-FOLLIE A.B.E.E** », as of and for the six-month period ended 30 June 2006. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the Greek Review Standard, which is based on the International Standard on Review Engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether these interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements and the accompanying Consolidated Interim Financial Statements do not give a true and fair view in accordance with the International Financial Reporting Standards that have been adopted by the European Union (IAS 34).

Athens, 28August 2006

GEORGIOS I. VARTHALITIS
Certified Public Accountant
SOEL Reg. No. 10251



1. DATA FROM BALANCE SHEET

I. BALANCE SHEET

	THE GROUP		THE COMPANY	
	<u>30/6/2006</u>	<u>31/12/2005</u>	<u>30/6/2006</u>	<u>31/12/2005</u>
ASSETS				
Tangible Assets	59.503.562,22	29.269.571,73	16.854.772,37	17.175.960,39
Investments in PPE	15.380.000,00	15.380.000,00	15.380.000,00	15.380.000,00
Intangible Assets	261.778.806,28	4.185.089,70	695.666,03	750.442,44
Investments in associates	0,00	40.395.445,88	365.192.686,75	159.505.501,95
Deferred income tax assets	2.977.830,75	2.660.750,50	508.420,93	703.225,42
Other long term receivables	9.387.309,90	6.838.204,67	286.071,52	419.574,43
Total non- current assets (a)	<u>349.027.509,15</u>	<u>98.729.062,48</u>	<u>398.917.617,60</u>	<u>193.934.704,63</u>
Inventories	133.485.385,97	71.758.888,21	14.025.142,19	14.134.365,54
Trade Receivables	123.164.323,95	121.290.148,36	18.169.538,86	18.872.475,88
Other Receivables	26.664.570,09	6.199.578,58	2.438.219,89	2.395.951,33
Other financial assets at fair value through profit or loss	3.088.708,48	2.921.508,63	1.371.254,78	2.921.508,63
Cash and cash equivalents	87.474.041,90	33.892.169,63	31.908.063,43	13.247.662,22
Total current assets (b)	<u>373.877.030,39</u>	<u>236.062.293,41</u>	<u>67.912.219,15</u>	<u>51.571.963,60</u>
TOTAL ASSETS (a) + (b)	<u><u>722.904.539,54</u></u>	<u><u>334.791.355,89</u></u>	<u><u>466.829.836,75</u></u>	<u><u>245.506.668,23</u></u>
LIABILITIES				
Non-current liabilities				
Long-term borrowings	328.797.729,49	125.149.592,17	322.287.143,31	119.499.958,91
Retirement benefit obligations	7.938.772,87	3.356.944,74	560.083,98	540.126,00
Deferred income tax liabilities	14.923.991,28	1.047.943,78	1.097.721,63	1.035.080,14
Provisions for other liabilities and charges	4.961.273,34	4.054.878,43	777.317,11	698.272,82
Total non-current liabilities	<u>356.621.766,98</u>	<u>133.609.359,12</u>	<u>324.722.266,03</u>	<u>121.773.437,87</u>
Current liabilities				
Trade payables	43.399.303,77	15.829.100,60	1.383.372,18	3.487.817,55
Short-term Borrowings	6.972.066,39	5.047.457,92	6.303.331,36	4.863.495,62
Other current liabilities	40.980.064,52	18.332.977,03	14.098.755,35	6.052.479,60
Total current liabilities	<u>91.351.434,68</u>	<u>39.209.535,55</u>	<u>21.785.458,89</u>	<u>14.403.792,77</u>
Total Liabilities (a)	<u>447.973.201,66</u>	<u>172.818.894,67</u>	<u>346.507.724,92</u>	<u>136.177.230,64</u>
EQUITY				
Share capital	9.884.062,50	9.884.062,50	9.884.062,50	9.884.062,50
Share premium	62.531.731,47	62.531.731,47	62.531.731,47	62.531.731,47
Other reserves	35.230.254,32	24.513.525,66	20.075.581,21	19.679.018,84
Retained earnings	184.891.510,85	161.106.539,24	27.830.736,65	17.234.624,78
Exchange differences	-25.708.936,42	-12.980.009,96		
Other capital and reserves attributable to equity holders of the Company	-88.927.927,73	-88.927.927,73		
Total capital and reserves attributable to equity holders of the Company (b)	<u>177.900.694,99</u>	<u>156.127.921,18</u>	<u>120.322.111,83</u>	<u>109.329.437,59</u>
Minority interest (c)	<u>97.030.642,89</u>	<u>5.844.540,04</u>		
Total Equity (d) = (b)+(c)	<u>274.931.337,88</u>	<u>161.972.461,22</u>	<u>120.322.111,83</u>	<u>109.329.437,59</u>
TOTAL EQUITY AND LIABILITIES (e) = (a)+(d)	<u><u>722.904.539,54</u></u>	<u><u>334.791.355,89</u></u>	<u><u>466.829.836,75</u></u>	<u><u>245.506.668,23</u></u>

