

FOLLI FOLLIE S.A

ANNUAL FINANCIAL STATEMENTS

**COMPILED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

YEAR 2007

(Period from January 1st to December 31th 2007)

It is declared that the accompanying Financial Statements are those, which have been published by posting them on the internet, at the address www.follifollie.com. It is noted that, the published in the press "Condensed Financial Data and Information for the period from 1 January 2007 to 30 December 2007" according to the Joint Ministerial Decision No. 172/10.01.2006 of the Ministers of Finance and Development, aim at providing the public with certain general financial data and information but they do not present a comprehensive view of the financial position and of the results of operations of the Company and those of the Group, in accordance with the International Financial Reporting Standards.

Therefore, it is recommended, to any reader, before proceeding to any kind of investment decision or other transaction with the Company, to visit the Company's web site, at the internet address www.follifollie.com where are posted the annual financial statements prepared according to the International Financial Reporting Standards.

Athens, 11 March 2008

For account of FOLLI FOLLIE S.A.

Dimitrios Koutsolioutsos

Chairman of the Board of Directors

Management Report of the Board of Directors

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

During the period October-December 2007 the affiliated company "HDFS S.A." acquired 91,21% of "ELMEC SPORT S.A.", also after submitting a Public Offer, and thus participates indirectly in ELMEC's subsidiaries.

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 ELMEC SPORT GROUP, have been fully consolidated since October 2007.

Before this important acquisition mentioned above, the opening of the first Folli Follie shop in the centre of Moscow and specifically in the historic building GUM at the Red Square in Moscow took place. Russia is the 25th country which became member of the Folli Follie network and is the positive outcome of the cooperation with the company Bosco di Ciliegi.

Consolidated Sales for the period January 1st, to December 31st 2007 compared to same period last year increased by 45, 87% and reached € 706,1 million vs. € 484,4 million. The gross profits reached €376,2 million vs. € 260,70million (+44,3%). It is noted that the Gross margin remained at about the same level 7as 2006 (54%). Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) reaching € 157,9 million from € 121,2 million, an increase of 30,3% and Earnings Before Taxes was € 125,5 million compared to €106,0 million (+18,4%).

Finally, Net Profit after Taxes amounted to € 89,6 million from € 81,7 million, representing an increase of 9,7%. Net earnings after taxes and minorities reached € 72,7 million, increasing by 11,6% compared to € 65,2 million the year before.

The profits per share reached 2,21 € from 1,98 €.

The effect of the consolidation of ELMEC SPORT GROUP in Sales is +9,5% and in Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA), is +3,5%. Also due to this new acquisition the value of tangible fixed assets has increased by 120%.

With regard to Folli Follie S.A. stand alone figures (based on HDFS equity method), sales amount to € 292,1 million from € 247,8 million, which represents an increase of 17,8% in

comparison to the same period in 2006. At the same time Profit after Taxes increased by 12% reaching € 73,6 million compared to € 65,7 million in 2006.

In an analysis of Folli Follie's total sales on a stand-alone basis and by looking at each region, Japan accounted for 18%, the rest of Asia 44%, Europe 20% and Travel Retail operations reached 18%. According to the sales per product category, jewellery account for 59% of sales, watches account for 34% and accessories account for 7%.

Nowadays the group is active in 25 countries worldwide, with more than 350 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.

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.

With regard to the dividend of the business year 2007, the board of directors will propose on the Annual General Shareholder meeting on 19th June 2008 a dividend of € 0,10 per share.

Dimitrios Koutsolioutsos

Chairman of the Board of Directors

Explanatory Report of the Board of Directors according to Law 3371/2005 par. 1 art. 11a

Structure of the Company's share capital.

The Company's share capital amounts € 9,884,062.50 dividend into 32,946,875 common registered shares of a par value €0.30 each. Each share provides the right of one vote. The Company's shares are listed in the Securities Market of the Athens Stock Exchange, under the "Large Capitalization" classification.

Each share incorporates all the rights and obligations established by the Law and Folli Follie's Articles of association, the latter not including any provisions more restrictive than those of the Law. Shareholder liability is limited to the nominal value of the shares they hold. Holders of share certificates automatically accept Folli Follie's Articles of association and the legal decisions of the General Meetings of the Shareholders. Folli Follie's Articles of association do not grant any special rights to specific shareholders, nor do they contain any terms relating to changes to the capital and to the rights of shareholders that are more restrictive than those established by Law. Shareholders exercise their rights regarding the Management of the Company by means of the General Meetings. Each shareholder is entitled to participate in the General Meetings of the Company's shareholders either in person or by proxy. Each share gives right to one vote.

For shareholders to participate in the General Meetings they must first block all or part of their shares through their Operator in the Dematerialized Securities System (SAT) or (if their shares are in the SAT Special Account) through the Central Securities Depository S.A. The relevant certificate attesting to such blocking of shares, together with the representation documents need to be furnished to the Company at least 5 clear days prior to the date set for the General Meeting, and each shareholder must receive a receipt in order to be able to attend such meeting. Each shareholder may request the annual financial statements and the relevant reports of the Company's Board of Directors and Auditors 10 days prior to the date of the Ordinary General Meeting.

Shareholders holding 5% of the Company's paid up share capital shall be entitled to request from the Court of First Instance in the location of the Company's seat to appoint one or more auditors specifically to audit the Company under Articles 40 and 40 (e) of Law 2190/1920. They may also request that an Extraordinary General Meeting of the shareholders is convened. In that case the Board of Directors is required to convene such General Meeting within 30 days from the submission of the request with the Chairman of the Board of Directors. The requesting parties must state in the request the issues on which the General Meeting is called upon to decide.

Shareholders have option rights for each future increase of the Company's share capital in proportion to their participation in the Company's current share capital, as set forth in Article 13 (5) of Codified Law 2190/1920.

The dividend of each share is paid within 2 months from the date of the Ordinary General Meeting that approved the financial statements. The place and terms of payment are communicated to shareholders in the Press. Dividends are distributed from profits already taxed; hence shareholders are not subject to taxation for the dividends they receive.

Dividends that have not been claimed for five years are derecognized and are paid to the Government.

Any disputes between the Company and its shareholders or any third party shall fall under the jurisdiction of ordinary Courts, and the Company may only be brought before the courts of the area where its headquarters are.

Restrictions on the transfer of the Company's shares.

The transfer of the Company's shares is affected in accordance with the law and the Athens Exchange Rulebook and there are no restrictions on their transfer pursuant from the Company's Articles of incorporation.

Significant direct or indirect participations in the sense of P.D. 51/1992.

Shareholder	Shares	Percentage (%)
Dimitrios Koutsolioutsos	13,998,348	42,4876

As of date of: 03.03.2008

No other physical or legal entity holds percentage larger than 5% of the share capital.

Holders of any type of a share that provide special rights of audit.

There are no shares of the Company that provide special rights of audit.

Restrictions on voting right.

No restrictions on the voting rights deriving from the Company's shares.

Company's Shareholders' agreements.

The Company is not aware of any agreements between its shareholders which might result in restrictions on the transfer of the Company's shares or on the voting rights conferred by its shares.

The share is undivided with regards to the exercise of rights and fulfillment of obligations that stem from it. Should there be more than one owner or beneficiaries per share, their representation towards the Company will be carried out by a single person determined by joined agreement.

Rules of appointment and replacement of Board of Directors' members and amendment of Articles of incorporation.

The rules provided in the Company's Articles regarding the appointment and replacement of its Board of Directors members, as well as the amendment of its Articles are in accordance to those provided for in codified law 2190/1920.

Specifically, according to article 16 of the Company's Articles of Association, the Board of Directors consists of three (3) to seven (7) members and is elected by the Company's General Shareholders' Assembly for a five-year term, which is extended until the first General Assembly following the end of its term, which in any case cannot exceed six years. The members of the Board of the Directors can be reelected or assigned freely.

In case of death or resignation or departure for any reason, of a Board of Directors' member, the remaining members of the Board of Directors, at three (3) members, are required to elect a temporary advisor in replacement of the former for the remaining of the relevant member's term. This election is subject to approval by the first, subsequent to the election, General Shareholders' Assembly. The non-ratification of this election does not affect the validity of the Board of Directors' decisions, which were made during the period from the aforementioned election up to the first subsequent General Assembly.

Competency of the Board of Directors or some of its members to issue new shares or purchase owned shares.

According to article 6 of the Company's Articles of Association, it is stipulated that the Board of Directors has the right, during the first five years since the establishment of the company, by means of a relevant decision made by a majority of at least two thirds (2/3) of its members, to increase the Company's share capital partially or in full through the issuance of new shares, for an amount that cannot exceed the initial share capital.

This authority may also be assigned to the Board of Directors by a decision from the General Assembly, which is subject to the disclosure statements of article 7b of C.L. 2190/1920. In such a case, the share capital can increase up to the amount of capital that is paid up during the date when the relevant authority was granted to the Board of Directors.

By exception of the provisions of the two aforementioned paragraphs, if the Company's reserves exceed one fourth (1/4) of the paid up share capital, then a decision by the General Assembly is at all times required with the exceptional quorum and majority defined by one twentieth (1/20) of the total paid up share capital, according to article 25 of the Company's Articles of Association.

As regards to the share buy back according to article 32 of the Company's Articles of Association, the Company may go forward with the acquisition of own shares through the Stock Exchange, with the objective of supporting the share's price based on the terms and conditions of paragraphs 5 to 14 included, of article 16 of C.L. 2190/1920 as is in effect.

Important agreement contracted by the Company, which will enter into effect, will be amended or will expire in case of change in the Company's control following a public offer and the results of this agreement.

There is no such agreement.

Agreements that the Company has contracted with the members of the Board of Directors or with its personnel, which provide for the payment of compensation in case of resignation or release without substantiated reason or in case of termination of their term or employment due to a public offer.

There are no agreements of the Company with members of its Board of Directors or its personnel, which provide for the payment of compensation especially in case of termination of their term or employment due to a public offer.

George Koutsolioutsos

Vice Chairman of the Board of Directors

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of «**FOLLI FOLLIE S.A** »

Report on Financial Statements

We have audited the accompanying financial statements of « **FOLLI – FOLLIE S.A** » (the company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies as well as making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Hellenic Auditing Standards, which conform to International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of « **FOLLI – FOLLIE S.A** » and the Group as of December 31, 2007, and of its


financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

We do not state any ambiguity as regards the Report conclusions however, we would like to call your attention to the Note 7 to the financial statements which indicates that the tax obligations of the company have not yet been audited by the tax authorities and accordingly its tax obligations for those years are not considered final. The outcome of the tax audit could not be previewed at this stage and as a result there has not been any provision in the financial statements relating to this issue.

Report on Other Legal and Regulatory Requirements

The Board of Directors' Report contains the information as required by art.43a par.3 and art. 107 par.3 of Company Law 2190/20 as well as art.11a of Law 3371/2005 and its content is consistent to the accompanying financial statements.

