

**REPORT**

*by the Board of Directors of the Corporation named "FOLLI FOLLIE - Jewellery, Watches, Clothing, Shoes, Accessories, Small Industry and Commercial Company S.A."*

*Addressed to the Extraordinary General Meeting of Shareholders dated 6 December 2010 (also including any reiterative or adjourned meeting) according to the provisions of articles 4.1.4.1.1 and 4.1.4.1.3 of ATHEX Rulebook with respect to the valuation of the merging companies.*

**BACKGROUND**

*The Board of Directors of "FOLLI FOLLIE - Jewellery, Watches, Clothing, Shoes, Accessories Small Industry and Commercial Company S.A." (hereinafter called Absorbed Company A), approved, under its resolution dated 22.10.2010 its absorption as well as the absorption of "ELMEC SPORT INDUSTRIAL, COMMERCIAL AND CONSTRUCTIONS COMPANY S.A." (hereinafter called "Absorbed Company B") by "HELLENIC DUTY FREE SHOPS S.A." (hereinafter called "the Company") according to the provisions of Law 2166/1993, as it is currently in force. 30.6.2010 was designated as transformation date. The Boards of Directors of Absorbed Company B and the Company, respectively, approved, under their resolutions dated 22.10.2010, their merger through absorption of them by the Company.*

*Likewise, the reports dated 30.9.2010 were drawn up by Chartered Accountant / Auditor Mrs Chrysoula G. Tsakalogiannis, according to the provisions of Article 3 paragraph 2 of Law 2166/1993 for the purpose of ascertaining the book value of the assets of Absorbed Company A and Absorbed Company B in the accounting statement dated 30.6.2010 (transformation balance sheet as of 30.6.2010).*

*Further, the duty was assigned to independent Chartered Accountant Mr. Panagiotis Vroustouris, a member of the auditing firm named ENEL-Alternative Auditing Company S.A. and to Alpha Bank and Emporiki Bank (hereinafter jointly called "The Valuers and / or Independent Experts") to act as independent experts within the meaning of Article 4.1.4.1.3 of the ATHEX Rulebook, as it is currently in force, and opine on the reasonableness and fairness of the shares exchange ratio, by formulating relevant Independent Experts' Reports.*

*In light of the foregoing, our company's Board of Directors, at its Meeting dated 4.11.2010, decided to submit the present report (in which the above-mentioned Independent Experts' Reports are incorporated and constitute an*

*integral whole) to the Extraordinary General Meeting dated 6 December 2010 (including also any reiterative or adjourned meeting) that will be invited to approve the said merger through absorption of Absorbed Company A and Absorbed Company B by the Company, for the purpose of setting out information relative to the valuation of the merging companies and the proposed exchange ratio as well as to the number of shares to be issued as a result of the increase in the Company's share capital by reason of the merger through absorption of Absorbed Company A and Absorbed Company B.*

*Within the framework of its aforesaid proposal our company's Board of Directors has drawn up the present Report, according to Article 4.1.4.1.3 of the ATHEX Rule Book, as it is currently in force, and advises the shareholders of the following :*

*A. An increase will take place in the Company's share capital by reason of the absorption. In particular, the Company's share capital, which amounts to EUR 15,802,500 will initially be decreased by EUR 38,889.30, (by reason of cancellation of 129,631 own shares of a total par value of EUR 38,889.30) and then will be increased by EUR 39,706.80 through capitalisation of the share premium reserve. After the aforesaid decrease by EUR 38,889.30 and increase by EUR 39,706.80 in the share capital, the Company's share capital shall amount to EUR 15,803,317.50 and by reason of the merger it will initially be reduced due to the cancellation of the Company's own shares that are held by Absorbed Company A, to wit it will be reduced by EUR 8,973,277.20, that is to say, it will be reduced to the amount of EUR 6,830,040.30 and, at the same time, it will be increased by EUR 9,884,062.50, which corresponds to the contributed share capital of Absorbed Company A plus the contributed share capital of Absorbed Company B amounting to EUR 1,462,360.20 (which, share capital of Absorbed Company B, shall amount to EUR 1,462,360.20 after the cancellation of the Company's holding in it of EUR 31,777,639.80).*

*In consequence of the foregoing the Company's share capital shall amount to EUR 18,176,463 (15,803,317.50 - 8,973,277.20 + 9,884,062.50 + 1,462,360.20) being divided into 60,588,210 new shares of a par value of EUR 0.30 each, which (no shares) will be distributed in compliance with the foregoing as follows :*

*I) The shareholders of Absorbed Company A will receive on a rounding-off basis 50,591,155 new shares in the Company and will participate in the Company's share capital by 83.50%.*

*II) The shareholders of Absorbed Company B currently holding a 4.40% portion of the share capital of Absorbed*

*Company B will receive on a rounding-off basis 151,471 new shares in the Company and they will participate in its share capital by 0.25% and*

*III) The shareholders of the Company who currently own 42.97% of the Company's share capital, will receive on a rounding-off basis 9,845,584 new shares in the Company and will participate in its share capital by 16.25%.*

*After completion of the merger new share certificates will be issued by the Company, which will be exchanged for the shares being held by the shareholders of Absorbed Company A, Absorbed Company B and the Company according to the foregoing.*

*B. The number of new shares proposed by the Board of Directors for approval to the Extraordinary General Meeting for being subscribed for by the shareholders of the merging companies transpires after the valuation of the merging companies. On the basis of the foregoing, our company's Board of Directors proposes that the new shares to be issued by reason of the merger should be distributed on the basis of the following exchange ratio :*

*a) The exchange ratio of the shares in Absorbed Company A to the shares to be received by its shareholders from the Company was fixed at 1/1.53553730, to wit, the shareholders of Absorbed Company A shall exchange each share held by them for 1.53553730 new shares in the Company that will be issued by it.*

*b) The exchange ratio of the shares in Absorbed Company B to the shares to be received from the Company by the shareholders currently having a 4.40% shareholding in Absorbed Company B (to wit, by all shareholders other than the Company, the shares of which (Company) will be cancelled according to all that is mentioned herein below) was fixed at 1/0.06214769, that is to say, the aforesaid shareholders of Absorbed Company B will exchange each share held by them for 0.06214769 new shares in the Company to be issued by it.*

*c) The Company's shareholders holding 42.97% of its share capital (that is to say, all shareholders other than Absorbed Company A, the shares of which will be cancelled according to the foregoing) will exchange each share currently held by them in the Company for 0.43498235 new shares in the Company to be issued by it.*

*The new shares that will be distributed to the shareholders of the merging companies according to the aforesaid*

exchange ratios will be entitled to participate in the distribution of the Company's profit in connection with the 1.1.2011 - 31.12.2011 accounting period.