2. DATA FROM INCOME STATEMENT FOR THE YEAR

II. INCOME STATEMENT (PER OPERATION)

	THE GROUP		THE COMPANY	
	1/1-30/6/2006	1/1-30/6/2005	1/1-30/6/2006	1/1-30/6/2005
Sales Revenue	167.278.969,85	100.764.368,78	17.108.821,45	19.169.098,90
Cost of goods sold	-73.263.844,06	-38.240.224,00	-5.351.175,92	-6.210.905,02
Gross profit	94.015.125,79	62.524.144,78	11.757.645,53	12.958.193,88
Other operating income	6.538.651,97	2.183.278,04	950.133,81	1.866.041,87
Administrative expenses	-8.683.336,00	-5.399.320,35	-2.605.031,49	-2.103.723,85
Selling and marketing costs	-42.195.566,84	-24.345.052,27	-5.883.894,51	-5.084.730,84
Other expenses	-938.303,46	-656.580,74	-499.029,00	-39.218,58
Operating profit	48.736.571,46	34.306.469,46	3.719.824,34	7.596.562,48
Finance costs - profit	1.491.212,01	1.156.215,64	581.626,59	577.770,26
Finance costs - expenses	-3.801.784,35	-2.549.139,54	-3.594.838,22	-2.421.839,96
Share of profit of associates	4.176.574,06	3.826.601,35	20.987.836,25	9.671.639,04
Profit before taxes (EBT)	50.602.573,18	36.740.146,91	21.694.448,96	15.424.131,82
Income tax expense	-11.402.659,54	-7.602.948,24	-1.776.601,61	-1.923.081,42
Profit for the period (after taxes)	39.199.913,64	29.137.198,67	19.917.847,35	13.501.050,40
<u>Attributable to:</u>				
Equity holders of the Company	34.331.997,86	29.453.471,26		
Minority interest	-4.867.915,78	-316.272,59		
Earnings (after taxes) per share - basic (expressed in €)	1,04	0,89	0,60	0,41
Amortisation - Depreciation	2.474.695,17	1.830.737,72	520.652,94	527.145,17
Earnings (profit) before taxes, financing and investing results and depreciation - amortisation (EBITDA)	51.211.266,63	36.137.207,18	4.240.477,28	8.123.707,65
Earnings (profit) before taxes, financing and investing results (EBIT)	48.736.571,46	34.306.469,46	3.719.824,34	7.596.562,48

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	THE GROUP		THE COMPANY	
	1/4-30/6/2006	1/4-30/6/2005	1/4-30/6/2006	1/4-30/6/2005
Sales Revenue	105.428.203,28	47.433.632,87	6.938.487,04	7.543.963,54
Cost of goods sold	-49.063.434,97	-16.937.349,46	-2.068.876,57	-2.396.626,30
Gross profit	56.364.768,31	30.496.283,41	4.869.610,47	5.147.337,24
Other operating income	5.760.227,51	787.930,69	506.368,41	846.331,08
Administrative expenses	-5.599.373,44	-2.474.314,39	-1.403.869,58	-1.122.146,35
Selling and marketing costs	-27.310.050,80	-13.502.995,54	-3.219.948,66	-2.937.554,36
Other expenses	-568.036,38	-363.289,54	-344.461,44	-16.871,36
Operating profit	28.647.535,20	14.943.614,63	407.699,20	1.917.096,25
Finance costs - profit	931.625,56	753.202,35	57.086,61	182.547,66
Finance costs - expenses	-2.418.058,33	-1.378.841,00	-2.314.824,22	-1.310.896,04
Share of profit of associates	2.817.073,61	2.587.452,03	20.987.836,25	9.671.639,04
Profit before taxes (EBT)	29.978.176,04	16.905.428,01	19.137.797,84	10.460.386,91
Income tax expense	-7.331.971,84	-3.423.853,54	-922.700,48	-250.883,90
Profit for the period (after taxes)	22.646.204,20	13.481.574,47	18.215.097,36	10.209.503,01
<u>Attributable to:</u>				
Equity holders of the Company	17.779.888,42	13.813.613,98		
Minority interest	-4.869.515,78	-332.039,51		
Earnings (after taxes) per share - basic (expressed in €)	0,54	0,42	0,55	0,31
Amortisation - Depreciation	1.581.295,32	988.717,63	269.724,36	261.516,50
Earnings (profit) before taxes, financing and investing results and depreciation - amortisation (EBITDA)	30.228.830,52	15.932.332,26	677.423,56	2.178.612,75
Earnings (profit) before taxes, financing and investing results (EBIT)	28.647.535,20	14.943.614,63	407.699,20	1.917.096,25

FOLLI FOLLIE S.A.

