

ANNOUNCEMENT OF REFUSAL OF QUINTESSENTIAL CAPITAL MANAGEMENT (“QCM”) REPORT

With respect to the allegations of QCM provided under their report of May 4, 2018 and in furtherance to our announcement of earlier today, we hereby deny them once again as a whole. Moreover, we hereby provide our replies to their allegations under A to F provided under the title “executive summary” in page 2 of their report.

A. “The Network of Points of Sales (POS) appears materially smaller than expected”:

In 2016 Folli Follie Brand operational POS consisted of **634 POS**

In 2017 Folli Follie Brand operational POS consisted of **587 POS**

It is being noted that in the normal course of our business and in the process of renovating, repositioning as well as streamlining our brick and mortar presence and also due to the increasing penetration of the online business, we decreased our POS during 2016 and 2017 for the Folli Follie brand network by 47 POS reaching 587 POS by year end 2017.

As a result, QCM deliberately states that our POS are 289 given that at year end 2017 the operating FFG Folli Follie Brand POS were 587 (including boutiques, shop in shop, counters, outlets, POS in duty free and duty paid airport locations as well as in flight sales through airlines and (excluding Links of London and other brands).

B. “Onsite checks”:

Madison and Soho stores have been upgraded under the new FF Brand store concept and relocated to the New World Trade Center. QCM deliberately fails to disclose this fact.

C. “Digital Presence”:

With respect to the Digital Presence analysis we would like to note the following: The comparison made between Folli Follie and our competitors is misleading as it focusses on Instagram and Facebook which do not exist in China due to the fact that Instagram and Facebook are banned in China. Our social media footprint should have instead been measured by our followers in our main Chinese social media platform, **Weibo**. In this platform our number of followers compared to our main competitors paint a different and more accurate picture:

Weibo

Folli Follie: 442K

Pandora: 38K

Kate Spade: 240K

Michael Kors: 667K

With respect to the correlation between the traffic on our sites and the sales through our digital channels, Quintessential makes another misleading assumption as it ignores our sales from third party sites (marketplaces) which have been the main focus of our online retail strategy. Folli Follie, early on recognized the penetration and strength of the local marketplaces to drive online sales in China and has been successfully investing on its presence over the course of the last 5 years, achieving almost entirely our digital revenue from these marketplaces.

D. “Financial Analysis”:

In the normal course of our wholesale driven business model and in the course of our customary announcements to the market , it is widely known that FFG releases quarterly consolidated financial statements and informs the investment community that the negative free cash flows is attributed to the working capital intensive wholesale business model of the Group. Over the last couple of years, the working capital is gradually decreasing as a percentage of sales, while our strategic focus on developing the omni-channels will change the existing business model and is expected to improve free cash flow generation.

E. “Chinese subsidiaries”:

Quintessential assumes wrongfully in their report that FF Group claims \$ 1bn sales originated in Asia, of which China has “presumably” the lion’s share; this claim is both wrong and misleading. The fact is that the \$ 1bn of sales relates to consolidated retail and wholesale sales under the APAC region and includes all the channels of retail, wholesale, airline and duty free business in all APAC countries. The two Chinese subsidiaries mentioned in the report, relate to a part of the Chinese retail operations that are only a small fraction of the Chinese and of the overall consolidated APAC operations.

F. “Concerns about auditors”:

Ecovis is a leading global audit firm with over 6,500 people operating in over 70 countries. It is ranked 18th among global audit companies with a significant geographical coverage and heavy expansion plans.

FF Group intends to engage Ecovis into the Chinese subsidiaries, which is also in line with the Ecovis expansion plans into the region.

As a result of all the above, it is undisputable that the conclusions provided by the report of QCM are misleading. The fact that QCM is well aware of the unquestionable data and has a local expertise in the South Asian region leads to the conclusion that the analysis has been rigged for specific purposes. Our Company is conducting an investigation in order to determine which entities/persons may have acquired any illegal benefit from the publication of this false and misleading report and will proceed with all legal actions.