*D. The above-mentioned valuation and exchange ratio have been assessed by the Valuers / Independent Experts, who are acting as independent experts within the meaning of Article 4.1.4.1.3 of the ATHEX Rulebook, as it is currently in force, as reasonable and fair. The relevant Independent Experts' Reports are available and incorporated in the present report.*

*E. Now, our company's Board of Directors, in performance of its obligation laid down in Article 4.1.4.1.3 of the ATHEX Rulebook is submitting the present report which includes the following data and information :*

*A summary description of the valuation methods, the assumptions taken into account, the difficulties, if any, that arose during valuation and the manner on the basis of which the shares exchange ratio was fixed, as well as any other data that might be provided for by special provisions, statements made by the Independent Experts who carried out the valuations of the merging companies, as to whether the methods used are suitable for the specific case, and an opinion expressed by the Independent Experts as to whether the exchange ratio that resulted from the said evaluation is reasonable and fair.*

*- Report by Mr. Panagiotis Vroustouris, a member of the auditing firm named ENEL-Alternative Auditing Company S.A.*

*Addressed to the Boards of Directors*

*of the companies named:*

*(a) HELLENIC DUTY FREE SHOPS S.A.*

*(b) FOLLI FOLLIE ABEE*

*(c) ELMEC SPORT ABETE*

*Athens 18.10.2010*

## ***1. Assignment***

*The present work was assigned to us upon instructions given by the Boards of Directors of FOLLI-FOLLIE ABEE, HELLENIC DUTY FREE SHOPS S.A. and ELMEC SPORT ABETE and pertains to the determination of the value of the companies for the purpose of expressing an opinion concerning the reasonableness and fairness of their shares exchange ratio, within the framework of the absorption of FOLLI-FOLLIE ABEE and ELMEC SPORT ABETE by*

*HELLENIC DUTY FREE SHOPS S.A. on the basis of the provisions of Codified Law 2190/1920 (Articles 69-77a) and Law 2166/93, which (absorption) was decided by the companies' Board of Directors at their meetings dated 24.06.2010.*

## ***2. An outline of the merging companies, their scopes, their geographical areas of activation and their structures.***

### ***2.1 Structure of the Group***

*The three companies constitute separate sub-groups belonging to the parent company of FOLLI-FOLLIE ABEE group, while the relation between them and the relevant holding percentages have been formed as follows:*

<i>Company</i>	<i>Holding</i>	<i>Rate</i>
<i>FOLLI-FOLLIE ABEE</i>	<i>Holding in the capital of HELLENIC DUTY FREE SHOPS S.A</i>	<i>56,78%</i>
<i>HELLENIC DUTY FREE SHOPS S.A.</i>	<i>Holding in the capital of ELMEC SPORT ABETE</i>	<i>95,6%</i>

### ***2.2 HELLENIC DUTY FREE SHOPS S.A.***

*The company is actively involved in the Travel Retail Trade Sector and possesses the right to exclusively operate the duty free shops already existing or those that are about to be established in Greece, which (right) was granted to it according to Article 120 of Law 2533/1997. This activity is implemented through 90 shops located at 44 points (21 Airports, 11 border stations and 12 sea ports) and comprises a broad spectrum of products such as perfumes, cosmetics, tobacco, foodstuff, spirits and luxury goods. It is also actively involved, through the companies of the group, in the sectors of clothing, shoes, accessories, in the operation of department stores, gym instruments and vehicles. The structure of the company's Group is as follows:*

<b><i>Company</i></b>	<b><i>Seated in</i></b>	<b><i>Shareholding</i></b>
<i>HELLENIC DUTY FREE S.A.</i>	<i>Greece</i>	<i>Parent Company</i>
<i>OMILOS ELLINIKES DIANOMES SA</i>	<i>Greece</i>	<i>98.68%</i>
<i>LINKS LONDON LIMITED</i>	<i>United Kingdom</i>	<i>98.68%</i>
<i>LINKS OF LONDON INTERNATIONAL</i>	<i>United Kingdom</i>	<i>98.68%</i>

<i>LINKS OF LONDON COM LTD</i>	<i>United Kingdom</i>	<i>98.68%</i>
<i>LINKS OF LONDON ASIA LTD</i>	<i>Hong Kong</i>	<i>98.68%</i>
<i>LINKS OF LONDON INC</i>	<i>USA</i>	<i>98.68%</i>
<i>LINKS OF LONDON (FRANCE)</i>	<i>France</i>	<i>98.68%</i>
<i>HDFS SKOPJE DOO</i>	<i>FYROM</i>	<i>100.00%</i>
<i>HELLENIC TOURIST BUREAU S.A</i>	<i>Greece</i>	<i>99.99%</i>
<i>ELMEC SPORT GROUP S.A</i>	<i>Greece</i>	<i>95.60%</i>
<i>ELMEC ROMANIA SRL</i>	<i>Rumania</i>	<i>95.60%</i>
<i>ELMEC SPORT BULGARIA FOOD</i>	<i>Bulgaria</i>	<i>95.60%</i>
<i>MOUSTAKIS S.A</i>	<i>Greece</i>	<i>95.60%</i>
<i>LOGISTICS EXPRESS S.A</i>	<i>Greece</i>	<i>95.60%</i>
<i>ATTICA DPT S.A</i>	<i>Greece</i>	<i>48.57%</i>
<i>NORTH LANDMARK S.A</i>	<i>Greece</i>	<i>33.46%</i>
<i>ICS ELMEC SPORT SRL</i>	<i>Moldavia</i>	<i>95.60%</i>

### **2.3. FOLLI-FOLLIE ABEE**

*The group is actively involved in the sectors of manufacturing of and trading in jewellery, watches and accessories, the representation of trademarks, the sale of clothing and shoes and travel trade. The structure of the company's group is a follows:*