 **BAKER TILLY HELLAS**
Certified Public Accountants-
Consultants A.E.
396, Mesogion Avenue
153 41 Ag.Paraskevi-Athens, Greece
SOEL Reg.No: 148

Athens, 12 March 2008
The Certified Public Accountant

GEORGIOS I. VARTHALITIS
SOEL. Reg. No: 10251

1. BALANCE SHEET

BALANCE SHEET (Amounts reported in Euro)					
		THE GROUP		THE COMPANY	
ASSETS	Note	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Tangible Assets	(4)	199.152.522,35	69.403.677,02	22.961.724,13	17.160.799,87
Investments in PPE	(4)	0,00	15.380.000,00	9.500.000,00	15.380.000,00
Goodwil	(5)	347.928.082,75	217.355.301,67	0,00	0,00
Intangible Assets	(5)	112.747.864,67	112.698.565,61	727.409,14	627.009,14
Investments in associates	(6)	0,00	0,00	387.438.470,75	387.438.470,75
Deferred income tax assets	(15)	3.703.045,94	2.109.039,58	316.090,50	352.870,16
Other long term receivables	(6)	12.566.828,22	6.676.684,23	294.583,75	293.421,34
Total non-current assets (a)		676.098.343,93	423.623.268,11	421.238.278,27	421.252.571,26
Inventories	(7)	209.190.323,18	125.598.481,85	15.572.813,03	13.583.250,86
Trade Receivables	(8)	195.125.870,28	140.239.131,14	16.359.467,19	15.850.440,84
Other Receivables	(9)	49.382.426,72	24.453.461,03	3.461.025,08	2.204.855,35
Other financial assets at fair value through profit or loss	(9)	3.341.881,14	3.419.646,43	1.629.392,98	1.464.116,71
Cash and cash equivalents	(10)	91.508.554,94	109.310.713,75	14.443.008,70	22.402.656,98
Total current assets (b)		548.549.056,26	403.021.434,20	51.465.706,98	55.505.320,74
TOTAL ASSETS (a) + (b)		1.224.647.400,19	826.644.702,31	472.703.985,25	476.757.892,00
EQUITY & LIABILITIES					
Long-term borrowings	(13)	547.902.213,79	406.901.777,95	334.500.000,00	341.000.000,00
Retirement benefit obligations	(13&16)	10.271.467,22	8.476.568,05	674.362,00	620.917,00
Deferred income tax liabilities	(15)	18.091.989,76	15.247.131,09	1.168.104,94	1.251.176,41
Provisions for other liabilities and charges	(13)	10.420.084,81	11.105.905,03	438.732,38	524.253,57
Total non-current liabilities		586.685.755,58	441.731.382,12	336.781.199,32	343.396.346,98
Trade payables	(14)	94.738.124,89	34.806.413,96	3.319.127,90	2.874.807,77
Short-term Borrowings	(14)	122.026.853,87	11.811.849,44	8.115.924,16	9.210.173,45
Other current liabilities	(14)	67.447.649,49	68.657.923,18	5.436.046,78	6.671.670,58
Total current liabilities		284.212.628,25	115.276.186,58	16.871.098,84	18.756.651,80
Total Liabilities (a)		870.898.383,83	557.007.568,70	353.652.298,16	362.152.998,78
Share capital	(11)	9.884.062,50	9.884.062,50	9.884.062,50	9.884.062,50
Share premium	(11)	62.531.731,47	62.531.731,47	62.531.731,47	62.531.731,47
Other reserves	(12)	25.443.170,44	8.832.577,14	16.887.455,40	20.184.566,82
Own Stock	(12)	-7.899.441,83	-1.339.856,41	-108.259,13	-108.985,61
Retained earnings	(12)	277.332.378,69	207.356.278,78	29.856.696,85	22.113.518,04
Exchange differences	(12)	-59.101.599,04	-32.706.043,74	0,00	0,00
Other capital and reserves attributable to equity holders of the Company	(12)	-88.927.927,73	-88.927.927,73	0,00	0,00
Total capital and reserves attributable to equity holders of the Company (b)		219.262.374,50	165.630.822,01	119.051.687,09	114.604.893,22
Minority interest (c)		134.486.641,86	104.006.311,60	0,00	0,00
Total Equity (d) = (b)+(c)		353.749.016,36	269.637.133,61	119.051.687,09	114.604.893,22
TOTAL EQUITY AND LIABILITIES (e) = (a)+(d)		1.224.647.400,19	826.644.702,31	472.703.985,25	476.757.892,00

2. INCOME STATEMENT FOR THE PERIOD

DATA FROM INCOME STATEMENT FOR THE PERIOD (Amounts reported in Euro)

		THE GROUP		THE COMPANY	
		1/1-31/12/2007	1/1-31/12/2006	1/1-31/12/2007	1/1-31/12/2006
Sales Revenue	(17)	706.157.190,46	484.399.340,17	33.977.970,77	35.032.150,23
Cost of goods sold		-329.922.635,01	-223.688.912,80	-10.905.489,19	-12.017.987,36
Gross profit		376.234.555,45	260.710.427,37	23.072.481,58	23.014.162,87
Other Operating income	(17)	20.709.197,27	16.831.147,48	2.093.106,03	1.968.034,27
Administrative expenses	(17)	-51.342.768,59	-27.589.763,56	-5.654.324,26	-5.517.592,12
Selling and marketing costs	(17)	-197.880.836,61	-134.369.191,45	-13.705.589,86	-12.224.539,25
Other expenses	(17)	-3.949.117,18	-2.303.769,50	-970.381,71	-1.015.247,11
Operating profit		143.771.030,34	113.278.850,34	4.835.291,78	6.224.818,66
Finance costs - profit	(17)	10.494.967,67	3.236.809,39	5.798.945,52	989.781,05
Finance costs - expenses	(17)	-28.738.792,67	-14.666.330,16	-18.106.370,38	-12.545.570,22
Share of profit of associates		0,00	4.177.374,06	18.175.740,00	20.988.636,25
Profit before taxes (EBT)		125.527.205,34	106.026.703,63	10.703.606,92	15.657.665,74
Income tax expense	(18)	-35.946.096,14	-24.302.074,07	-2.178.640,18	-1.457.037,00
Profit for the period (after taxes)		89.581.109,20	81.724.629,56	8.524.966,74	14.200.628,74
<u>Attributable to:</u>					
Equity holders of the Company		72.711.928,77	65.160.341,01		
Minority interest		-16.869.180,43	-16.564.288,55		
Earnings (after taxes) per share - basic (expressed in €)		2,21	1,98	0,26	0,43
Amortisation - Depreciation		14.137.344,12	7.952.028,91	1.090.167,46	1.054.074,99
Earnings (profit) before taxes, financing and investing results and depreciation - amortisation (EBITDA)		157.908.374,46	121.230.879,25	5.925.459,24	7.278.893,65
Earnings (profit) before taxes, financing and investing results (EBIT)		143.771.030,34	113.278.850,34	4.835.291,78	6.224.818,66

3. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR

THE GROUP

AMOUNTS REPORTED IN €

	Share Capital	Share Premium	Other Reserves	Own Shares	Retained earnings	Currency exchange differences	Other capital and reserves attributable to equity holders of the company	Total	Minority interest	Total net equity
Balance at 1.1.2006	9.884.062,50	62.531.731,47	24.513.525,66	0,00	161.106.539,24	-12.980.009,96	-88.927.927,73	156.127.921,18	5.844.540,04	161.972.461,22
Dividends					-43.611.451,25			-43.611.451,25		-43.611.451,25
Directors fees					-313.514,50			-313.514,50		-313.514,50
Minority interest due to new subsidiaries								0,00	81.599.975,98	81.599.975,98
Net income recognised directly in equity			9.439.947,00					9.439.947,00		9.439.947,00
Period results					65.160.341,01			65.160.341,01	16.564.288,55	81.724.629,56
Share buyback				-1.339.856,41				-1.339.856,41		-1.339.856,41
Other changes			-25.120.895,52		25.014.364,28	-19.726.033,78		-19.832.565,02	-2.492,97	-19.835.057,99
Balance at 31th of December 2006	9.884.062,50	62.531.731,47	8.832.577,14	-1.339.856,41	207.356.278,78	-32.706.043,74	-88.927.927,73	165.630.822,01	104.006.311,60	269.637.133,61
Balance at 1.1.2007	9.884.062,50	62.531.731,47	8.832.577,14	-1.339.856,41	207.356.278,78	-32.706.043,74	-88.927.927,73	165.630.822,01	104.006.311,60	269.637.133,61
Dividends					-3.953.625,00			-3.953.625,00		-3.953.625,00
Directors fees					-250.000,00			-250.000,00		-250.000,00
Minority interest due to new subsidiaries								0,00	13.611.149,83	13.611.149,83
Net income recognised directly in equity					18.063.336,86			18.063.336,86		18.063.336,86
Period results					72.711.928,77			72.711.928,77	16.869.180,43	89.581.109,20
Share buyback				-6.559.585,42				-6.559.585,42		-6.559.585,42
Other changes			16.610.593,30		-16.595.540,72	-26.395.555,30		-26.380.502,72		-26.380.502,72
Balance at 31th of December 2007	9.884.062,50	62.531.731,47	25.443.170,44	-7.899.441,83	277.332.378,69	-59.101.599,04	-88.927.927,73	219.262.374,50	134.486.641,86	353.749.016,36

THE COMPANY

AMOUNTS REPORTED IN THOUSAND €

	Share Capital	Share Premium	Other Reserves	Own Shares	Retained earnings	Other capital and reserves attributable to equity holders of the company	Total
Balance at 1.1.2006	9.884.062,50	62.531.731,47	19.679.018,84	0,00	17.234.624,78	0,00	109.329.437,59
Dividends					-8.566.187,50		-8.566.187,50
Directors fees					-250.000,00		-250.000,00
Minority interest due to new subsidiaries							0,00
Net income recognised directly in equity							0,00
Period results					14.200.628,74		14.200.628,74
Share buyback				-108.985,61			-108.985,61
Other changes			505.547,98		-505.547,98		0,00
Balance at 31 st of December 2006	9.884.062,50	62.531.731,47	20.184.566,82	-108.985,61	22.113.518,04	0,00	114.604.893,22
Balance at 1.1.2007	9.884.062,50	62.531.731,47	20.184.566,82	-108.985,61	22.113.518,04	0,00	114.604.893,22
Dividends					-3.953.625,00		-3.953.625,00
Directors fees					-250.000,00		-250.000,00
Minority interest due to new subsidiaries							0,00
Net income recognised directly in equity				726,48		124.725,65	125.452,13
Period results					8.524.966,74		8.524.966,74
Share buyback							0,00
Other changes			-3.421.837,07		3.421.837,07		0,00
Balance at 31 st of December 2007	9.884.062,50	62.531.731,47	16.762.729,75	-108.259,13	29.856.696,85	124.725,65	119.051.687,09