3. DATA FROM STATEMENT OF CHANGES IN EQUITY FOR THE YEAR (AMOUNTS REPORTED IN EURO)

	THE GROUP		THE COMPANY	
	<u>30/6/2006</u>	<u>30/6/2005</u>	<u>30/6/2006</u>	<u>30/6/2005</u>
Net equity of period				
Opening 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	0,00	0,00	0,00	0,00
Distribution of dividend based on resolution of G.M.	-8.845.951,25	-8.697.492,50	-8.566.187,50	-7.248.312,50
Directors' fees	-313.514,50	-326.541,80	-250.000,00	-200.000,00
Change in participation percentage-Change in consolidation method	86.318.066,26			
Net income recognised directly in equity	9.438.947,00			
Profit for the period, after taxes	39.199.913,64	29.137.198,67	19.917.847,35	13.501.050,40
Adjustment in foreign currency translation differences	-12.729.598,88	15.289.696,15	0,00	0,00
Own Stock	-108.985,61	0,00	-108.985,61	0,00
Net equity of period Closing Balance	<u>274.931.337,88</u>	<u>131.310.922,81</u>	<u>120.322.111,83</u>	<u>107.401.786,01</u>

4. DATA FROM CASH FLOW STATEMENT

(AMOUNTS REPORTED IN EURO)

IV. CASH FLOW STATEMENT

	1/1-30/6/2006	1/1-30/6/2005	1/1-30/6/2006	1/1-30/6/2005
Cash Flows related to Operating Activities				
Net Profit before taxes	50.602.573,18	36.740.146,91	21.694.448,96	15.424.131,82
<i>Adjustments in respect of non-cash transactions:</i>				
Depreciation and Amortisation	2.474.695,71	1.830.737,72	520.652,94	527.145,17
Provisions	661.205,00	757.489,83	111.000,00	114.493,02
Cash flows from investing activities	-4.610.479,77	-4.172.783,30	-21.405.770,16	-9.710.118,42
Debit interest and similar expenses	2.724.909,11	2.281.622,20	3.464.715,72	2.321.542,57
Other non cash expenses				-224.129,15
Operating profit before adjustments of working capital	51.852.903,23	37.437.213,36	4.385.047,46	8.453.065,01
Decrease/(increase) of Inventories	-8.358.655,20	-9.464.724,89	109.223,35	-868.645,33
Decrease/(increase) of Receivables	-15.571.848,03	-12.740.838,65	519.067,23	-7.921.678,81
Increase/(decrease) of payable accounts (except Banks)	-9.590.274,78	-593.943,59	-2.037.902,58	7.869,61
Interest paid and similar expenses	-3.801.784,35	-2.549.139,54	-3.832.005,54	-2.458.058,98
Income Tax paid	-19.224.675,86	-2.084.719,72	-858.725,86	-426.032,16
<i>Net cash inflows/(outflows) from Operating Activities</i>	<u>-4.694.334,99</u>	<u>10.003.846,97</u>	<u>-1.715.295,94</u>	<u>-3.213.480,66</u>
Cash Flows related to Investing Activities				
Acquisition of subsidiaries, associates and other investments	-202.989.646,90	0,00	-205.798.632,91	
Purchases of tangible and intangible assets	-1.292.540,51	-7.798.485,19	-158.244,89	-77.916,34
Proceeds from sale of tangible and intangible assets	113.428,56	37.875,81	18.227,36	9.826,75
Proceeds from sale of financial assets	1.961.153,98	722.403,84	1.961.153,98	722.403,84
Dividends received	0,00	9.152.004,96	20.987.836,25	9.712.939,00
Interest received	1.076.875,24	267.517,34	167.289,82	136.516,41
Decrease/(increase) of other long-term receivables	-288.507,00	-320.527,39	133.502,91	-28.805,97
<i>Net cash inflows/(outflows) from Investing Activities</i>	<u>-201.419.236,63</u>	<u>2.060.789,37</u>	<u>-182.688.867,48</u>	<u>10.474.963,69</u>
Cash Flows related to Financing Activities				
Cash received from issue of share capital				
Proceeds from borrowings	206.103.807,00	5.762.009,14	204.427.020,14	0,00
Repayment of borrowings		-1.015.864,05	0,00	-1.164.305,72
Payments for leases	-315.046,94	-296.971,80	-61.773,91	-61.823,91
Dividends paid	-22.921.236,99	-3.696.058,08	-1.300.681,60	-2.700.008,28
<i>Net cash inflows/(outflows) from Financing Activities</i>	<u>182.867.523,07</u>	<u>753.115,21</u>	<u>203.064.564,63</u>	<u>-3.926.137,91</u>
Net increase/(decrease) in cash and cash equivalents	-23.246.048,55	12.817.751,55	18.660.401,21	3.335.345,12
Cash and cash equivalents at the beginning of the year	112.040.529,80	33.723.558,93	13.247.662,22	14.509.511,69
Effect of exchange rate changes on cash and cash equivalents	-1.320.439,35	-1.519.857,11		
<i>Cash and cash equivalents at the end of the year</i>	<u>87.474.041,90</u>	<u>45.021.453,37</u>	<u>31.908.063,43</u>	<u>17.844.856,81</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 22nd of August 2006.