<b><i>Company</i></b>	<b><i>Seated in</i></b>	<b><i>Shareholding</i></b>
<i>FOLLI-FOLLIE ABEE</i>	<i>Greece</i>	<i>Parent Company</i>
<i>FOLLI-FOLLIE UK LTD</i>	<i>United Kingdom</i>	<i>99.99%</i>
<i>FOLLI-FOLLIE FRANCE S.A</i>	<i>France</i>	<i>100.00%</i>
<i>FOLLI-FOLLIE SPAIN SA</i>	<i>Spain</i>	<i>100,00%</i>
<i>FOLLI-FOLLIE POLAND SZOO</i>	<i>Poland</i>	<i>100.00%</i>
<i>FOLLI-FOLLIE SLOVAKIA SRO</i>	<i>Slovakia</i>	<i>100.00%</i>
<i>FOLLI-FOLLIE GERMANY GMBH</i>	<i>Germany</i>	<i>100.00%</i>
<i>MFK FASHION</i>	<i>Cyprus</i>	<i>100.00%</i>
<i>PLANACO ABEE</i>	<i>Greece</i>	<i>100.00%</i>
<i>FOLLI-FOLLIE JAPAN LTD</i>	<i>Japan</i>	<i>100.00%</i>
<i>FOLLI-FOLLIE HONG KONG LTD</i>	<i>Hong Kong</i>	<i>99.99%</i>
<i>FOLLI-FOLLIE ASIA LTD</i>	<i>Hong Kong</i>	<i>99.99%</i>
<i>FOLLI-FOLLIE TAIWAN LTD</i>	<i>Taiwan</i>	<i>99.99%</i>

<i>FOLLI-FOLLIE KOREA LTD</i>	<i>South Korea</i>	99.99%
<i>FOLLI-FOLLIE SINGAPORE LTD</i>	<i>Singapore</i>	99.99%
<i>BLUEFOL GUAM LTD</i>	<i>Guam</i>	99.99%
<i>BLUEFOL HAWAII LTD</i>	<i>Hawaii</i>	99.99%
<i>BLUEFOL HONG KONG LTD</i>	<i>Hong Kong</i>	99.99%
<i>FOLLI-FOLLIE MALAYSIA LTD</i>	<i>Malaysia</i>	99.99%
<i>FOLLI-FOLLIE THAILAND LTD</i>	<i>Thailand</i>	99.99%
<i>FOLLI-FOLLIE CHINA (PILION LTD)</i>	<i>China</i>	85.00%
<i>LAPFOL (JOINT VENTURE)</i>	<i>Hong Kong</i>	75.00%
<i>HELLENIC DUTY FREE SHOPS S.A</i>	<i>Greece</i>	56.78%
<i>HELLENIC DISTRIBUTIONS S.A</i>	<i>Greece</i>	56.03%
<i>LINKS LONDON LTD</i>	<i>United Kingdom</i>	56.03%
<i>LINKS OF LONDON INTERNATIONAL</i>	<i>United Kingdom</i>	56.03%
<i>LINKS OF LONDON COM LTD</i>	<i>United Kingdom</i>	56.03%
<i>LINKS OF LONDON ASIA LTD</i>	<i>Hong Kong</i>	56.03%
<i>LINKS OF LONDON INC USA</i>	<i>USA</i>	56.03%
<i>LINKS OF LONDON FRANCE</i>	<i>France</i>	56.03%
<i>HDFS SKOPJE DOO</i>	<i>FYROM</i>	56.03%
<i>HELLENIC TOURIST BUREAU S.A</i>	<i>Greece</i>	56.77%
<i>ELMEC SPORT ABETE</i>	<i>Greece</i>	54.28%
<i>ELMEC ROMANIA SRL</i>	<i>Rumania</i>	54.28%
<i>ELMEC SPORT BULGARIA FOOD</i>	<i>Bulgaria</i>	54.28%
<i>MOUSTAKIS AEE</i>	<i>Greece</i>	54.28%
<i>LOGISTICS EXPRESS S.A</i>	<i>Greece</i>	54.28%
<i>ATTICA DPT S.A</i>	<i>Greece</i>	27.58%
<i>NORTH LANDMARK S.A</i>	<i>Greece</i>	19.00%
<i>ICS ELMEC SPORT SRL</i>	<i>Moldavia</i>	54.28%

## **2.4 ELMEC SPORT ABETE**

*The Group is actively involved in the sectors of clothing, shoes and accessories, the operation of department stores, the gym outfitting with gym instruments, the representation of motorcycle firms and the area surveillance systems.*

*The structure of the company's group is as follows:*

<b><i>Company's name</i></b>	<b><i>Seated in</i></b>	<b><i>Holding percentage</i></b>
<i>ELMEC SPORT ABETE</i>	<i>Greece</i>	<i>Parent Company</i>
<i>ELMEC ROMANIA SRL</i>	<i>Rumania</i>	<i>100.00%</i>
<i>ELMEC SPORT BULGARIA FOOD</i>	<i>Bulgaria</i>	<i>100.00%</i>

<i>ICS ELMEC SPORT SRL</i>	<i>Moldavia</i>	<i>100.00%</i>
<i>ATTICA DPT S.A</i>	<i>Greece</i>	<i>25.00%</i>
<i>NORTH LANDMARK S.A</i>	<i>Greece</i>	<i>35.00%</i>
<i>MOUSTAKIS AEE</i>	<i>Greece</i>	<i>100.00%</i>
<i>LOGISTICS EXPRESS S.A</i>	<i>Greece</i>	<i>100.00%</i>

### **3. Reference date**

*The date of appraisal of the value of the companies and, therefore, the opinion expressed in regard to the exchange ratio is the 30th of June 2010, a date which is very close to the resolutions of the companies' Boards of Directors and for which there are publicised financial statements that have been reviewed by chartered accountants-auditors who have expressed a review conclusion without reservations or without pointing out any specific matter. The 30th of June 2010 was determined, on the basis of the resolutions passed by the Boards of Directors, to be the date of the transformation balance sheets of the merging companies.*

### **4. Details that were taken into account**

*For the execution of our work, in addition to all that is referred to in the individual paragraphs hereof, the following was taken into account :*

