

Figure 1: Share Price movement,
Data: Bloomberg

Table: Market Profile

Closing Price:	20.01 €
52 Week High-Low	22.26€ - 12.87 €
Market Cap	1,339,633,682 €
Number of Shares	66,948,210
Dividend Yield	0.00%
Beta	1.06
P/E	6.9
EV/EBITDA	4.11
EV/REVENUE	0.93
Sales 2015(TTM)	1,251,440,000 €
Institutional Holdings	57.40%
Insider Holding	38.60%

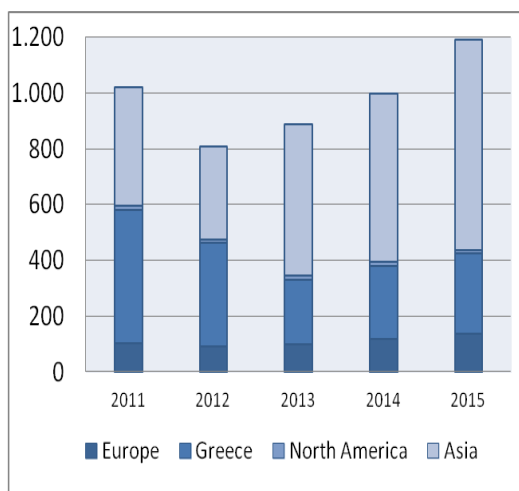


Figure 2: Sales geographical segmentation
(historical years)

Folli Follie S.A. (FF Group)

Bloomberg Ticker: FFGRP:GA
Headquarters: Athens, Greece

Current Price: € 20.01 (14/11/2016)

Corporate and Investment Highlights

- Folli Follie S.A. (FF Group) was established in 1982 in Athens, Greece, and demonstrated rapid expansion entering the Japanese market in 1995. It was listed on the Athens Stock Exchange in 1997. In 1998, the Company entered key Asian markets completing all its plans for presence in Asia. Since then, FF Group tries to become a fully established company (via marketing, store presence etc).
- In 2005, the Company entered the Department Stores market, while in 2007 the acquisition of Elmec Sport gave access to the Company in the retail discretionary market in Greece with its gradual expansion in Europe.
- Because of the sale of HDFFS (travel retail sector) to Dufry AG in 2013, FF Group took the opportunity to enter as strategic investor in Dufry AG, demonstrating at the same time great reduction in its financial leverage ratios.

6-Month 2016 Financial Results (in € millions)

	HY 2016	HY 2015	%
Sales	652.7	594.3	9.8
Gross Profit	295.1	278.2	6.1
Operating Profit	131.5	113.3	16.1
EBITDA	148.8	128.2	16.1

Annual Financial Results 2015(in € millions)

	2015	2016	%
Sales	1,193	998.1	19.5%
Gross Profit	581.2	501.7	15.8%
Operating Income	238.5	202.4	17.9%
EBITDA	265	223	18.9%

Important Note:

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means. Valuation & Research Specialists (VRS) are the sole creators and distributors of this report.

Complete fundamental analysis and stock valuation approach

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- W.A.C.C calculation
- Projections rationalization
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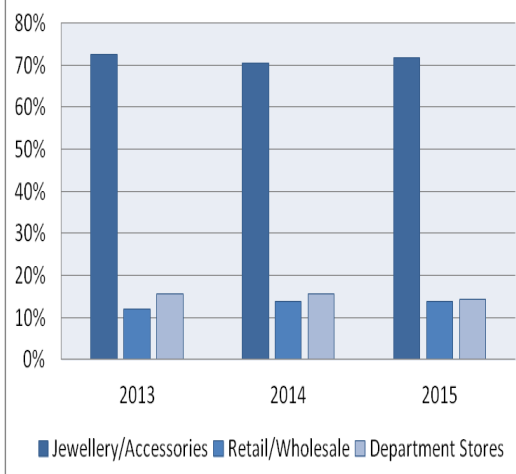


Figure 3: Revenue Split by activity, Data: Company documentation

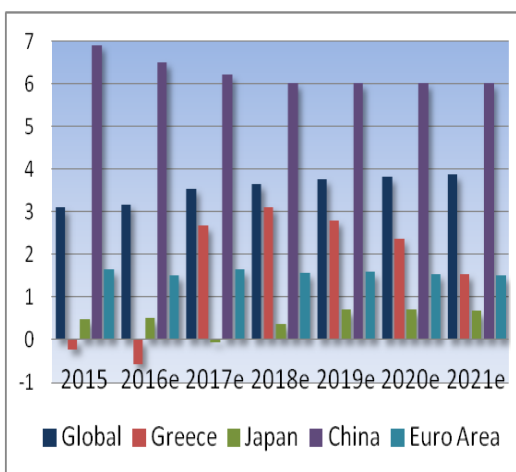


Figure 4: GDP growth projections, Data: IMF, (% change)

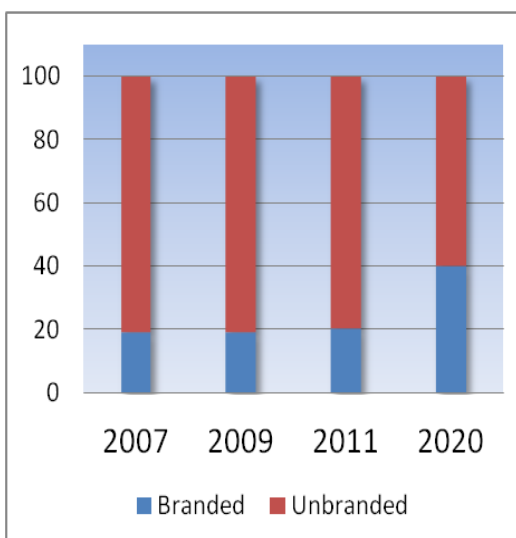


Figure 5: Branded vs Unbranded Jewelry Globally, Data: McKinsey Report

Business description:

Folli Follie Company is an international lifestyle fashion brand which was founded in Greece in 1982. FF Group is the outcome of the merger of the companies Folli Follie S.A., HELLENIC DUTY FREE SHOPS S.A. and Elmec Sport S.A. all absorbed into HELLENIC DUTY FREE SHOPS S.A. FF Group currently operates in more than 30 countries with more than 980 points of sale and almost 5,000 employees worldwide. The Group's main function segment and source of revenue is the design, the manufacture and the distribution of jewelry, watches and accessories. At the same time, FF Group operates five department stores through its subsidiary "Attica Department Stores S.A." while playing an active role in the broader field of wholesale and retail industry. The Group's financial results for the period 1.7.2015 - 30.6.2016 showed that its major segment constituted of 71.95% of the total sales and more importantly 89.95% of EBITDA, confirming its importance. Specifically, the total revenue of the Group during that period was 1,251.4 million € generating an EBITDA of 285.8 million € and a net profit of 206.8 million €. Furthermore, the Group's geographical distribution demonstrates a high dependence on the Asian (inc. Japan) and the Greek market. For the period mentioned above, the Group generated 64.1% of its total revenue in Asia and 23.5% in Greece, revealing that these two markets remain the most significant profitable areas.

Strategy:

FF Group's strategy is based on the following pillars.

- Expansion of the Group's brand worldwide – new markets penetration: FF Group follows an expansion strategy for its own brands Folli Follie and Links of London in Asia supported by the strategic partner Fosun International. Currently, in Japan and China the Group has over 70 and 250 points of sale respectively.
- Stores in strategic locations: The Group's brand has presence in the most fashionable streets of the world's major cosmopolitan cities such as the Oxford Street in London, the Central district in Hong Kong and the Madison Avenue in New York.
- Emphasis on the unique design: More specifically, FF Group intends to create an innovative trend and a characteristic brand image, instantly recognizable by the global consumer.
- Wide price range: The Group offers a wide price range, based on the material quality, covering all needs.

Greek crisis

2016 is about to be a critical year for the Greek economy since recession hit its tipping point and this year might be the first year when political risk doesn't seem to cut down GDP growth. In early 2015 parliamentary elections changed dramatically the political scenery in Greece. As a result the economic outlook turned upside-down bringing back recession for 2015 (GDP growth: -0.23%). Greece still faces its biggest post-war economic crisis with a total reduction of GDP from 2008 to 2015 standing up to (-44%) at current prices. Great economic crisis could not let unaffected its debt to GDP ratio. All three bail-out programs were setting as a primary goal the restraint of the country's public debt. Despite constrained measures the debt to GDP ratio rocketed as GDP started to struggle putting Greek economy into a vicious cycle. The best hope for recovery is the Greek tourism - country's heaviest industry that has overcome the current crisis and reached a total amount of 26 million visitors for 2015 raising total revenues of 14.5 billion €.

Industry Overview

Controversial business environment

Austerity measures imposed under the supervision of the third bail-out program set firms' tax at 29% while at the same time insurance contribution for employers revised most companies' budgets. The era of 3 elections in 9 months has passed and the political scenery starts to stabilize with the government completing its first year in power. Unfortunately last months' surveys show a decline in publicity of the party in power. At the same time another opposing party leads in each survey with a gap of ten percent from the party in charge. Taking this into consideration we understand that parliamentary elections may be possible in the near future. If this happens political instability might return, affecting the business environment which will turn dark again and hoping for economic recovery only through business growth.

Jewelry Industry

The jewelry market seems poised for a glittering future. The industry is very vulnerable to the prices of the raw materials it uses. Most of them are negotiable in the stock market and the unexpected changes in their price could affect the firm's revenues. Great amount of unbranded jewelry dominates the world market something that is about to change dramatically in a few years. McKinsey predicts that unbranded jewelry will reduce its share until 2020 by at least 10%, while the same review estimates a growth of 5 to 6 percent each year reaching 250 billion Euros revenue in 2020 from the 148 billion in the present day.

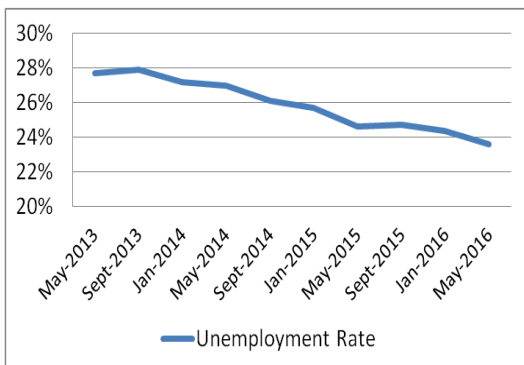


Figure 6: Unemployment Rate in Greece, Data: Hellenic Statistical Authority

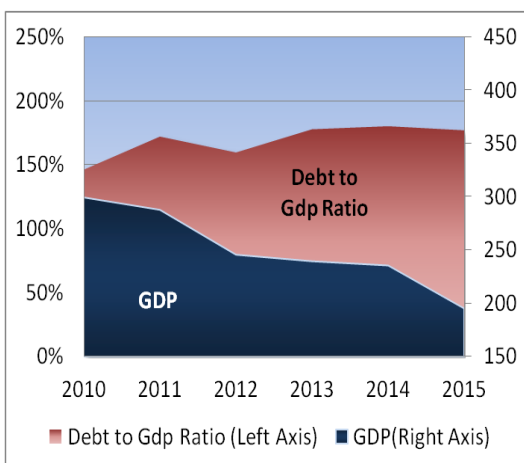


Figure 7: GDP, Debt to GDP ratio, Data: Hellenic Statistical Authority, Right Axis (in Billions €), Left Axis (percentage, %)

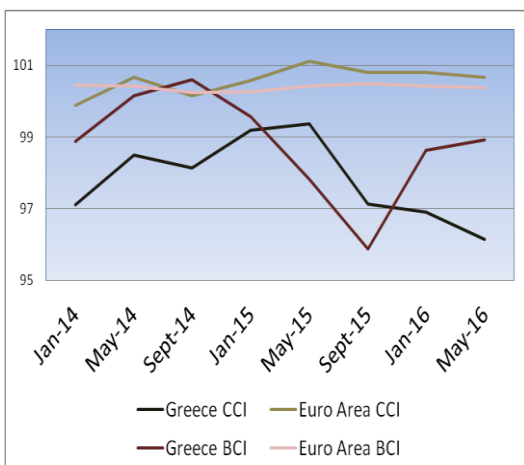


Figure 8: Consumer Confidence Index, Business Confidence Index, Data: European Commission, Tradeconomics

Industry's Asia Specs

- In 1995 Chinese consumers counted only one per cent of the luxury market globally, while Americans counted 27%. Today Chinese consumers reflect 31% of global luxury buyers.
- Personal luxury goods - Top countries(2015): China, Japan, S. Korea
- Online jewelry market in Asia reached a CAGR of 62.2% for 2011-2014 according to Research and Markets Report

Jewelry in Japan

Since global financial crisis occurred Japan has fallen into recession three times (2009, 2011, and 2014). However, last year Japan's economy grew at a rate of 0.47 % being the second-largest market for luxury goods and the 3rd in the world that achieved a total worth of 20 billion Euros, according to Global Consultancy Bain. This constitutes quite a huge rise for an already developed market. The y-o-y increase stands up to 9% at constant exchange rates, outperforming in favor of tourism. The weak yuan, the downturn in Hong Kong and Macau and the notable gap in the price of goods inside the country's borders popped up the arrivals from China. Since last year Chinese arrivals increased by 100% reaching the amount of 5 million people, a number that is about to grow because of government's intention to facilitate the visa application process. The Chinese market of luxury goods is not expected to be affected by the country's slowdown as most clients come from the nation's wealthiest classes. Government's focus on reducing gender inequality in firms' executive positions will lead to an increased number of women who will afford to buy jewelry for themselves.

