

FOLLI FOLLIE S.A.

**INTERIM FINANCIAL STATEMENTS
COMPILED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS**

30 JUNE 2005

(Period from 1 January to 30 June 2005)

It is declared that the accompanying Interim Financial Statements are those, which have been approved by the Board of Directors of FOLLI FOLLIE S.A. on 16 September 2005 and have been published by posting them on the internet, at the address www.follifollie.com. It is noted that, the published in the press, “Data and information of the June 2005 interim financial statements”, according to decision No. 17/336/21-04-2005 of the B. of D. of the Capital Market Committee, aim at providing the public with certain general elements of financial information but they do not present a comprehensive view of the financial position and the results of operations of the Company and the Group, in accordance with 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 address www.follifollie.com where are posted the interim financial statements prepared according to the International Financial Reporting Standards accompanied with the Review Report of the Certified Auditor Accountant whenever it is required.

Athens, 26 September 2005

For account of FOLLI FOLLIE S.A.

Dimitrios Koutsolioutsos

Chairman of the B. of D.

1. Combined review report on the consolidated and unconsolidated interim financial statements with unqualified opinion

To the Shareholders of FOLLI FOLLIE S.A.

We have reviewed the accompanying interim financial statements as well as the consolidated interim financial statements of FOLLI FOLLIE S.A., as of and for the six-month period ended 30 June 2005. 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 the 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 as well as the consolidated interim financial statements are not presented fairly, in all material respects in accordance with the International Financial Reporting Standards that have been adopted by the European Union.

Athens, 26 September 2005

DIMITRIOS I. IAKOVIDIS
Certified Public Accountant Auditor
SOEL Reg. No. 13251
SOL S.A. – Certified Public Accountants Auditors

2. INTERIM BALANCE SHEET
(AMOUNTS REPORTED IN EURO)

	THE GROUP		THE COMPANY	
<u>ASSETS</u>	<u>30/6/2005</u>	<u>31/12/2004</u>	<u>30/6/2005</u>	<u>31/12/2004</u>
Property, plant and equipment	41.219.933,02	34.130.258,53	29.623.197,98	30.011.411,25
Intangible assets	4.647.098,29	4.842.688,58	812.306,99	873.322,82
Investments in associated companies	35.023.028,84	40.296.399,36	157.732.962,56	157.732.962,56
Deferred tax assets	2.119.568,01	2.213.869,13	144.648,63	402.737,38
Other long term receivables	7.311.386,74	7.376.012,55	259.697,84	230.891,87
Total non-current assets (a)	<u>90.321.014,90</u>	<u>88.859.228,15</u>	<u>188.572.814,00</u>	<u>189.251.325,88</u>
Inventories	60.119.833,67	46.715.326,33	12.799.871,00	11.931.225,67
Trade receivables	108.343.740,39	82.543.791,12	18.963.920,00	12.872.890,96
Other receivables	7.467.038,43	7.467.595,25	6.770.053,31	5.237.817,05
Cash and cash equivalents	45.021.453,37	33.723.558,93	17.844.856,81	14.509.511,69
Total current assets (b)	<u>220.952.065,86</u>	<u>170.450.271,63</u>	<u>56.378.701,12</u>	<u>44.551.445,37</u>
TOTAL ASSETS (a) + (b)	<u><u>311.273.080,76</u></u>	<u><u>259.309.499,78</u></u>	<u><u>244.951.515,12</u></u>	<u><u>233.802.771,25</u></u>
<u>LIABILITIES</u>				
Long-term bank borrowings	128.258.896,80	120.135.587,74	119.688.175,91	119.499.958,91
Provisions for retirement benefits	3.349.800,83	3.068.805,44	507.411,66	482.542,29
Other long-term liabilities	3.274.649,08	3.542.063,70	896.742,52	836.873,79
Total non-current liabilities	<u>134.883.346,71</u>	<u>126.746.456,88</u>	<u>121.092.330,09</u>	<u>120.819.374,99</u>
Trade payables	13.482.567,88	13.252.975,46	2.281.771,98	2.203.405,10
Short-term bank borrowings	4.168.492,41	5.252.135,03	3.538.577,77	4.891.100,49
Other current liabilities	27.427.750,95	18.149.870,12	10.637.049,27	4.539.842,56
Total current liabilities	<u>45.078.811,24</u>	<u>36.654.980,61</u>	<u>16.457.399,02</u>	<u>11.634.348,15</u>
Total liabilities (a)	<u>179.962.157,95</u>	<u>163.401.437,49</u>	<u>137.549.729,11</u>	<u>132.453.723,14</u>
Shareholders Equity	<u>127.017.372,03</u>	<u>91.298.238,92</u>	<u>107.401.786,01</u>	<u>101.349.048,11</u>
Minority interest	4.293.550,78	4.609.823,37		
Total Equity (b)	<u>131.310.922,81</u>	<u>95.908.062,29</u>	<u>107.401.786,01</u>	<u>101.349.048,11</u>
TOTAL EQUITY AND LIABILITIES (a) + (b)	<u><u>311.273.080,76</u></u>	<u><u>259.309.499,78</u></u>	<u><u>244.951.515,12</u></u>	<u><u>233.802.771,25</u></u>