- Various information published with respect to the group's companies.*
- The audited and reviewed financial statements of the three company groups as of 30.06.2010 in regard to all three previous accounting periods.*
- The merger draft contract.*
- Information obtained from management with respect to the methods concerning the preparation and the assumptions of the business plans of the next following five-year period (2010-2014).*
- Analysts' reports in connection with the companies and the sectors in which such companies are actively involved.*

### **5. Methods of appraisal of the company's value**

*Valuations were carried out according to the generally-admitted principles and the methodology being followed in such cases and the final conclusion was produced after taking into account the degree of suitability of each methodology and after weighing its gravity, on the basis of the conditions of each specific case. No difficulties were encountered by us during the execution of our job.*



### **5.1 The discounted future free cash flows method**

*This method was applied to all three company groups on the basis of business plans that were prepared by their administrative boards at a consolidated level and comprise the forecasts of figures required for the application of the method. Exceptionally, as regards the FOLLI-FOLLIE ABEE group the business plan pertained to the consolidated financial statements, excluding the group of HELLENIC DUTY FREE SHOPS S.A, the value of which was afterwards added to the value of the FOLLI-FOLLIE ABEE group on the basis of its holding in the latter. The method is based on the assumption that the value of an undertaking results from the discounting of the future cash flows and presupposes forecasts relative to income, expenses, capital investments, the development of the working capital, the termination value and the determination of the appropriate discount interest.*

*Our work was based on assessments, analyses and data that were given by the company's administrative boards. We have considered them to have been prepared in a fair and reasonable manner within the frameworks of optimal judgements and decisions on the part of the administrative boards and to depict the achievements of the past, the current condition and the anticipated future development of the companies.*

*For the determination of the valuation we also took into account financial and other information as well as events and conditions of the market up to the date of our report. Any events that might occur after such date could probably affect, and considerably too, our opinion.*

### **5.2 The company market values method (capitalisation method)**

*For the purposes of valuation, and taking as a given fact that a company's market value may represent considerable fluctuations even within short periods of time, the average market value of the companies was taken into account with respect to a time period of six months prior to the date of announcement of the merger, so that any fluctuations stemming from specific events and occurring on specific dates might be ironed out.*

*Anyhow, for the purposes of determining the fair value of the undertakings, the market values may be less appropriate in such cases as the non-sufficient diversification of shares, the low volume of transactions and any manipulation of prices are.*

### **5.3 The adjusted net asset value method.**

*The adjusted net asset value method is a method for determining the value of an undertaking which is based on the*

net asset value depicted in the balance sheet as of the date of valuation being adjusted through certain figures at the valuator's discretion and after taking account of any remarks made on the part of the chartered accountants / auditors relative to amounts that have negatively or positively affected the net asset value.

The above-mentioned method does not require assumptions and presuppositions concerning the development of figures, which (assumptions and presuppositions), as being clearly subjective, might considerable leverage the valuation result. On the other hand, however, it is a static method which is based on the balance sheet as of a certain date and, therefore, it does not depict the company's dynamics which depends on its future course and, further, its result may be differentiated in proportion to policies applicable to the preparation of financial statements.

## 6. Value and exchange ratio ranges

On the basis of the methodologies followed and the weighting of each of them the following value figures resulted rounded off and denominated in thousands of Euro :

<u>HDFS S.A.</u>	<u>FOLLI-FOLLIE ABEE</u>	<u>ELMEC SPORT ABETE</u>
From 456,972 to 503,348	From 985,670 to 1,084,454	From 66,649 to 74,581

On the basis of the aforesaid values, the participation in the new company and the exchange rate ration will be as follows :

<u>Shareholders</u>	<u>Holding Percentage</u>	<u>Shares exchange ratio</u>
Shareholders of FOLLI-FOLLIE ABEE	81.72% to 84.40%	1.502810504 to 1.552097817
Shareholders of Hellenic Duty Free Shops		
SA (excluding FOLLI-FOLLIE)	15.37% to 18.04%	0.411459364 to 0.482803525
Shareholders of ELMEC SPORT		
(excluding Hellenic Duty Free Shops S.A)	0.23% to 0.28%	0.056736871 to 0.068756198

## 7. Conclusion

The companies' Boards of Directors at their meetings dated 24.06.2010 decided and proposed the following as holdings in the new company and shares exchange ratios :

<u>Shareholders</u>	<u>Holding percentage</u>	<u>Shares exchange ratio</u>
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<i>Shareholders of FOLLI-FOLLIE ABEE</i>	<i>83.5%</i>	<i>1.5355</i>
<i>Shareholders of Hellenic Duty Free Shops</i>		
<i>S.A (Excluding FOLLI-FOLLIE ABEE)</i>	<i>16.25%</i>	<i>0.4325</i>
<i>Shareholders of ELMEC SPORT ABETE</i>		
<i>(Excluding Hellenic Duty Free Shops S.A)</i>	<i>0.25%</i>	<i>0.0621</i>
	<u><i>100%</i></u>	

*On the basis of the above-mentioned proposal, each shareholder of FOLLI-FOLLIE ABEE shall exchange one (1) share for 1.5355 shares in the new company, each minority shareholder of Hellenic Duty Free Shops S.A shall exchange one (1) share for 0.4325 shares in the new company and each minority shareholder of ELMEC SPORT ABETE shall exchange one (1) share for 0.0621 shares in the new company.*

*The proposed holding percentages in the new company and the shares exchange ratio vis-à-vis the shares in the new company fall within the range of the respective ratios that resulted from the valuation of the companies and, therefore, the proposed ratio is reasonable and fair within the framework of the legislation in force and the specific circumstances.*

*Our work is confined to the expression of an opinion concerning the reasonableness and fairness of the exchange ratio for the purposes of the merger under the current circumstances and does not extend to, nor may it be taken as such, in other matters such as the future development of operations and the profitability of the individual companies or the new company.*

*Our work is addressed only to the Boards of Directors of the merging companies so that they may fulfil their obligations stemming from the merger, it may not be used for other purposes and no responsibility is undertaken hereby with respect to other matters of any nature which might affect the merger of the companies, with respect to which (matters) we believe that their managing boards have taken the necessary actions.*