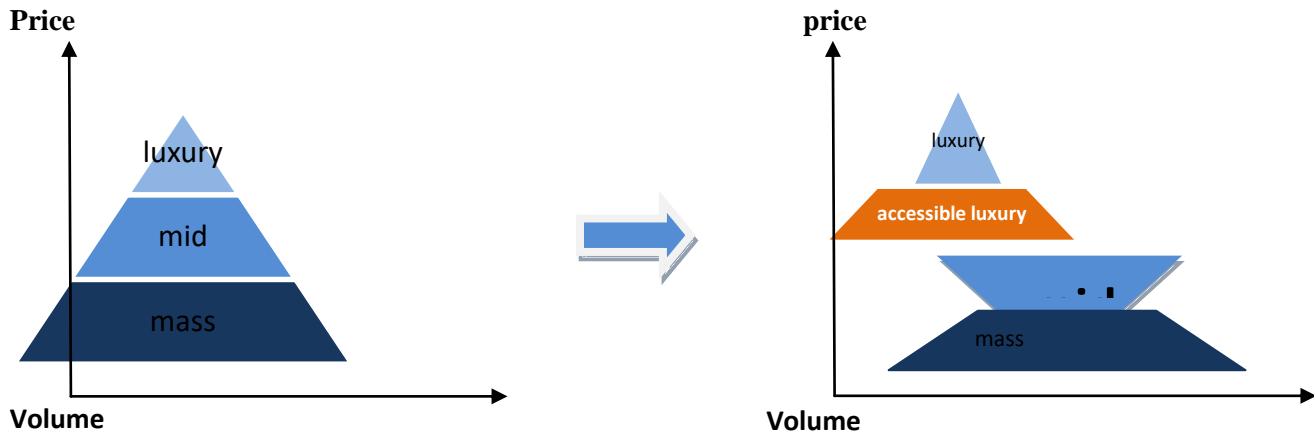
Jewelry in China

Inside the borders, spending less to luxury accessories and the boom of affordable luxury products' popularity shapes China's future in jewelry industry. The middle class community grows fast and the same pace is followed by urbanization when in ten years from now 21 out of the 25 largest in growth (measured by GDP) cities will be located in emerging markets with China taking the lion's share. West-countries' way of living will increase the demand for new jewelry by the time they try to enhance their personal appearance and upgrade the standards of living in order to reach those of the most developed west-countries. Additionally, China is a major jewelry consumer, with total sales of 75.8 billion USD for 2013 (USD 1 = RMB 6.2) equivalent to 41.2% of global consumption. 2014 sales were standing at 80.7 billion USD (USD 1 = RMB 6.39) measuring 51.4% of global revenues. Finally, firms that operate in China have to show great reflects in a fast-transforming market. They must try to adapt to underway changes like e-commerce jewelry and gradually increase affordable luxury position in market share.

Chinese economy is on a shift since exports and heavy industry are losing strength while consumption is soaring. Consumption rose 7.6% in the year to date luring GDP expansion at 6.7% in the third quarter from a year earlier. At the same time Citigroup estimation predicts that consumption will contribute 71% of GDP growth, while retail sales increased 10.6% in September compared to the previous one.

“Accessible Luxury” domain

Established in the “accessible luxury” domain, FF Group takes advantage of the consistently expanded share, which this segment of the luxury and fashion market gains. The term is used to define this part of the demand, generated by the middle class customers who cannot afford high-end luxury products but they want to add luxury in their lifestyle. These brands occupy the sweet spot of <1000\$-€.



Pyramids of price/volume: The conversion of the traditional pyramid price/value into a new one to characterize the market of luxury goods. Historical to prospective prices and volume correlation.

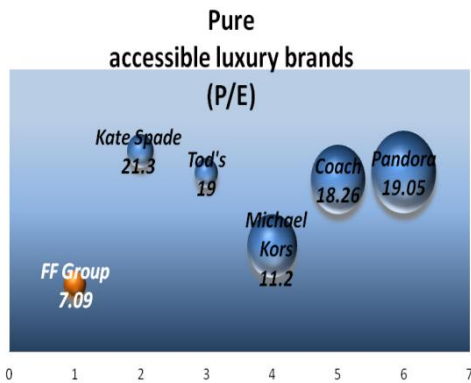


Figure 9

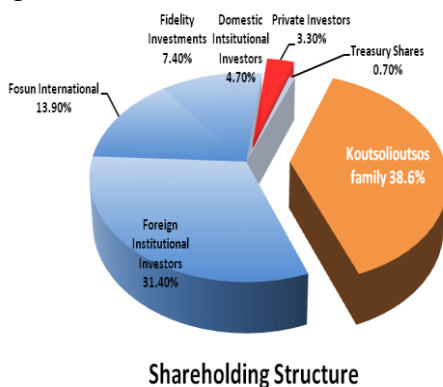


Figure 10

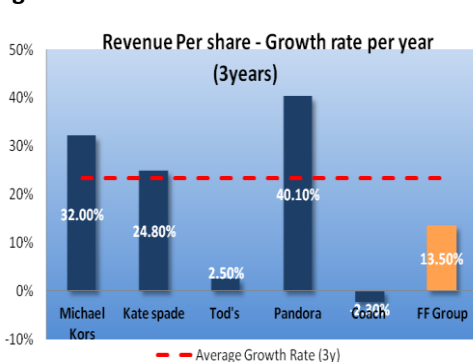


Figure 11

In Comparison

The leading companies of the pure “accessible luxury” domain sustain a relative high P/E ratio. The figure 9 shows the leaders of this new market and the respective P/E. The majority of the companies maintain a P/E (non diluted) ratio over 19, while the average P/E of these groups stands at 17.76x. The temperate high ratio indicates that investors foresee profitability and steady growth for this industry. Compared to its rivals, FF Group presents a suppressed P/E valuation ratio, which emphasizes the potentials of the Company, taking into account the successful positioning in “affordable luxury” industry in the emerging Asian markets. Additionally, FF Group has achieved to abstain from over distribution and overexposure, which is vital for sustaining a strong brand identity. During the period of 2013-2014, many of the “accessible luxury” brands got into trouble, having faced oversaturation in their established markets and showing decline in profits and revenue. One of the reasons why Coach, Michael Kors and Kate Spade developed those symptoms is that these firms are facing harsh pressure to demonstrate growth quarterly as they are publicly traded. FF Group is also publicly traded, but the small percent of private investors (3.3%) and the strong presence of the founder (Koutsolioutsos family 38.6%) and institutional investors at the shareholding structure allows management to focus on long-term growth strategies and to minimize the volatility of the growth rates.

Despite the doubts

The “affordable luxury” companies have been accused of their growth potential and the capability of unlimited lifespan. During the last 3 years, the leading brands present a positive annual growth rate of the revenue per share and resurgent development possibilities. However, the calculated growth rates are highly dispersed and the profits are still volatile. The average growth rate per year of the revenue, which is calculated according to the market cap of these companies, is 23% and proves enhanced ability of sales generation. Producing sales is the key factor for the expansion and “accessible luxury” firms seem to regain their growth prospects in the last 3 years.

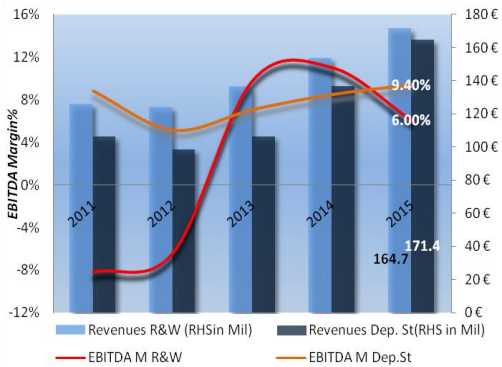


Figure 12: Performance and profitability of Ret. & Wholesale and of Dep. Stores

Note: CAGR R&W Rev. = 8.04%

CAGR Dep. St. Rev. = 11.59%

CAGR Dep. St. EBITDA = 13.4%

R&W EBITDA > 10 mil. € (2013-2015)

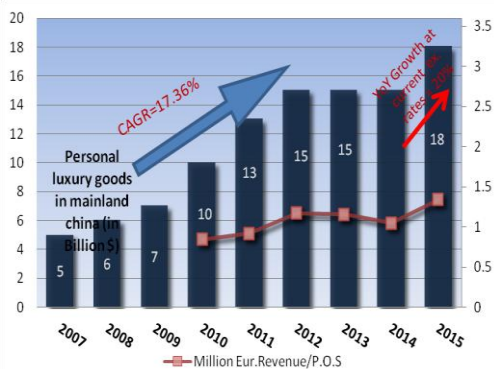


Figure 13: Personal luxury good market in mainland China and Sales (In million €)/P.O.S. {FF Group}, Source: Bain & Company report and authors calculations.

Note: Log annual growth rate (2010-2015) Same-

Store- Sales in China = 9.13%

CAGR = 9.56%



Figure 14: TBVPS/P: Luxury domain median in contrast to FF Group's respective ratio advocates the high insurance provided to stockholders TBVPS: Tangible Book Value Per Share

Powerful alliances and Links of London

FF Group's revenue stemmed from Retail & Wholesale activity at a percentage of approximately 14% and Department stores' operation at a percentage of 13%. Strong brands, like Ermenegildo Zegna, Juicy Couture, Nike, Franklin & Marshall etc, entrust FF Group with the exclusive distribution of their fashion products, while in the beauty and Cosmetic sector, FF Group covers the distribution of some of the most popular P&G's brands in Greece and Cyprus. These partnerships augment the prestige of the Company and diversify the risk originated from the operation in the "accessible luxury" segment. The retailing & wholesaling activities of prestigious brands in Balkan region offer to FF Group liquidity and regular cash flow which finance the expansion of the flagship brand (Folli Follie).

Links of London

Links of London, FF Group's subsidiary brand promotes a more high-end approach of the luxury market, trying to depict in their product London's culture and luxurious lifestyle. Links of London runs 80 stores under label, while the aggregate number of Points of Sales (P.O.S.) exceeds 360 all over the world. Links of London is the Jewelry-luxury brand of the Group with the strongest presence in the mature European and North American markets and could be evolved into the key factor of Group's development in these markets.

Chinese market penetration

After 2012, the consumption of the Chinese market of luxury goods is stabilized at the level of the 15 billion \$. The growth of Sales/Points of FF Group's sale ratio for the last 3 years in the Chinese market was also constraint and the computed value of the ratio in this period, implies sales of over 1 million € each year. However, the expansion strategy of the Group in this market did not slow down, since in these 3 years the number of P.O.S. in China and neighboring countries was almost doubled. The 20% growth of consumption in 2015 seems to be ostensible, since the real growth in constant exchange rates (not in current) is -2%. Nevertheless, the effective positioning and management of FF Group in Chinese luxury market have led to a "secured" profitability level (Sales/P.O.S. = 1.34 mill. € at 2015).

Tangible book value

Theoretically, it depicts the value that the shareholders will receive if the firm gets liquidated. FF Group shows a tangible book value per share standing at 21.9 € and P/Tangible BV approximately equal to 1. The excessively high book value of FF Group compared to its market cap indicates the level of insurance it offers to its investors. The high accounting value, which is witnessed, pinpoints the strategic advantage of FF Group. The risks originated from the retail market and especially from the new-formed "accessible luxury" domain are mitigated by the high TBVPS. The FF Group's shareholders could display more tolerance at volatile sales or constraint profitability since the liquidation of FF Group's assets can compensate the sum of the capital given to buy its stock.

Investopedia pinpoints the significance of high tangible book value for the retailing and special lines retailing companies.

Greek PRS by year vs FF Group Revenues in the country

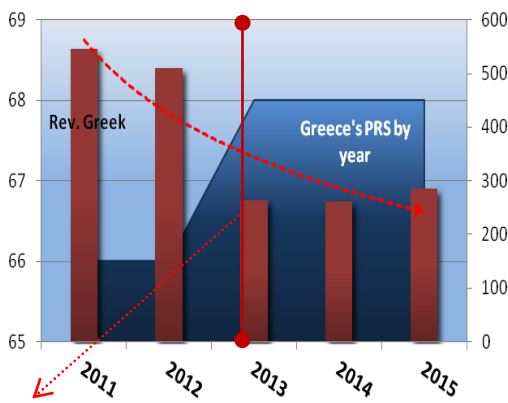


Figure 15: Note: In 2013, FF Group completed the divestment of HDF to DUFY, and as an outcome the exposure in Greek Retailing market and the revenues of HDF, which are mainly originated from Greece, are diminished (<25% of the aggregate revenue from HDF)

China and Japan PRS by year vs FF Group Revenues in the countries

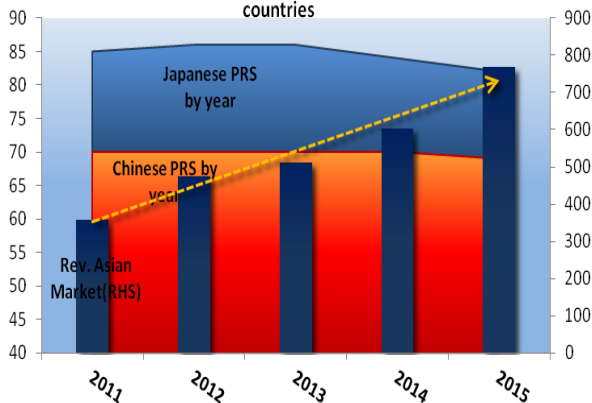


Figure 16: Note: Despite the relatively high political risks of China, FF Group manage to sustain a steady double figure growth rate. (2011-2015) CAGR Asian Market Rev. = 21.05%

Average inflation rate Y-o-Y

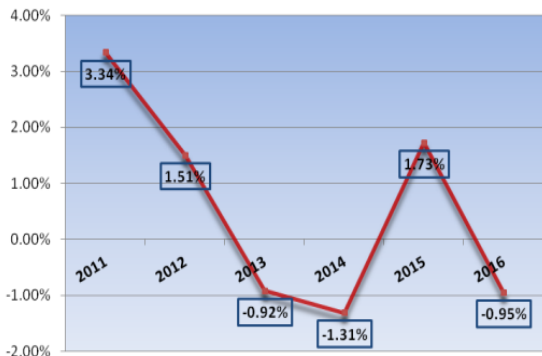


Figure 17 Note: The negative inflation of Greece did not affect the profitability of R&W and Dep. Stores (mainly exposed in the Greek market).

