FOLLI FOLLIE COMMERCIAL MANUFACTURING AND TECHNICAL SOCIETE ANONYME

UPDATE ON FINANCIAL RESTRUCTURING

18 December 2018

The Board of Directors (the "**Board**") of Folli Follie Commercial Manufacturing and Technical Societe Anonyme, under the distinctive title "FF Group" (hereinafter the "**Company**" or "**FF SA**", and together with its subsidiaries, the "**Group**") today announces the launch of a proposed financial restructuring of the Group (the "**Restructuring**") after lengthy discussions with advisers of an ad hoc group of unsecured creditors (the "**AHG**") as well as all the Schuldschein noteholders (as defined below). The AHG represents approximately 27% of the 2019 Notes in issue.

A Consent Solicitation Memorandum has been circulated to holders of the 2019 Notes (the "2019 Noteholders") which, amongst other matters, seeks the approval of noteholders to appoint a Committee to represent the interests of the 2019 Noteholders for the purposes of negotiating and agreeing the terms of the Restructuring. If the necessary consents are obtained, the support of 100% of the 2019 Notes will be recorded which, once aggregated with the holding of the Schuldschein noteholders, will equate to approximately 60% of creditors and will therefore be capable of supporting the Company's application for ratification of a restructuring agreement pursuant to article 106 d of Law 3588/2007. This is explained more fully below.

Holders of the 2021 Notes will be contacted shortly with an invitation to a meeting of the 2021 Noteholders which will include all the relevant information in the Consent Solicitation Memorandum referred to above, together with details of the next steps to be taken which are relevant to their debt instruments.

The proposed Restructuring takes into account the interests of all stakeholders, and aims to provide the Group with sufficient new funding to deliver the required operational turnaround and a sustainable capital structure to ensure its ongoing viability. The Board believes that, if successful, the Restructuring will provide the Group with a stable and sustainable capital structure, greater liquidity and an improved corporate structure. In supporting the Restructuring, stakeholders will be supporting the Group to deliver its strategic objectives and improve its financial performance, as set out in its new business plan.

Specifically, the Restructuring concerns the following debt instruments guaranteed by FF SA:

- €249,500,000 Guaranteed Exchangeable Notes due 2019 issued by FF Group Finance Luxembourg S.A. (the "**2019 Notes**")

- CHF 150,000,000 Guaranteed Notes due 2021 issued by FF Group Finance Luxembourg II S.A. (the "**2021 Notes**")

- €31,000,000 Schuldschein due 21 December 2021 entered into by FF Group Finance Luxembourg II S.A.; and

- €20,000,000 Schuldschein due 21 December 2021 entered into by FF Group Finance Luxembourg II S.A. (together with the €31,000,000 Schuldschein, the "**Schuldschein**")

(together, the "**Existing Senior Unsecured Debt Instruments**").

The Group is liable for €41.7m under various credit facilities with a number of Greek banks. This amount can fluctuate due to accrued interest (which increases the liability) and expiration of letters of guarantee (which reduces it). These facilities are secured by a pledge over the shares owned by the Company and its subsidiary, Folli Follie Holdings SA, in Attica Department Stores. The National Bank of Greece, to whom the claims of all other Greek Banks were transferred, proceeded to auction these shares on 12 December 2018 and the Company is awaiting confirmation of the outcome. It is expected that the proceeds from the auction will be sufficient to repay the banks at par. The residual proceeds due to the Group are expected to be *de minimis.*

Transaction highlights

Today's announcement does not provide a final description of the terms of the Restructuring, as the AHG and Schuldschein noteholders have not yet completed their legal and financial diligence. Terms of the treatment of the Existing Senior Unsecured Debt Instruments and the structure of the new capital which is to be invested will be announced to noteholders once agreed.

Holders of the Existing Senior Unsecured Debt Instruments will receive all relevant details in advance of the relevant meetings at which noteholders will be asked to vote on the final proposal.

Implementation considerations

The Company plans to implement its Restructuring under the provisions of article 106 d of Law 3588/2007. The Company will apply to initiate a rehabilitation procedure ("Rehabilitation Plan") pursuant to this article, by 24 January 2019.