4. CASH FLOW STATEMENT

	CASH FLOW STATEMENT (Amounts reported in Euro)			
	THE GROUP		THE COMPANY	
	1/1-31/12/2007	1/1-31/12/2006	1/1-31/12/2007	1/1-31/12/2006
Cash Flows related to Operating Activities				
Net Profit before taxes	125.527.205,34	106.026.703,63	10.703.606,92	15.657.665,74
<i>Adjustments in respect of non-cash transactions:</i>				
Depreciation and Amortisation	14.137.344,12	7.952.028,91	1.090.167,46	1.054.074,99
Provisions	1.381.372,80	1.067.649,93	113.629,00	232.823,00
Cash flows from investing activities	-10.494.967,67	-6.005.841,35	-23.523.650,96	-21.500.927,58
Debit interest and similar expenses	28.478.151,11	8.029.971,77	17.653.249,82	7.952.112,89
	0,00	0,00	0,00	0,00
Operating profit before adjustments of working capital	159.029.105,70	117.070.512,89	6.037.002,24	3.395.749,04
Decrease/(increase) of Inventories	-19.704.885,84	5.492.850,82	-1.989.562,17	551.114,68
Decrease/(increase) of Receivables	-18.105.948,36	-27.213.232,14	-1.640.470,33	5.048.631,02
Increase/(decrease) of payable accounts (except Banks)	13.690.687,72	-30.445.404,23	-576.059,82	-529.254,41
Interest paid and similar expenses	-23.561.028,51	-10.648.306,80	-12.990.446,22	-8.433.121,20
Income Tax paid	-33.473.542,08	-29.617.235,32	-557.384,55	-3.287.032,72
<i>Net cash inflows/(outflows) from Operating Activities</i>	<u>77.874.388,63</u>	<u>24.639.185,22</u>	<u>-11.716.920,85</u>	<u>-3.253.913,59</u>
Cash Flows related to Investing Activities				
Purchases of subsidiaries, associates and other investments	-180.736.700,00	-209.320.322,31	0,00	-227.789.431,30
Purchases of tangible and intangible assets	-25.137.936,55	-8.793.806,02	-1.111.511,71	-927.023,46
Proceeds from sale of tangible and intangible assets	2.756.450,72	1.429.524,58	2.106,00	20.960,00
Proceeds from sale of financial assets	5.180.430,49	2.070.853,98	5.180.430,49	1.961.153,98
Dividends received	0,00	0,00	18.175.858,20	20.990.210,29
Interest received	4.337.259,11	2.618.335,03	453.120,56	481.008,31
Decrease/(increase) of other long-term receivables	-6.552.136,87	3.292.142,66	-1.162,41	-19.846,91
<i>Net cash inflows/(outflows) from Investing Activities</i>	<u>-200.152.633,10</u>	<u>-208.703.272,08</u>	<u>22.698.841,13</u>	<u>-205.282.969,09</u>
Cash Flows related to Financing Activities				
Cash received from issue of share capital				
Own Stock	-6.559.585,42	-1.339.855,61	0,00	-108.985,61
Proceeds from Loans	141.261.584,91	294.233.581,31	0,00	225.846.718,92
Repayment of Loans	0,00	0,00	-12.710.173,45	0,00
Payments for leases	-124.920,66	-583.819,39	-30.508,49	-117.569,61
Dividends paid	-22.790.646,62	-29.551.841,65	-6.200.886,62	-7.928.286,26
<i>Net cash inflows/(outflows) from Financing Activities</i>	<u>111.786.432,21</u>	<u>262.758.064,66</u>	<u>-18.941.568,56</u>	<u>217.691.877,44</u>
Net increase/(decrease) in cash and cash equivalents	-10.491.812,26	78.693.977,80	-7.959.648,28	9.154.994,76
Cash and cash equivalents at the beginning of the period	109.310.713,75	33.892.169,63	22.402.656,98	13.247.662,22
Exchange rate differences from the conversion of cash equivalents	-7.310.346,55	-3.275.433,68	0,00	0,00
<i>Cash and cash equivalents at the end of the period</i>	<u>91.508.554,94</u>	<u>109.310.713,75</u>	<u>14.443.008,70</u>	<u>22.402.656,98</u>

Notes To The Annual Company And Consolidated Financial Statements

1. General information

FOLLI – FOLLIE S.A. (“the Company”) with distinctive title “FOLLI FOLLIE” and its subsidiaries (together “the Group”) is engaged in the sector of silver and gold products, in particular manufactures jewellery and watches from precious and semi-precious metals and stones as also in the sector of accessories. In the object of the Company as stated in the Articles of Association is included the distribution of the aforementioned products by retail and wholesale in the domestic and international market.

The address of the Company’s registered office is 23 Km Athens – Lamia National Road, Ag. Stefanos, Attica, its web-site is www.follifollie.com and it has its primary listing on the Athens Stock Exchange since 1997.

Folli Follie following its listing on the Athens Stock Exchange and the increase of the share capital that arose, extended its development abroad, thus placing the foundation of its multinational character. Nowadays, Folli Follie continues to develop its activities in new strategically important markets around the world while strengthening its presence in existing ones.

The consolidated financial statements, which are presented, refer to Folli Follie S.A. and the subsidiaries of the Group.

These financial statements have been approved for issue by the Board of Directors on 11th of March 2008.

The Structure of the Group Folli Follie has as follows:

COMPANY	REGISTERED OFFICE	% PARTICIPATION	RELATION THAT COMMANDED THE CONSOLIDATION	CONSOLIDATION METHOD
FOLLI FOLLIE A.B.E.E.	GREECE	-		
FOLLI FOLLIE HONG KONG LTD	HONG KONG	99,99%	Direct	Full
FOLLI FOLLIE UK LTD	GREAT BRITAIN	99,99%	Direct	Full
FOLLI FOLLIE FRANCE SA	FRANCE	100%	Direct	Full
FOLLI FOLLIE SPAIN SA	SPAIN	100%	Direct	Full
FOLLI FOLLIE CZECH SRO	CZECH REP.	100%	Direct	Full
FOLLI FOLLIE POLAND SZOO	POLAND	100%	Direct	Full
FOLLI FOLLIE SLOVAKIA SRO	SLOVAKIA	100%	Direct	Full
FOLLI FOLLIE GERMANY GmbH	GERMANY	100%	Direct	Full
MFK FASHION LTD	CYPRUS	100%	Direct	Full
PLANACO SA	GREECE	76,67%	Direct	Full
HELLENIC DUTY FREE SHOPS	GREECE	52,28%	Direct	Full
FOLLI FOLLIE JAPAN LTD	JAPAN	40%	Direct	Full
FOLLI FOLLIE ASIA LTD	HONG KONG	99,99%	Indirect	Full
FOLLI FOLLIE TAIWAN LTD	TAIWAN	99,99%	Indirect	Full
FOLLI FOLLIE KOREA LTD	S.KOREA	99,99%	Indirect	Full
FOLLI FOLLIE SINGAPORE LTD	SINGAPORE	99,99%	Indirect	Full
BLUEFOL GUAM LTD	GUAM	99,99%	Indirect	Full
BLUEFOL HAWAII LTD	HAWAII	99,99%	Indirect	Full
BLUEFOL HONG KONG LTD	HONG KONG	99,99%	Indirect	Full
FOLLI FOLLIE MALAYSIA LTD	MALAYSIA	99,99%	Indirect	Full
FOLLI FOLLIE THAILAND LTD	THAILAND	99,99%	Indirect	Full
FOLLI FOLLIE CHINA (PILION LTD)	CHINA	85,00%	Indirect	Full
HELLENIC DISTRIBUTIONS SA	GREECE	52,27%	Indirect	Full
LINKS (LONDON) LIMITED	GREAT BRITAIN	52,27%	Indirect	Full
LINKS OF LONDON (INTERNATIONAL) LTD	GREAT BRITAIN	52,27%	Indirect	Full
LINKS OF LONDON COM LTD (UK)	GREAT BRITAIN	52,27%	Indirect	Full
LINKS OF LONDON ASIA LTD (HK)	HONG KONG	52,27%	Indirect	Full
LINKS OF LONDON INC (USA)	U.S.A.	52,27%	Indirect	Full
LINKS OF LONDON (FRANCE)	FRANCE	52,27%	Indirect	Full
HDFS SKOPJE DOO (F.Y.R.O.M.)	F.Y.R.O.M.	52,28%	Indirect	Full
HELLENIC TOURIST BUREAU A.E.	GREECE	52,28%	Indirect	Full
LAPFOL (JOINT VENTURE)	HONG KONG	50,00%	Indirect	Proportionate
ELMEC SPORT ABETE	GREECE	47,64%	Indirect	Full
FACTORY OUTLET A.E.E	GREECE	47,64%	Indirect	Full
FACTORY OUTLET AIRPORT A.E.E	GREECE	47,64%	Indirect	Full
ELMEC ROMANIA SRL	ROMANIA	47,64%	Indirect	Full
ELMEC SPORT BULGARIA EOOD	BULGARIA	47,64%	Indirect	Full
CHRONOSPORT A.E.	GREECE	23,82%	Indirect	Full
MOUSTAKIS S.A.	GREECE	47,64%	Indirect	Full
LOGISTICS EXPRESS A.E.	GREECE	47,64%	Indirect	Full
ATTIKA DEPT.STORES SA	GREECE	23,80%	Indirect	Full
IPIROTIKI S.A.	GREECE	47,59%	Indirect	Full

2. Summary of significant accounting policies applied by the Group

2.1. Basis of preparation

These consolidated and parent's separate financial statements of FOLLI FOLLIE S.A. at 31st of December 2007 have been prepared under:

- The historical cost convention
- The going concern basis
- The accrual basis of accounting
- The consistency and relevance of presentation
- The materiality of data

and are in accordance with the International Financial Reporting Standards (IFRS) as these have been published by the International Accounting Standards Board (IASB), as well as their interpretations, as published by the International Financial Reporting Interpretations Committee (I.F.R.I.C.) of the IASB and which have been adopted by the European Union by the regulation Number 1606/2002 of the European Union as of 31 December 2005.

The date of the Group's transition to the new standards, in accordance with IFRS1, is the 1st of January 2004.

The accounting principles mentioned below, have been applied with consistency to all periods presented.

The financial statements of FOLLI FOLLIE S.A. have been prepared in accordance with the accounting principles of the Uniform Greek General Chart of Accounts (GGCA) up to the year that ended on 31 December 2004. The principles of the GGCA differ in some respects from those of the IFRS. The comparative figures for 2004 were restated in accordance with the adopted accounting principles and accounting estimates for the IFRS.

The preparation of financial statements in conformity with the IFRS requires the use of analytical accounting estimates and assumptions in the process of applying the accounting principles.

2.2. Basis of transition to IFRS

2.2.1. Application of IFRS 1

The Company's and the Group's financial statements for the year ended 31 December 2005 were the first annual financial statements that comply with IFRS. These financial statements had been prepared as described in Note 2.1 The Group had applied IFRS 1. The reporting date of those financial statements was 31 December 2005. The IFRS adoption date was 1 January 2005. In preparing these financial statements, the Group had applied certain of the optional exemptions from full retrospective application of IFRS.