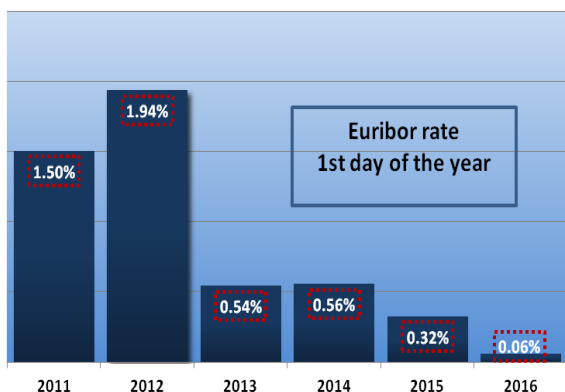


Figure 18

Political risk:

The positive growth rates of 2014 in Greece failed to bring political stability. Within 2015 Greece faced two parliamentary elections and a referendum. Consequently, despite the fact that no elections are required until 2019, they cannot be ignored, since no political party has served full compulsory government service for more than 10 years. Furthermore, the recent immigrant crisis constitutes an additional barrier for the implementation of the agreed unpopular budgetary measures. PRS Group's report in 21/04/2016 declares that 'the European leaders are bracing for a renewed crisis over Greece's unsustainable debt burden and the so-called "Grexit" scenario cannot be ruled out'. In addition, Greece's political rate index, which is issued by the PRS Group, hasn't been altered compared to last year but it remains the lowest one among the western European countries. On the other hand, Control Risk Group analyst Andrew Gilholm states that China is a fairly stable and predictable business environment, with little political violence, business interruptions and strikes. In more detail, China has a PRI score of 70, while Japan features a high PRI score of 85.

Market risk:

i) Interest rate risk:

Interest rate risk derives from bond loans, short-term bank loans and leasing contracts of the Group, which are denominated at a floating rate linked to EURIBOR. According to the Group's interim report of 30/06/2016, the total amount of bond loans, bank loans and leases acceded to 359,355,015.41 € which means that the Group is exposed to considerable interest rate fluctuation risk. Furthermore, it is worth mentioning that Group's equity amounted to 1,671,964,591.48 € at the same time and remains the major funding source.

ii) Foreign exchange risk:

a) Risk of reduced gross profitability due to appreciation of foreign currencies

FF Group purchases the majority of its products in US dollar prices, but still sells them in local currency prices. Therefore, a possible dollar revaluation against local currencies would increase the cost of sales while the sale prices will remain invariable. Furthermore, the Group's operating expenses would be increased due to the part of its disposal expenses which is expressed in US dollars. The company's board of directors not only analyzes thoroughly the foreign exchange risk before finalizing the products' sale prices but also uses foreign risk hedging products for the restriction of that risk.

b) Risk from the conversion of financial statements expressed in foreign currencies

The exposure to that risk derives from the Group's investments in foreign companies which operate in currencies other than Euro.

Exchange transfer risk - China and Greece situation

The implementation of capital controls in Greece and the steady medium rated exchange transfer risk (AON's rating medium for the last 5 years) lead to enhanced difficulties of converting to the functional currency.

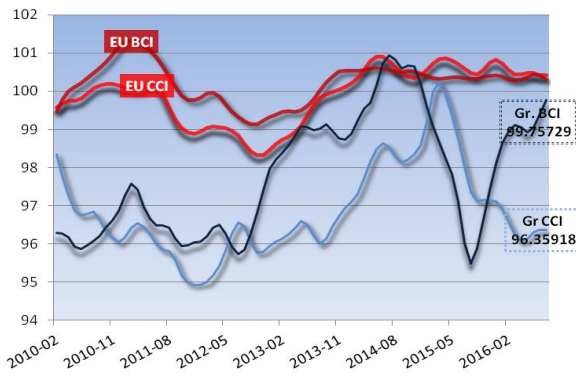


Figure 19 Consumer Confidence Index (CCI) & Business Confidence Index (BCI),Greece vs EU

	Moody's Rating	Rating-based default spread
China	Aa3	0.68%
Greece	Caa3	11.21%
Japan	A1	0.79%
	Rating based on ICR	Damodaran methodology for smaller non financial comp.
FF Group (Market Cap<5bil)	ICR=12.5-->Rating Aaa	0.75%

Figure 20 Credit Risk: FF Group compared to China, Greece & Japan

Retail companies	Jewellery	Apparel & Accessories	Department stores
Standard deviation	0.58	2.13	1.45
Average	1.68	4.57	3.87
FF Group implied turnover ratio	2.3693		
FF Group implied turnover ratio st.d	0.9101		
FF Group Real turnover ratio	1.38		
Percentile	13.85% of the lowest		

Figure 21: Inventory Turnover Analysis

Source: Gaur, Fisher & Raman (2005), "An Econometric Analysis of Inventory Turnover Performance in Retail Services", pp. 181-194

iii) Price risk – Inflation:

According to the Company's management, FF Group faces no price fluctuation risk as a result of not owning a significant securities portfolio in combination with the immutable prices of the products it sells. On the contrary, the negative score of the Greek average inflation index in combination with the disturbance of the International financial system may constitute a negative impact to the Group's sales and profitability.

Credit risk:

FF Group consists of a network of selected franchisees and also co-operates with many department stores, so the risk caused by the potential breaching of contractual obligations on behalf of the trading parties, cannot be underestimated. The Group, though, claims to segment the sales via the most renowned department stores in all the engaged countries, as well as via a credible network of selected franchisees. Additionally, the Group asserts the viability of deals with this kind of risk by getting involved in credit insurance contracts.

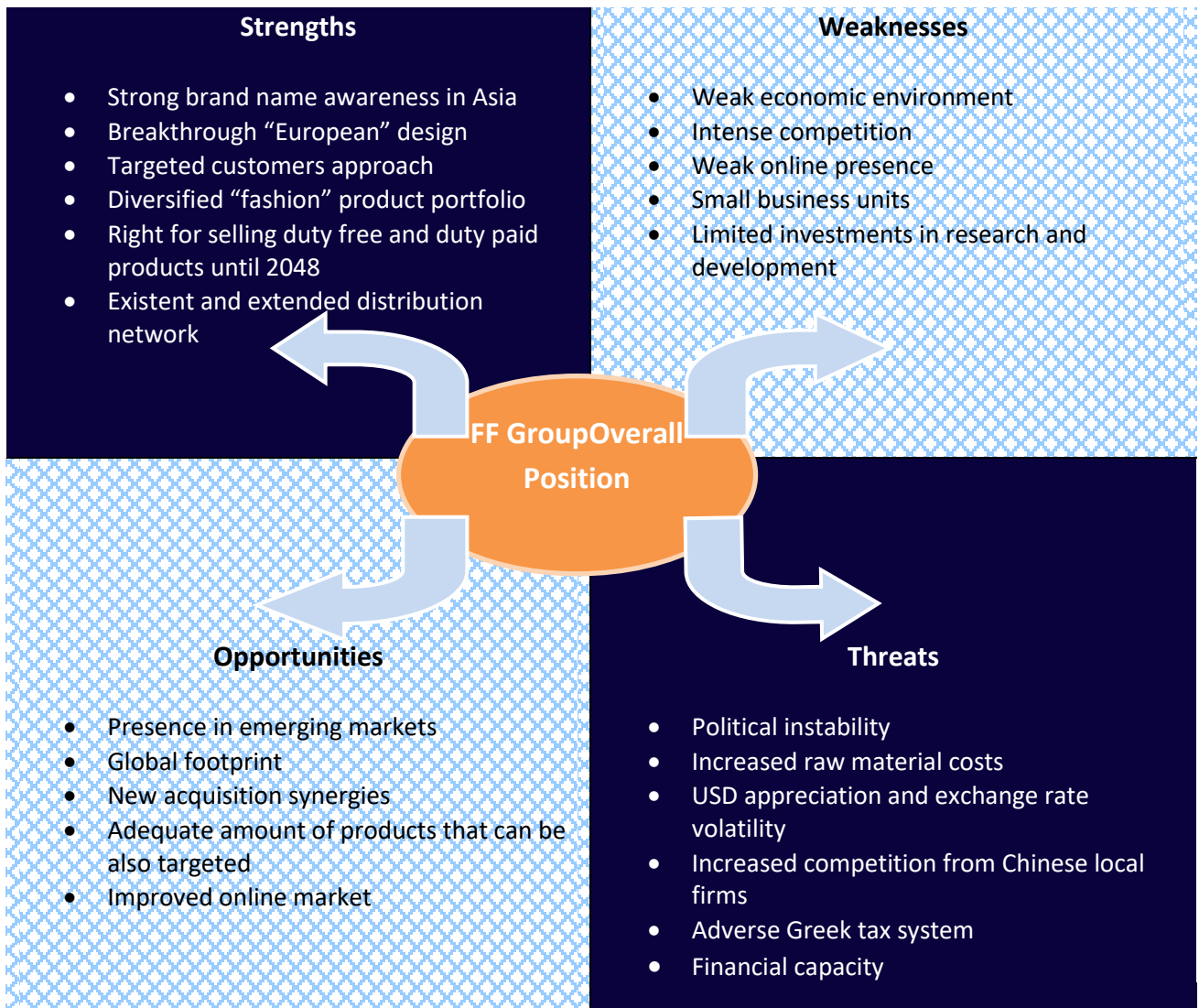
Liquidity risk:

Despite the current economic crisis, the current ratio and the quick ratio of the Group on 30/06/2016 were 8.18 and 5.41 respectively, a fact that reveals high liquidity standards even more satisfactory than the ones of the previous year. This result is an outcome of the capital structure of the Group, the retail nature of most of its sales and its discount outlets which are responsible for the disposal of the older stock and the limitation of expenses.

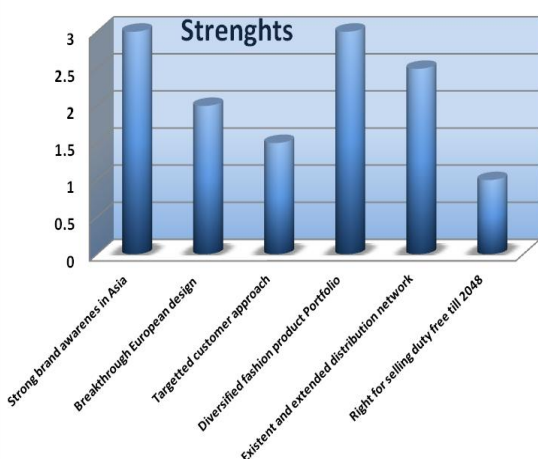
Inventory risk:

This risk affects all firms regardless the amount of their inventories. It is a result of the company's inability to get rid of older stock. As a result, the corporation is forced to distribute them in lower prices than the planned ones. Comparing the annual report of 31/12/15 and the interim report of 30/06/16 we notice that the Group's Inventory Turnover has been dramatically decreased from 1.43 to 0.71. Consequently, the risk of high inventory accumulation lurks.

Brief SWOT analysis



Below, the ranks of the factors of each category are presented, and are based on their probability and importance levels (1 less important or lower probability, 3 most important or greater probability). The calculation of the ratings takes into account the effect of size on FF Group’s operation and performance. This separation gives the opportunity to distinguish the most important factors and consider the overall Group’s position.



Highlights:

Strong Brand awareness in Asia

The firm has accomplished to empower the brand name in the Asian-Pacific market. The corner stone of Asian expansion is the assertive penetration in Chinese market through targeted marketing.

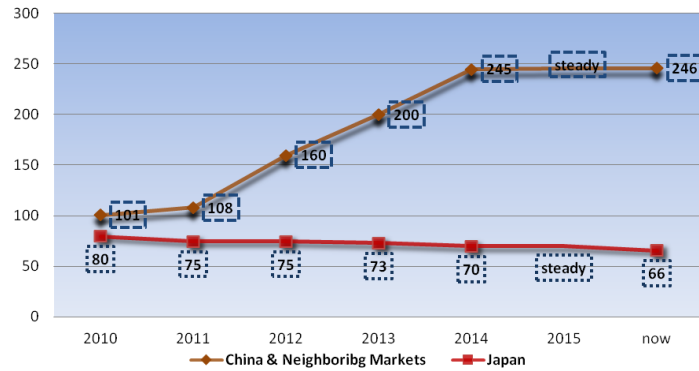
China & neighboring countries 246 P.O.S. of the Group’s brands
Japan 66 P.O.S.

Other Asian-Pacific countries 16 P.O.S.