The Company's Rehabilitation Plan application must include the following[1]:

- Signed agreement by creditors representing the necessary majority (40% of secured lenders and 60% of total creditors) (the "Majority Creditors");
- Demonstration that both OldCo and NewCo businesses will become viable; and
- Demonstration that the Company's existing creditors will be no worse off through the rehabilitation procedure (i.e. they will receive at least as much as they would receive through bankruptcy liquidation).

Ratification of the Rehabilitation Plan by the Greek Courts will, subject to the respective conditions of the Greek Bankruptcy Law, provide a moratorium for the Company to implement its Rehabilitation Plan, which the Company deems critical to the success of the Restructuring and Turnaround Plan.

Indicative timetable

Once agreed and signed by the Company and the Majority Creditors, the Rehabilitation Plan will be submitted before the competent Multi-member First Instance Court for ratification; a hearing would typically be set within two months. The final Court judgment may not be issued until 6 to 8 months after the hearing. As the Company plans to submit its ratification application on or before 24 January 2019, it is possible that ratification of the Rehabilitation Plan may not be received from the Greek Court until September 2019.

Governance Changes

[1] this list is not exhaustive

As a condition precedent to the filing of the Rehabilitation Plan, Mr. George Koutsolioutsos, the Group's Chief Executive Officer ("CEO"), has undertaken to the Board and to the creditors holding the Existing Senior Unsecured Debt Instruments to vacate his position as **CEO by 31 December 2018.** The Company will announce a successor in due course.

ADDITIONAL INFORMATION

The Company provides the following information to the market which has been provided to the AHG in contemplation of agreement on the terms of the Restructuring.

1. THE NEW BUSINESS PLAN

The Group has reviewed its operations and devised a business plan which sets out an operational turnaround and a return to growth over the next three years. The plan centres around reshaping and repositioning of its brands, Folli Follie and Links, and improving the profitability of its distribution business.

As part of the reorganization the Company is to revisit its operating structure and is aiming to separate the Group into four distinct business segments, each with its own global management team:

- Folli Follie (brand);
- Links of London (brand);
- Fashion and Department Stores; and
- Cosmetics

Folli Follie

Folli Follie was founded in 1982 in Greece, is present in 29 countries, and has boutiques in prestigious locations including London, Tokyo, Shanghai and Hong Kong. It was one of the first international brands to launch in Japan and China. Folli Follie has strong brand recognition, particularly in Asia. Following a strategic review of this business unit, the Company plans to implement a reorganization plan with a view to improving key performance indicators and the division's profitability.

The key initiatives for this business unit will focus on:

- Store network optimisation;
- Cease margin erosion through direct sourcing;
- Transform operating model under a single management structure; and
- Back office rationalisation.

Links of London

Links of London was founded in 1990 as a retailer of classic British heritage jewellery. Folli Follie acquired Links in 2006. Links is present in 12 countries, and has significant presence in the UK, Canada and Hong Kong and is managed by a team in London.

While it has strong brand recognition, it has underperformed in recent years. The focus of the turnaround is on improving its competitive positioning and supply chain, including elimination of historical intercompany sourcing arrangements with other entities in the Folli Follie Group.

The key initiatives for this business unit will focus on store network optimisation, enhancement of the product portfolio, and consolidation of its regional operating headquarters into a single hub in London, UK.

Fashion and Department stores

Folli Follie established this business segment in 2007 with the acquisition of Elmec Sport. The division operates in four countries in South-East Europe. It has both retail and wholesale operations selling clothes, shoes and accessories for third party brands including Nike, Converse and Calvin Klein. It has also developed two retail concept stores and operates two factory outlet discount department stores.

The key initiatives for this business unit will focus on brand portfolio optimisation & enhancement, continued close monitoring of the network performance, back office optimisation and real estate portfolio exploitation.

Cosmetics

The Cosmetics division commenced trading in 2012 with the winning of the contract for the exclusive distribution of P&G perfumes in Greece. Today, the Cosmetics division has exclusive contracts with companies such as Coty and BPI Group. Cosmetics operates in Greece and Cyprus, largely in the wholesale market, and has one 'concept' retail point of sale.

The key initiatives for this business unit will focus on brand portfolio enhancement (including new geographies and channels) and back office optimization.