2.2.2 Consistency of estimates under Greek GAAP and IFRS and reconciliations between IFRS and Greek GAAP

The consistency of estimates between Greek GAAP and IFRS, the Table of adjustments of the period opening net equity (01.01.2005 and 01.01.2004 respectively) and the Table of adjustments of the results for the period 01.01.2004-31.12.2004 are analyzed at the annual Financial Statements of 31.12.2005, pages 24-25.

2.3 Consolidation – Measurement of subsidiary and associate companies

Subsidiaries are all entities over which the Parent company has the power to govern. Subsidiaries are fully consolidated (full consolidation) from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases. In the case of Folli Follie, as it arises also from the table set out above, the subsidiaries are fully consolidated by the full consolidation method.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the

Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains of transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The investments in subsidiaries in the parent's separate Balance Sheet are measured at acquisition cost net of any accumulated impairment loss.

The application of the policy to business combinations that occurred before the date of transition to IFRSs, is covered by 10 optional exceptions based on IFRS 1. In particular, based on circumstance i, goodwill recognised directly as a deduction from equity, under previous GAAP shall not be recognised and restated in the income statement the disposal of all the entity or part of it with which is related goodwill or if the investment in the subsidiary becomes impaired. This was applied by the company during the first preparation of the consolidated financial statements in accordance with IFRS.

In accordance with the Group's standard practice, investments in affiliates are recorded according to the equity method. The Group's share following the participation acquisition in the affiliates is recorded directly to the Profit and Loss Account, whereas the changes in reserves for the same period are recorded to the Group's reserves. The accumulated changes affect the accounting value of the investments in associated Companies.

Unrealized gain from transactions between the Group and its related parties are eliminated according to the Group's participation percentage in these related parties. The accounting principles followed by the related parties have been modified in order to be in conformity with those adopted by the Group.

- a. Until 30.04.2006, the Folli-Follie Group exercised a significant influence over KAE (Hellenic Duty Free Shops) having a 24.68% stake of the Company's total voting

rights. In May 2006, the Group increased its stake by 24.6777%, paying a consideration of 202,987,184.00 euros, and thus on 30.06.2006 the Group held 49.36% of the share capital of Hellenic Duty Free Shops (KAE), a company listed on the Athens Stock Exchange, namely 25,999,000 shares. Through this increase, the Group also increased its percentage of indirect participation in the subsidiaries of KAE, which are the following:

- a) Hellenic Distributions (ELLINIKES DIANOMES)
- b) H.D.F.S SKOPJE DOO
- c) HELLENIC TOURIST BUREAU S.A.

Moreover, on 17/07/2006 the Folli Follie Group acquired 1.540.000 shares of H.D.F.S. Following this acquisition representing 2.92% of H.D.F.S.' total number of shares, the total participation of Folli Follie to H.D.F.S. at 31.12.2006 reached the percentage of 52.28%.

The Group had included on 30.06.2006 in its consolidated financial statements the Hellenic Duty Free Shops S.A for the period, applying the full consolidation method, from 05/05/2006, date on which it acquired control of the company; for previous periods the consolidation was performed by applying the equity method.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Folli Follie Poland szoo, member company of the group, has concluded the operation of two retail points of sales during the first semester of 2007. The group intends to exploit new channels of distribution in this particular market.

During the course of the current fiscal year, the Group proceeded with the formation of the Joint Venture together with the company LAPIN HOUSE S.A. The joint venture's commercial purpose is the trading of children's clothes, watches and jewelry in the Asian markets. The aforementioned joint venture has been included in the consolidated statements of the period that ended On 30.09.2007 using the method of proportional consolidation.

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-momentary financial assets and liabilities measured at fair value, are reported as part of the fair value and therefore recognised as also the differences of the fair value.

(c) Group companies

The financial statements of all the Group companies, that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Equity is translated at the exchange rates ruling at the date it is incurred.
- Income and expenses are translated at average exchange rates of the period.

All resulting exchange differences are recognised as a separate component of equity and transferred to the income statement recognised as part of the gain or loss on sale when a foreign operation is sold.

2.5. Property, plant and equipment

a) Property, plant and equipment is stated at historical cost less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Installations on third parties' property (establishment of stores) are depreciated over the estimated term of the lease.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives, as follows:

Assets Category	Years of useful life	
- Buildings (privately owned)	50	Years
- Electro-Mechanical etc. Installations on privately owned buildings	20-25	«
- Installations on third parties' property	8-12	«
- Mechanical equipment	6,67-9,09	«
- Motor vehicles	6,67-9,09	«
- Other equipment	6,67	«

Residual values are recognised only on privately owned buildings.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

b) Investments in Property

All investments in property are measured at fair value. According to this method the investments, at each closing balance sheet date, are measured at their fair value and the differences from the cost or the previous measurement is recognised in the income statement.

2.6. Intangible assets

(a) **Intangible Market Value of Retail Stores**

The Intangible market Value of the Company's retail stores is measured at cost less depreciation. Depreciation is performed based on the lease term of the stores, which is 8 to 12 years.

(b) **Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, which in the case of Folli Follie is estimated depending on the application of each software and is from 4 to 7 years approximately.

2.7. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognised as expenditure in the income statement when incurred.

2.8. Financial Assets

(a) **Loans and receivables**

Trade receivables

Trade receivables are recognised initially at fair value which agrees with their nominal value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect

all amounts due, according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(c) Financial assets at fair value through profit or loss

Folli Follie classifies its financial assets in this category that are acquired principally for the purpose of selling in the short term including also derivatives. Purchases and sales of investments are initially recognised at fair value and on trade-date. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. The fair value of quoted financial assets are based on current bid prices.

2.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost formula. The cost in progress comprises the cost of raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, current and time deposits, as formed at the closing of the period from the company and the Group.

2.11. Share capital

The shares of Folli Follie are ordinary registered shares which are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.12. Income taxes

The Group is subject to various income tax rates depending upon the country of establishment. Furthermore, it must be noted that with regards to the matter of tax audit of the companies that participate in the consolidated statements, in the country where Folli Follie Hong Kong Ltd., Folli Follie Asia Ltd. and Bluefol Hong Kong Ltd. operate the tax audit for finalizing the fiscal period taxes is not mandatory. The authorities accept the data as declared by the companies following the audit by Certified Auditors. The tax authorities may conduct a select audit, only for the last seven fiscal years reported. After the lapse of seven years, the fiscal periods are rendered final.

The Company has been audited by the tax authorities for Fiscal Year 2005, therefore Fiscal Year 2006 and 2007 are not audited at present. For these Fiscal Years the Company decided not to form a relevant provision.

2.13. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method.

2.14. Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax is determined using tax rates (and laws) that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.15. Employee benefits

(a) Short - term employee benefits

Short - term employee benefits towards the employees in money and in kind, are recognised as an expense when accrued.

(b) Post - employment benefits

Post - employment benefit schemes comprise both defined contribution plans (Government pension insurance) and defined benefit plans (lump sum benefit paid to employee on retirement dependent on years of service that is imposed by the L. 2112/20). Accrued cost of defined contribution plans is recognised as an expense over the vesting period.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. According to this method, the defined benefit obligations that relate to past - service at the date of value determination are accounted for separately from the expected benefits at the year after the date of value determination (employees remaining in service for a specific period of time). The most significant assumptions that were used at the two as above dates are as follows:

Date of value	Discount	Future salary
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determination	interest rate	increases
31/12/2005	4,0%	3,0%-4,0%
31/12/2006	4,7%-4,1%	3,0%-4,0%

2.16. Provisions

Provisions are recognised when:

- a) There is a present legal or constructive obligation as a result of past events,
- b) It is more likely than not that an outflow of resources will be required to settle the obligation and,
- c) The required amount has been reliably estimated.

2.17. Government grants

No grants were received during the current year.

2.18. Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value - added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when the Company has delivered products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured. The sales of goods – wholesale are mainly carried out on credit.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of

the actual service provided by Folli Follie, as a proportion of the total services to be provided.

(c) Interest income

Interest income is recognised on a time - proportion basis using the effective interest method.

(d) Income from Rent

Income from rent is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established, that is when approved by the body entitled to pay them out (General Meeting).

2.19. Leases

(a) Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) Finance leases

Finance leases are treated as hire purchase contracts, as a consequence the leased assets to be disclosed as assets of the Group (and to be depreciated), with respective recognition of the finance liability to the lessor or lessors. The finance cost is carried to the Income Statement as an expense, when accrued.

2.20. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the parent's separate financial statements and in the consolidated financial statements in the

period in which the dividends are approved by the General Meeting of the company's Shareholders.

2.21. New accounting principles and interpretations of IFRIC

Standards, amendments and interpretations on standards already in existence which are not yet in effect or adopted.

The International Accounting Standards Committee as well as the Interpretation Committee have issued a series of new accounting standards and interpretations which will be implemented for the accounting periods starting as of 1st January 2007 and or afterwards. The Group evaluates the impact of these new standards and interpretations as follows:

- **Amendments in the IAS 1 "Presentation of Financial Statements" (is implemented for annual accounting periods starting as of or after 1st January 2009)**

THE IAS 1 HAS BEEN AMENDED TO UPGRADE THE UTILITY OF INFORMATION PRESENTED IN THE FINANCIAL STATEMENTS.

The basic changes of this Standard are summarized in the separate presentation of the changes in net equity derived from transaction with the shareholders under their capacity as shareholders (e.g. dividends, capital increases) from the other changes in net equity (e.g. transition reserves). In addition, the advanced issue of the standard, brings changes in terminology as well as in the presentation of the financial statements.

However, the new determinations of the standard, do not change the rules of recognition, measurement or disclosure of specific transactions and other events required by the other standards.

The modification of IAS 1 is mandatory for the periods starting as of or after 1st January 2009 whilst, these requirements are also implemented in the IAS 8 "Accounting policies, changes in accounting estimations and errors". The changes caused by the modification of IAS 1 have retrospective implementation.

The Group has no intention to implement earlier the revised Standard.

- IFRS 7 Disclosures of Financial Instruments

The Group implemented for the first time the IFRS 7 "Disclosures of Financial Instruments", the implementation of which became mandatory for the financial period under examination, as well as the subsequent amendments in IAS 1 "Presentation of Financial Statements".

The impact of the implementation of IFRS 7 and the amendments of IAS 1 was the increase in the disclosures related to the financial instruments of the Group (see § 5.5)

Interpretation 7, Implementation of the revision approach of IAS 29 – Financial Statements in overpopulated economies.

The Interpretation 7 requires that in the period during which a company identifies overpopulation in the economy of its operation currency, without any overpopulation in the previous period, to implement the requirements of IAS 29 as if the economy was always in overpopulation situation.

The Interpretation 7 has no implementation in the Group.

Interpretation 9, Reevaluation of embedded derivatives

The Interpretation 9 requires that a company evaluates whether a contract includes a embedded derivative at the signing of the contract and any subsequent reevaluation is not allowed except if there is a change in the terms of the contract with a substantial impact in the cash flow.