*Your faithfully*

*ELEL AUDITING S.A*

*388, Mesogeion Street, Agia Paraskevi*

*SOEL Reg. No 155*

*Panagiotis Vroustouris*

*Chartered Accountant / Auditor*

*SOEL Reg. No 12921*

**- ALPHA BANK Report**

*Addressed to:*

- 1. The Board of Directors of FOLLI-FOLLIE ABEE*
- 2. The Board of Directors of HELLENIC DUTY FREE SHOPS S.A*
- 3. The Board of Directors of ELMEC SPORT ABETE*

*21 October 2010*

*The Boards of Directors of the companies named "FOLLI-FOLLIE JEWELLERIES - WATCHES - CLOTHING - SHOES - ACCESSORIES SMALL INDUSTRY AND COMMERCIAL COMPANY S.A." (hereinafter called "FOLLI-FOLLIE"), "HELLENIC DUTY FREE SHOPS S.A." (hereinafter called "HDFS") and "ELMEC SPORT INDUSTRIAL, COMMERCIAL AND CONSTRUCTIONS COMPANY S.A." (hereinafter called "ELMEC") (jointly hereinafter called the "Companies"), according to the resolutions passed at their meetings dated 24 June 2010, are intending to proceed with the merger through absorption (hereinafter called the "Merger") by HDFS (Absorbing Company) of FOLLI-FOLLIE (Absorbed Company A' with a 56.78% holding in the Absorbing Company) and ELMEC (Absorbed Company B' which is a subsidiary, by 95.6%, of the Absorbing Company).*

*The merger shall take place according to the provisions of Articles 68-79a of Codified Law 2190/20 in conjunction with the provisions of Articles 1-5 of Law 2166/93, as they are currently in force. The 30th of June 2010 was determined as date of the transformation balance sheet. The implementation of Merger is conditional upon the authorisations and the approvals provided for by Law for being granted by the Companies' General Meetings and by the competent authorities.*

*Within the framework of this procedure the Companies' Boards of Directors assigned to Alpha Bank (hereinafter called the "Consultant") by virtue of a duly-signed private agreement dated 24/6/2010 the carrying out of the valuation of the shares in the Companies and the determination of a range of "reasonable" and "fair" exchange ratios of their shares.*

*In order to reach our opinion we studied, inter alia the following :*

- a) published information relative to the Companies but also to companies comparable to them,*

- b) audited individual and consolidated financial statements of the Companies and their subsidiaries as of 31 December 2009,*
- c) audited individual and consolidated financial statements of the Companies and non-audited financial statements of their subsidiaries dated 30 June 2010,*
- d) the final merger draft contract to be published,*
- e) financial and other information relative to the activities and the prospects of the Companies and their subsidiaries, including the business plan and the anticipated results for the Companies, their subsidiaries and the individual activities thereof, as they were prepared by the Companies' Managing Boards, and as it is also confirmed by the relevant letters sent by the Companies managing boards dated 21 October 2010,*
- f) reports drawn up by stock market analysts for the Companies and the sectors in which they are actively involved.*
- g) the financial and stock market information with respect to other similar companies the shares in which are being traded on stock markets,*
- h) the financial conditions of certain other transactions of similar companies that have recently taken place,*
- i) the conditions prevailing on the market in the sectors in which the Companies are actively involved,*
- j) other information and data given to us by the Companies' managing boards, which have confirmed to us their accuracy and completeness.*

*Further, we discussed with the Companies' top executives about the previous and current operations, the financial condition and the prospects of the Companies.*

*The valuations of the Companies were carried out, on a case by case basis, according to the following generally accepted principles and methodologies that are being followed on a world-wide basis and the final result was produced after taking into account the degree of suitability of each methodology.*

***The Discounted Free Cash Flows Method*** *is based on the theory that the value of a company or of an activity is equal to the net current value of its free future cash flows, that is to say, to the difference between the cash flows emanating from the undertaking's operation (before interest) and the cash flows pertaining to the financing of investment needs, to the payment of taxes and to the financing of the working capital, being discounted at a suitable discount rate which corresponds to the opportunity cost of the funds for investments involving an analogous risk. For the purpose of applying this method an valuation is required of the free cash flows of the company or of the activity*

over a specific term in the future, a valuation of the contingent terminal value of the company or of the activity, which pertains to its value in perpetuity, to wit, after the end of the forecast period, and a valuation of the discount interest applying to the cash flows, which (discount interest) depicts the opportunity cost that represents the mean anticipated return for the company's financiers. It is noted that the aforesaid method delimits the value of the whole operation or activity from which the value of the net borrowing (debt) will be deducted for the purpose of determining the value of own funds (shareholders' equity).

**The Comparable Transaction Multiples Method** depicts the value of a company or of an activity on the basis of similar transactions that have been implemented in the recent past. For each transaction of the "similar transactions sample" valuation indicators (multiples) are calculated and average multiples and arithmetical means thereof are produced. Then such average multiples and arithmetical means are applied to the respective financial figures of the relevant company or activity for the purpose of letting transpire the range of values thereof.

**The Comparable Company Multiples method**, is based on the assumption that the value of an undertaking or of an activity may be approximated to on the basis of the value attributed by investors who are sufficiently informed and act rationally in regard to companies comparable to the company at issue. For the application of this method it is required to choose a suitable sample of companies which are comparable to the company at issue and in which (companies) the shares are listed on regulated markets. For each company of the "listed companies sample" a number of indicators (multiples) shall be calculated, as appropriate, e.g. (without limitation) :

- Enterprise Value to Sales per Share Ratio (EV/Sales)
- Enterprise Value to earnings before interest, tax, depreciation and amortisation (EV/EBITDA)
- Share Price to Sales per Share Ratio (P/Sales)
- Share Price to Earnings per Share After Taxes Ratio (P/E)
- Share Price to Book Value per Share Ratio (P/Book Value)

Through the calculation of these indicators for each company of the sample it is possible to determine indicators denoting the value attributed by investors to companies comparable to the company at issue. The assessment of the company's value range transpires from the application of the said indicators to the respective anticipated financial figures of the company or activity at issue.