3. INTERIM INCOME STATEMENT

<u>THE GROUP</u>	CONSOLIDATED		CONSOLIDATED	
	1/1-30/6/2005	1/1-30/6/2004	1/4-30/6/2005	1/4-30/6/2004
Sales Revenue	100.764.368,78	90.013.286,37	47.433.632,87	42.821.333,22
Cost of goods sold	-38.240.224,00	-32.812.262,82	-16.937.349,46	-16.578.011,63
Gross profit	62.524.144,78	57.201.023,55	30.496.283,41	26.243.321,59
Other operating income	2.183.278,04	1.424.757,88	787.930,69	925.117,38
Administrative expenses	-5.399.320,35	-5.381.665,75	-2.474.314,39	-2.300.100,97
Selling and marketing costs	-24.345.052,27	-23.398.660,78	-13.502.995,54	-10.938.109,43
Other expenses	-656.580,74	-1.521.223,93	-363.289,54	-1.259.635,86
Operating results	34.306.469,46	28.324.230,97	14.943.614,63	12.670.592,71
Finance cost – Profit	1.156.215,64	3.330.223,43	753.202,35	3.273.481,71
Finance cost – Expenses	-2.549.139,54	-2.543.804,39	-1.378.841,00	-1.347.324,98
Share of profit	3.826.601,35	4.132.072,86	2.587.452,03	2.654.957,31
Profit before taxes	36.740.146,91	33.242.722,87	16.905.428,01	17.251.706,75
Less: Taxes	-7.602.948,24	-5.544.038,26	-3.423.853,54	-742.728,69
Profit for the period after taxes	29.137.198,67	27.698.684,61	13.481.574,47	16.508.978,06
<u>Attributable to:</u>				
Equity holders of the Company	29.453.471,26	27.823.054,54	13.813.613,98	17.244.604,75
Minority interest	-316.272,59	-124.369,93	-332.039,51	-735.626,69
Earnings after taxes per share- basic (in Euro)	0,89	0,84	0,42	0,52
Amortisation – Depreciation	1.830.737,72	1.682.189,04	988.717,63	844.458,63
Earnings (profit) before taxes, financing, investing results and depreciation – amortization (EBITDA)	36.137.207,18	30.006.420,01	15.932.332,26	13.515.051,34
Earnings (profit) before taxes, financing and investing results (EBIT)	34.306.469,46	28.324.230,97	14.943.614,63	12.670.592,71

INTERIM INCOME STATEMENT

THE COMPANY

	1/1-30/6/2005	1/1-30/6/2004	1/4-30/6/2005	1/4-30/6/2004
Sales Revenue	19.169.098,90	18.290.784,57	7.543.963,54	7.283.690,17
Cost of goods sold	-6.210.905,02	-5.678.812,83	-2.396.626,30	-2.768.978,46
Gross profit	12.958.193,88	12.611.971,74	5.147.337,24	4.514.711,71
Other operating income	1.866.041,87	1.008.097,36	846.331,08	669.649,55
Administrative expenses	-2.103.723,85	-1.702.101,12	-1.122.146,35	-974.213,60
Selling and marketing costs	-5.084.730,84	-4.345.410,42	-2.937.554,36	-2.339.175,34
Other expenses	-39.218,58	-114.647,59	-16.871,36	-32.147,59
Operating results	7.596.562,48	7.457.909,97	1.917.096,25	1.838.824,73
Finance cost – Profit	577.770,26	94.782,30	182.547,66	39.744,30
Finance cost – Expenses	-2.421.839,96	-2.403.288,09	-1.310.896,04	-1.195.343,11
Share of profit	9.671.639,04	8.128.542,08	9.671.639,04	8.128.542,08
Profit before taxes	15.424.131,82	13.277.946,26	10.460.386,91	8.811.768,00
Less: Taxes	-1.923.081,42	-1.527.161,00	-250.883,90	-139.352,25
Profit for the period after taxes	13.501.050,40	11.750.785,26	10.209.503,01	8.672.415,75
<u>Attributable to:</u>				
Equity holders of the Company				
Minority interest				
Earnings after taxes per share- basic (in Euro)	0,41	0,36	0,31	0,26
Amortisation – Depreciation	527.145,17	433.346,23	261.516,50	201.996,23
Earnings (profit) before taxes, financing, investing results and depreciation – amortization (EBITDA)	8.123.707,65	7.891.256,20	2.178.612,75	2.040.820,96
Earnings (profit) before taxes, financing and investing results (EBIT)	7.596.562,48	7.457.909,97	1.917.096,25	1.838.824,73

4. INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(AMOUNTS REPORTED IN EURO)

	<u>30/6/2005</u>	<u>30/6/2004</u>	<u>30/6/2005</u>	<u>30/6/2004</u>
Balance at beginning of period (1/1/2005 and 1/1/2004 respectively)	95.908.062,29	61.358.862,48	101.349.048,11	95.548.629,50
Issue of share capital	0,00	0,00	0,00	0,00
Dividends distributed upon resolution of G.M.	-8.697.492,50	-6.854.401,50	-7.248.312,50	-5.930.437,50
Directors' fees	-326.541,80		-200.000,00	
Net income recognised directly in equity	0,00	0,00	0,00	0,00
Profit for the period after taxes	29.137.198,67	27.698.684,61	13.501.050,40	11.750.785,26
Adjustment of foreign exchange rates	15.289.696,15	-7.838.737,97	0,00	0,00
Decrease in loans hedge reserve for foreign currency differences	0,00	0,00	0,00	0,00
Net equity of period Closing Balance (30/6/2005 and 30/6/2004 respectively)	<u>131.310.922,81</u>	<u>74.364.407,62</u>	<u>107.401.786,01</u>	<u>101.368.977,26</u>

5. INTERIM CASH FLOW STATEMENT
(AMOUNTS REPORTED IN EURO)

	THE GROUP		THE COMPANY	
	1/1-30/6/2005	1/1-30/6/2004	1/1-30/6/2005	1/1-30/6/2004
Cash Flows from Operating Activities		33.242.722,87		
Net profit before taxes	36.740.146,91	33.242.722,87	15.424.131,82	13.277.946,26
<i>Adjustments in respect of non-cash transactions:</i>				
Depreciation and Amortisation	1.830.737,72	1.682.189,04	527.145,17	433.346,23
Provisions	757.489,83	1.752.443,51	114.493,02	116.544,00
Cash Flows from investing activities	-4.172.783,30	-7.710.404,66	-9.710.118,42	-8.128.331,80
Debit interest and similar expenses	2.281.622,20	2.178.633,36	2.321.542,57	2.105.164,14
Other non-cash expenses/income			-224.129,15	
Operating profit before adjustments of working capital	37.437.213,36	31.145.584,12	8.453.065,01	7.804.668,83
Decrease/(increase) of Inventories	-9.464.724,89	-916.444,08	-868.645,33	-170.572,64
Decrease/(increase) of Receivables	-12.740.838,65	-921.461,25	-7.921.678,81	-2.996.082,08
Increase/(decrease) of payable accounts (except banks)	-593.943,59	-2.728.708,09	7.869,61	-3.645.639,45
Interest paid and similar expenses	-2.549.139,54	-2.258.251,62	-2.458.058,98	-2.180.870,25
Income tax paid	-2.084.719,72	-6.423.785,15	-426.032,16	-350.183,65
<i>Net cash generated from Operating Activities</i>	10.003.846,97	17.896.933,93	-3.213.480,66	-1.538.679,24
Cash Flows from Investing Activities				
Purchases of subsidiaries, associates and other investments				
Purchases of PPE and Intangible assets	-7.798.485,19	-10.697.983,49	-77.916,34	-10.435.743,37
Proceeds from sale of PPE and intangible assets	37.875,81	728.769,65	9.826,75	682.642,65
Proceeds from sale of financial assets	722.403,84	0,00	722.403,84	0,00
Dividends received	9.152.004,96	7.800.000,00	9.712.939,00	8.128.542,08
Interest received	267.517,34	79.618,25	136.516,41	75.706,11
Decrease/(increase) of other-long-term receivables	-320.527,39	-266.342,98	-28.805,97	-3.254,61
<i>Net cash generated from Investing Activities</i>	2.060.789,37	-2.355.938,57	10.474.963,69	-1.552.107,14
Cash Flows from financing Activities				
Cash received from issue of share capital				
Proceeds from borrowings	5.762.009,14	7.134.645,84	0,00	7.237.586,03
Repayments of borrowings	-1.015.864,05	0,00	-1.164.305,72	0,00
Repayments of finance lease obligations	-296.971,80	-426.456,80	-61.823,91	-59.019,82
Dividends paid	-3.696.058,08	-968.941,43	-2.700.008,28	-968.941,43
<i>Net cash generated from Financing Activities</i>	753.115,21	5.739.247,61	-3.926.137,91	6.209.624,78
Net increase/(decrease) in cash and cash equivalents	12.817.751,55	21.280.242,97	3.335.345,12	3.118.838,40
Cash and cash equivalents at beginning of period	33.723.558,93	23.524.369,13	14.509.511,69	12.696.170,19
Effect of foreign exchange differences	-1.519.857,11	-9.687.514,13		
<i>Cash and cash equivalents at end of period</i>	45.021.453,37	35.117.097,97	17.844.856,81	15.815.008,59

6. NOTES TO THE INTERIM FINANCIAL STATEMENTS
AND TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

General information

The company FOLLI – FOLLIE S.A. with distinctive title “FOLLI FOLLIE” and its subsidiaries are 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. 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 has been listed on the Athens Stock Exchange since 1997.

With the listing of Folli Follie in 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 is active in 20 countries, has over 280 points of sale, and continues to develop new strategically important markets around the world while strengthening its presence in existing ones.

The consolidated interim financial statements, which are presented, cover Folli Follie AE and the Group companies.

These interim financial statements have been approved for issue by the Board of Directors on 16 September 2005.

FOLLI FOLLIE S.A.