The Interpretation 9 has no implementation in the Group.

Interpretation 10, Interim Financial Report and impairment

The interpretation 10 may have an impact in the Financial statements in the case where an impairment loss is identified in an interim period related to surplus-value or investments in securities available for disposal or not listed, retained at cost, as this impairment can not cross entry in the following interim or annual financial statements.

The Interpretation 10 has no implementation in the Group.

Until the date of the financial statements approval, new IFRS, interpretations and amendments of the existing standards have been issued, whose implementation is not mandatory for the current accounting period and the Group has not implemented them earlier, as follows:

Interpretation 14 IAS 19 "The limit in the recognition of asset of determined allowances, the minimum financing requirements and their interactions" (implemented for the annual accounting period starting as of or after 1st January 2008).

The Interpretation 14 provides instructions with regard to the evaluation method of the limit in the surplus amount that can be registered as asset in a program of determined allowances in accordance with IAS 19 "Employees benefits". In addition, explains how this limit can be affected when there is a legal or contractual requirement of limited financing and standardize the current practice.

The group expects that this interpretation will not affect its financial position or performance.

Revised IFRS 3 "joint ventures" and Amended IAS 27 "Consolidated and company financial statements" (implemented for the accounting periods starting as of or after 1st July 2009).

The IAS Committee has published on 10.1.2008 the revised IFRS 3 "joint ventures" and the Amended IAS 27 "Consolidated and company financial statements". The revised IFRS 3 introduces a series of changes in the accounting management of joint ventures that will affect the amount of the identified surplus-value, the results of the period in which the joint venture is committed and the future results. These changes include the recognition of the expenses related to the acquisition and the identification of future

transitions at fair value of potential price in the results (instead of adjustment of surplus value). The amended IAS 27 requires that transactions leading to changes in participation percentages in subsidiary are registered in the net equity. Therefore, they do not affect the surplus value nor lead to any result (profit or loss). In addition, the amended standard changes the way the subsidiaries losses are calculated as well as the loss of control.

All the changes of the aforementioned standards will be applied as of their implementation date and will affect future acquisitions and transactions with minority shareholders as of this date and afterwards.

Amendments in IAS 32 and IAS 1 "Financial Instruments available by the owner" (implemented for annual accounting periods starting as of or after 1st January 2009).

The amendment in IAS 32 requires that certain financial instruments available by the owner (puttable instruments) and liabilities deriving from the liquidation of an entity are registered as shareholders equity provided that certain criteria are fulfilled. The amendment in IAS 1 requires disclosure of information with regard to "puttable instruments" that are registered in shareholders equity.

The Group expects that these amendments will not affect its financial statements.

- **IFRS 8 Operating Sectors**

IFRS 8 replaces IAS 14 and sets different disclosure requirements regarding the information by activity sectors. IFRS 8 is effective from 01.01.2009 and is expected to be adopted by the Group then.

- **IFRS 23. (amendment) Borrowing Cost**

In the revised standard, the previous benchmark treatment of recognising borrowing costs as an expense has been eliminated. Instead, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets form part of the costs of the asset. The revised version of IAS 23 Borrowing Cost needs to be applied for annual periods beginning on or after 1st January 2009.

- **IFRIC 11 IFRS 2- Transactions in participating titles of the same company of companies of the same group**

The interpretation provides instructions regarding whether a payment agreement based on the value of the entity's shares, which receives goods or services as an exchange for its own participating titles, will be accounted for as a transaction settled with participating titles or as a transaction settled with cash. IFRIC 11 is effective from 01.01.2007 and is not expected to affect the Group's financial statements.

- **IFRIC 12 Service Concession Agreements**

IFRIC 12 handles the way with which the concession managers of a service concession must apply IFRS to account for the liabilities they undertake and the rights provided to them in the service concession agreements. IFRIC 12 is effective from 01.01.2008 and is not expected to affect the Group's financial statements.

- **IFRIC 13 Customer Loyalty Programmes**

The International Financial Reporting Interpretations Committee (IFRIC) issued a new interpretation relating to the application of IAS 18 Revenue Recognition. IFRIC 13 "Customer Loyalty Programmes" clarifies that where entities grant award credits (e.g. loyalty points or reward miles) as part of a sales transaction and customers can redeem those award credits in the future for free or discounted goods or services, IAS 18 paragraph 13 applies. This requires that the award credits are treated as a separate component of the sales transaction and an amount of the consideration received or receivable needs to be allocated to the award credits. The timing of the recognition of this element of revenue is deferred until the entity satisfies its obligations relating to the award credits, either by supplying the rewards directly or by transferring the obligation to a third party. IFRIC 13 needs to be applied for annual periods beginning on or after 1st January 2008.

The operations of the Group expose it to market, credit and liquidity risk.

The risk management is under the responsibility of both treasury and credit departments.

Market risk

Foreign exchange rate risk

(a) Reduction risk of gross profitability due to revalue of US dollar

(b) Risk derived from the translation of financial statements expressed in foreign exchange currency

As far as (a) is concerned the risk derives from the fact that the group purchases part of its merchandise (as far as the ELMEC SPORT Group is concerned) at prices expressed in USD and disposes this merchandise in the Greek, Romanian, and Bulgarian markets at prices expressed in local currency and specifically from the fact that these prices are defined approximately 9 months before the Group proceeds in their import, payment and disposal. Since the sale prices are defined several months before the import and payment of merchandise, any revalue of the dollar would increase the cost of sales without subsequent increase in selling prices resulting to loss of part of gross profit for the Group.

The Group Treasury department in cooperation with the respective Commercial Departments are responsible for the management of this risk. The BoD takes the decision if and to which degree the Group should be covered against the foreign exchange currency risk. The Commercial Departments take into consideration the risk of the change of the exchange rate for the determination of the selling prices of their merchandise.

The Group in the past was using products for the counter balance of exchange risk, mainly agreements of "forward type". However the use of these products during the financial year under examination was negligible compared to the level of the total purchases and liabilities of the Group in USD.

The total purchase amount in USD during the year which is \$ 38.115.620 for 2007 against \$ 43.746.214 for 2006. Taking into consideration the total purchases of the group in USD and based on the "sensitivity analysis" executed by the company for internal use (revalue)/devaluation of USD against EURO by 10% would impose reduction/increase in net profit of financial year of 2007 by approx. € (1,9)/1,7 million, whilst by approx. € (2,6)/2,1 million for the financial year 2006. The "reduction of sensitivity" is attributed to the fact that since June 2006 and thereafter the Group purchases specific Goods, which are sold by the domestic market in Greece, in EURO (and not in USD).

As far as (b) is concerned, the Group has investments in foreign enterprises, for which Euro is not their operating currency therefore their financial statements are not expressed in Euro. Thus, the Group is exposed in risk from the translation of these financial statements in Euro in order to be consolidated in the financial statements of the Group.

For the year under examination:

a) In case the Romanian currency (RON) was revalued/ devalued by 10% compared to Euro, the net profit for the Group would be higher/lower by approx. 1,5/(1,3) millions Euro as a result of the translation of the financial statements of Elmec Romania SRL from its operation currency to Euro. In addition the own share capital would be higher/lower by approx. 2,2/(1,8) million Euro.

Subsequently, the net profit of the financial year 2006 for the Group would be higher/(lower) by approx. 147/(120) thousand euro and the own share capital would be higher/lower by approx. 653/(534) thousand euro. The "increase of sensitivity" is attributed in the high profitability of Elmec Romania SRL during the financial year 2007, which subsequently is attributed mainly in the sale of its contribution in MicroCom Doi SRL.

b) In case the Bulgarian currency (BGN) was revalued/ devalued by 10% compared to Euro, the net profit for the Group would be higher/lower by approx. 112/(92) thousand Euro as a result of the translation of the financial statements of Elmec Sport Bulgaria EOOD from its operation currency(BGN) to Euro. In addition the own share capital would be higher/lower by approx. 324/(265) thousand Euro.

Subsequently, the net profit of the financial year 2006 for the Group would be higher/(lower) by approx. 30/(25) thousand euro and the own share capital would be higher/lower by approx. 212/(173) thousand euro. The "increase of sensitivity" is attributed in the high profitability of Elmec Sport Bulgaria EOOD during the financial year 2007.

c) In case the Great Britain currency (GBP) was revalued/ devalued by 10% compared to Euro, the net profit for the Group would be higher/lower by approx. 252/(212) thousand Euro as a result of the translation of the financial statements of LINKS Ltd from its operation currency(GBP) to Euro. In addition the own share capital would be higher/lower by approx. 919/(771) thousand Euro.

Subsequently, the net profit of the financial year 2006 for the Group would be higher/(lower) by approx. 54/(37) thousand euro and the own share capital would be higher/lower by approx. 727/(595) thousand euro.

d) In case the USD was revalued/devalued by 10% compared to Euro, the net profit for the Group would be higher/lower by approx. 6142/(6456) thousand Euro as a result of the translation of the financial statements of LINKS Ltd from its operation currency(GBP) to Euro. In addition the own share capital would be higher/lower by approx. 25000/(20000) thousand Euro.

Subsequently, the net profit of the financial year 2006 for the Group would be higher/(lower) by approx. 5456/(4463) thousand euro and the own share capital would be higher/lower by approx. 20500/(16800) thousand euro

e) In case the JPY was revalued/devalued by 10% compared to Euro, the net profit for the Group would be higher/lower by approx. 53/(43) thousand Euro as a result of the translation of the financial statements of LINKS Ltd from its operation currency(GBP) to Euro. In addition the own share capital would be higher/lower by approx. 918/(750) thousand Euro.

Subsequently, the net profit of the financial year 2006 for the Group would be higher/(lower) by approx. 4/(5) thousand euro and the own share capital would be higher/lower by approx. 908/(740) thousand euro

Price Risk

The company possesses certain securities listed in the ASE, and therefore their fair value is determined by the market prices and the valuation differences are registered in the results. Based on the possessed securities as of 31/12/2007, an increase/(decrease), in prices by 10% would impose increase/(decrease) of net profit in financial year 2007 by approx. 285 thousand Euro.

Besides, the prices of merchandise of the Group (fashion, footwear, cosmetics etc) do not present any particular variation, therefore they are not considered as price risk source. The group has also an exposure to the prices of gold and silver because of its activities.

Interest risk

This risk is based on the Building and equipment Lease agreements, as well as the bonding and short term bank loans of the group and specifically from the fact that these agreements are expressed in floating rate in connection with EURIBOR index. In order to cover this risk the group signs IRS agreements.

Based on the "sensitivity analysis" executed by the group for internal use, an increase in EURIBOR by 1 percentage would impose reduction in profit after tax and minority results of financial year 2007 by approx. 6.191 thousand € whilst by approx.

Credit Risk

The credit risk results from cash in hand, bank deposits, as well as from credit reports to the wholesale sales customers of the ELMEC SPORT GROUP.