According to the international practice followed for the valuation of groups, such as FOLLI-FOLLIE, HDFS and

*ELMEC with a large number of holdings, the holdings were appraised individually through the application of the aforesaid methodologies on a case by case basis and then the value which transpires on the basis of the holding rate in each of them was summed. In conformity with the above-mentioned practice we may apply various indicators and discount rates to the cash flows of the individual companies, so that the differences in the scope of activity, the prospects and the risk factor of the companies of a group may be taken into account. On the basis of the foregoing a value range resulted for HDFS between 437.1 and 483.2 million Euro, for FOLLI-FOLLIE between 956.7 and 1,057.4 million Euro and for ELMEC between 64.0 and 70.7 million Euro.*

*It is noted that the valuation methodologies which were applied to the determination of the reasonable value of the Companies are deemed suitable for the specific case and no difficulties appeared during the application of such methodologies. The valuation operations took place on the basis of the assumption of the self-standing continuation of the activity of each Company.*

*Therefore no positive or negative effects of the Merger were considered, such as, without limitation, the possibilities for economies of scale, other synergies, expenses pertaining to the implementation of Merger, etc.*

*On the basis of the foregoing, the shares exchange ratio range transpiring from the valuation of the fair and reasonable value range that was calculated per each Company appears to be as follows :*

*From 1.4545297085 to 1.6076380989 new shares in HDFS for each 1 existing share in FOLLI-FOLLIE, for the shareholders of FOLLI-FOLLIE.*

*From 0.0581867630 to 0.0643116854 new shares in HDFS for 1 existing share in ELMEC, for the minority shareholders of ELMEC.*

*From 0.4195091385 to 0.4636679952 new shares in HDFS for each 1 existing share in HDFS, for the minority shareholders of HDFS.*

*It is emphasised that the results of our work do not aim at the objective determination of the value of each Company separately, but at their relative value within the framework of the proposed Merger.*

*According to the shares exchange ratio proposed by the Boards of Directors of the Companies the shareholders of FOLLI-FOLLIE shall exchange one (1) share belonging to them for 1.5355 shares in the New Company (HDFS subsequent to the Merger), the minority shareholders of HDFS shall exchange one (1) share for 0.4349 shares in the*



*New Company (HDFS subsequent to the Merger) and the minority shareholders of ELMEC will exchange one (1) share for 0.0621 shares in the New Company (HDFS subsequent to the Merger). The above-mentioned shares exchange ratios, in our opinion, fall within the range of the respective shares exchange ratios that transpired from the valuation of the Companies and, therefore, the proposed ratios are considered to be fair and reasonable.*

*Our valuation has been based on estimates and analyses which were provided to us by the Companies' administrative and managing boards and with respect to which, with our consent, we have taken as an assumption and a given fact that they have been prepared in a reasonable manner on the basis of the best available estimates, assessments and judgements of the Companies' administrative and managing boards as concerns the current and the future courses of the Companies and no events are anticipated which might considerably affect the value of the companies. With our consent we were based on the fact that all the financial, accounting, legal, tax and other information that became the object of discussion or were studied by us are complete and accurate and we have taken the accuracy and completeness of such information as an assumption for the purpose of providing our present opinion without carrying out an independent audit. Our opinion is based, by necessity, on financial and economic conditions, market conditions and other conditions as such conditions prevail as of the date hereof as well as on other information which was provided to us up to and including the date hereof and which was confirmed by virtue of the letters dated 21 October 2010 and sent by the management and administrative boards of the Companies. Any event subsequent to the date hereof as well as the change in these conditions might affect the present opinion and assumptions, which have been used for its preparation, and we assume no obligation for the updating, readjustment or reconfirmation of the present opinion. Finally, the Consultant bears no liability in regard to any legal, tax, accounting matters pertaining to the Merger with respect to which we believe that the Companies' management boards have obtained the opinion of special consultants.*

*Our valuation does not assess the business resolution passed by the Companies' Boards of Directors to proceed with the Merger and propose to the shareholders the approval of such Merger. Further, we express no opinion concerning the future value or market price of the Companies' transferable securities at any point in time whatsoever. It is noted that in the past our company and its associated undertakings have provided financial, advisory, underwriting and financing services to the Companies and have received fees for the provision of such services. During the usual course of our activities, our company and its associated undertakings might, at any given time whatsoever, provide such services to the Companies and receive fees for the provision of such services.*

*Our opinion which is expressed within this letter is provided for the purpose of assisting the Companies' Boards of Directors to fulfil their obligation stemming from the Athens Exchange Rulebook vis-à-vis such Merger and is addressed to the Companies' Boards of Directors exclusively for this purpose. The present letter and the opinion being thereby expressed may not be used for any other purpose whatsoever nor may any reference to them be made nor may they be disseminated, mentioned or reproduced in any manner whatsoever, either in whole or in part, without the previous consent in writing of Alpha Bank, with the exception that a copy of the present letter may be comprised in whole in any public entry to which the Companies are obliged to proceed with respect to the Merger according to the provisions of the relevant laws, including its publication or publicisation in whole in any other manner that could be requested by the competent authorities. Finally it is noted that the present report shall be in effect as long as the Merger is completed according to the terms decided and announced.*

*Yours faithfully*

**ALPHA BANK**

*G. Logos, Director*

*N. Baziotis, Associate Director*

**Emporiki Bank Report**

*Addressed to :*

- 1. The Board of Directors of FOLLI-FOLLIE ABEE*
- 2. The Board of Directors of HELLENIC DUTY FREE SHOPS S.A.*
- 3. The Board of Directors of ELMEC SPORT ABETE*

*Athens 21.10.2010*

*Dear Sirs*

*The Boards of Directors of "FOLLI-FOLLIE ABEE" (hereinafter called "FOLLI FOLLIE"), "HELLENIC DUTY FREE SHOPS S.A." (hereinafter called "HDFS S.A.") and "ELMEC SPORT ABETE" (hereinafter called "ELMEC SPORT") (jointly hereinafter called the "Companies"), according to the resolutions passed at their meetings dated 24 June 2010 are intending to go ahead with a merger procedure (hereinafter called "the Merger") through absorption by HDFS S.A. (hereinafter called "the Absorbing Party") of FOLLI FOLLIE (hereinafter called "Absorbed Company A") and ELMEC SPORT (hereinafter called "Absorbed Company B"). The Merger will take place according to the provisions of Article 68-79a of Codified Law 2190/1920 in conjunction with Articles 1-5 of Law 2166/1993, as they are currently in force. The 30th of June 2010 was determined to be the date of the Transformation Balance Sheet.*