The Structure of the Group Folli Follie has as follows:

COMPANY	REGISTERED OFFICE	SHAREHOLDING	
FOLLI FOLLIE AE	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%	“
FOLLKOR (KOREA) LTD	SEOUL	99,99%	“
BLUEFOL 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%	“
K.A.E.	ATHENS	24,68%	Assoc.
MFK FASHION	LIMASSOL	40,00%	“

2. Summary of significant accounting policies

2.1. Basis of preparation

These June 2005 interim financial statements of Folli Follie S.A. are for the six month period ended 30 June 2005. They have been prepared in accordance with IAS 34, “Interim Financial Reporting” and are covered by IFRS 1, “First-time Adoption of IFRS” because they are part of the

period covered by the Group's first IFRS financial statements for the year 2005, which will be prepared in accordance with IFRS.

The policies set out below have been consistently applied to all the periods presented.

These interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of particular financial assets and liabilities at fair value, the going concern and are in accordance with the International Financial Reporting Standards. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates and judgements 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 Group 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 Balance Sheet of the parent 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 IFRS, is covered by 10 optional exceptions based on IFRS 1. In particular, based on circumstance, 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.

(b) Associates

Associates are all entities over which the Group Folli Follie as at 30.06.2005 has significant influence (not control), of a shareholding of between 20% - 50% of the voting rights in the companies “Hellenic Duty Free Shops AE” and “MFK Fashion L.T.D.”. Investments in associates are accounted for by Folli Follie, by the equity method of accounting. It is noted that the Company in July 2005 acquired the remaining 60% of the company “MFK FASHION L.T.D.”. Therefore the above company will be included in the consolidated financial statements by the full consolidation method.

The Group’s share of its associates’ post-acquisition is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the of the Group’s interest in the associates. Associates’ accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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>	
	30/6/2005	30/6/2004	30/6/2005	30/6/2004	30/6/2005	30/6/2004	30/6/2005	30/6/2004	30/6/2005	30/6/2004
“Net” sales abroad	13.520,90	13.997,7	6.573,8	9.726,2	16.567,8	17.063,4	64.101,8	49.226,0	100.764,3	90.013,3
<u>Operating profit/Segment result</u>	10.853,43	10.700,8	2.661,7	4.435,4	10.305,9	11.472,8	38.703,1	30.592,0	62.524,1	57.201,0
Unallocated expenses									-28.217,6	-28.876,8
<i>Operating result</i>									34.306,5	28.324,2
<i>Finance costs</i>									-1.392,9	786,5
<u>Share of profit of associates</u>	3.826,6	4.132,0							3.826,6	4.132,0
<u>Profit for the period</u>									36.740,2	33.242,7
<u>Assets</u>	30/6/2005	31/12/2004	30/6/2005	31/12/2004	30/6/2005	31/12/2004	30/6/2005	31/12/2004	30/6/2005	31/12/2004
Investments in associates	76.705,4	68.924,1	17.353,8	17.087,2	21.104,2	27.316,1	158.967,1	103.472,6	274.130,5	216.800,0
Unallocated Assets	35.023,0	40.296,4							35.023,0	40.296,4
Total Consolidation									2.119,6	2.213,1
									311.273,1	259.309,5
<u>Liabilities</u>										
Unallocated Assets	137.042,3	131.841,8	1.597,7	2.349,2	11.331,4	15.716,9	25.282,9	8.162,2	175.254,3	158.070,1
Total Consolidation									4.707,9	5.331,3
									179.962,2	163.401,4
Capital expenditure	77,9	12.204,4	37,4	712,9	331,9	185,6	7.501,2	688,8	7.948,4	13.791,7
Depreciation	527,2	982,5	434,8	755,6	605,4	928,4	263,3	725,9	1.830,7	3.392,4

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 functional currency of each entity. The consolidated financial statements are presented in Euros, which is the Company's functional currency.

(b) Transactions and balances

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

(c) Group companies

The translation of the financial statements of 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 they incurred.
- Income and expenses are translated at average exchange rates of the period.

The arising exchange differences are recognised in reserves of shareholders' equity and carried to the income statement when a foreign operation is sold.

2.5. Property, plant and equipment

a) Property, plant and equipment are shown at cost less subsequent depreciation. 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 of 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 the estimated useful lives, as follows:

- Buildings (privately owned)	50	Years
- Electro-Machinery etc. Installations on privately owned buildings	25	«
- Installations on third parties' property	8-12	«
- Machinery	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 disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

b) Investments in Property

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 are 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.

(c) 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 purpose 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.

2.7. Securities

(a) 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.

(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.

2.8. 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 of business, less applicable variable selling expenses.

2.9. Trade receivables

Trade receivables are recognised initially at fair 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.

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 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
31/12/2003	5,0%	2,5%	3,0%
31/12/2004	4,5%	2,5%	3,0%

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. 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 a Group entity 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 are mainly carried out in cash or via credit cards.

(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 accruals 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).

2.18. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's and in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management – Financial risk factors

(a) Credit risk

The Group has no significant concentrations of credit risk since a significant part of the sales concern retail customers, carried out in cash or via major credit cards. As regards to sales to third parties', sales are mainly made towards customers who have a usage agreements or received to secure guarantee letters, they are customers with an appropriate credit history, since they are large airline companies and large department stores.