Data as of September 2016. 328 P.O.S. in total

The last 2 years, FF Group’s jewelry brands in Asia adopt a more conservative strategy and they constraint the number of new P.O.S. A small, almost annual, decline is observed at the P.O.S. in Japanese market and the China “expansion” seems to be held back as of last year. However, the growth rate of the Asian market’s revenue is still over 10%.

Historical Overview of FF Group's P.O.S. in Asian Market



FF Group and its two main luxury brands are promoting the “European” design and a general “European” lifestyle providing a cost-effective luxury. A team of Italian and Greek designers creates Folli Follie’s successful product portfolio at a “Chinese” cost level.

Diversified Fashion Product Portfolio

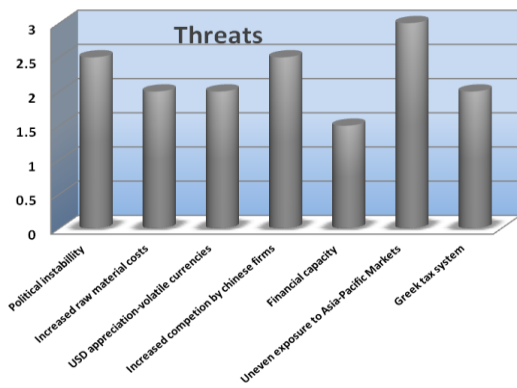
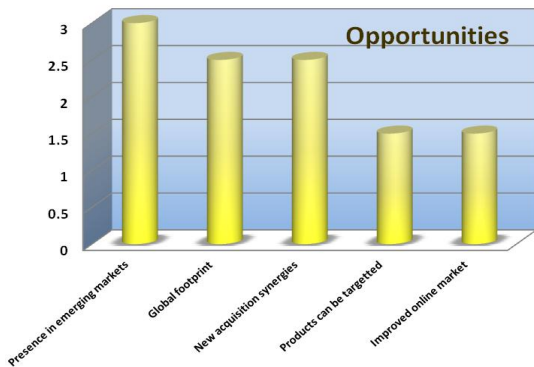
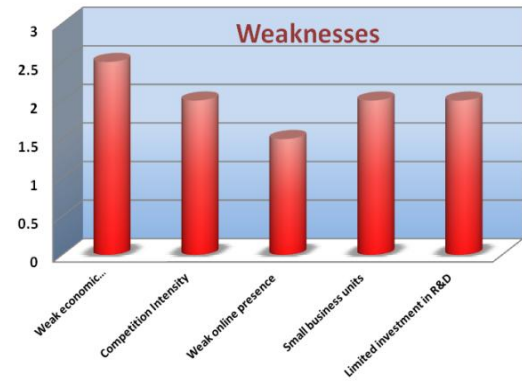
FF Group has established extended operations at the retailing and wholesaling domain in the Balkan peninsula, while it also runs department stores all over Greece. FF Group manages to cover a major part of the fashion product spectrum and to gain guaranteed income from these operations.

Competition intensity

New challenges came in the markets where the Group has activities. The Asian Market is inundated with recently established firms, claiming their share, not only in the high end luxury segment but also in the “affordable luxury” one. The intense rivalries may lead to price war.

Global footprint

The company works over 980 P.O.S and offers fashion and luxury products in 30 countries. The geographical diversification creates opportunities for additional expansion, while alleviating the different country risks.

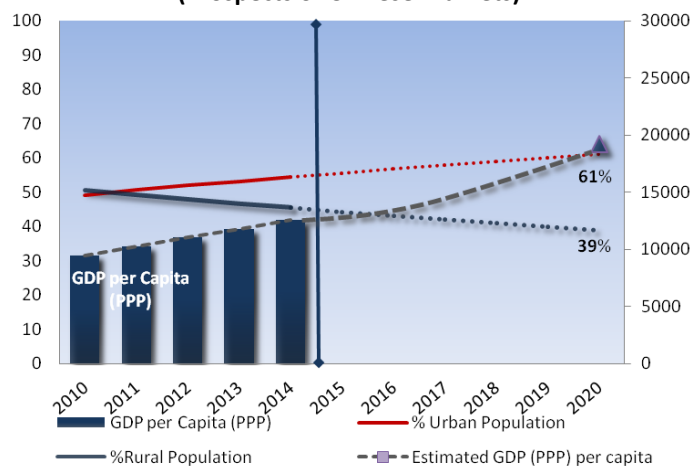


The consistent growth of the purchase power of Chinese people, combined with the wave of urbanization, which is anticipated in the next 5 years, create favorable conditions for the luxury goods market.

Threats:

- The political unstable Greek system which is highly correlated with the Athens Stock Exchange Market, where FF Group share is enlisted, affects the credibility and FF Group’s stock too.
- The main raw materials, used by FF Group’s manufacture segment, are silver and gold. The rise in the price of those commodities that occurred in 2016 may have, as an outcome, suppressed Gross Margin for Jewelry sector.

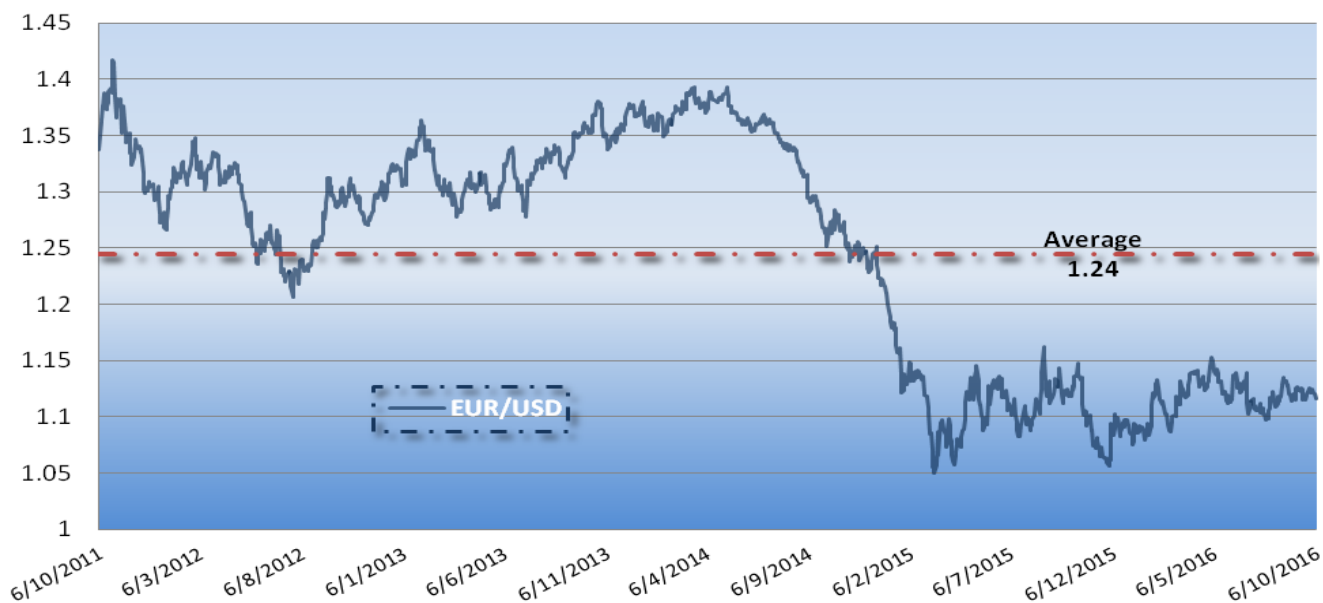
Emerging Markets (Prospects of Chinese Markets)



GDP per Capita (Purchase Power Parity) counted in international dollars. *Source World Bank*

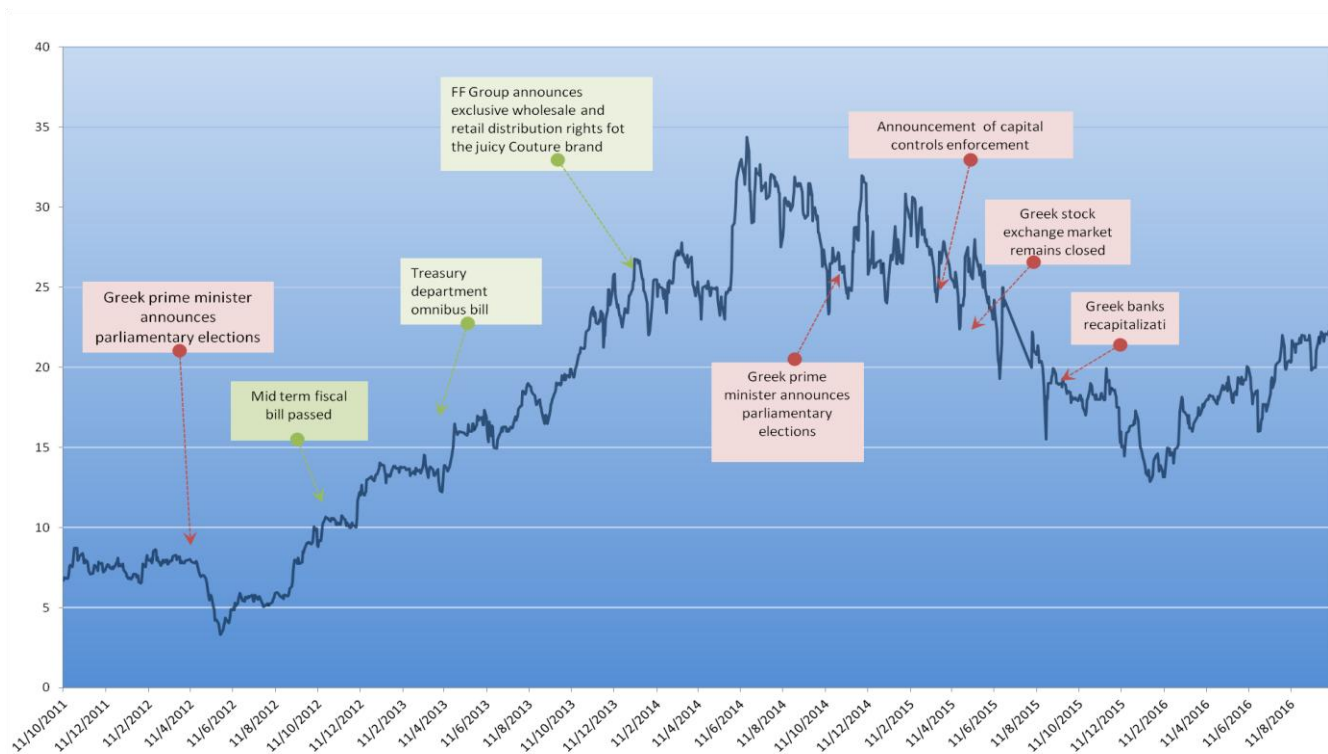
Despite the slowdown of the Chinese economy, the characteristics of Chinese luxury market are still favorable. The continuous enhancement of the urban population is evident from the growing jewelry consumption by the strengthened mid-class order in China. The target group of FF in this market is expanding every year, since the higher-fashion consciousness of the urban area residents will lead to supplementary growth. Moreover, the GDP per capita (PPP), estimated for the next 5 years, shows noticeable growth despite the recess of 2016. The projected GDP per capita (PPP) for the long term period will approach 20,000 (International \$) and that will mean a doubling of this measure over the last decade.

EUR/USD 5 year overview



- FF Group purchases the main raw materials and its merchandise in USD prices, while the functional currency of the Group is EURO. As a repercussion, USD appreciation compared to Euro leads to augmented cost of goods and restrained margins. During the previous years, EUR/USD showed a substantial decline and high volatility while a new EUR/USD devaluation is expected. These lead to increased hedging cost and cost of products.

FF Group's Share's Price movement compared to significant events [Period 2011 – 2016]



Financial Analysis

As it was mentioned in FF Group's history, in 2013 the HDFFS (Hellenic Duty Free Shops) was sold to Dufry AG. Therefore, the majority of the formed ratios such as the Net Income Margin and most financial leverages don't reflect the financial position of the Group. However, the results of the next three years and the financial projection for the upcoming ones, present a clear view of the Group's liquidity, profitability and financial position. Below, some comments on the main ratios of FF Group are quoted.

