

For immediate release
25 June 2018

Folli Follie – Update

Folli Follie Commercial Manufacturing and Technical Societe Anonyme¹ (the **Company**) provides the following update to the market following recent developments and reports relating to the Company's business and recent financial statements.

Quintessential Capital Management released a report on 3 May 2018 making certain allegations against the Company and its subsidiaries (the **Group**), in particular in connection with the Group's Asian business. The Company has published its initial response to these allegations and is taking various proactive steps, summarised below, to ensure investors are provided with certainty and clarity as soon as is possible.

As anticipated in previous announcements, on 14 June 2018 the Company appointed Ernst & Young LLP (**EY**) to conduct a special audit of the following elements of its consolidated financial statements for the 2017 financial year: cash balances and cash equivalents, trade receivables, trade and other payables, and other current assets advanced to suppliers for inventory purposes. EY commenced work prior to the execution of their engagement letter and are in the process of receiving all information they require to carry out their mandate. In addition, the Company has appointed Alvarez & Marsal LLP (**A&M**) to undertake a forensic evaluation of the most recent financial statements of its Asian subsidiaries. A&M were formally appointed on 25 June 2018 having commenced their work one week prior to that. It is currently expected that both A&M and EY will complete their work within the course of August 2018.

The Company has also appointed Rothschild as its principal financial adviser.

As also previously announced, on 21 June 2018, the Company appointed a number of new independent members of its audit committee.

Whilst the Company understands that the recent allegations will have caused disquiet among a number of its stakeholders, at this stage the Company does not consider it appropriate to make any further statement regarding its Asian business until A&M and EY have completed their reviews. As announced on 25 May 2018, trading in the Company's shares on the Athens Stock Exchange has been temporarily suspended at the Company's request, pending further disclosures by the Company regarding its financial statements.

To clarify recent reports in the Greek press, the preference of both the Company and the Hellenic Capital Market Commission (the **Commission**) was for EY to undertake a comprehensive special audit of all elements of the Company's 2017 consolidated financial statements. However, in accordance with their view of their professional obligations as auditors, EY do not consider themselves able to undertake such a full review until both A&M's forensic review and their own initial investigation of the Group's current assets and liabilities have been completed. Accordingly, as a first step, the Company has appointed EY on the more limited scope described above, a mandate which EY were able to commence immediately. Once A&M and EY have concluded their initial reports, the Company intends to appoint EY to undertake a full review of the 2017 consolidated financial statements with the benefit of the findings set out in those initial reports. Whilst the Company will continue to co-operate fully with all investigations initiated by the Commission, in relation to the special audit of the Company 2017 financial statements, the Commission may conclude that it is unable to wait for EY to undertake a full review of those statements and may instead requisition an additional special audit of all elements of the statements pursuant to paragraph 1(b) of Article 40 of Codified Law 2190/1920.

¹ Legal Entity Identifier (LEI): 213800ZMDLVEKZIKFX90

In the meantime, the Company can confirm that it currently has every intention of paying all liabilities that are scheduled to be paid by it and its European subsidiaries in the period running up to the anticipated completion of A&M and EY's reports. It has just made the interest payment due on 23 June 2018 under the Group's €31 million floating rate assignable loan (*Schuldscheindarlehen*) and the Group intends to pay the interest due on 3 July 2018 under its €249.5 million 1.75% guaranteed exchangeable notes. Trade liabilities continue to be paid as they fall due. The Group has sufficient liquidity in its European business to meet all such liabilities scheduled to be paid over the next few months and has a number of options available to it to further strengthen its liquidity position if considered appropriate. In assessing those options, the Company is fully aware of the contractual restrictions on the Group under its various financial instruments.

In addition, and with a view to ensuring that it is in as stable a position as is possible pending the conclusion of A&M and EY's reports, the Company has put on hold its share buyback plans announced on 8 May 2018 and does not intend to embark on any major acquisitions or undertake any significant capital intensive projects outside the ordinary course of business in the near-term. Ordinary course business operations continue as usual.

As of 22 June 2018, the Group's European and North American companies had the following financial liabilities:

- *Schuldscheindarlehen*: EUR 51m
- Convertible bonds: EUR 249.5m
- CHF bonds: CHF 150m
- Other bank loans: EUR 48.1m and GBP 10m

The Group's Asian subsidiaries have also incurred certain minor working capital liabilities.²

As noted, the Company intends to continue co-operating fully with the investigations initiated by the Commission and will update the market at the appropriate time.

George Koutsolioutsos, Folli Follie's CEO, said as follows: *"I am committed to leading the Group through this period of uncertainty and am acutely aware that creditors, shareholders and other stakeholders want a clear picture of the situation. I recognise that this has to be done expeditiously and with the benefit of independent external advisers. In the interim we continue to fulfil our commercial and financial obligations. We are taking additional steps to demonstrate we can do so and to restore stakeholder confidence, including undertaking a wider review of the Group's internal control systems and corporate governance."*

Market Abuse Regulation

This announcement is released by Folli Follie Commercial Manufacturing and Technical Societe Anonyme and contains information that qualifies or may have qualified as inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 (**MAR**), encompassing information relating to the Company's response to allegations made against the Company. For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, the person responsible for arranging the release of this announcement on behalf of the Company is Mantalena Kasidiaropoulou, Head Investor Relations.

² This statement remains subject to the ongoing forensic review of the Asian operations.