2. SUMMARY FINANCIAL INFORMATION

Business plan targets for the Group, by Business Unit

€m	FY17A	FY18F	FY19F	FY20F	FY21F
Revenue					
Fashion	181	186	206	223	239
Cosmetics	23	29	33	35	37
Links of London	64	58	46	65	83
Folli Follie	88	77	76	84	92
Group	**357**	**351**	**361**	**408**	**452**
EBITDA					
Fashion	16	13	21	25	29
Cosmetics	(0)	2	2	3	3
Links of London	(20)	(27)	(4)	2	8
Folli Follie	(34)	(35)	(3)	4	10
Central/unallocated	(0)	(0)	(2)	(1)	(1)
Group	**(38)**	**(47)**	**15**	**33**	**48**
Net operating cash flows					
Fashion	-	-	32	16	22
Cosmetics	-	-	4	2	2
Links of London			(8)	(5)	3
Folli Follie	-	-	(4)	(2)	5
Central/unallocated	-	-	(27)	(1)	(1)
Group			**(3)**	**10**	**31**

NOTE: Links of London has produced extended forecasts targeting revenue FY22F: €99m; FY23F: €113m; EBITDA FY22F: €15m; FY23F: €22m; and net operating cash flow FY22: €11.8m; FY23: €19.6m. Central/unallocated costs in FY19F primarily relate to unallocated restructuring costs
Source: Company business plan

Liquidity and funding requirement

Total cash held by the Company and its subsidiaries fluctuates day to day. Total reported cash balances as at 12 December 2018 were €20.4m. This includes €4.2m held by the Company itself, of which €1.8m is restricted. December is the Group's peak trading period, and normal seasonal patterns are expected to deliver greater trading receipts in the coming weeks.

In order to fund and execute the Group's turnaround plan, the Group is aiming to raise between €25m-€45m from new investors in Q1'2019. In conjunction with selected asset sales, the Group anticipates this fundraising will be sufficient to meet its total liquidity need during 2019 of €60m - €80m.

Additional liquidity is to be created during 2019 via a controlled disposal of certain of its real estate and non-core assets. The exact funding need is still being refined through diligence, estimates around the quantum and timing of any disposals to ensure value is maximised, and agreement on levels of headroom required. Further information on the company's real estate and non-core asset portfolio is set out below.

Real estate Portfolio

The Group's real estate is primarily located in Greece, Romania, and Hong Kong, with less material interests in Bulgaria. The portfolio's value has been independently assessed in the range €110m to €160m, depending on the valuation premise and underlying assumptions. These assets are encumbered by approximately €30m of liabilities.

In November 2018, the Greek AML authority placed freezing orders on certain of the Group's real estate property in Greece with a monetisable value of approximately €20m - €30m.

The Group has been recently in discussions with potential investors to raise finance against its properties in Hong Kong with a monetisable value of approximately €15m - €20m.

Dufry shares

- The Group owns 930,461 shares, of which 125,733 held in Strenaby Finance Ltd are pledged against a non-recourse loan.
- 804,728 shares held by FFSA are held in escrow, of which 603,543 are subject to resolution of an ongoing dispute with Dufry AG, to whom the Group sold a 51% stake in Hellenic Duty Free Shops ("HDFS") to in 2012.
- There is a wide potential range in value driven by:
  - Outcome of the arbitration (and therefore the release of the 603,543 shares); and
  - Potential shortfall payment from the Group to Dufry AG as per the original Sale & Purchase Agreement for HDFS in 2012 that governed the acquisition described above.

Shares in Attica Department Stores

- Attica shares are pledged against amounts owed to Greek banks in the sum of €41.7m
- The Company is awaiting confirmation of the outcome of the auction that was held on 12 December 2018
- If there is any residual value after the banks debts are paid, it will be returned to the Group
- At present any residual value to the Group after the senior secured debt has been repaid is expected to be *de minimis.*

Other participations

- The Group owns 49% of Qivos, a small CRM IT management business operating in 10 countries, and 50% of Marina Mytilinis, a small marina located on the Greek island of Lesvos.
- These, together with various other assets, are in aggregate estimated to have a value in the region of €1m - €8m.