FOLLI FOLLIE S.A.

The Structure of the Group Folli Follie has as follows:

COMPANY NAME	REGISTERED OFFICE	SHAREHOLDING %	
FOLLI FOLLIE S.A.	ATHENS	PARENT	
FOLLI FOLLIE HONG KONG LTD	HONG KONG	99,99%	Subsidiary
FOLLI FOLLIE UK LTD	LONDON	99,99%	“
FOLLI FOLLIE FRANCE SA	PARIS	99,94%	“
FOLLI FOLLIE SPAIN SA	MADRID	100%	“
FOLLI FOLLIE CZECH SRO	PRAGUE	100%	“
FOLLI FOLLIE POLAND SZOO	WARSAW	100%	“
FOLLI FOLLIE SLOVAKIA SRO	BRATISLAVA	100%	“
FOLLI FOLLIE GERMANY GmbH	TRAOUNSTAIN	100%	“
FOLLI FOLLIE JAPAN LTD	TOKYO	40%	“
FOLLI FOLLIE ASIA LTD	HONG KONG	99,99%	“
FOLLI FOLLIE TAIWAN LTD	TAIPEI	99,99%	“
FOLLI FOLLIE (KOREA) LTD	SEOUL	99,99%	“
FOLLI FOLLIE SINGAPORE LTD	SINGAPORE	99,99%	“
BLUEFOL GUAM LTD	GUAM	99,99%	“
BLUEFOL HAWAII LTD	HAWAII	99,99%	“
BLUEFOL HONG KONG LTD	HONG KONG	99,99%	“
FOLLI FOLLIE MALAYSIA LTD	KUALA LUMPUR	99,99%	“
BLUEFOL THAILAND LTD	BANGKOK	99,99%	“
MFK FASHION INV LTD.	NICOSIA	100%	“
HELLENIC DUTY FREE SHOPS	ATHENS	49,36%	“
PLANACO S.A	ATHENS	76,67%	“

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

The accounting policies mentioned below, have been applied with consistency for all the periods presented.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions in the process of applying the company's accounting policies.

2.2. Consolidation – Measurement of subsidiary and associate companies

(a) Subsidiaries

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.

According Group's policy, the investments in associate companies are recording according the equity method. The portion of the Group after the acquisition of the investments is recorded directly to Profit and Loss Account, whereas the changes in reserves for the same period are recorded to Group's reserves. The accumulated changes take effect the carrying amounts of these investments.

Not realized gain from transactions between Group and related parties, are eliminated according the percentage of participation of the Group in these related parties. The accounting principles which are follow up by the related parties have been modified due to the reason to be the same with those that the Group has adopted.

- a. The Group of Folli- Follie till 30.04.2006 had significant influence on KAE (Hellenic Duty Free Shops) with a percentage of 24,68% of the total voting power of the Company. At May of 2006, the Group increased the percentage of the voting power by 24,6777% and paid 202.987.184,00 euros and after that at 30.06.2006 the Group hold the 49,36% of the share capital of Hellenic Duty Free Shops (KAE) which is the listed Company in Athens Stock Exchange, namely 25.999.000 shares. Due to this increase the Group raised the percentage of the indirect participation in its subsidiaries which are the following:
 - a) Hellenic Distributions (ELLI NIKES DIANOMES)
 - b) H.D.F.S SKOPJE DOO
 - c) HELLENIC TOURIST BUREAU S.A.

The Group has included for the first time in its consolidated financial statements the Hellenic Duty Free Shops S.A for the period with full consolidation due to the reason that the Group acquired the control of this subsidiary since 05/05/2006. For the previous periods the consolidation was made by 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.