*The implementation of the merger is conditional upon the authorisations and approvals provided for by Law to be granted by the Companies' General Meetings and the competent authorities.*

*Within the framework of this procedure, the Companies' Boards of Directors, further to their resolutions dated 24 June 2010, assigned to Emporiki Bank (hereinafter called "the Consultant") to draw up an advisory report (hereinafter called "the Report") for the valuation of the merging Companies and for the rendering of an opinion on the reasonableness and fairness of the shares exchange ratio proposed by the Companies' Boards of Directors (hereinafter called "the Exchange Ratio"), as it is provided for by Article 4.1.4.1.3 of the Athens Exchange Rulebook.*

*In implementation of the foregoing we took account of the final ready-for-publication Draft Merger Contract and we proceeded with the formulation of a fairness opinion in regard to the reasonableness and fairness of the shares exchange ratio being proposed by the merging companies' Boards of Directors.*

*With respect to the elaboration of the Report, the Consultant points out the following :*

*1. For the determination of an Exchange Ratio range we have carried out a valuation of the Companies, supposing, for the purposes of our work, that they will maintain in the future their existing scope of activity, on a self-standing basis, as discrete legal entities.*

*2. In order to reach our opinion, which is comprised in the present Report, we have studied publicly available business and financial information connected with the Companies and stemming from sources which are available to the public and are considered to be reliable. We studied additional information concerning the investment plans of the Companies and their estimated future financial figures, which were provided to us by their managing boards and we have held meetings with their top executives in order to discuss on the present situation and their business prospects.*

*3. We compared the Companies with companies of similar activities which are listed on International Stock Exchanges and we took account of the financial conditions to the degree they were available to the public, with respect to certain transactions pertaining to acquisition of companies that took place over the last years in the sectors in which the Companies are actively involved. We also took into account other information, financial studies, analyses, surveys, financial, economic and market criteria which were publicly available.*

*4. We supposed, for the purposes of our Report, that all of the information that was supplied to us, is full and accurate in regard to its material details and we have not proceeded with an independent confirmation of such information. In relation to the background, business and financial information we supposed that such information has been gathered in a reasonable manner in conformity with uninterruptedly-applicable models and that it accurately depicts the Companies' actual business and financial position as of the dates to which it refers. With respect to the information that refers to the future, we have assumed that it has been collected in a reasonable*

*manner on the basis of the best possible currently available assessments and judgements of the Companies' Administrative and Managing Boards and no events are anticipated which might considerably affect the Companies' values.*

*5. We have not probed into nor have we undertaken any liability whatsoever in regard to the ownership of or with respect to any claim whatsoever against the Companies' assets. Although we have used, as appropriate, various assumptions, judgements and assessments in order to express an opinion concerning the Exchange Ratio within the framework of the Merger which (assumptions, judgements and assessments) we regard as being reasonable, it is not possible for the accuracy or for the possibility of achievement of such assumptions, judgements and assessments to be confirmed. These assumptions, assessments and judgements have been discussed with the Companies' Managing Boards prior to the drawing up of the present Report.*

*6. Our Report is based, by necessity, on the financial, economic, political and market conditions, as such conditions prevail, and as they may be assessed as of the date hereof, and we do not express an opinion as to whether such conditions will continue to exist or as to the effects, if any, any change in such conditions could have on the views being expressed herein. The views being expressed herein are also subject to the uncertainties relative to considerable factors, such as the future developments in the microeconomic environment, in the broader conditions of capital markets and money markets, in the supervisory and legislative framework and in the future formation of competition in the sectors in which the Companies are actively involved. Any event that occurs subsequent to the date hereof may affect the scope of the present document and the assumptions that have been used while drawing up the present document, and, further, Emporiki Bank does not undertake any obligation for the updating, revision or reconfirmation of the information comprised in the present Report.*

*The valuations were carried out, on a case by case basis, according to the following generally admitted principles and methodologies that are being followed on a world-wide basis and the final result was produced after taking into account the degree of suitability of each method.*

***The Discounted Future Free Cash Flows method*** *is based on the theory that the value of a company is equal to the net current value of its future free cash flows, that is to say to the difference between the cash inflows stemming from the operation of the undertaking (before interest) and the cash outflows relating to the financing of the investment*

needs, the payment of taxes and the financing of the working capital, discounted at a suitable discount rate corresponding to the opportunity cost of the funds for investments of analogous risk. For the application of this method the assessment is required of the company's free cash flows over a specific period of time in the future, the assessment of the terminal value of the company, which pertains to its value in perpetuity, to wit after the end of the forecast period, and assessment of the discount rate of the cash flows which depicts the opportunity cost that represents the mean anticipated return effected by the company's financiers. It is noted that the aforesaid method delimits the value of the whole undertaking from which the borrowing cost will be deducted for the determination of the value of the own funds (shareholders' equity).

**The Comparable Company Multiples Method** is based on the assumption that the value of an undertaking may be approximated to on the basis of the value attributed by the investors who are sufficiently informed and act rationally with respect to companies comparable to the company at issue. For the application of this method the selection of a suitable sample is required of companies that are comparable to the company at issue, the shares in which (companies) are listed on regulated markets. For each company of the sample of listed companies a number of multiples are calculated on a case by case basis, such as :

- Enterprise Value to Sales per share Ratio (EV/Sales Ratio)
- Enterprise Value to Earnings before interest, taxes, depreciation and amortisation (EV/EBITDA Ratio)
- Share price to Earnings per share after taxes per share ratio (P/E)
- Share Price to Sales per Share Ratio (P/Sales)
- Share Price to Book Value per Share Ratio (P/Book Value)

On the basis of this method, for each company of the sample multiples may be determined which denote the value attributed by the investors to companies comparable to the company at issue. From the application of the above-mentioned multiples to the respective financial figures of the company at issue, the evaluation of the company's value range arises.