3. THE RESTRUCTURING

Overview

In order to provide the Group with a platform to implement its turnaround, the Restructuring seeks to achieve the following:

- Inject the required funding in the Group to fund its turnaround plan and ensure its future viability
- Provide the Group with a suitable capital structure which is affordable and sized for the current scale and performance of the business
- Improve the corporate structure such that it is efficient and aligns with the Group's new strategic vision.

Structural aspects of the Restructuring

The work done on the concept behind the Company's Restructuring proposal is intended to deliver a slimmer, more efficient group structure which is capable of attracting new investment. This means that new investment will be made into a NewCo structure which is 'clean' and offers investors comfort that the legacy accounting and control issues which affected part of the Folli Follie Group historically can be ringfenced.

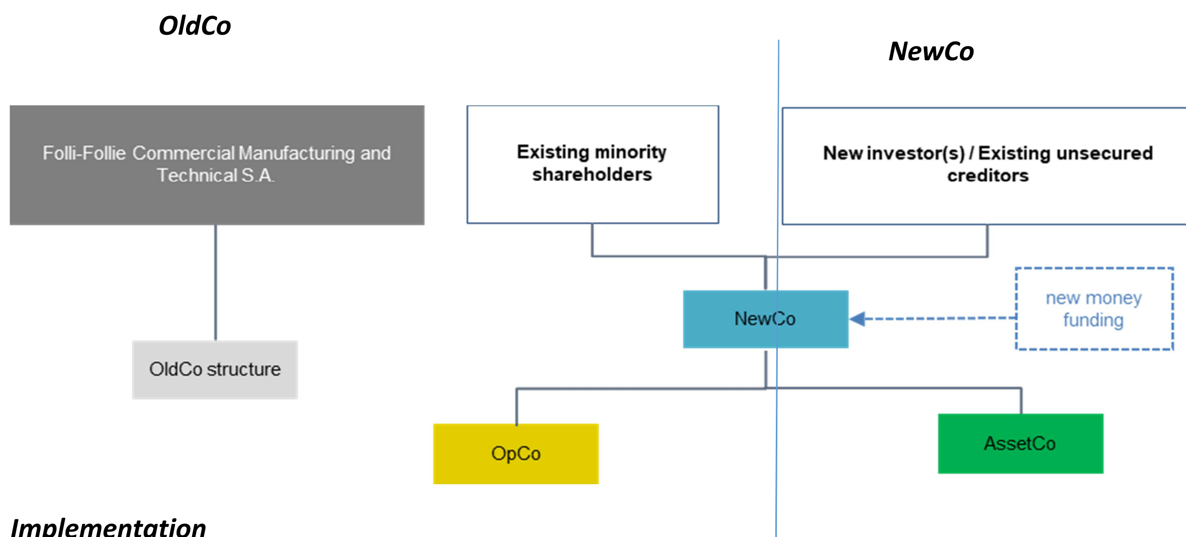
Key features of the proposed Restructuring are as follows:

- Certain of the Group's assets and liabilities will be transferred into a new company, outside of the existing Group ("NewCo");
- The remainder of the Group's assets and liabilities will remain in the current Group ("OldCo");
- This transaction will seek to resize all of the unsecured senior debt to a serviceable amount for both NewCo and OldCo.

The following assets of FFSA and actionable claims will be transferred to a newly incorporated and unrelated corporate entity ("NewCo") which will be structured as follows:

- OpCo Group – incorporated for the purpose of continuing the operations of FFSA

- AssetCo Group – incorporated to manage the real estate and non-core assets of FFSA
- Issue new debt instruments in partial restatement of the liabilities assumed by the NewCo; and
- Issue TopCo shares by way of equalisation of the balance of assumed liabilities.



Implementation

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- Demonstration that both OldCo and NewCo businesses will become viable; and
- Demonstration that the Group's existing creditors will not be impaired through the rehabilitation procedure (i.e. they will receive at least as much as they would receive through enforcement proceedings or bankruptcy liquidation).

Ratification of the Rehabilitation Plan by the Greek Courts will provide a moratorium for the Company to implement its Rehabilitation Plan, which the Company deems critical to the success of the Restructuring and Turnaround Plan.