The acquisition of the additional percentage and the full consolidation for the period between the acquisition date and the closing date (30.06.2006) had the following results:

Positive change in Turnover of the Group (in 000's) 47.945 €

Increase of operating profit before taxes (EBITDA) (in 000's) 15.070 €

Increase of Equity (in 000's) 56.657 €

If the Group Hellenic Duty Free Shops S.A. was fully consolidated from the beginning of the period (1.1.2006) the effect should be positive regarding Turnover amounted €109.872 and also regarding Operating profits before taxes amounted 27.429 €

From the additional increase of the percentage amounted 24,6777% the Group acquired goodwill 151.266.165 euros which has 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 amount of shares

- Cash paid	202.784.400 euros
- Direct Expenses related with the acquisition	202.784 euros
- Dividends before the acquisition	<u>(10.398.400 euros)</u>
Total Amount of acquisition	192.588.784 euros
Less: Fair value of Assets and liabilities	(41.322.619 euros)
Goodwill	151.266.165,77 euros

FOLLI FOLLIE S.A.

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:

	<u>Book Value (thou..euro)</u>	<u>Fair Value (thou.euro)</u>
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 paybles	(49.211)	(49.211)
Current income tax	(3.369)	(3.369)
Dividends payable	<u>(42.140)</u>	<u>(42.140)</u>
	129.199	167.449
		<u>24,6777 %</u>
<u>Fair Value</u>		<u>41.323</u>

It is marked that, the Company performed a first estimation for all assets and liabilities which were acquired and also for all commitments and contingencies.

Also, an independent surveyor performed an estimation regarding intangible assets, assignment of license (royalties) for especial use (article 120 Law 2533/1997) tax free sales according future cash flows.

b. At this point it is 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 € 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 this current period were not affected by the aforementioned acquisition, while if Planaco S.A. was consolidated at the beginning of the period, the influence would be immaterial.

It is marked that, the fair value of all the assets which were acquired by the Group, and also all the liabilities, commitments and intangible assets were evaluated by independent surveyor.

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2.3. Segment reporting

Primary reporting format – Geographical segments

The registered office of the Group is in Greece. The segments are mainly the points of sales of inventories and services.
The presentation is based on where the assets are located.

Amounts in thousands Euro

	<u>Greece</u>		<u>Europe</u>		<u>Japan</u>		<u>Other Asian markets</u>		<u>Consolidated items</u>	
	30/6/2006	30/6/2005	30/6/2006	30/6/2005	30/6/2006	30/6/2005	30/6/2006	30/6/2005	30/6/2006	30/6/2005
“Net” sales abroad	60.449	13.521	4.537	6.574	19.071	16.568	83.222	64.102	167.279	100.765
<u>Operating profit/Segment result</u>	33.448	10.853	2.083	2.662	13.153	10.306	45.331	38.703	94.015	62.524
Unallocated expenses									-45.278	-28.217
<i>Operating result</i>									48.737	34.307
<i>Finance costs</i>									-2.311	-1.393
<u>Share of profit of associates</u>	4.177	1.239							4.177	3.827
<u>Profit for the year</u>									50.603	36.741
	30/6/2006	31/12/2005	30/6/2006	31/12/2005	30/6/2006	31/12/2005	30/6/2006	31/12/2005	30/6/2006	31/12/2005
<u>Assets</u>	492.251	75.448	15.758	16.844	20.708	27.524	191.210	171.919	719.927	291.735
Investments in associates	0	40.395							0	40.395
Unallocated Assets									2.978	2.661
Total Consolidation									722.905	334.791
<u>Liabilities</u>	383.420	134.023	2.641	4.043	10.500	14.811	13.866	10.913	410.427	163.790
Unallocated Assets									37.547	9.029
Total Consolidation									447.974	172.819
Capital expenditure	454	2.021	-47	-107	1.274	691	1.018	7.668	2.699	10.273
Depreciation	1.023	950	327	561	426	885	496	686	2.272	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	25	«
- Installations on third parties' property	8-12	«
- Mechanical equipment	6,67-9,09	«
- Motor vehicles	6,67-9,09	«
- Other equipment	6,67	«

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 income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and

calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues of the parent company, based on estimates of whether additional taxes will be due. The difference is carried to the income statement in the period in which such determination is made.

For subsidiary companies of the group, the determination of additional taxes is difficult. Therefore, such tax charges will be carried to the income statement for the period in which such determination is made.

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%
30/06/2006	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 I.F.R.I.C interpretations

The International Accounting Standards Board (IASB) as well as the International Financial Reporting Interpretations Committee (I.F.R.I.C) 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 I.F.R.I.C 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.

- **I.F.R.I.C 3, Emission Rights**

Not applicable to the Group and will not affect the Group's financial statements.