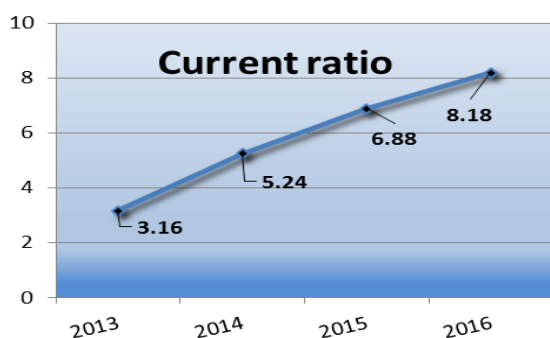
Key financial ratios for the Group									
	2013	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
Liquidity									
Current ratio	3.16	5.24	6.88	8.18	7.96	7.39	6.88	6.41	6.45
Cash ratio	0.78	1.14	1.17	1.27	1.31	1.29	1.26	1.24	1.25
Quick ratio	2.38	3.83	4.71	5.41	5.35	5.06	4.81	4.56	4.56
Profitability									
Gross Profit (%)	50.38%	50.27%	48.72%	47.00%	47.39%	47.79%	48.19%	48.59%	49.00%
EBITDA Margin (%)	20.84%	22.34%	22.21%	23.09%	23.03%	24.40%	25.66%	26.05%	26.42%
Net Income Margin (%)	37.20%	14.57%	15.64%	16.46%	16.04%	17.26%	18.22%	18.34%	18.65%
Net Income Margin/EBITDA (%)	178.50%	65.22%	59.02%	54.22%	50.21%	47.78%	44.73%	41.24%	38.40%
Operating Income Margin (%)	18.56%	20.27%	19.90%	20.75%	20.81%	22.20%	23.61%	24.01%	24.42%
Return on Assets (R.O.A) (%)	22.11%	7.38%	8.45%	9.63%	9.10%	10.28%	11.53%	12.32%	12.61%
Return on Equity (R.O.E) (%)	29.36%	10.69%	11.62%	12.80%	12.03%	13.86%	15.66%	16.85%	17.25%
Financial Leverage									
Long Term Debt to Assets	0.04	0.18	0.17	0.16	0.17	0.17	0.17	0.17	0.17
Long Term Debt to Equity	0.05	0.26	0.23	0.22	0.22	0.22	0.23	0.23	0.23
Debt to Equity	0.33	0.45	0.37	0.33	0.34	0.35	0.36	0.37	0.37
Capitalization Ratio	0.05	0.20	0.19	0.18	0.18	0.18	0.18	0.19	0.19
Indebtedness	24.71%	30.91%	27.27%	24.74%	25.30%	25.83%	26.57%	26.91%	26.91%
Activity									
Total Assets Turnover	0.59	0.51	0.54	0.59	0.56	0.61	0.63	0.67	0.68
Inventory Turnover	1.47	1.60	1.43	1.38	1.30	1.44	1.61	1.83	1.81
Velocity of Money	0.91	0.73	0.77	0.79	0.79	0.81	0.81	0.82	0.83

DuPont analysis:

R.O.E. = Profit margin (Profit/Sales) * Total Assets Turnover (Sales / Assets) * Equity Multiplier or financial leverage ratio (Assets/Equity). DuPont analysis breaks R.O.E. into its constituent components for the examination of their responsibility for changes in R.O.E.

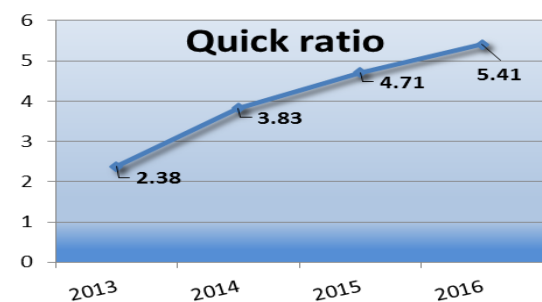
As it was mentioned above, the formed ratios for the year 2013 do not represent the real Group's financial situation. From 2014 and on, FF Group's R.O.E. shows a steady upward trend ranging in adequate standards. It is worth mentioning that the annual R.O.E. ratios of FF Group are below the average retail industry R.O.E. ratios. This fact though is not disconcerting because of the Group's lower leverage compared to its competitors.

DuPont Analysis	Profit Margin (Profit/Sales)	Total Assets Turnover (Sales / Assets)	Equity Multiplier (Assets/Equity)	R.O.E
2013	37.20%	59.00%	1.33	29.36%
2014	14.57%	51.00%	1.45	10.69%
2015	15.64%	54.00%	1.37	11.62%
2016E	16.46%	59.00%	1.33	12.80%
2017E	16.04%	56.00%	1.34	12.03%
2018E	17.26%	61.00%	1.35	13.86%
2019E	18.22%	63.00%	1.36	15.66%
2020E	18.34%	67.00%	1.37	16.85%
2021E	18.65%	68.00%	1.37	17.25%



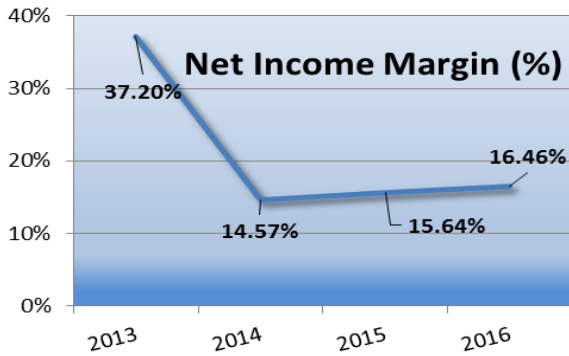
Current ratio:

FF Group presents a high current ratio which continues to grow annually. The average current ratio of the Group for the last four years is 5.90x, a quite higher rate than the Jewelry stores' average current ratio (2.15). This fact demonstrates the Group's strong ability to pay its obligations, which is an outcome of its larger proportion of asset value relative to the value of its liabilities.



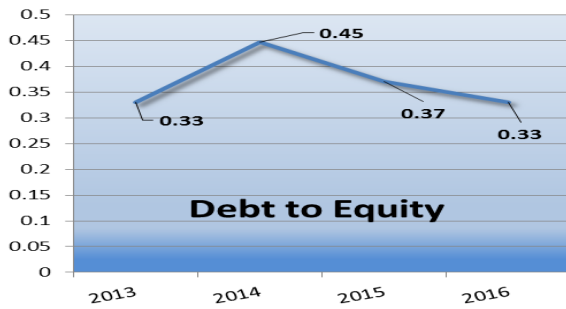
Quick ratio:

Similar to the current ratio, FF Group's quick ratio is located in fairly high levels. By looking at the homonym diagram, we notice that this year, the Group's quick ratio reaches a value of 5.41x, meaning that the Group has 5.41€ of liquid assets available to cover each 1€ of current liabilities. Consequently, we assume that the Group is in a state of financial well-being.



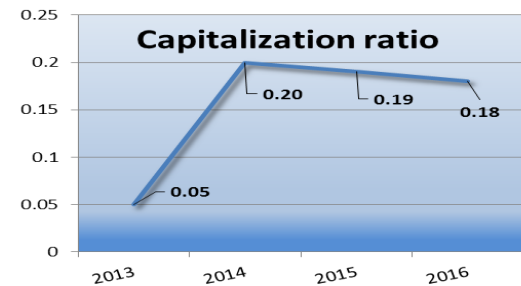
Net Income Margin:

Despite the notable drop of this ratio from the year 2013 to 2014, we cannot ignore its constant process of growing and the fact that it ranges between high rates. This ratio gives us a more accurate view of the Group's profitability which can be considered sufficient.



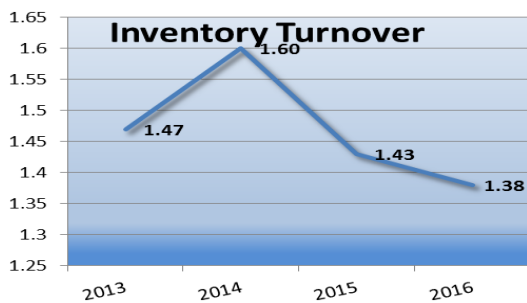
Debt to Equity ratio:

FF Group's D/E ratio hasn't displayed significant fluctuation for the period 2012-2016. Particularly in 2016, the Group's D/E ratio is 0.33x which is below the average retail industry's rate (0.50x), indicating that it has taken on relatively small debt and thus has low risk. Therefore, the Group is able to attract foreign investment funds more easily.



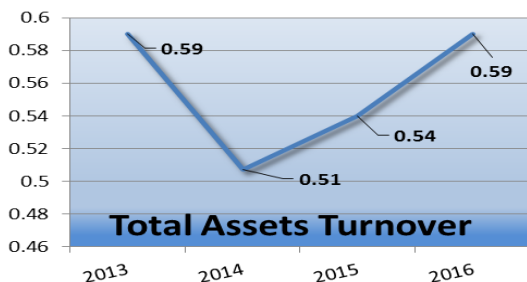
Capitalization ratio:

It is a fact that FF Group depends on the industry in which it operates. Because of its few assets the Group has lower levels of debt and as a result lower capitalization ratios.



Total Inventory Turnover:

Similar to the total assets turnover, the Group's total inventory turnover ratio receives fairly low rates, implying weak sales and excess inventory. This fact means that the Group is unable to sell its inventory fast and fluently. As a result, it cannot easily make profit of each inventory sale.



Total Assets Turnover:

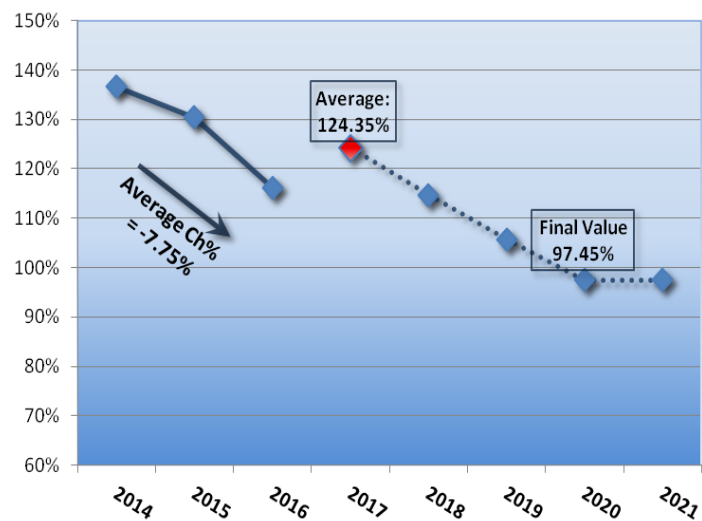
This ratio can flaunt the efficiency with which a company is deploying its assets in generating revenue. More specific, FF Group's Total Assets Turnover ratio receives low rates for the period 2012-2016, comparing to the average rate of retail companies which ranges between 2.35-2.55.

Gross Profit Margin:

FF Group's Gross Profit Margin can be regarded stable, as it displays negligible fluctuation. This ratio ranges in adequate standards between 47%-51%, also above the average rates of the Jewelry stores, which for the same period range between 42%-44%. Based on that, we assume that the Group has the ability to pay for its own operating expenses.

Appendix: Financial Statements, Balance Sheet

Presented In Million €	2010	2011	2012	2013	2014	2015	2016e	2017p	2018p	2019p	2020p	2021p
Turnover	989.60092	1021.42	1110.03	934.23	998.06	1193.043	1314.39	1387.22	1480.83	1587.43	1707.17	1839.92
Assets												
<u>Non current assets</u>												
Tangible assets	232.03	233.19	240.1	175.3	185.78	197.02	242.67	257.51	274.75	293.21	312.85	331.13
Intangible assets	105.46	103.73	99.6	11.94	11.69	42.75	38.92	41.98	45.40	48.99	52.75	55.83
Investment property	74.85	73.8	72.86	76.05	76.04	75.28	75.50	81.55	88.85	97.12	106.41	112.63
Goodwill	252.83	252.82	252.77	91.87	94.54	94.71	95.44	102.62	111.29	121.10	132.08	139.80
Investment available for sale	0.49	0.4	0.62	153.75	207.16	195.15	191.89	194.55	198.97	204.15	209.97	222.24
Deferred tax claims	12.54	12.54	22.63	3.48								
Other long term assets	27.27	37.07	31.31	34.87	30.5	45.77	75.44	71.61	68.58	65.88	63.45	67.15
Total non-current assets	705.47	713.55	719.89	547.26	605.71	650.68	719.85	749.81	787.83	830.45	877.51	928.78
<u>Current assets</u>												
Inventories	296.95	339.17	377.61	254.83	366.56	490.33	518.70	565.90	537.07	511.20	487.51	525.42
Trade receivables	335.07	399.45	445.54	390.41	533.81	585.87	586.29	663.37	652.94	644.54	637.48	687.06
Derivatives	0.29	0.06		0.02	0.37	1.75	1.51	1.51	1.31	1.14	1.00	1.08
Other financial assets at fair value	0.38	0.07	0.04		0.15	18.74	16.20	15.69	13.22	11.18	9.46	10.20
Other current assets	110.85	136.11	146.28	127.67	165.97	214.79	167.75	195.55	198.30	201.68	205.51	221.49
Cash and cash equivalents	133.76	135.5	126.48	251.59	297.03	245.45	236.29	283.02	294.89	308.16	322.65	347.73
Total current assets	877.3	1010.36	1095.95	1024.52	1363.89	1556.93	1526.73	1725.05	1697.74	1677.90	1663.62	1792.98
Total Assets	1582.77	1723.91	1815.84	1571.78	1969.6	2207.61	2246.57501	2474.86	2485.57	2508.35	2541.13	2721.76
Growth%		8.92%	5.33%	-13.44%	25.31%	12.08%	1.77%	12.11%	0.43%	0.92%	1.31%	7.11%



Basic note: Current Assets forecasted course

The aggregate change of the total assets does not seem to be so smooth, since the basic assumption used for projecting FF Group assets is that the company will try to reduce the weight of current assets in its balance sheet. The fundamental analysis of FF Group shows the extremely high amount of current assets needed to generate sales over the previous year, pinpoints the high inventory risk (<1% lowest percentile for the inventory turnover ratio of the luxury industry) and emphasizes the urgency of more balanced current assets accounts compared to its revenues. With the formulas used to calculate the anticipated values of balance sheet's accounts, we try to reflect the relative change of FF Group strategy for more restrained percentage of current assets. The augmentation in total assets will be mainly generated by PP&E and other non-current assets increase. For 2017, the projections are based on the 3-year average ratio of Current Assets/Sales (2013-2016) = 124%, taking into consideration the assumption that 2017 will be the starting year of FF Group's restructuring year. This assumption is based on the fact that from the end of 2015 till the end of 2016 the expanding pace is slowed down, the P.O.S. number is almost steady and there are no additional countries where the Group operates. Consequently, in the years to come, FF Group strategy will promote the overhaul of its already established activities and a more efficient exploitation of the investments in the emerging markets.