As far as banks and other financial institutions is concerned in general, the risk is low due to accurate selection of the financial institutions with substantial credit rating, under the responsibility of the Treasury Department.

Additionally, the credit risk resulting from the wholesales is limited, due to the wide clientele of the Group.

The credit risk related to wholesale sales is managed by the Credit Department of the Group and includes, among others, detailed control of the financial data of its client before any decision is taken for the provision of the credit limit to the client. The BoD is responsible for the credit policy for the companies of the Group.

Liquidity Risk

Considerable management of liquidity risk prerequisite a) substantial security of cash in hand, b) availability of financing through substantial credit lines.

Due to the dynamic nature of its operations, the group preserves financing flexibility by keeping high unused limits in short term bank loan contracts.

Furthermore, the Group possess 195 million € representing receivables by wholesale trades and another 19 million € representing receivables from banks. These could be directly and at low cost liquidated strengthening the liquidity of the Group.

The Treasury Department composes anticipated cash flow statements under the supervision of management for optimum liquidity management.

The loan and other liabilities on the Group and the Company classified by the schedule of payment are presented extensively by the annual financial statements.

Capital Management

The Capital Management intends to secure the continuation of the operations of the Group in order to provide profits to the shareholders and benefits to other interested parties. The tools for the capital management are the dividend policy the issuance or return of capital and sale and purchase of assets.

The basic Factor that capital management uses and is calculated as net debit divided to the total capital is Leveraged Factor. The net debit is calculated as the total debit (both long and short term loans) minus cash on hand and in banks. The total capital is also calculated as Net Equity (as it's shown in the Balance Sheet) plus net debit. The above Factor for the dates of 31/12/2007 and 31/12/2006 is:

	The Group		The Company	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006
Loans	669.929.067	418.713.627	342.615.924	350.210.173
Less: Cash	<u>(91.508.555)</u>	<u>(109.310.714)</u>	<u>(14.443.009)</u>	<u>(22.402.657)</u>
Net Debit	<u>578.420.512</u>	<u>309.402.913</u>	<u>328.172.915</u>	<u>327.807.516</u>
Net equity	<u>356.292.953</u>	<u>269.637.133</u>	<u>119.051.687</u>	<u>114.604.893</u>
Leverage Factor	61,9%	53,4%	73,4%	74,1%

The factor was increased for the examined period due to the acquisition of ELMEC SPORT GROUP.

4. Property, plant and equipment

The Group

	Land	Buildings & Building Installations	Plant & Machinery	Vehicles	Furniture, fittings & equipment	PPE in course of construction	Total
<u>01.01.2006</u>							
Cost	12.405.706,14	31.770.314,03	1.788.989,41	622.386,00	8.438.500,34	33.599,64	55.059.495,56
Additions	688.759,62	3.747.938,17	300.900,77	25.438,47	3.264.636,47	851.739,59	8.879.413,09
New subsidiary	2.323.479,35	27.837.840,83	3.928.303,99	1.628.859,03	26.744.546,61	4.472.032,96	66.935.062,77
Disposals	0,00	-557.787,56	-477,00	-209.836,16	-932.407,50	-526.669,14	-2.227.177,36
Balance 31.12.2006	15.417.945,11	62.798.305,47	6.017.717,17	2.066.847,34	37.515.275,92	4.830.703,05	128.646.794,06
Accumulated amortisation							
Balance 01.01.2006	0,00	-3.155.475,94	-1.309.240,88	-357.103,21	-5.591.339,30	0,00	-10.413.159,33
Amortisation charge	0,00	-1.719.860,03	-336.959,33	-52.008,00	-3.484.261,75	0,00	-5.593.089,11
New subsidiaries depreciation	0,00	-7.813.700,00	-2.341.517,59	-1.066.087,78	-17.133.663,92	0,00	-28.354.969,29
Decrease of amortisation	0,00	350.873,71	2,74	99.181,39	851.921,08	0,00	1.301.978,92
Balance 31.12.2006	0,00	-12.338.162,26	-3.987.715,06	-1.376.017,60	-25.357.343,89	0,00	-43.059.238,81
Exchange differences	-246.555,13	-55.999,28	7.736,15	-5.871,98	434.933,45	-938.121,44	-803.878,23
Net book amount 31.12.2006	15.171.389,98	50.404.143,93	2.037.738,26	684.957,76	12.592.865,48	3.892.581,61	84.783.677,02
<u>01.01 – 31.12.2007</u>							
Additions	137.637,93	6.189.556,65	902.857,35	315.142,89	7.701.134,96	5.770.755,57	21.017.085,35
New subsidiary	13.431.689,84	58.529.552,95	3.273.781,42	1.209.667,20	18.095.085,89	29.895.229,70	124.435.007,00
Disposals	0,00	-639.389,88	-160.275,52	-243.495,90	-1.642.169,27	0,00	-2.685.330,57
Amortisation charge	0,00	-4.398.026,40	-989.691,63	-245.604,57	-4.809.109,01	0,00	-10.442.431,61
New subsidiaries depreciation		-8.893.251,93	-522.349,00	-653.494,00	-7.694.544,26		-17.763.639,19
Decrease of amortisation	0,00	604.032,09	156.200,27	160.649,09	1.414.922,27	0,00	2.335.803,72
Exchange differences	-451.243,60	-1.202.236,55	-128.094,43	-8.282,87	-725.360,85	-12.431,07	-2.527.649,37
Net book amount 31.12.2007	28.289.474,15	100.594.380,86	4.570.166,72	1.219.539,60	24.932.825,21	39.546.135,81	199.152.522,35

The company

	Land	Buildings & Building Installations	Plant & Machinery	Vehicles	Furniture, fittings & equipment	Total
<u>01.01.2006</u>						
Cost	8.565.044,74	23.487.279,83	1.586.283,59	475.114,42	3.321.662,88	37.435.385,46
Additions	0,00	419.309,50	56.817,11	45871,28	392.271,97	914.269,86
Disposals	0	0	0	-29055,88	-7.517,89	-36.573,77
Balance 31.12.2006	8.565.044,74	23.906.589,33	1.643.100,70	491.929,82	3.706.416,96	38.313.081,55
<u>Accumulated amortisation</u>						
Balance 01.01.2006	0	-1.253.444,24	-1.154.381,21	-308.030,64	-2.163.568,98	-4.879.425,07
Amortisation charge	0	-434.617,05	-97.197,62	-28.806,68	-357.266,74	-917.888,09
Decrease of amortisation				24418,54	612,94	25.031,48
Balance 31.12.2006	0,00	-1.688.061,29	-1.251.578,83	-312.418,78	-2.520.222,78	-5.772.281,68
Net book amount 31.12.2006	8.565.044,74	22.218.528,04	391.521,87	179.511,04	1.186.194,18	32.540.799,87
<u>01.01 – 31.12.2007</u>						
Additions		195.999,71	10.150,00	109.434,04	553.641,96	869.225,71
Disposals				-14.178,03	-9.915,29	-24.093,32
Amortisation charge		-449.826,87	-89.242,46	-33.060,54	-376.171,59	-948.301,46
Decrease of amortisation				14.178,04	9.915,29	24.093,33
Net book amount 31.12.2007	8.565.044,74	21.964.700,88	312.429,41	255.884,55	1.363.664,55	32.461.724,13

5. Intangible Assets

	THE GROUP			
	Special assessment	Concessions, Licenses & Similar Rights	Amortisable expenses	Total
01.01.2006				
Cost	0,00	871.900,21	8.130.584,34	9.002.484,55
New subsidiary	217.355.301,67	116.520.683,86	5.578.730,00	339.454.715,53
Additions			876.254,35	876.254,35
Disposals			-739.798,54	-739.798,54
Balance 31.12.2006	217.355.301,67	117.392.584,07	13.845.770,15	348.593.655,89
Accumulated amortisation				
Balance 01.01.2006		-333.884,60	-2.505.960,12	-2.839.844,72
Amortisation charge		-1.641.349,84	-965.087,02	-2.606.436,86
New subsidiaries depreciation		-9.794.059,00	-1.662.895,00	-11.456.954,00
Decrease of amortisation			703.136,56	703.136,56
Balance 31.12.2006	0,00	-11.769.293,44	-4.430.805,58	-16.200.099,02
Exchange differences			-2.339.689,59	-2.339.689,59
Net book amount 31.12.2006	217.355.301,67	105.623.290,63	7.075.274,98	330.053.867,28
01.01 – 31.12.2007				
Additions	119.136.113,40	54.766,00	843.629,83	120.034.509,23
New subsidiary	11.170.682,00	29.284,69	5.298.990,21	16.498.956,90
Disposals			-71.120,15	-71.120,15
Amortisation charge		-2.615.574,13	-1.157.926,98	-3.773.501,11
New subsidiaries depreciation		-906.261,00	-792.798,00	-1.699.059,00
Decrease of amortisation			63.006,01	63.006,01
Exchange differences	265.985,14	-66.888,78	-629.808,10	-430.711,74
Net book amount 31.12.2007	347.928.082,21	102.118.617,41	10.629.247,80	460.675.947,42

	THE COMPANY		
	Concessions, Licenses & Similar Rights	Amortisable expenses	Total
01.01.2006			
Cost	871.900,21	536.445,24	1.408.345,45
New subsidiary			
Additions		12.753,60	12.753,60
Disposals			
Balance 31.12.2006	871.900,21	549.198,84	1.421.099,05
Accumulated amortisation			
Balance 01.01.2006	-333.884,60	-324.018,41	-657.903,01
Amortisation charge	-66.888,78	-69.298,12	-136.186,90
New subsidiaries depreciation			
Decrease of amortisation			
Balance 31.12.2006	-400.773,38	-393.316,53	-794.089,91
Exchange differences			
Net book amount 31.12.2006	471.126,83	155.882,31	627.009,14
01.01 – 31.12.2007			
Additions	212.500,00	29.766,00	242.266,00
Disposals	0,00	0,00	0,00
Amortisation charge	-54.414,77	-87.451,23	-141.866,00
Decrease of amortisation	0,00	0,00	0,00
Exchange differences	0,00	0,00	0,00
Net book amount 31.12.2007	629.212,06	98.197,08	727.409,14

2006 Acquisitions

a. During the year 2006 Folli Follie acquired consequently the percentages of 24,6777% and 2,92% of the share capital of HDFFS. The full consolidation for the period between the acquisition date and the closing date (31.12.2006) had the following results:

Positive change in Turnover of the Group (in 000's) 238.120,00 €

Increase of operating profit before taxes (EBITDA) (in 000's) 52.464,00 €

Increase of Equity (in 000's) 98.792,00 €

If the Group of Hellenic Duty Free Shops had been fully consolidated from the beginning of the period (1.1.2006), the effect at 31.12.2006 would have been positive both on Turnover (by € 300.047,00) and on Operating profits before taxes (by 64.823,00 €).