(b) Liquidity risk

The Group has no liquidity risk, owing to availability of sufficient cash and cash equivalents and credit limits.

(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 is 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, observes the decline of the interest rates and has not proceeded into the management of the risk through contract rates (Interest rate swaps), as it has been studied in time and proposed by the company's management in the slight upward change of the rates.

(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 will be the first annual financial statements that comply with IFRS. These interim financial statements have been prepared as described in Not 2.1 The Group has applied IFRS 1. The reporting date of these interim financial statements is 30 June 2005. The IFRS adoption date is 1 January 2005. In preparing these interim financial statements in accordance with IFRS 1, the Group has applied certain of the optional exemptions from full retrospective application of IFRS.

4.1.2 Consistency of estimates under Greek GAAP and IFRS

The estimates under IFRSs, as of 01.01.2004 are consistent with the estimates made for the same date under Greek GAAP, with the exception of the cases where there is evidence that those estimates were in error. Such is the case of the assets' useful lives, which under previous GAAP were based on tax provisions.

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4.2 Compliance of IFRSs with Greek GAAP

The following reconciliations provide an overview of the impact on equity of the transition to IFRS.

TABLE OF ADJUSTMENTS OF THE PERIOD OPENING NET EQUITY (01.01.2005 AND 01.01.2004 RESPECTIVELY) BETWEEN THE GENERAL ACCOUNTING POLICIES EFFECTIVE UNTIL THE 1st ADOPTION AND THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

AMOUNTS REPORTED IN EURO

	THE GROUP		THE COMPANY	
	1/1/2005	1/1/2004	1/1/2005	1/1/2004
Total equity under local GAAP (as at 1/1/2005 and 1/1/2004 respectively)	92.120.942,19	61.885.803,23	94.906.710,84	91.772.149,06
Set - up provision for employee benefits	-321.714,06	-1.251.091,88	119.536,85	126.912,00
Recognition of deferred tax assets	872.708,98	1.613.828,64	402.737,38	932.575,37
Effect due to useful life used for PPE's depreciation and restatement of their revalued cost to historical cost	-8.449,86	-119.692,48	97.219,06	61.664,92
Effect due to recognition of Leasing	75.330,17	5.280,31	343.115,57	225.075,95
Write-off of amortisable expenses	-1.163.973,13	-2.251.783,77	-877.796,54	-2.167.231,63
Postpone of recognition of paid dividends to the time of their approval by the G.M.	7.248.312,50	5.930.437,50	7.248.312,50	5.930.437,50
Adjustment in deferred charges	-290.755,17	-89.532,38	-275.000,00	-330.000,00
Other adjustments	-306.480,38	35.986,09	260.948,33	-16.141,23
Settlement of provisions taken to equity	-959.168,39	-958.711,64	-720.567,88	-674.476,44
Provision for tax differences	-156.168,00	-312.336,00	-156.168,00	-312.336,00
Recognition of differences due to the consolidation of subsidiary – associate companies	-1.202.522,56	-3.129.325,14	0,00	0,00
Total Equity under IFRS (as at 1.1.2005 and 1.1.2004 respectively)	95.908.062,29	61.358.862,48	101.349.048,11	95.548.629,50

5. Property, plant and equipment

The Group

	Land	Buildings & Building Installations	Plant & Machinery	Vehicles	Furniture, fittings & equipment	PPE in course of construction	Total
<u>01.01.2004</u>							
Cost	2.517.373,59	14.154.632,05	1.682.425,66	495.094,40	7.382.639,93	5.180.071,26	31.412.236,89
Additions	1.992.513,33	6.558.686,24	120.719,49	240.301,45	937.086,20	3.783.444,55	13.632.751,26
Disposals	0,00	93.041,02	27.131,50	113.009,85	521.186,70	0,00	754.369,07
Settlement between Assets	0,00	8.485.031,08	0,00	0,00	0,00	-	-478.484,73
Balance 31.12.04	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
<u>Accumulated depreciation</u>							
Balance 01.01.2004	0,00	1.609.517,97	1.001.218,17	230.484,36	3.784.362,89	0,00	6.625.583,39
Depreciation charge	0,00	1.130.669,50	175.047,16	71.091,20	1.348.219,76	0,00	2.725.027,62
Decrease of Depreciation	0,00	61.529,37	25.182,65	17.555,83	569.454,50	0,00	673.722,35
Balance 31.12.04	0,00	2.678.658,10	1.151.082,68	284.019,73	4.563.128,15	0,00	8.676.888,66
Exchange differences	0,00	-983.628,45	371,60	-10.221,22	-11.509,09	0,00	-1.004.987,16
Net book amount 31.12.2004	4.509.886,92	25.443.021,80	625.302,57	328.145,05	3.223.902,19	0,00	34.130.258,53
<u>01.01 – 30.06.2005</u>							
Additions	3.694.541,49	3.791.854,23	6146,05	0,00	406.786,77	0,00	7.899.328,54
Disposals	0,00	182.966,65	899,97	0,00	120.670,95	0,00	304.537,57
Depreciation charge	0,00	559.658,97	84.626,41	35.789,88	861.813,63	0,00	1.541.888,89
Decrease of depreciation	0,00	138.104,72	189,47	0,00	112.800,00	0,00	251.094,19
Exchange differences	254.468,29	337.452,78	1.845,28	13.065,74	178.846,13	0,00	785.678,22
Net book amount 30.06.2005	8.458.896,70	28.967.807,91	547.956,99	305.420,91	2.939.850,51	0,00	41.219.933,02