Presented In Million €	2010	2011	2012	2013	2014	2015	2016e	2017p	2018p	2019p	2020p	2021p
Equity												
Share Capital	18.18	20.08	20.09	20.08	20.08	20.08	20.08	20.08	20.08	20.08	20.08	20.08
Share Premium account	62.53	145.21	145.21	145.21	95	81.73	82.65	99.94	110.18	122.05	135.73	145.38
Other Reserves	-12.92	-22.92	-13.42	47.74	291.69	264.83	261.21	280.46	274.52	270.01	266.59	285.54
Other Equity	-124.14	-95.72	-114.56	-130.65	-38.01	69.12	44.43	33.29	14.78	-4.87	-26.07	-26.49
Retained earnings	585.53	674.73	768.22	1077.76	965.3	1,140.21	1251.61	1381.24	1389.67	1404.89	1425.77	1527.12
Minority Interest	15.28	18.37	20.41	23.29	26.8	29.72	30.71	33.97	34.26	34.71	35.31	37.82
Total Equity	544.46	739.75	825.95	1183.43	1360.86	1605.69	1690.70	1848.97	1843.48	1846.87	1857.41	1989.45
Liabilities												
Long Term Liabilities												
Long Term Borrowings	649.43	314.66	428.83	35.9	304.34	332.64	327.80	361.00	364.10	368.58	374.14	400.73
Deferred Tax Liabilities	20.84	30.92	36.11	12.76	19.01	21.42	21.69	23.23	23.43	23.72	24.08	25.79
Provisions/Other long term Liabilities	48.12	49.94	40.42	15.75	24.9	21.5	19.92	24.91	25.13	25.44	25.82	27.66
Total Long Term Liabilities	718.39	395.52	505.36	64.41	348.25	375.56	369.41	409.15	412.66	417.73	424.03	454.18
Short Term Liabilities												
Short Term Borrowings	136.62	417.25	312.24	186.64	46.79	45.04	35.73	41.20	43.61	46.33	49.36	52.86
Trade and Other Payables	136.25	154.02	152.29	120.25	181.87	133.55	125.47	141.68	149.98	159.34	169.75	181.82
Current income tax	13.06	8.55	15.04	11.46	26.83	39.76	19.51	27.69	29.31	31.14	33.17	35.53
Current tax liabilities	6.67	8.74	4.9	5.57	5	8.01	5.76	6.18	6.54	6.95	7.40	7.93
Derivatives-Dividends payable	0.32	0.08	0.06	0.02								
Total Short Term Liabilities	292.92	588.64	484.53	323.94	260.49	226.36	186.47	216.75	229.43	243.75	259.68	278.14
Total Equity and Liabilities	1582.77	1723.91	1815.84	1571.78	1969.6	2207.61	2246.58	2474.86	2485.57	2508.35	2541.13	2721.76

Statement of Comprehensive Income

Presented In million €	2010	2011	2012	2013	2014	2015	2016e	2017p	2018p	2019p	2020p	2021p
Total Revenue(Turnover)	989.6009	1021.42	1110.03	934.23	998.06	1193.043	1314.39	1387.22	1480.83	1587.43	1707.17	1839.92
<i>Growth%</i>		3.2%	8.7%	-15.8%	6.8%	19.5%	10.2%	5.5%	6.7%	7.2%	7.5%	7.8%
Cost of goods	-491.095	-504.90	-553.17	-463.55	-496.30	611.8151	696.63	729.77	773.14	822.45	877.60	938.36
<u>Gross profit%</u>	50.37%	50.57%	50.17%	50.38%	50.27%	48.72%	47.00%	47.39%	47.79%	48.19%	48.59%	49.00%
Gross profit	498.51	516.52	556.86	470.68	501.72	581.2282	617.76	657.45	707.69	764.98	829.57	901.56
Other operating income	33.05636	26.42	32.54	13.08	11.68	12.18482	20.90	17.97	19.65	21.59	23.84	25.70
Administration expenses	-55.5259	-56.62	-73.60	-59.09	-56.95	-72.06	-75.97	-82.71	-87.00	-91.60	-96.64	-104.16
Selling expenses	-297.811	-305.68	-313.81	-241.34	-242.30	-268.67	-268.40	-286.47	-291.59	-297.09	-319.50	-344.34
Other operating expenses	-6.552	-6.67	-16.21	-9.94	-11.82	-14.14	-21.46	-17.57	-20.06	-23.32	-27.35	-29.47
<u>Operating income (EBIT)</u>	171.67	173.98	185.78	173.40	202.33	238.54	272.84	288.66	328.68	374.56	409.93	449.29
Financial income	23.57539	15.57	3.91	563.42	26.42	9.46	11.17	11.40	12.58	14.04	15.76	16.98
Financial expenses	-70.5364	-67.61	-58.70	-339.18	-35.66	-22.45	-19.72	-23.46	-22.28	-20.67	-19.04	-20.52
Investments in Associates	0.00	0.00	-0.09	-0.03	-0.31	-0.282	-0.13	-0.09	-0.05			
Profit/Loss (before the tax)	124.71	121.94	130.89	397.61	192.77	225.27	264.17	276.52	318.94	367.93	406.65	445.75
Income tax	-39.6075	-30.65	-35.27	-50.11	-47.36	-38.64	-47.84	-51.05	-63.39	-78.71	-93.64	-102.65
Profit/Loss (after the tax)	85.10	91.29	95.62	347.50	145.41	186.63	216.32	225.46	255.55	289.22	313.01	343.11
<i>Growth%</i>		7.3%	4.7%	263.4%	-58.2%	28.3%	15.9%	4.2%	13.3%	13.2%	8.2%	9.6%
Depreciation & amortization	21.67498	24.77	27.04	21.29	20.64	26.46	30.69	30.78	32.57	32.81	34.76	36.79
Profit before taxes depreciation & amortisation (EBITDA)	193.35	198.75	212.82	194.69	222.97	265.00	303.53	319.44	361.25	407.37	444.69	486.08

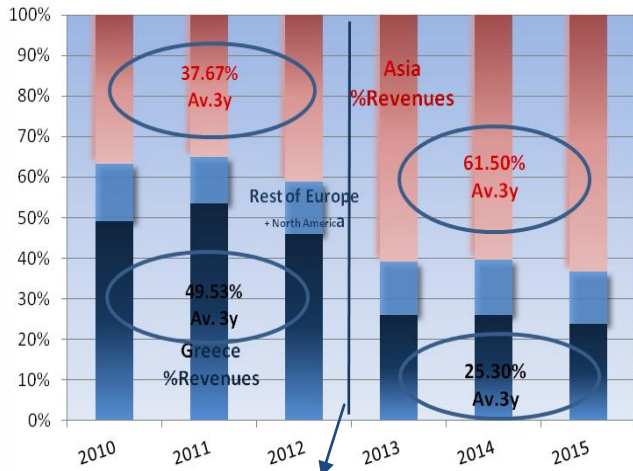
Comprehensive Income Statement

Presented In million €	2010	2011	2012	2013	2014	2015	2016e	2017p	2018p	2019p	2020p	2021p
Total Revenue(Turnover)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
<i>Growth%</i>												
Cost of goods	-49.63%	-49.43%	-49.83%	-49.62%	-49.73%	51.28%	53.00%	52.61%	52.21%	51.81%	51.41%	51.00%
<u>Gross profit%</u>												
Gross profit	50.37%	50.57%	50.17%	50.38%	50.27%	48.72%	47.00%	47.39%	47.79%	48.19%	48.59%	49.00%
Other operating income	3.34%	2.59%	2.93%	1.40%	1.17%	1.02%	1.59%	1.30%	1.33%	1.36%	1.40%	1.40%
Administration expenses	-5.61%	-5.54%	-6.63%	-6.32%	-5.71%	-6.04%	-5.78%	-5.96%	-5.88%	-5.77%	-5.66%	-5.66%
Selling expenses	-30.09%	-29.93%	-28.27%	-25.83%	-24.28%	-22.52%	-20.42%	-20.65%	-19.69%	-18.71%	-18.71%	-18.71%
Other operating expenses	-0.66%	-0.65%	-1.46%	-1.06%	-1.18%	-1.19%	-1.63%	-1.27%	-1.35%	-1.47%	-1.60%	-1.60%
Operating income (EBIT)	17.35%	17.03%	16.74%	18.56%	20.27%	19.99%	20.76%	20.81%	22.20%	23.60%	24.01%	24.42%
Financial income	2.38%	1.52%	0.35%	60.31%	2.65%	0.79%	0.85%	0.82%	0.85%	0.88%	0.92%	0.92%
Financial expenses	-7.13%	-6.62%	-5.29%	-36.31%	-3.57%	-1.88%	-1.50%	-1.69%	-1.50%	-1.30%	-1.12%	-1.12%
Investments in Associates	0.00%	0.00%	-0.01%	0.00%	-0.03%	-0.02%	-0.01%	-0.01%	0.00%	0.00%	0.00%	0.00%
Profit/Loss (before the tax)	12.60%	11.94%	11.79%	42.56%	19.31%	18.88%	20.10%	19.93%	21.54%	23.18%	23.82%	24.23%
Income tax	-4.00%	-3.00%	-3.18%	-5.36%	-4.74%	-3.24%	-3.64%	-3.68%	-4.28%	-4.96%	-5.49%	-5.58%
Profit/Loss (after the tax)	8.60%	8.94%	8.61%	37.20%	14.57%	15.64%	16.46%	16.25%	17.26%	18.22%	18.33%	18.65%
<i>Growth%</i>												
Depreciation & amortization	2.19%	2.43%	2.44%	2.28%	2.07%	2.22%	2.33%	2.22%	2.20%	2.07%	2.04%	2.00%
Profit before taxes depreciation & amortisation (EBITDA)	19.54%	19.46%	19.17%	20.84%	22.34%	22.21%	23.09%	23.03%	24.40%	25.66%	26.05%	26.42%

Geographical Segmentation:

Historical geographical sales allocation:

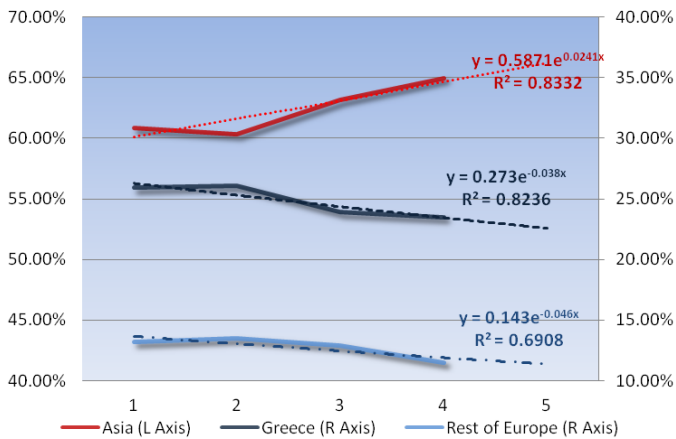
Before 2012, the Company's sales were mainly allocated in the domestic area, since HDF comprised the 2nd biggest generator of revenues. After 2013 and the sale of HDF, FF Group is generally concentrated on the Asian expansion under the flagship brand of Folli Follie, while retaining and developing the Retail & Wholesale and Department Stores activities in Greek domain and the Balkans. The European and North American geographical region is responsible for a slightly declining 11%.



HDF disinvestment

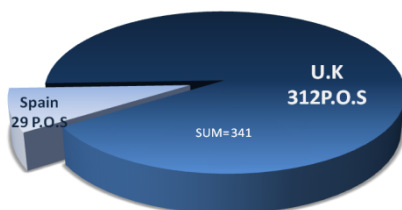
Segmentation for the years 2013 to 2016:

(Foundations of the forecasted sales allocation)



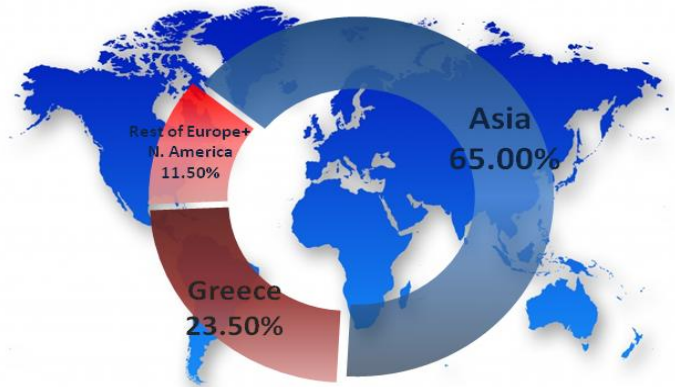
The high value of R-Squared calculated for the formed exponential trend lines and associated with the regression analysis of the turnover's geographical weights, indicates the reliability of the path which geographical segmentation will follow. The estimated weights are founded on the trend lines' equations.

Country	P.O.S	SUM
Korea	22	277
Japan	68	
China	187	



2016 sales segmentation:

For the fiscal year of 2016, we anticipate the turnover allocation of the Group to be slightly changed compared to the one of 2015. The projected geographical categorization for the whole year (2016) is based on the published financial results of the half year and these of the historical trailing years. Taking into account these data, we can perceive that for the 2nd half of the year the revenues generated from Greece and the European market are enhanced compared to these generated from Asia. Consequently and based on the average change of the percentage per region we project the geographical allocation for the fiscal year 2016.