**The Comparable Transaction Multiples Method** depicts the value of a company on the basis of comparable transactions that have been implemented in the recent past. For each transaction of the sample of comparable transactions valuation multiples are calculated and the average multiples and the arithmetic means of such multiples are produced. Then such average multiples are applied to the respective financial figures of the specific company in

*order to produce the company's value range.*

*For the purposes of the present Report the valuation of ELMEC SPORT under the above-mentioned methods was carried out on the basis of its consolidated financial statements, by applying the required adjustments, so that ELMEC SPORT extent of holding in each individual company of its group might be taken into account.*

*In the case of HDFS SA all of the company's holdings were appraised individually, through the application of the above-mentioned methodologies and its total value resulted by summing the individual values of holdings per method of valuation, by taking into account the appropriate holding percentages.*

*Likewise, for the valuation of FOLLI-FOLLIE, the section of its group pertaining to its basic activity within and outside Greece, was appraised separately on the basis of the above-mentioned methodologies, and the resulting value was then aggregated with the respective value of HDFS S.A. as it arose on the basis of our valuation through the aforesaid methods.*

*By applying the aforesaid methodologies, a value range resulted for Folli Follie between 1,021,093 and 1,128,576 million Euro, the respective range for HDFS was between 472,606 and 522,354 million Euro while the range for ELMEC SPORT was between 66,970 and 74,020 million Euro.*

*It is noted that the valuation methodologies which applied to the determination of the reasonable value of the Companies are deemed suitable for the specific case and during their application no problems or difficulties appeared. The valuation works were carried out subject to the assumption of the self-standing continuation of the activity of each Company. Therefore, no examination was made of any positive or negative effects of the Merger e.g. (without limitation) the economies of scale, other synergies, expenses pertaining to the implementation of Merger, etc.*

*From the valuation of the range of reasonable and fair value of each company, as it was calculated hereinabove, the following share exchange ratio range transpires for each of them:*

*(a) from 1.5021 to 1.5537 shares in the new company for 1 share in FOLLI FOLLIE*

*(b) from 0.4069 to 0.4807 shares in the new company for 1 share in HDFS S.A. and*

*(c) from 0.0539 to 0.0659 shares in the new company for 1 share in ELMEC SPORT*

*The exchange ratio proposed by the merging Companies' Boards of Directors is as follows:*

*(a) the shareholders of FOLLI FOLLIE will exchange one (1) share belonging to them for 1,5355 shares in the new company*

*(b) the minority shareholders of HDFS S.A. will exchange one (1) share for 0.4325 shares in the new company and*

*(c) the minority shareholders of ELMEC SPORT will exchange one (1) share for 0.0621 shares in the new company.*

*The above-mentioned share exchange ratio proposed by the Companies' Boards of Directors falls within the range of the respective share exchange ratios that resulted from the valuation of the Companies and, therefore, the proposed ratio is deemed reasonable and fair, according to the provisions of Codified Law 2190/1920 and Articles 1-5 of Law 2166/1993, as they are currently in force, taking also into account the pertinent provisions of the Athens Exchange Rulebook.*

*We point out that our study refers to a comparative valuation. Therefore, its results do not aim at the objective determination of the value of each Company, separately, but at their relative values within the framework of the proposed Merger.*

*Our conclusions, further, may not co-evaluate other, non-financial factors, as the results of free negotiations are or other reasons of "strategic" nature, which, in cases of acquisitions of a certain Company could possibly lead to a transaction price outside the value range.*

*We bear no liability with respect to any legal, tax, accounting matters relating to the Merger for which we believe that the Companies' Administrative Boards have obtained the opinion of special experts. Emporiki Bank proceeded with the valuation of the shares in the Companies and to the determination of a range of a reasonable and fair exchange ratio pertaining to their shares and did not provide further services or opinion with respect to the merger, to the terms or any other stage of the transaction.*

*It is emphasised that Emporiki Bank that carried out the valuation is not connected with and has not maintained any interest in or relation to the Companies over the last five-year period in addition to its relation as a creditor Bank. Within the framework of the usual course of our activities Emporiki Bank and its associated undertakings may, at any given point in time, provide financial, advisory, underwriting and financing services to the Companies and receive fees for the provision of such services.*

*The present Report has been exclusively and solely drawn up for the purpose of assisting the Companies' Boards of Directors for the fulfilment of the obligation stemming from the Athens Exchange Rulebook vis-à-vis the Merger and is addressed to the Companies' Boards of Directors for this purpose. The present opinion does not constitute an investment advice for purchase or sale of shares in any of the Companies referred to therein.*



*Finally, it is noted that for any use whatsoever of the present Report or for any reference whatsoever by the Companies and the Boards of Directors to the present Report, either in whole or in part, and to Emporiki Bank through any means whatsoever and in any circumstances whatsoever, the previous consent in writing of Emporiki Bank will be required, with the exception of the reference to the present Report within the framework of the formulation of the aforesaid fairness opinion on the part of the Boards of Directors on the Merger.*

*Finally, it is noted that the present Report shall be in effect as long as the Merger is completed according to the terms that have been decided and disclosed.*

*Yours faithfully,*

*EMPORIKI BANK OF GREECE S.A*

*G. Katsouris, Manager of Investment Banking Department*

*E. Gevrou, Investment Banking Department*

***Proposal by the Board of Directors to the shareholders***

*In light of the foregoing and taking into account that :*

- (i) the valuation methods that were applied for the determination of the reasonable market value of the merging companies were suitable for the specific case,*
- (ii) the proposed share exchange ratio is fair and reasonable, as, besides, it is confirmed in the above-mentioned reports drawn up by the independent experts which have been drawn up in conformity with and fully cover Article 4.1.4.1.3 of the Athens Exchange Rulebook which deals with the obligation to inform the authorities and investors,*
- (iii) the interests of the shareholders of the merging companies are fully safeguarded according to the foregoing,*
- (iv) from the proposed transformation it is estimated that benefits will arise for the shareholders of the merging companies, and*
- (v) the resolution required to be passed by the competent bodies for the completion of transformation and the preparation of the Draft Merger Contract dated 22.10.2010 took place according to the applicable provisions, as appropriate, of Codified Law 2190/1920 and Law 2166/1993, as they are currently in force.*

*The Board of Directors proposes to the shareholders to approve the draft contract dated 22.10.2010 concerning the merger of the Company through the Absorption by it of Absorbed Company A and Absorbed Company B, including any other act, declaration or juridical act/contract required for this purpose.*

*Agios Stefanos, 4.11.2010*

***THE BOARD OF DIRECTORS***