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The Company

	Land	Buildings & Building Installations	Plant & Machinery	Vehicles	Furniture, fittings & equipment	PPE in course of construction	Total
<u>01.01.2004</u>							
Cost	2.517.373,59	9.886.493,45	1.500.935,38	475.114,42	3.286.461,54	5.180.071,26	22.846.449,64
Additions	1.992.513,33	6.146.101,83	102.759,51	0,00	161.634,40	3.783.444,55	12.186.453,62
Disposals	0,00	0,00	24.831,30	0,00	444.664,72		469.496,02
Settlement between Assets	0,00	8.485.031,08	0,00	0,00	0,05	8.963.515,81	-478.484,68
Balance 31.12.04	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
<u>Accumulated depreciation</u>							
Balance 01.01.2004	0,00	522.139,24	940.411,53	222.196,91	2.002.219,63	0,00	3.686.967,31
Depreciation charge	0,00	347.480,38	124.799,65	47.038,38	332.646,56	0,00	851.964,97
Decrease of Depreciation	0,00	0,00	23.938,66	0,00	441.482,31	0,00	465.420,97
Balance 31.12.04	0,00	869.619,62	1.041.272,52	269.235,29	1.893.383,88	0,00	4.073.511,31
Net book amount 31.12.2004							
	4.509.886,92	23.648.006,74	537.591,07	205.879,13	1.110.047,39	0,00	30.011.411,25
<u>01.01 – 30.06.2005</u>							
Additions	0,00	9.582,46	2.590,00	0,00	60.743,88	0,00	72.916,34
Disposals	0,00	0,00	0,00	0,00	9.826,75	0,00	9.826,75
Depreciation charge	0,00	217.561,07	60.103,53	19.629,50	163.835,24	0,00	461.129,34
Decrease of depreciation	0,00	0,00	0,00	0,00	9.826,48	0,00	9.826,48
Net book amount 30.06.2005	4.509.886,92	23.440.028,13	480.077,54	186.249,63	1.006.955,76	0,00	29.623.197,98

6. Intangible Assets

	<u>The Group</u>	<u>The Company</u>
	Amortisable expenses	Amortisable expenses
<u>01.01.2004</u>		
Cost	9.564.193,80	1.381.102,75
Additions	158.910,79	17.936,44
Disposals	101.100,23	0,00
Balance 31.12.04	9.622.004,36	1.399.039,19
<u>Accumulated amortisation</u>		
Balance		
01.01.2004	2.063.745,00	395.164,46
Amortisation charge	667.337,55	130.551,91
Decrease of amortisation	0,00	0,00
Balance 31.12.04	2.731.082,55	525.716,37
Exchange differences	-2.048.233,23	0,00
Net book amount 31.12.2004	4.842.688,58	873.322,82
<u>01.01 – 30.06.2005</u>		
Additions	49.027,78	5.000,00
Disposals	0,00	0,00
Amortisation charge	288.848,83	66.015,83
Decrease of amortisation	0,00	0,00
Exchange differences	44.230,76	0,00
Net book amount 30.06.2005	4.647.098,29	812.306,99

7. Inventories

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>31.12.2004</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Products-Merchandise-Raw materials & Packing items	60.119.833,67	46.715.326,33	12.799.871,00	11.931.225,67

8. Trade receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>31.12.2004</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Trade receivables	108.343.740,39	82.543.791,12	18.963.920,00	12.872.890,96

9. Other receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>31.12.2004</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Participations & other long - term debt	42.334.415,58	47.672.411,91	157.992.660,40	157.963.854,43
Receivables from deferred taxes	2.119.568,01	2.213.869,13	144.648,63	402.737,38
Sundry debtors	3.487.007,05	3.767.668,48	1.104.917,85	220.260,98
Marketable securities	2.466.343,23	2.764.756,74	2.466.343,23	2.764.756,74
Other receivables	1.513.688,15	935.170,03	3.198.792,23	2.252.799,33
	51.921.022,11	57.353.876,29	164.907.362,34	163.604.408,86

10. Cash and cash equivalents

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>31.12.2004</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Cash in hand	720.345,25	640.747,62	60.038,17	213.854,70
Current and time deposits	44.301.110,12	33.082.811,31	17.784.818,64	14.295.656,99
	45.021.453,37	33.723.558,93	17.844.856,81	14.509.511,69

11. Share capital and share premium

	Number of shares	Ordinary shares	Authorised capital	Share premium	Treasury shares	Total
1 st January 2004	32.946.875	32.946.875	9.884.062,50	62.531.731,47	0	72.415.793,97
30 th June 2004	32.946.875	32.946.875	9.884.062,50	62.531.731,47	0	72.415.793,97
31 st December 2004	32.946.875	32.946.875	9.884.062,50	62.531.731,47	0	72.415.793,97
30 th June 2005	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. Profit carried forward and other reserves