- **I.F.R.I.C 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 - 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
<u>Accumulated depreciation</u>							
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 – 30.06.2006							
Additions	0,00	224.812,81	23.248,85	157.801,24	924.302,68	376.635,67	1.706.801,25
New Subsidiaries	2.323.479,35	23.225.154,12	3.658.437,45	1.572.809,03	18.296.381,79	4.463.000,00	53.539.261,74
Disposals	0,00	434.276,78	0,00	166.786,62	172.587,86	0,00	773.651,26
Depreciation charge	0,00	575.311,54	66.722,18	25.513,29	796.111,03	0,00	1.463.658,04
Depreciation of New Subsidiaries	0,00	6.444.490,00	2.204.177,59	1.010.037,78	12.928.103,92	0,00	22.586.809,29
Decrease of depreciation	0,00	322.790,09	0,00	68.570,49	115.629,62	0,00	506.990,20
Exchange differences	-291.762,13	-6.914,66	-42.401,69	-31.758,62	-307.243,36	-14.863,65	-694.944,11
Net book amount 30.06.2006	14.644.665,31	44.254.205,10	1.850.294,22	835.225,79	8.438.987,10	4.860.184,70	74.883.562,22

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The Company

	Land	Buildings & Building Installations	Plant & Machinery	Vehicles	Furniture, fittings & equipment	PPE in course of construction	Total
<u>01.01.2005</u>							
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
<u>Accumulated depreciation</u>							
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
<u>01.01 – 30.06.2006</u>							
Additions	0,00	0,00	2.321,31	44.163,59	96.580,22	0,00	143.065,12
Disposals				27.467,05	7.517,89		34.984,94
Depreciation charge	0,00	215.785,80	51.839,44	12.721,17	172.776,50	0,00	453.122,91
Decrease of depreciation				23.241,77	612,94		23.854,71
Net book amount							
30.06.2006	8.565.044,74	22.018.049,79	382.384,25	194.300,92	1.074.992,67	0,00	32.234.772,37

6. Intangible Assets

	Special assessment	THE GROUP Amortisable expenses	THE COMPANY Amortisable expenses
<u>01.01.2005</u>			
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
<u>Accumulated amortisation</u>			
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
<u>01.01 – 30.06.2006</u>			
Additions		693.717,41	12.753,60
New subsidiary		117.965.030,00	
Disposals		-98.210,87	
Amortisation charge		-803.241,14	67.530,01
New subsidiary depreciation		-11.456.954,00	
Decrease of amortisation		61.833,77	
Special assessment	151.266.165,77		
Exchange differences		-34.624,36	
Net book amount 30.06.2006	151.266.165,77	110.512.640,51	695.666,03

7. Inventories

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>31.12.2005</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Products-Merchandise-Raw materials & Packing items	133.485.385,97	72.258.888,21	14.525.142,19	14.634.365,54
Provisions for impairment of inventories	500.000,00	500.000,00	500.000,00	500.000,00
	132.985.385,97	71.758.888,21	14.025.142,19	14.134.365,54

8. Trade receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>31.12.2005</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Trade receivables	123.164.323,95	121.290.148,36	18.169.538,86	18.872.475,88

9. Other receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>31.12.2005</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Participations in related parties	0,00	0,00	365.192.686,75	41.300.601,74
Participations in associates	0,00	40.395.445,88	0,00	118.204.900,21
Other long-term receivables	9.387.309,90	6.838.204,67	286.071,52	419.574,43
Receivables from deferred taxes	2.977.830,75	2.660.750,50	508.420,93	703.225,42
Sundry debtors	21.710.200,52	3.097.109,80	1.130.618,80	1.176.636,85
Marketable securities	3.088.708,48	2.921.508,63	1.371.254,78	2.921.508,63
Other receivables	4.954.369,57	3.102.468,78	1.307.601,09	1.219.314,48
	42.118.419,22	59.015.488,26	369.796.653,87	165.945.761,76

10. Cash and cash equivalents

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>31.12.2005</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Cash in hand	2.468.561,00	885.869,82	87.686,05	362.228,45
Current and time deposits	85.005.480,90	33.006.299,81	31.820.377,38	12.885.433,77
	87.474.041,90	33.892.169,63	31.908.063,43	13.247.662,22

11. Share capital and share premium

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

12. Retained earnings and other reserves

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>31.12.2005</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Profit carried forward	184.891.510,85	161.106.539,24	27.630.736,65	17.234.624,78
Reserves	35.230.254,32	24.513.525,66	20.075.581,21	19.679.018,84
Consolidation differences according to previous Accounting Standards	-88.927.927,74	-88.927.927,74	-	-
Consolidated exchange differences	-25.708.936,42	-12.980.009,96	-	-
Third party rights	97.030.642,89	5.844.540,04	-	-
	202.515.543,90	89.556.667,24	47.706.317,86	36.913.643,62

13. Non-current liabilities

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>31.12.2005</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Provision for employee benefits	7.938.772,87	3.356.944,74	560.083,98	540.126,00
Guarantees for rent	251.428,35	240.683,52	251.428,35	240.683,52
Provision for taxes for un-audited Years	972.000,00	-	210.000,00	-
Debenture Loan	92.273.529,89	1.526.282,82	90.500.000,00	-
Other – Liabilities for Leasing	1.866.651,82	1.258.720,49	298.209,19	359.983,10
Deferred income tax liability	14.923.991,28	1.047.943,78	1.097.721,63	1.035.080,14
Other provisions	1.321.091,63	1.029.191,60	17.679,57	97.606,20
	119.547.465,84	8.459.766,95	92.935.122,72	2.273.478,96