From the specific increase – acquisition of the additional percentage of 24.6777% - the Group acquired a goodwill of 151.266.165,00 euros which has been determined as follows:

- Date of acquisition	05/05/2006
- Percentage	24,6777%
- Shares (Total amount)	52.675.000
- Shares acquired	12.999.000
- Nominal value per share	0,30 euros
- Purchase value per share	15,60 euros

Total cost of shares

- Cash paid	202.784.400,00 euros
- Direct Expenses related to the acquisition	202.784,00 euros
- Dividends from benefits before the acquisition	<u>(10.398.400,00 euros)</u>
Total Cost of acquisition	192.588.784,00 euros
Less: Fair value of Assets and liabilities	(41.322.619,00 euros)
Goodwill	151.266.165,77 euros

Analytically the assets which were acquired, the liabilities and the contingencies which were undertaken by the Group during the acquisition of 24,6777%, are as follows:

	Book Value (thou. euro)	Fair Value (thou. euro)
Tangible Assets	25.856	25.856
Intangible Assets	52.551	103.551
Deferred income tax assets	467	467
Other long term receivables 3.268	3.268	
Inventories	54.299	54.299
Trade and other receivables	12.556	12.556
Other financial assets at fair value through profit or loss	1.826	1.826
Cash and cash equivalents	77.580	77.580
Long- term borrowings	(4.484)	(4.484)
Deferred income tax liabilities (12.750)	-	
Trade payables (49.211)	(49.211)	
Current income tax	(3.369)	(3.369)
Dividends payable	<u>(42.140)</u>	<u>(42.140)</u>
	129.199	
167.449		
		<u>24,6777 %</u>
		<u>41.323</u>

It should be noted that, the Company performed a first estimation of all assets acquired and also of all liabilities and contingent liabilities.

Also, an independent surveyor performed an estimation of intangible assets, assignment of licenses (royalties) of exclusive use (article 120 of Law 2533/1997) of tax free sales based on future cash flows.

From the increase – acquisition of the additional percentage of 2.92% - the Group acquired a goodwill of 13.490.439,09 euros.

b. At this point it should be mentioned that, at the end of May 2006, the Company acquired 76.67% of the Share Capital of the company Planaco S.A. by participating in the partial share capital increase with an amount of 2.700.000,00 €. Planaco S.A. was consolidated for first time at this current period. The Group consolidated Planaco S.A. in its financial statements since 01/06/2006, date of verification of the share capital increase.

The results of the period ended at 31.12.2006 were not affected by the aforementioned acquisition, while if Planaco S.A. had been consolidated at the beginning of the period, the influence would be immaterial.

It should be noted that, the fair value of all assets acquired by the Group, and of all liabilities, and contingent liabilities undertaken as well as the fair value of the Company's intangible assets were estimated by an independent surveyor.

2007 Acquisitions

On 05.10.2007, the affiliate Company HDFS acquired 51.84% of ELMEC SPORT S.A. Since with this transaction the Company exceeded one third (1/3) of the voting rights of ELMEC, the Company submitted a Mandatory Public Offer for the acquisition of the entirety of ELMEC shares pursuant to the provisions of Law 3461/2006, at the price of €4.00/ per share. On 15.11.2007 HELLENIC CAPITAL MARKET COMMISSION approved the Public Offer, submitted by the Company. As a result, on 31.12.2007 the Company owned 91.12% of the share capital and the voting rights of ELMEC SPORT S.A.

Acquiring 51.84% of ELMEC SPORT S.A. had as a result a €70,372,973 goodwill, which was amounted as follows:

ASSETS

Fixed assets

Tangible fixed assets	106,855,455.00
Intangible fixed assets	3,560,318.00
Consolidation goodwill	11,170,682.00
Investments available for selling	545,346.00

Deferred taxation	1,566,467.00
Other long-term debtors	1,491,681.00
	<hr/>
	125,189,949.00
Current assets	
Inventory	68,069,210.00
Trade and other short-term receivables	75,849,814.00
Investments fairly valued	2,640,094.00
Cash and other cash equivalents	20,927,417.00
	<hr/>
	167,486,535.00
TOTAL ASSETS	<hr/> <hr/>
	292,676,484.00
LIABILITIES	
<u>Long-term liabilities</u>	
Loans & financial leasing	-45,916,145.00
Deferred taxation	-1,847,374.00
Employees' retirement	-925,291.00
Tax provision	-840,271.00
	<hr/>
	-49,529,081.00
<u>Short-term liabilities</u>	
Loans & financial leasing	-58,404,977.00
Trade creditors and other liabilities	-68,562,595.00
Current tax liabilities	-9,383,474.00
Provisions for risks and expenses	-2,664,375.00
	<hr/>
	-139,015,421.00
TOTAL LIABILITIES	<hr/> <hr/>
	-188,544,502.00
Minority interests	-6,508,143.00
TOTAL EQUITY (Assets - Liabilities)	97,623,839.00
Group's acquisition percentage	51.8390%
Assets Fair value	50,607,222.00
Goodwill of acquisition	70,372,973.00
Cost of acquisition	120,980,195.00
Less cash and other cash equivalents	-20,927,417.00
Net cash outflow (of subsidiary's acquisition)	100,052,778.00

During the period 08.10.2007 – 31.12.2007 the Company purchased 21,760,115 shares of ELMEC SPORT S.A. for €86,680,445.67 which resulted in an additional goodwill of €48,763,141. Consequently, on 31.12.2007 the total temporary known goodwill came up to €119,136,114. The additional goodwill was counted as follows:

ASSETS	
Fixed assets	
Tangible fixed assets	109,334,834.00
Intangible fixed assets	3,562,885.00
Consolidation goodwill	11,170,682.00
Investments available for selling	411,746.00
Deferred taxation	1,634,473.00
Other long-term Receivables	1,448,325.00
	<hr/>
	127,562,945.00
Current assets	
Inventory	69,181,805.00
Trade and other short-term receivables	53,908,024.00
Investments fairly valued	2,561,537.00
Cash and other cash equivalents	26,923,944.00
	<hr/>
	152,575,310.00
	<hr/>
TOTAL ASSETS	280,138,255.00
LIABILITIES	
<u>Long-term liabilities</u>	
Loans & financial leases	-45,833,839.00
Deferred taxation	-1,863,575.00
Retirement benefit obligations	-1,017,161.00
Tax provision	-610,459.00
	<hr/>
	-49,325,034.00
<u>Short-term liabilities</u>	
Loans & financial leases	-44,973,024.00
Trade creditors and other liabilities	-74,200,107.00
Current tax liabilities	-5,868,734.00
Provisions for risks and expenses	-2,664,375.00
	<hr/>
	-127,706,240.00
	<hr/>
TOTAL LIABILITIES	-177,031,274.00
	<hr/>
Minority interests	-5,952,194.00
TOTAL EQUITY (Assets - Liabilities)	
	97,154,787.00
Group's acquisition percentage	0.91117
Assets Fair value	88,524,527.00
Goodwill of acquisition	119,136,114.00
Cost of acquisition	207,660,641.00
Less cash and other cash equivalents	-26,923,944.00
Net cash outflow (of subsidiary's acquisition)	180,736,697.00
Less goodwill 05.10.2007	70,372,973.00
Goodwill for the acquisition period	
06.10.2007 - 31.12.2007	48,763,141.00
Total goodwill	119,136,114.00

It is mentioned that the temporary fair value of the acquired equity, the known intangible assets, the liabilities received, as long as the prospect liabilities, were counted based on the fair values (according to IFRS 3 § 62) as the final estimation of their fair value will be finalised within 12 months, according to IFRS 3. The goodwill of this acquisition is included in the Intangible Assets of the Group, until an independent auditor values the final fair value of these Assets (concession rights, tangible assets e.t.c.)

6. Participations and other Long-term receivables

	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Participations to Subsidiaries	0,00	0,00	387.438.470,75	387.438.470,75
Participations in associates	0,00	0,00	0,00	0,00
Deferred income tax Claim	3.703.045,94	2.109.039,58	316.090,50	352.870,16
Other long-term receivables	12.566.828,22	6.676.684,23	294.583,75	293.421,34
	16.269.874,16	8.785.723,81	388.049.145,00	388.084.762,25

7. Inventories

	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Products-Merchandise				
Raw materials & Packing items	209.780.323,18	126.098.481,85	16.162.813,03	14.083.250,86
Provisions for impairment of inventories	590.000,00	500.000,00	590.000,00	500.000,00
	209.190.323,18	125.598.481,85	15.572.813,03	13.583.250,86

8. Trade receivables

	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Trade receivables	195.125.870,28	140.239.131,14	16.359.467,19	15.850.440,84

9. Other receivables

	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Sundry debtors	44.952.939,83	20.309.012,13	3.021.771,58	1.823.541,34
Marketable securities	3.341.881,14	3.419.646,43	1.629.392,98	1.464.116,71
Other receivables	4.429.486,89	4.144.448,90	439.253,50	381.314,01
	52.724.307,86	27.873.107,46	5.090.418,06	3.668.972,06

10. Cash and cash equivalents

	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Cash in hand	2.928.273,75	3.253.200,00	566.152,13	528.867,13
Current and time deposits	88.580.281,19	106.057.513,75	13.876.856,57	21.873.789,85
	91.508.554,94	109.310.713,75	14.443.008,70	22.402.656,98

11. Share capital and share premium

	Number of shares	Ordinary shares	Authorised capital	Share premium	Total	Own shares (qty)
31st December 2005	32.946.875,00	32.946.875,00	9.884.062,50	62.531.731,47	72.415.793,97	
31st December 2006	32.946.875,00	32.946.875,00	9.884.062,50	62.531.731,47	72.415.793,97	6.054,00
31st December 2007	32.946.875,00	32.946.875,00	9.884.062,50	62.531.731,47	72.415.793,97	6.054,00

The total authorized number of ordinary shares is 32.946.875 million shares with a par value of € 0,30 per share. All issued shares are fully paid.