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>31.12.2004</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Profit carried forward	135.131.235,36	118.359.260,22	15.306.973,20	9.254.235,30
Reserves	24.511.890,72	20.282.760,73	19.679.018,84	19.679.018,84
Consolidation differences according to previous Accounting Standards	-88.927.927,74	-88.927.927,74	-	-
Consolidated exchange differences	-16.113.620,28	-30.831.648,26	-	-
Third party rights	4.293.550,78	4.609.823,37	-	-
	58.895.128,84	23.492.268,32	34.985.992,04	28.933.254,14

13. Non-current liabilities

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>31.12.2004</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Provision for employee benefits	3.349.800,83	3.068.805,44	507.411,66	482.542,29
Guarantees for rent	240.783,52	230.269,50	240.783,52	230.269,50
Leasing obligations	839.926,58	903.147,29	421.707,00	450.436,29
Provision for taxes for un-audited Years	234.252,00	156.168,00	234.252,00	156.168,00
Debenture Loan	1.916.543,13	2.118.690,96	-	-
Other	43.143,45	133.787,95	-	-
	6.624.449,51	6.610.869,14	1.404.154,18	1.319.416,08

14. Trade and other payables

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>31.12.2004</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Trade payables	13.482.567,88	13.252.975,46	2.281.771,98	2.203.405,10
Taxes – duties	11.421.400,41	6.722.129,18	2.070.530,70	1.228.943,29
Dividends payable	7.474.530,08	2.926.225,86	7.474.530,08	2.926.225,86
Other payables	8.531.820,46	8.501.515,08	1.091.988,49	384.673,41
	40.910.318,83	31.402.845,58	12.918.821,25	6.743.247,66

15. Liabilities to Banks

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>30.06.2005</u>	<u>30.06.2004</u>
Non-current liabilities	128.258.896,80	120.135.587,74	119.688.175,91	119.499.958,95
Current liabilities	4.168.492,41	5.252.135,03	3.538.577,77	4.891.100,49
	132.427.389,21	125.387.722,77	123.226.753,68	124.391.059,44

16. Deferred income tax

Deferred income tax assets are offset with the deferred income tax liabilities 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:

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<u>COMPANY</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Deferred tax assets:		
To be recovered after more than 12 months	526.832,06	797.709,92
To be recovered within 12 months	174.147,02	91.353,36
	<u>700.979,08</u>	<u>889.063,28</u>
Deferred tax liabilities:		
To be recovered after more than 12 months	513.082,27	483.908,05
To be recovered within 12 months	43.248,20	2.417,85
	<u>556.330,47</u>	<u>486.325,90</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	Provisions	Other	Total
Balance 1/1/2004	887.269,83	274.403,61	0,00	1.161.673,44
Movement year 2004 (Results)	-280.888,88	6.026,11	2.252,61	-272.610,16
Balance 31/12/2004	606.380,95	280.429,72	2.252,61	889.063,28
Movement period 2005 (Results)	-195.026,92	-34.451,19	41.393,91	-188.084,20
Balance 30/06/2005	<u>411.354,03</u>	<u>245.978,53</u>	<u>43.646,52</u>	<u>700.979,08</u>

Deferred tax liabilities

	Tangible assets	Finance leases	Other	Total
Balance 1/1/2004	213.577,25	15.520,82	0,00	229.098,07
Movement year 2004 (Results)	233.488,58	23.739,25	0,00	257.227,83
Balance 31/12/2004	447.065,83	39.260,07	0,00	486.325,90
Movement period 2005 (Results)	61.553,42	8.451,15	0,00	70.004,57
Balance 30/06/2005	<u>508.619,25</u>	<u>47.711,22</u>	<u>0,00</u>	<u>556.330,47</u>

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<u>GROUP</u>	<u>30.06.2005</u>	<u>31.12.2004</u>
Deferred tax assets:		
To be recovered after more than 12 months	1.886.562,09	1.964.861,32
To be recovered within 12 months	797.924,64	744.042,96
	<u>2.684.486,73</u>	<u>2.708.904,28</u>
Deferred tax liabilities:		
To be recovered after more than 12 months	513.082,27	483.908,05
To be recovered within 12 months	51.836,45	11.127,10
	<u>564.918,72</u>	<u>495.035,15</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	Provisions	Finance leases	Other	Total
Balance 1/1/2004	898.493,91	91.839,31	1.414.516,98	89.010,45	146.553,11	2.640.413,76
Movement year 2004 (Results)	-279.837,46	38.437,64	151.415,64	27.449,59	94.111,25	31.576,66
Exchange differences year 2004	-364,02	44.768,71	149,06	-2.886,82	-4.753,07	36.913,86
Balance 31/12/2004	618.292,43	175.045,66	1.566.081,68	113.573,22	235.911,29	2.708.904,28
Movement period 2005 (Results)	-185.027,13	44.084,75	252.925,46	-51.837,13	-165.589,88	-105.443,93
Exchange differences period 2005	515,72	6.726,27	58.750,62	4.917,27	10.116,50	81.026,38
Balance 30/06/2005	<u>433.781,02</u>	<u>225.856,68</u>	<u>1.877.757,76</u>	<u>66.653,36</u>	<u>80.437,91</u>	<u>2.684.486,73</u>