14. Trade and other payables

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>31.12.2005</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Trade payables	43.399.303,77	15.829.100,60	1.383.372,18	3.487.817,55
Taxes – duties	20.692.829,60	5.855.424,27	2.820.066,79	1.873.784,69
Dividends payable	10.228.180,86	2.962.674,96	10.228.180,86	2.962.674,96
Other payables	8.822.725,35	9.364.877,80	1.050.507,70	1.066.019,95
Provision for taxes for un-audited years	-	150.000,00	-	150.000,00
	83.143.039,58	34.162.077,63	15.482.127,53	9.540.297,15

15. Liabilities to Banks

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>31.12.2005</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Non-current liabilities	238.310.629,85	125.149.592,17	231.987.143,31	119.499.958,91
Current liabilities	6.972.066,39	5.047.457,92	6.303.331,36	4.863.495,62
	245.282.696,24	130.197.050,09	238.290.474,67	124.363.454,53

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:

<u>COMPANY</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Deferred tax assets:		
To be recovered after more than 12 months	432.157,79	605.769,66
To be recovered within 12 months	76.263,14	97.455,76
	<u>508.420,93</u>	<u>703.225,42</u>
Deferred tax liabilities:		
To be recovered after more than 12 months	1.018.685,66	978.631,12
To be recovered within 12 months	79.035,97	56.449,01
	<u>1.097.721,63</u>	<u>1.035.080,13</u>

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:

	Intangible assets	Provisions	Other	Total
<u>Deferred tax assets</u>				
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)	-82.449,55	-112.354,94	-	-194.804,49
Balance 30/06/2006	<u>142.750,10</u>	<u>365.670,83</u>	<u>0,00</u>	<u>508.420,93</u>
<u>Tangible</u>				
	assets	Finance leases	Total	
<u>Deferred tax liabilities</u>				
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)	54.999,86	7.641,64	62.641,50	
Balance 30/06/2006	<u>1.020.921,16</u>	<u>76.800,47</u>	<u>1.097.721,63</u>	

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<u>GROUP</u>	<u>30.06.2006</u>	<u>31.12.2005</u>
Deferred tax assets:		
To be recovered after more than 12 months	2.376.009,29	1.985.331,71
To be recovered within 12 months	601.821,46	675.418,79
	<u>2.977.830,75</u>	<u>2.660.750,50</u>
Deferred tax liabilities:		
To be recovered after more than 12 months	14.917.668,51	980.887,48
To be recovered within 12 months	6.322,77	67.056,30
	<u>14.923.991,28</u>	<u>1.047.943,78</u>

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	Tangible assets	Finance Provisions	Finance leases-Other	Total
Balance 1/1/2005	618.292,43	175.045,66	1.566.081,68	349.484,51	2.708.904,28
Movement year 2005 (Results)	-375.168,23	62.634,25	218.642,95	12.026,14	-81.864,89
Exchange differences year 2005	8.443,59	1.688,70	20.201,38	3.377,44	33.711,11
Balance 31/12/2005	251.567,79	239.368,61	1.804.926,01	364.888,09	2.660.750,50
Movement period 2006 (Results)					
Exchange differences period 2006	62.551,84	181.635,30	165.972,79	32.024,00	317.080,25
Balance 30/06/2006	<u>189.015,95</u>	<u>421.003,91</u>	<u>1.970.898,80</u>	<u>396.912,09</u>	<u>2.977.830,75</u>

Deferred tax liabilities

	Intangible assets	Tangible assets	Finance leases	Total
Balance 1/1/2005		455.775,08	39.260,07	495.035,15
Movement year 2005 (Results)	-	520.348,46	29.898,76	550.247,22
Exchange differences year 2005	-	2.661,41	0,00	2.661,41
Balance 31/12/2005	-	978.784,95	69.158,83	1.047.943,78
Movement period 2006 (Results)				
Exchange differences period 2006	13.813.406,00	54.999,86	7.641,64	13.876.047,50
Balance 30/06/2006	13.813.406,00	1.033.784,81	76.800,47	14.923.991,28

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% - 4,0%	3,0%

The movement of the account from 01.01.2005 to 30.06.2006 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.-30.06.2006	587.495,44	51.000
Paid compensation period & Other Movements-Exchange Differences	3.994.332,69	31.042,02
Balance of obligation at 30.06.2006	7.938.772,87	560.083,98