Based on the historical course of the geographical weights after 2013 and HDF's disinvestment, we forecasted the anticipated segmentation for the upcoming period, depicted in agreement with the format used in FF Group's financial statements.

Region	2017f	2018f	2019f	2020f	2021f
Greece	22.54%	21.64%	20.76%	20.76%	20.76%
Rest of Europe + North America	11.34%	10.80%	10.28%	10.28%	10.28%
Asia	66.12%	67.55%	68.96%	68.96%	68.96%
Total	100%	100%	100%	100%	100%

We assumed that after 2019 the weights will be steady, since the forecasted geographical segmentation for these years could be considered as inconsistent and biased.

- Asia 2.4% weight growth per year.
- Greece -3.8% weight decrease per year.
- Rest of Europe -4.6% weight decrease per year.

To come up with a sales segmentation by country, we used the P.O.S. per country as the key factor for determining the revenue generation per country.

Based on FF Group's latest updated store locator we categorize the P.O.S. by country. We choose the countries with most P.O.S. to represent the whole revenues generated per geographic region. U.K. and Spain represent the Rest of Europe + North America (North American market sales are included into those of Europe since they cover less than the 1% of the aggregate Group's sales and also in Group's result presentation N. America is omitted). U.K. and Spain has by far the largest number of P.O.S. for this category. For the Asian market we choose China, Japan and Korea to sub-categorize the sum of the sales originated from Asia. The weights are also based on P.O.S. number and the computed % of P.O.S. per country of the aggregate number of P.O.S. of the whole region.

Example: $Weight_{country} = (P.O.S._{country} / P.O.S._{wider\ area}) * Weight_{wider\ area}$

Sales Segmentation by country

Country	2010	2011	2012	2013	2014	2015	2016p	2016f	2017f	2018f	2019f	2020f	2021f
Greece	49.20%	53.50%	45.90%	25.90%	26.10%	23.90%	21.50%	23.50%	22.54%	21.64%	20.76%	20.76%	20.76%
UK	12.12%	9.96%	11.17%	11.43%	11.69%	11.17%	8.66%	9.96%	9.82%	9.35%	8.90%	8.90%	8.90%
Spain	1.88%	1.54%	1.73%	1.77%	1.81%	1.73%	1.34%	1.54%	1.52%	1.45%	1.38%	1.38%	1.38%
China	28.56%	27.16%	31.98%	47.27%	46.88%	49.05%	53.16%	50.45%	51.32%	52.43%	53.52%	53.52%	53.52%
Japan	6.22%	5.92%	6.97%	10.30%	10.22%	10.69%	11.59%	11.00%	11.18%	11.43%	11.66%	11.66%	11.66%
Korea	2.01%	1.92%	2.25%	3.33%	3.31%	3.46%	3.75%	3.56%	3.62%	3.70%	3.77%	3.77%	3.77%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

To estimate the basic measurements of the comprehensive income statement, we are based on the forecasted volume of GDP in the countries where the Group operates. We choose GDP at purchaser's prices as an adequate indicator of the consuming expenditures, which is highly correlated with the anticipated expenditure of luxury goods, and we used the forecasts, formed by IMF, as the growth driver of FF Group's fundamental measurements and specifically for Gross Profit. We select Gross Profit as the estimated value, since the historical values of gross profit shows the highest value of Pearson Correlation with the respective calculated weighted GDP and is the 2nd top-line measurement of the financial statement of comprehensive income.

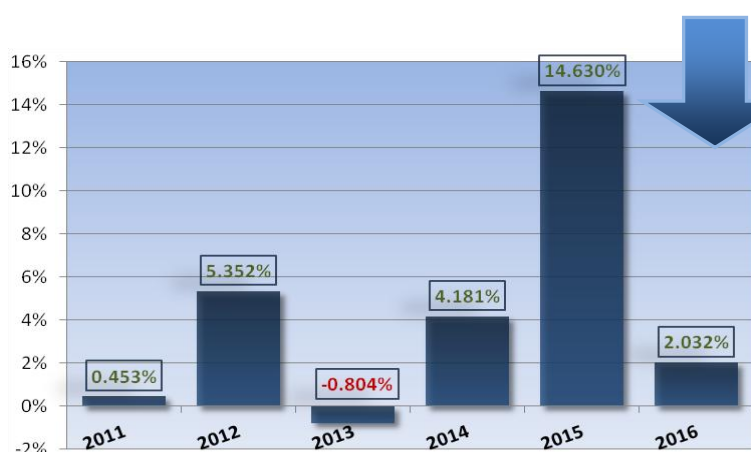
GDP at purchaser's price, in billion USD

Country	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Greece	299.92	288.06	245.81	239.59	235.95	195.32	194.59	203.22	212.74	222.98	233.11	240.80
UK	2,403.00	2,596.34	2,639.40	2,712.51	2,991.69	2,849.35	2,760.96	2,885.48	2,999.29	3,123.27	3,256.30	3,373.92
Spain	1,434.26	1,489.38	1,340.69	1,369.69	1,383.54	1,199.72	1,242.36	1,291.36	1,332.04	1,379.81	1,433.49	1,476.05
China	6,005.25	7,442.03	8,471.36	9,518.58	10,430.71	10,982.83	11,383.03	12,263.43	13,338.23	14,605.29	16,144.04	17,762.01
Japan	5,498.72	5,908.99	5,957.25	4,908.86	4,596.16	4,123.26	4,412.60	4,513.75	4,562.21	4,675.79	4,800.06	4,895.42
Korea	1,094.50	1,202.46	1,222.81	1,305.61	1,410.38	1,376.87	1,321.20	1,379.32	1,434.95	1,498.76	1,566.40	1,628.61

GDP at purchaser's price, in billion Euros

Exchange rates	1.32	1.39	1.28	1.32	1.32	1.11	1.12	1.13	1.13	1.13	1.13	1.13
Greece	227.21	207.24	192.04	181.50	178.75	175.96	173.74	179.84	188.27	197.33	206.29	213.10
UK	1,820.45	1,867.87	2,062.03	2,054.93	2,266.43	2,566.98	2,465.14	2,553.52	2,654.24	2,763.96	2,881.68	2,985.77
Spain	1,086.56	1,071.50	1,047.41	1,037.64	1,048.13	1,080.82	1,109.25	1,142.80	1,178.80	1,221.07	1,268.58	1,306.24
China	4,549.43	5,353.98	6,618.25	7,211.05	7,902.05	9,894.44	10,163.42	10,852.59	11,803.74	12,925.04	14,286.76	15,718.59
Japan	4,165.70	4,251.07	4,654.10	3,718.84	3,481.94	3,714.65	3,939.82	3,994.47	4,037.35	4,137.87	4,247.84	4,332.23
Korea	829.17	865.08	955.32	989.09	1,068.47	1,240.42	1,179.64	1,220.63	1,269.86	1,326.34	1,386.20	1,441.25

The source of the data is IMF, World Economic outlook April 2016 and the forecasted exchange rates are the implied exchange rates of IMF's. GDP's volume projections are expressed in the national currencies (In agreement with European Economic Forecast Institutional Papers of May 2016, powered by European Commission). After 2018 we accept steady exchange rates based on the last prediction.



Historical and present weighted GDP Growth (In Euros)

According to the weights, based on the revenue split per country, and the computed growth rate in terms of the Company's functional currency (€), we formed the weighted GDP Growth rate. The above term synthesizes the key factor of our estimations. The contribution of every country in the aggregate growth rate is calculated in the following way:

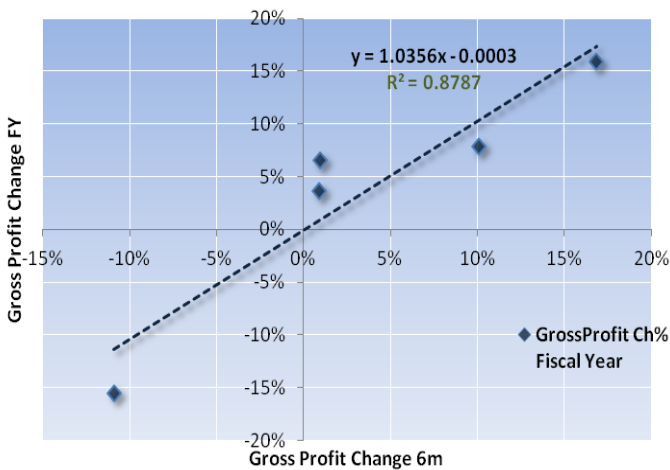
$$[(GDP_t - GDP_{t-1}) / GDP_{t-1}] * W_{country}$$

Where the term GDP stands for the GDP volume at purchaser's price in EUR for the respective country.

Estimated Weighted GDP growth In EURO(€)						
Country	2016	2017	2018	2019	2020	2021
Greece	-0.110%	0.824%	0.984%	0.900%	0.800%	0.722%
UK	-0.336%	0.387%	0.376%	0.344%	0.336%	0.356%
Spain	0.034%	0.031%	0.028%	0.027%	0.028%	0.028%
China	1.555%	3.095%	3.930%	4.189%	4.567%	4.753%
Japan	1.103%	0.249%	0.155%	0.342%	0.336%	0.366%
Korea	-0.214%	0.190%	0.209%	0.217%	0.210%	0.227%
W-GDP Growth	2.032%	4.776%	5.681%	6.019%	6.276%	6.452%

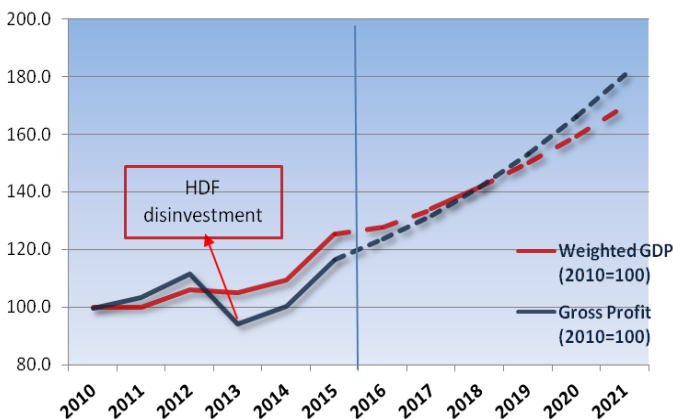
Note: The weights are presented in the tables of the previous page.

Note: After forming the time-series of the returns for the half year's Gross Profit and fiscal year's Gross profit respectively, we employ an OLS regression model in which unknown "y" factor is the Gross Profit Return for the full year while the known "x" is the half year's one.



Note: The implied P-value of the constant coefficient is statistical insignificant and this coefficient is not used for our calculation

Indices: Weighted GDP & Group's Gross Profit



Note: In 2013, the Group completed HDF disinvestment (the 2nd biggest company of the Group till 2013) and as a repercussion the gross profit showed major decline causing a disruption in the almost consistent relationship between the two factors

2016-2021 Growth in EUR

The future outlook of the markets where FF Group runs its activities could be captured by the International Monetary Fund's projections. The forecasted weighted GDP depicts the conditions and growth opportunities that FF Group will face.

2016 Gross Profit

The cornerstone of our estimations for FF Group's fundamental measurements is the forecast of FF Group's financial results for the fiscal 2016. The available financial data covers the half year of 2016. As an outcome, we have set forecasts of high credibility for the whole 2016. The 6-month period and the relative smooth operations of FF Group, taking into account the seasonality of the year's end, offers the possibility of reliable estimations for the fiscal year 2016.

OLS Regression Results				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Gr.Pr.CH% 6M	1.0356	0.2222	4.6615	0.0186
Constant	-0.0003	0.0224	-0.0122	0.9910
R-squared	0.878689	Schwarz criterion		3.15523
Adjusted R-squared	0.838252	Hannan-Quinn criterion		-3.4183
S.E. of regression	0.046746	Durbin-Watson stat		2.71499

The results of the regression and the measures of its relative quality indicate enhanced credibility of the FY estimations. The implied P-value of the constant is statistical insignificant and is not used for our calculation. For 2016 the 6M Gross Profit change % of the respective of 2015 is 6.07% and by employing the formed simple regression model we find 6.28% of FY Gross Profit change %. Therefore, Gross Profit reaches € 617.76 million.

Gross Profit Estimation for the 5-year period

The next step includes the Gross Profit estimation for the next 5-years to implement the DCF model. We choose to estimate gross margin since it is the 2nd top-line measure of the comprehensive income's financial statement and historically presents stronger correlation with the computed weighted GDP factor than the turnover account with the same representative measure.

The computed Pearson Correlation, which is coefficient for the annual returns of the 2 measurements, stands at the high level of 0.8312 and indicates a consistent relationship between Gross Profit and Weighted GDP.

