

Management Report of the Board of Directors

The year that past, has been one of the most important and eventful years in Folli Follie's development.

During the period between May – July 2006, the Folli Follie Group increased it's participation in the company Hellenic Duty Free Shops by raising it's stake from previously 24,68% to 52,28%.

At the end of July 2006, the new Folli Follie Group acquired the British jewellery, watches and luxury items brand LINKS OF LONDON Ltd. Specifically, the company "HELLENIC DISTRIBUTIONS S.A.", fully owned by the company "HELLENIC DUTY FREE SHOPS" and a member of the FOLLI FOLLIE Group, acquired the total number of shares (100%) of the British company.

With regard to the financial results, it should be noted that the figures issued by the Folli Follie Group are not comparable to previous releases, as Hellenic Duty Free Shops have been fully consolidated since May 2006.

During the last quarter of year 2006, the Group obtained the Retail License for the Chinese market. This event can be regarded as a milestone in the Group's corporate history. As a consequence the financial data of the Group for the last quarter of the current fiscal year include the results of the Chinese Market.

Consolidated Sales for the period January 1st, to December 31st 2006 compared to same period last year increased by 117, 4% and reached € 484,4 million vs. € 222,8 million.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) reaching € 121,2 million from € 67,5 million, an increase of 79,5% and Earnings Before Taxes was € 106,0 million compared to € 70,0 million (+51,4%).

Finally, Net Profit after Taxes amounted to € 81,7 million from € 56,6 million, representing an increase of 44,3%. Net earnings after taxes and minorities reached € 65,2 million, increasing by 17,7% compared to € 55,4 million the year before.

The profits per share reached 1,98 € from 1,68 € increasing by 17,8%.

With regard to Folli Follie S.A. stand alone figures (based on DFS equity method), sales amount to € 247,8 million from € 222,8 million, which represents an increase of 11,2% in comparison to the same period in 2005.

At the same time Profit after Taxes increased by 16% reaching € 65,7 million compared to € 56,6 million in 2005. Net earnings after taxes and minorities reached € 65,7 million, increasing by 18,6% compared to € 55,4 million the year before.

In an analysis of Folli Follie's total sales on a stand-alone basis and by looking at each region, Japan accounted for 21%, the rest of Asia 43%, Europe 21% and Travel Retail operations reached 15%.

According to the sales per product category, jewellery account for 61% of sales, watches account for 33% and accessories account for 6%.

Nowadays the group is active in 24 countries worldwide, with more than 335 points of sales.

In its efforts to continue its stable growth, to smoothly manage any potential risks and to safeguard the shareholders' and investors' interests, Folli Follie Group of companies has adopted a framework of principles, rules and internal procedures which are in line with the respective regulations regarding Corporate Governance (L. 3016/2002, Decision 5/204/2000 of the Capital Market Commission).

This framework of principles and procedures regulates matters relating to the composition, the responsibilities, and the differentiation of BoD members into executive and non-executive members. Furthermore, matters relating to the internal organizational structure of the Company, the responsibilities of its Managers, the setup and functionality of departments such as Investor Relations, Corporate Governance and Internal Audit that secure, the timely and accurate flow of information and the shareholders' protection, as well as a network of rules and policies that define the Group's relations to third parties.

One of the group's main targets is the development of high growth business areas, like for example the joint venture with Lapin House in the Chinese market under the brand name "Folli Follie Baby".

Further strategic targets is the continuation of the successful development of the group in the Asian market, through an increase of sales in the existing points of sale, an increase of Folli Follie's brand awareness through future sponsorships and events for example to profit the highest possible from the Chinese Olympic Games.

The US market entry is another strategic goal for the year 2007.

With regard to the dividend of the business year 2006, the board of directors will propose on the Annual General Shareholder meeting on 14th June 2006 a dividend of € 0,12 per share.

Dimitrios Koutsolioutsos
Chairman of the Board of Directors