12. Retained earnings and other reserves

	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Profit carried forward	277.332.378,69	207.356.278,78	29.856.696,85	22.113.518,04
Reserves	25.443.170,44	8.832.577,14	16.887.455,40	20.184.566,82
Own Shares	-7.899.441,83	-1.339.856,41	-108.259,13	-108.985,61
Consolidation differences according to previous Accounting Standards	-88.927.927,73	-88.927.927,73		
Consolidated exchange differences	-59.101.599,04	-32.706.043,74		
Third party rights	134.486.641,86	104.006.311,60		
	281.333.222,39	197.221.339,64	46.635.893,12	42.189.099,25

13. Non-current liabilities

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	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Provision for employee benefits	10.271.467,22	8.476.568,05	674.362,00	620.917,00
Guarantees for rent	-	-	207.031,01	251.428,35
Debenture Loan	606.009,67	1.295.151,81	-	-
Other - Liabilities for Leasing	618.403,06	799.957,11	231.701,37	262.209,86
Deferred income tax liability	18.091.989,76	15.247.131,09	1.168.104,94	1.251.176,41
Other provisions	9.195.672,08	9.010.796,11	-	10.615,36
Non current liabilities to Banks	547.902.213,79	406.901.777,95	334.500.000,00	341.000.000,00
	586.685.755,58	441.731.382,12	336.781.199,32	343.396.346,98

14. Trade and other payables

	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Trade payables	94.738.124,89	34.806.413,96	3.319.127,90	2.874.807,77
Taxes - duties	13.795.642,64	13.776.936,38	2.161.438,14	572.196,80
Current liabilities to Banks	122.026.853,87	11.811.849,44	8.115.924,16	9.210.173,45
Dividends payable	0,00	38.366.076,20	1.352.588,10	3.600.576,20
Other payables Customers'	38.899.289,50	13.672.127,03	1.150.804,46	663.397,58
prepayments	14.752.717,35	2.842.783,57	771.216,08	1.835.500,00
	284.212.628,25	115.276.186,58	16.871.098,84	18.756.651,80

15. Deferred income tax

Deferred income tax assets and liabilities are as follows:

	The Group				The Company			
	31/12/2007		31/12/2006		31/12/2007		31/12/2006	
	Deferred Tax Claim	Deferred Tax Obligation	Deferred Tax Claim	Deferred Tax Obligation	Deferred Tax Claim	Deferred Tax Obligation	Deferred Tax Claim	Deferred Tax Obligation
Fixed Assets								
Tangible Fixed Assets		734.509,77		781.527,94		1.091.628,16	0,00	1.176.301,80
Intangible Fixed Assets		14.310.949,69		14.333.206,22	-33.582,60		72.640,91	
Leases		78.114,18		132.396,93		42.894,17		74.874,61
New Subsidiaries		1.863.500,00						
Current Assets								
Receivables		1.033.910,00					0,00	0,00
Long Term Liabilities								
Provisions	203.411,86		205.226,37		147.500,00		125.000,00	
Post Employment Benefits	1.936.170,20		1.903.813,21		168.590,50		155.229,25	0,00
New Subsidiaries	1.634.470,00							
Adjustments	-71.006,12	71.006,12			33.582,60	33.582,60		
Total	3.703.045,94	18.091.989,76	2.109.039,58	15.247.131,09	316.090,50	1.168.104,93	352.870,16	1.251.176,41

16. Retirement benefit obligations (L. 2112/20)

Based on the provisions of L. 2112/20 the company is obliged to pay to the retired employees a lump sum multiple amount of the monthly salary at the time of retirement (determined by the Law), on the basis of the years of service. These benefits were determined by an independent actuary. The main actuarial assumptions used are as follows:

	2007	2006
Discount interest rate (%)	4,7%-4,1%	4,0%
Future salary increases	3,0% - 4%	3,0%-4,0%

	The Group		The Company	
	1/1- 31/12/2007	1/1- 31/12/2006	1/1- 31/12/2007	1/1- 31/12/2006
Obligations of Opening Balance	8.476.568,05	3.356.944,74	620.917,00	540.126,00
New Subsidiaries	925.291,00			
Retirement Benefits (Provisions and Payments)	869.608,17	5.119.623,31	53.445,00	80.791,00
Total	10.271.467,22	8.476.568,05	674.362,00	620.917,00
Expense Charged				
Retirement Benefits (Provisions and Payments)	1.381.372,80	938.986,31	285.726,00	142.823,00
Total	1.381.372,80	938.986,31	285.726,00	142.823,00

17. Operating results

Sales Revenue	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Income from Sales of Inventories -F. F. Group	292.042.588,45	246.279.253,52	29.452.901,07	29.766.588,56
Income from Sales of H.D.F.S.	414.114.602,01	238.120.086,65		
Income from Sales of services			4.525.069,70	5.265.561,67
Total	706.157.190,46	484.399.340,17	33.977.970,77	35.032.150,23
Other income	8.476.197,27	4.447.501,48	2.093.106,03	1.968.034,27
Income of Marketing Rights (H.D.F.S.)	12.233.000,00	12.383.646,00		
Grand Total	726.866.387,73	501.230.487,65	36.071.076,80	37.000.184,50

Expenses				
Administrative expenses	51.342.768,59	27.589.763,56	5.654.324,26	5.517.592,12
Selling and marketing costs	197.880.836,61	134.369.191,45	13.705.589,86	12.224.539,25
Other	3.949.117,18	2.303.769,50	970.381,71	1.015.247,11
Total	253.172.722,38	164.262.724,51	20.330.295,83	18.757.378,48

Analysis of Significant Expenses				
Employer's Cost	74.016.735,05	63.410.818,09	9.187.574,71	8.671.643,74
Rent	44.192.581,70	31.156.160,44	1.773.759,32	1.660.558,39
Advertising Expenses	13.961.439,10	10.245.336,45	2.297.358,48	2.376.165,64
Depreciation	14.137.344,12	7.952.028,91	1.090.167,46	1.054.074,99
Total	146.308.099,97	112.764.343,89	14.348.859,97	13.762.442,76

Interest and Financial Income	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Income from Securities	977.159,87	618.474,08	165.394,47	508.772,74
Income from Swaps (Interest Rate Swap)	5.180.430,49	0,00	5.180.430,49	
Credit Bank Interest	4.337.377,31	2.618.335,31	453.120,56	481.008,31
Total	10.494.967,67	3.236.809,39	5.798.945,52	989.781,05

Interest and Financial Expenses	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Bank Interest	28.478.151,11	13.679.814,83	17.958.624,80	11.736.447,95
Other Financing Expenses	260.641,56	986.515,33	147.745,58	809.122,27
Total	28.738.792,67	14.666.330,16	18.106.370,38	12.545.570,22

18. Income tax expense

	The Group		The Company	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Current tax for the period	34.972.973,13	23.967.047,71	2.224.931,99	890.585,46
Deferred tax	973.123,01	335.026,36	-46.291,81	566.451,53
	35.946.096,14	24.302.074,07	2.178.640,18	1.457.036,99

19. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Company and held as treasury shares.

	31.12.2007	31.12.2006
Net profit for the period (Group)	89.581.109,20	81.724.629,56
Attributable to:		
Equity holders of the Company	72.711.928,77	65.160.341,01
Minority interest	16.869.180,43	16.564.288,55
Weighted average number of ordinary shares in issue	32.934.767,00	32.946.875,00
Basic earnings per share	2,21	1,98

20. Dividends per share

For the year 2006 the proposed dividend per share amounts to € 0,10.

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21. Segment reporting

Primary reporting format – Geographical segments

The registered office of the Group is in Greece. The segments are mainly the points of sales of inventories and services. The presentation is based on where the assets are located.

Amounts in thousands Euro	<u>Greece</u>		<u>Europe</u>		<u>Japan</u>		<u>Other Asian markets</u>		<u>Consolidated items</u>	
	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006	31/12/2007	31/12/2006
"Net" sales	372.634	236.530	77.076	37.625	37.767	43.007	218.680	167.237	706.157	484.399
<u>Operating profit/Segment result</u>	179.766	118.841	55.930	24.393	25.620	29.889	114.919	87.587	376.235	260.710
	<u>31/12/2007</u>	<u>31/12/2006</u>	<u>31/12/2007</u>	<u>31/12/2006</u>	<u>31/12/2007</u>	<u>31/12/2006</u>	<u>31/12/2007</u>	<u>31/12/2006</u>	<u>31/12/2007</u>	<u>31/12/2006</u>
<u>Assets</u>	889.609	500.048	57.168	98.117	22.542	21.240	251.625	205.131	1.220.944	824.536
<u>Liabilities</u>	782.222	503.107	23.621	4.438	12.002	11.964	15.494	13.775	833.339	533.284
Capital expenditure	14.297	4.523	1.129	107	235	1.488	5.787	3.637	21.448	9.755
Depreciation	10.475	5.247	973	1.232	725	625	1.964	848	14.137	7.952

22. Related – party transactions

The following transactions concern transactions with related parties, as set out in IAS 24.

i) Sales of goods and services

	31.12.07	31.12.06
Sales of goods to subsidiaries	9.236.047,98	9.804.297,54
Sales of goods to associates and other related parties as set out in IFRS 24	0,00	546.849,51
	9.236.047,98	10.351.147,05

ii) Year-end balances arising from sale of goods and services

	31.12.07	31.12.06
Between Mother Company and Subsidiaries	7.080.851,91	5.720.240,37
Between FF Group and other related parties as set out in IFRS 24	3.100,00	0,00
	7.083.951,91	5.720.240,37

iii) Acquisitions from related parties

	31.12.07	31.12.06
Mother Company from Subsidiaries	1.277.868,59	670.647,91
FF Group with other related parties as set out in IFRS 24	216.000,00	728.000,00
	1.493.868,59	1.398.647,91

iv) Payables to related parties

	31.12.07	31.12.06
Mother Company to Subsidiaries	144.580,97	387.905,79
FF Group to other related parties as set out in IFRS 24	201.000,00	215.000,00
	345.580,97	602.905,79

23. Number of employed personnel

Average number of employed personnel at the end of the current period: Group 5.310, Company 285 persons.

24. Real liens

There are no real liens on the property assets of company.

25. Contested or under arbitration disputes

There are no contested or under arbitration disputes nor any decisions of national or arbitral courts, which may have a material effect on the financial position or operation of the company.

26. Events after the balance sheet date

Folli Follie S.A. increased on 29th January 2008, its participatory stake to 100% (formerly at 40%) in the share capital of its affiliate Folli Follie Japan Ltd., by the acquisition of the remaining 60% of the said affiliate's outstanding stock from Mr. Katsumi Fujino. Mr. Fujino, who has been the exclusive commercial partner of the company in Japan for the last fifteen years, will remain with the affiliate and will serve in the position of General Manager. The said acquisition - which will be completed within the current quarter - amounts to a total of 2 billion Japanese Yen (approximately 12.7 million Euro). Finally, this acquisition is in line with the Group's strategic plan to further develop sales networks and markets in which it maintains a presence.

Company Announcements – Press Releases

At this point for a correct and full information and for the information of the investors community it is referred that on the company's website and here specifically in the directory "NEWS" (www.follifollie.com/gr/Home_new.htm) the entire company announcements and announcements of the financial results which have been issued by the company during the fiscal year 2007 can be found.

In the following there is an overview with the respective titles of the companies announcements and press releases for the fiscal year 2007.

Information due to 10 N. 3401/2005

<u>Announcements</u>	<u>Date</u>
Financial calendar	28/2/2007
Full Year 2006 Financial Results according to the IFRS	15/03/2007
Announcement	29/03/2007
Invitation to Annual General Meeting	9/05/2007
Hirement announcement	15/05/2007
First Quarter 2007 Financial Results according to the IFRS	29/05/2007
Announcement	08/06/2007
Annual General Meeting Announcements	14/06/2007
Dividend Approval	14/06/2007
First half 2007 Financial Results according to the IFRS	30/08/2007
New Folli Follie shop in Russia	20/09/2007
Comment on newspaper article	23/10/2007
Hirement announcement	15/11/2007
Third Quarter 2007 Financial Results according to the IFRS	28/11/2007
Comment on newspaper article	11/12/2007