Deferred tax liabilities:

	Tangible assets	Finance leases	Total
Balance 1/1/2004	214.299,09	15.520,82	229.819,91
Movement year 2004 (Results)	239.795,67	23.739,25	263.534,92
Exchange differences year 2004	1.680,32	0,00	1.680,32
Balance 31/12/2004	455.775,08	39.260,07	495.035,15
Movement period 2005 (Results)	61.333,55	8.451,15	69.784,70
Exchange differences period 2005	98,87	0,00	98,87
Balance 30/06/2005	<u>517.207,50</u>	<u>47.711,22</u>	<u>564.918,72</u>

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:

	2004	2003
Discount interest rate (%)	4,5%	5,0%
Future salary increases	3,0%	3,0%

The movement of the account from 01.01.2004 to 30.06.2005 had as follows:

	The Group	The Company
Balance of obligations at 01.01.2004	2.692.562,41	423.295,00
Expense charged to period 2004	388.036,67	76.920,00
Paid compensation 2004 & Other Movements-Exchange Differences	(11.793,64)	(17.672,00)
Balance of obligation at 31.12.2004	3.068.805,44	482.543,00
Expense charged to period 01.01.-30.06.2005	207.826,89	36.409,00
Paid compensation period & Other Movements-Exchange Differences	73.168,50	(11.540,00)
Balance of obligation at 30.06.2005	3.349.800,83	507.411,00

18. Operating results

	The Group		The Company	
	30.06.2005	30.06.2004	30.06.2005	30.06.2004
<u>Sales Revenue</u>				
Income from Sales of Inventories	100.764.368,78	90.013.286,37	16.563.943,64	16.128.473,44
Income from Sales of services	-	-	2.605.155,26	2.162.311,13
Total	<u>100.764.368,78</u>	<u>90.013.286,37</u>	<u>19.169.098,90</u>	<u>18.290.784,75</u>
Other income	2.183.278,04	1.424.757,88	1.866.041,87	1.008.097,36
Grand Total	<u>102.947.646,82</u>	<u>91.438.044,25</u>	<u>21.035.140,77</u>	<u>19.928.882,11</u>
<u>Expenses</u>				
Administrative expenses	5.399.320,35	5.381.665,75	2.103.723,85	1.702.101,12
Selling and marketing costs	24.345.052,27	23.398.660,78	5.084.730,84	4.345.410,42
Other	656.580,74	1.521.223,93	39.218,58	114.647,59
Total	<u>30.400.953,36</u>	<u>30.301.550,46</u>	<u>7.227.673,27</u>	<u>6.162.159,13</u>
<u>Analysis of Significant Expenses</u>				
Employer's Cost	13.526.531,21	11.955.299,96	3.557.613,13	3.287.269,83
Rent	5.399.181,69	5.359.199,92	671.980,12	686.707,58
Advertising Expenses	2.858.582,60	4.382.397,32	946.223,89	773.339,18
Depreciation	1.830.737,72	1.682.189,04	527.145,17	433.346,23
Total	<u>23.615.033,22</u>	<u>23.379.086,24</u>	<u>5.702.962,31</u>	<u>5.180.662,82</u>

19. Income tax expense

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2005</u>	<u>30.06.2004</u>	<u>30.06.2005</u>	<u>30.06.2004</u>
Current tax for the period	7.427.719,61	5.428.059,13	1.664.991,67	1.262.242,00
Deferred tax	175.228,63	115.979,13	258.089,75	264.919,00
	<u>7.602.948,245</u>	<u>5.544.038,26</u>	<u>1.923.081,42</u>	<u>1.527.161,00</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>30.06.2005</u>	<u>30.06.2004</u>
Net profit for the period (Group)	29.137.198,67	27.698.684,61
Attributable to:		
Equity holders of the Company	29.453.471,26	27.823.054,54
Minority interest	-316.272,59	-124.369,93
Weighted average number of ordinary shares in issue	32.946.875	32.946.875
Basic earnings per share	0,89	0,84

21. Dividends per share

The dividends that will be paid in 2005, are €7.248.312,50 (€0,22 per share) and concerned the year 2004 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>30.06.2005</u>	<u>30.06.2004</u>
Sales of goods to subsidiaries	5.648.019,64	4.298.378,70
Sales of goods to associates	1.106.084,18	289.315,96
	6.754.103,82	4.587.694,66

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

	<u>30.06.2005</u>	<u>30.06.2004</u>
• Subsidiaries	9.443.833,33	6.884.885,42
• Associates	3.553.327,55	3.693.993,54
	<u>12.997.160,88</u>	<u>10.578.878,96</u>

iii) Acquisitions from related parties

	<u>30.06.2005</u>	<u>30.06.2004</u>
• Subsidiaries	1.028.044,89	-
	<u>1.028.044,89</u>	-

iv) **Obligations to related parties**

	<u>30.06.2005</u>	<u>30.06.2004</u>
• Subsidiaries	741.148,46	-
	<u>741.148,46</u>	-

23. Number of employed personnel

Average number of employed personnel at the end of the current period: Group 853, Company 256 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.