18. Operating results

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>30.06.2005</u>	<u>30.06.2006</u>	<u>30.06.2005</u>
<u>Sales Revenue</u>				
Income from Sales of Inventories	167.278.969,85	100.764.368,78	14.333.493,90	16.563.943,64
Income from Sales of services	-	-	2.775.327,55	2.605.155,26
Total	<u>167.278.969,85</u>	<u>100.764.368,78</u>	<u>17.108.821,45</u>	<u>19.169.098,90</u>
Other income	6.538.651,97	2.183.278,04	950.133,81	1.866.041,87
Grand Total	<u>173.817.621,82</u>	<u>102.947.646,82</u>	<u>18.058.955,26</u>	<u>21.035.140,77</u>
<u>Expenses</u>				
Administrative expenses	8.683.336,00	5.399.320,35	2.605.031,49	2.103.723,85
Selling and marketing costs	42.195.566,84	24.345.052,27	5.883.894,51	5.084.730,84
Other	938.303,46	656.580,74	499.029,00	39.218,58
Total	<u>51.817.206,30</u>	<u>30.400.953,36</u>	<u>8.987.955,00</u>	<u>7.227.673,27</u>
<u>Analysis of Significant Expenses</u>				
Employer's Cost	19.875.806,08	13.526.531,21	4.303.322,08	3.557.613,13
Rent	8.522.762,84	5.399.181,69	815.948,89	671.980,12
Advertising Expenses	3.317.097,54	2.858.582,60	768.055,80	946.223,89
Depreciation	2.474.695,17	1.830.737,72	520.652,94	527.145,17
Total	<u>34.190.361,63</u>	<u>23.615.033,22</u>	<u>6.407.979,71</u>	<u>5.702.962,31</u>

19. Income tax expense

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2006</u>	<u>30.06.2005</u>	<u>30.06.2006</u>	<u>30.06.2005</u>
Current tax for the period	11.886.713,71	7.427.719,61	1.519.155,63	1.664.991,67
Deferred tax	-484.054,17	175.228,63	257.445,98	258.089,75
	<u>11.402.659,54</u>	<u>7.602.948,24</u>	<u>1.776.601,61</u>	<u>1.923.081,42</u>

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.

	<u>30.06.2006</u>	<u>30.06.2005</u>
Net profit for the period (Group)	39.199.913,64	29.137.198,67
Attributable to:		
Equity holders of the Company	34.331.997,86	29.453.471,26
Minority interest	-4.867.915,78	-316.272,59
Weighted average number of ordinary shares in issue	32.946.875	32.946.875
Basic earnings per share	1,04	0,89

21. Dividends per share

The dividends that will be paid in 2006, are 8.566.187,50 euros (0,26 euros per share) and concerned the year 2005 earnings.

22. Related – party transactions

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

i) Sales of goods and services

	<u>30.06.2006</u>	<u>30.06.2005</u>
Sales of goods to subsidiaries	4.661.898,84	5.648.019,64
Sales of goods to associates	546.849,51	1.106.084,18
	<u>5.208.748,35</u>	<u>6.754.103,82</u>

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

	<u>30.06.2006</u>	<u>30.06.2005</u>
Between Mother Company and Subsidiaries	8.863.725,74	9.443.833,33
Between FF Group and other related parties as set out in IFRS 24	0,00	3.553.327,55
	<u>8.863.725,74</u>	<u>12.997.160,88</u>

iii) Acquisitions from related parties

	<u>30.06.2006</u>	<u>30.06.2005</u>
Mother Company from Subsidiaries	37.459,12	1.028.044,89
FF Group from other related parties as set out in IFRS 24	47.000,00	0,00
	<u>84.459,12</u>	<u>1.028.044,89</u>

iv) Payables to related parties

	<u>30.06.2006</u>	<u>30.06.2005</u>
Mother Company to Subsidiaries	126.564,49	741.148,46
FF Group to other related parties as set out in IFRS 24	480.447,90	0,00
	<u>607.012,39</u>	<u>741.148,46</u>

23. Number of employed personnel

Average number of employed personnel at the end of the current period: Group 2.395, Company 292 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, it is referred that at the end of July 2006 the Group of Companies of Folli Follie owned the British jewelers, watches and luxury brand LINKS OF LONDON Ltd. More specifically the company “HELLENIC DISTRIBUTIONS S.A.”, fully owned by the Company “HELLENIC DUTY FREE SHOPS” and member of the Greek Group of Companies “FOLLI FOLLIE S.A.”, acquired the total number of shares (100%) of the British Company.

At 17/07/2006 the Group of Folli Follie bought 1.540.000 shares of H.D.F.S.. After this acquisition of 2,92% of H.D.F.S. total number of shares, the total participation of Folli Follie to H.D.F.S. raised to 52,28% from 49,36%.