Indicative treatment of stakeholders through the Restructuring
(to be confirmed following diligence)

Category	Proposed treatment
Secured creditors	• First lien over the shares in Attica Department Stores owned by FFSA and Holdings, pending official confirmation of the auction outcome. • Mortgages and encumbrances over real estate assets will remain unchanged.
Unsecured creditors	• Entitled to receive in full and final settlement of the Released Liabilities: a) NewCo shares, which will be subject to dilution by MIP b) New debt instruments to be issued by NewCo in the form of New Notes c) Continued recourse against the Company as regards the remaining liabilities (to be amended and restated)
Trade creditors	• Liabilities to be assumed by OpCo and AssetCo to the extent of the assets/businesses transferred to or assumed by OpCo and AssetCo • All other trade creditors to remain as obligations of OldCo
Other unsecured creditors	• For the avoidance of doubt, full and final settlement of employee entitlements, Greek tax authorities and social security institutions liabilities are included in this category
Shareholders	• Existing shareholders of the Company (excluding members of the Koutsolioutsos family and related parties) shall be entitled to: 1. NewCo shares, subject to dilution by a management incentive plan and equity allocation to bridging finance parties ; and 2. The opportunity to participate in the additional capital raise

4. WHAT IF A RESTRUCTURING IS NOT AGREED?

Deloitte Business Solutions SA ("Deloitte") has undertaken an analysis of the estimated outcomes for the Group's various stakeholders under a range of scenarios in the event that a restructuring plan is not agreed and the Group were to enter an insolvency process.

Subject to the important caveats below, the draft analysis indicates that:

- Holders of the bank debt which is secured against the Group's shareholding in Attica, and holders of mortgage debt against the Group's real estate assets, could recover their debt claims in full.
- Unsecured creditors at the parent company, FF SA, could receive less than 10c in the euro.
- Equity shareholders could receive nothing.

The position of the unsecured financial creditors at FF Group Finance Luxembourg S.A. ("**Lux I**") and FF Group Finance Luxembourg II S.A. ("**Lux II**") is subject to a particularly wide number of variables.

- Creditors of both the Luxembourg entities have guarantee claims against FF SA.
- Separately Lux I and Lux II have intercompany claims against FF SA.
- However, Lux I Debt Creditors also has a guarantee from Lux II, whereas Lux II Debt Creditors do not have a guarantee from Lux I.
- Group has obtained legal advice from counsel which opined that:
  - ➢ Lux I and Lux II are entitled under the Greek Bankruptcy Code to claim individually for their intercompany unsecured claims against FF SA.

- Such claims would be satisfied *pro rata* and *pari passu* with other unsecured creditors, including the Lux I and Lux II Debt Creditors under their guarantees.

Applying the legal interpretation provided by the Group's legal counsel results in Lux I Debt Creditors obtaining a better return than Lux II Debt Creditors. The scale of the differential in outcomes depends on the scenario applied. Broadly speaking, the percentage recovery obtained by Lux I Debt Creditors is between 1.6x and 1.8x the percentage recovery obtained by Lux II Debt Creditors.

IMPORTANT NOTICE.

Stakeholders should seek their own advice on the matters set out above.

Deloitte has confirmed that they received good cooperation from the Company with respect to the EPM analysis. In certain areas, however, management was unable to provide complete and up to date information for the Group, due to the pending finalisation of the A&M report, the consequent restatement of historical financials, reporting of updated entity balance sheets and the subsequent completion of a FY17 year-end audit. The Deloitte analysis was therefore issued in draft form highlighting the relevant limitations.

Consequently, the summary findings set out above should not be taken as a guide to actual outcomes for any particularly class of stakeholder in the event of an insolvency, and the conclusions should be treated as indicative and directional only due to the wide range of assumptions required (both commercial and legal) across a number of jurisdictions.

If any of the assumptions used in the analysis are incorrect, this may materially impact the indicative outcomes for stakeholders.

– End –

Contacts

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This announcement is released by Folli Follie Commercial Manufacturing and Technical Société Anonyme in compliance with the Market Abuse Regulation (EU) 596/2014 (MAR) and the Rule Book of the Athens Exchange. It contains information that qualifies as inside information for the purposes of Article 7 of MAR. 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.