Gross Profit Projections												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Weighted GDP (2010=100)	100.00	100.45	105.83	104.98	109.37	125.37	127.92	134.02	141.64	150.16	159.59	169.88
Weighted GDP growth in euro		0.45%	5.35%	-0.80%	4.18%	14.63%	2.03%	4.78%	5.68%	6.02%	6.28%	6.45%
Gross Profit	498.51	516.52	556.86	470.68	501.75	581.23	617.76	657.45	707.69	764.98	829.57	901.56
Gross Profit (2010=100)	100.00	103.61	111.71	94.42	100.65	116.59	123.92					
Growth%		3.61%	7.81%	-15.48%	6.60%	15.84%	6.29%	6.42%	7.64%	8.10%	8.44%	8.68%
2010-2016 Pearson Coefficient between Weighted GDP (2010=100) and Gross Profit (2010=100)							0.83120					
CAGRs (2014-2016)							CAGR W. GDP		8.148%			
							CAGR Gr. Profit		10.960%			
CAGR ratio							1.3451					

Taking into consideration the almost consistent relationship of the two measures (based on initial observations from the beginning of the decade) we try to capture the course of Group's Gross Margin by examining the last 3 years' co-movement. We choose to compare the growth rates of these two factors for this period, since 2013 was a year of a major corporate action and the upcoming years are more representative of the Group's strategy and positioning. We calculate the so-called **CAGR Ratio** by dividing the Gross Profit compounded annual growth rate with the weighted GDP's one. The slightly enhanced rate for Gross Profit affirms the firm's ability of growing on better terms than the whole market in which it activates. The CAGR ratio for the period (2013-2016) stands at **1.3934 > 1.3451** but we do not select this measure because the 2013's Gross Profit is over-declined due to HDF sale. To find the anticipated yearly growth rate for gross margin we multiply the CAGR Ratio with the Weighted GDP forecasts that can be found in IMF's analysis.

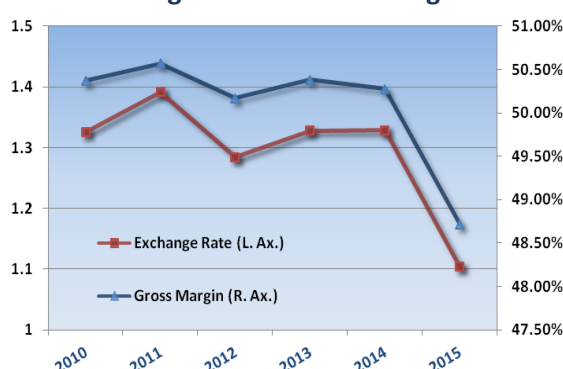
Gross Margin % presented each Quarter for the last 4 years



Revenue FY 2016

The aggregate sales of a company comprise one of the most important measures for appraising the company's performance and activity. We pose the forecasts for the gross profit and in order to derive the revenue account we have to examine the Gross Margin % course and "behavior". The seasonality of the Gross Margin is clearly exposed in the above graph. Every last quarter of the full year, FF Group's gross margin is augmented compared to those of the previous quarters. The empowered activity of these periods gives to the Group the ability of more effective management in terms of margins. In our estimation for the revenue of the fiscal year 2016 we assume that this phenomenon will occur again. To estimate the final gross margin for the present year, we use the average percentage of change for the second half of the year, observed for the last 4 years.

Exchange Rate Vs Gross Margin%



Exchange Rate Effect

The main factor which affects the Group's cost of goods is the exchange rate of EUR/USD. A contingent USD appreciation leads to contracting Gross Margin and this could be seen if we analyze and compare the average exchange rate of each historical year with the gross margin of the respective one. Consequently, given the gross profit estimations until 2021, to project the turnover for the same 5-year period we have to pay attention to the exchange rate effect on Gross Margin. The other factors that may have an impact on this measure, such as raw material cost (gold, silver), are mitigated.

Gross Margin Historical Analysis

	2009	2010	2011	2012	2013	2014	2015
Gross Margin	49.70%	50.37%	50.57%	50.17%	50.38%	50.27%	48.72%
Exchange Rate	1.39478	1.3257	1.391955	1.2848	1.328118	1.328501	1.104187
Gr_Margin Ch%	-	1.35%	0.40%	-0.79%	0.42%	-0.22%	-3.09%
Ex_Rate Ch%	-	-4.95%	5.00%	-7.70%	3.37%	0.03%	-16.88%
	Annual Absolute Values		Annual Change%				
Pearson Corr.	0.79634		0.772536141				
R ² regression	0.63416		0.596812089				

We assume that the gross margin will continue to be highly correlated with EUR/USD exchange rate. In the upcoming years, we follow the assumption that the EUR/USD foreign exchange rate will be 1.11 to 1.13 while approaching the terminal period. Consequently, since FF Group Gross Margin for 2015 was 48.7% and the average exchange rate for the same year was 1.104, we will anticipate a gross margin for FF Group approximately 49% for the next 5 years. The average Gross Margin in the half year is 1.5% lower than the one in the end of the year. At 2016 half year's results we observe a Gross Margin reaching 45.2%.

- **FY 2016=47%**

Revenue Forecasts						
	2016	2017	2018	2019	2020	2021
Gr Marg %	47%	47.4%	47.8%	48.2%	48.6%	49.0%
CAGR (Gross Margin)			0.84%			
Revenue	1314.39	1387.22	1480.83	1587.43	1707.17	1839.92

Note: Based on the revenue forecast, we form the future financial statements of the Group creating each future account as a increasing/decreasing percentage of revenue.

Beta estimation

Bottom-up Beta estimation

Sector/Company Segment	Country/Region	Weight (Revenues per Market/Region 2016 forecast)	Sector beta (Unlevered)	Short-Term bottom up beta (unlevered)	Short-Term bottom up beta (Levered)	Terminal bottom up beta (Levered)
Jewelry	Europe	7.40%	0.81	1.026	1.28	1.186
	Greece	2.83%				
	China	46.46%	1.42			
	Japan	18.54%	0.57			
Retail-Wholesale-Department Stores	Europe	4.10%	0.72			
	Greece	20.67%				
	Total	100%				

Notes: i) Unlevered sector betas data come from A. Damodaran (January 2016)

ii) Jewelry Segment Beta: Mean (Retail (general), Retail (special lines), Apparel sector, Retail-Wholesale-Department Stores Beta: Mean (Retail (distributors), Retail (general), Retail (special lines)

iii) For Greece Europe's betas have been used.

iv) Republic of Korea has not been taken into consideration due to lack of sector beta. China and Japan have absorbed the rest weight.

- **1st Approach**

Estimating Group's beta we employed bottom-up beta breaking down the company's operations for each geographical segment and using unlevered sector betas by geographical region/country as shown in Aswath Damodaran's analysis. Terminal bottom up beta has been adjusted using Blume's (1971) method:

$$\text{Adjusted Beta} = \frac{2}{3} \cdot \text{estimated beta} + \frac{1}{3}$$

- **2nd Approach**

On our effort to compute a well rounded beta estimation we also employed the simple regression beta.

Regression Beta estimation (daily observations for the period 01/10/2013-30/09/2016)

Sharpe's Single-Index model: $R_{\text{Folli Follie}} = a + b \cdot R_{\text{ASE General}}$			
Multiple R	0.672445		
R Squared	0.452183		
Standard Error	0.023353		
Observations	718		
	Coefficients	Standard Error	t stat
Constant (a)	0.000872	0.000872	1.0002
Slope (Beta)	0.852232	0.035056	24.310

Aggregate beta is a compound with equal weighting from two methods: **1.06**

Risk Free Rate Estimation:

Risk free rate estimation for FF Group					
Short-term risk free rate: average of the Greek risk free rate (2001-2016) and the Chinese risk free rate (2003-2016)	2018	2019	2020	2021	Long-term risk free rate: average of the Greek risk free rate (2001-2008) and the Chinese risk free rate (2003-2016)
5.69%	5.32%	4.98%	4.66%	4.35%	4.07%

The risk free rate has been assumed to decrease with an annual rate of 6.47%, as the Greek economy reaches its pre-crisis standards and to finally arrive at the terminal value of 4.07%.

The Greek and the Chinese risk free rates constitute the average of the Greek 10-year bond yield and the 10-year Chinese bond yield respectively.

It is a fact that Folli-Follie is a Greek company which trades on the Athens Stock Exchange. On the other hand, we cannot ignore that an average of 60% of the firm's profits comes from Asia and especially China, while Greek market composes only the 20% of its earnings. That means that FF Group is not highly exposed to the reverberations of the current Greek economic crisis. Consequently, we decided to consider both the Greek and the Chinese risk free rates for the estimation of the Group's short-term and long-term risk free rates. For the terminal period, when Greece is expected to have returned to a more stable situation, we expect the Greek risk free rate to have largely decreased approaching pre-crisis levels, so we considered the average of the Greek risk free rate for the period of 2001-2008 and the Chinese risk free rate for the period of 2003-2016 for the estimation of FF Group's risk free rate terminal value. We choose the average of the 10-year's bond yield as risk free rate stemmed from the two main markets of exposure, since in occasions of high volatile (especially in Greece) bond yields and extreme incidents the spot yield is not the appropriate measure (Source: Ernst & Young).

Risk Premium Estimation:

Risk Premium estimation						
Country	Short term weight (revenues per country 2016 forecast)	Short term risk premium by country (current country risk premium)	Terminal weight (revenues per country - 2020 and on forecast)	Terminal risk premium by country (pro crisis 2001-2008 average)	Weighted short term risk premium (for 2017)	Weighted terminal risk premium
China	43.88%	7.20%	46.55%	6.29%	10.67%	6.26%
Republic of Korea	15.96%	7.30%	16.93%	6.19%		
Japan	5.16%	7.36%	5.48%	6.43%		
Greece	23.50%	21.94%	20.76%	6.90%		
UK	10.52%	6.88%	9.41%	4.89%		
Spain	0.98%	9.23%	0.87%	4.98%		
Total	100.00%		100.00%			

Similar to the risk free rate, risk premium has been assumed to fall in the terminal period, as the world economy stabilizes and the risks that have been provoked by the financial crisis are moderated. Of course, the larger reduction in the risk premium is expected to happen in Greece. In addition, as you will see later in the cost of equity estimation, the weighted short term risk premium for 2017 has been assumed to decrease gradually, till it reaches its long term value.

Cost of Equity Assessment:

Cost of Equity estimation						
	2017	2018	2019	2020	2021	Terminal
Cost of Equity	17.07%	15.56%	14.19%	12.93%	11.79%	10.75%

Notes: i) 2017 and terminal cost of equity are estimated using the CAPM and the above estimated betas, risk free rates and risk premium
ii) cost of equity assumed to decrease with an annual rate of -8.84% during the short term period (as economy, especially the Greek one, recovers and bond yields and risk premium fall) to reach the estimated terminal value of 10.75%

Appendix: Cost of Debt assessment:

Cost of Debt estimation – financial statements approach (amounts in millions of Euros)							
	2015	2014	2013	2012	2012-2015 total average	Cost of debt before tax (average total interest expenses over average debt for the four-year period)	Cost of debt after tax
Interest Expenses (loans)	12.98	14.33	20.49	38.94	21.69	5.53%	4.09%
Interest Expenses (leases)	0.87	0.92	1.42	1.65	1.22		
Other interests	0.6	0.4	0.54	0.46	0.5		
Total interest expenses	14.45	15.65	22.45	41.05	23.4		
Interest bearing debt (book value of bank and bond loans plus leases)	377.68	351.14	222.54	741.08	423.11		
Notes: i) Cost of debt after tax is the cost of debt before tax multiplied by one minus the marginal tax rate: $CDAT = CDBT \times (1-t)$ ii) The tax rate used is 26%, which is reported by FF Group's financial statements for the last fiscal year. (This tax rate is not the implied projected one, which is based on the firm's historical data)							

In this method, we estimate the cost of debt as the ratio of interest expenses to debt, which is derived from the basic formula for interest rate:

- Interest rate paid = (interest paid / borrowed funds)

Since the interest expenses are not evenly distributed in regards to the borrowed funds in all financial years, the 4-year averages for the period 2012-2015 have been used.

Cost of Debt estimation – Rf plus CDS approach						
	2017	2018	2019	2020	2021	Terminal
Risk free rate (Rf)	7.73%	6.92%	6.19%	5.54%	4.98%	4.48%
Company default spread (CDS)	0.75%					
Cost of debt before tax (risk free rate plus company default spread)	8.48%	7.67%	6.94%	6.29%	5.73%	5.23%
Cost of debt after tax	6.27%	5.68%	5.14%	4.65%	4.24%	3.87%
Notes: i) Cost of debt after tax is the cost of debt before tax multiplied by one minus the marginal tax rate: $CDAT = CDBT \times (1-t)$ ii) The tax rate used is 26%, which is reported by FF Group's financial statements for the last fiscal year. (This tax rate is not the implied projected one, which is based on the firm's historical data)						

Cost of Debt estimation – average of two approaches

	Approach	2017	2018	2019	2020	2021	Terminal
Before tax	Rf plus CDS approach	8.48%	7.67%	6.94%	6.29%	5.73%	5.23%
	Financial statements approach	5.53%					
After tax	Rf plus CDS approach	6.27%	5.68%	5.14%	4.65%	4.24%	3.87%
	Financial statements approach	4.09%					
Before tax	Average	7.01%	6.60%	6.24%	5.91%	5.63%	5.38%
After tax		5.18%	4.89%	4.62%	4.37%	4.17%	3.98%

WACC estimation:

Short term and terminal WACC estimation

(1) Number of Shares on 15/10/16	66,948,210
(2) FF Stock Price on 15/10/16	21.590
(3)=(1)X(2) Market Value of Equity (in million Euros)	1,445,411,853.90
(4) Interest bearing debt (bond and bank loans plus leases in million Euros, 30.06.2016)	359,355,015.41
(5)=(3)/[(3)+(4)] Cost of equity weight	80.09%
(6)=(4)/[(3)+(4)] Cost of debt weight	19.91%
Short term cost of equity (for 2017)	17.07%
Short term cost of debt after tax (for 2017)	5.18%
Short term WACC (for 2017)	14.70%
Terminal cost of equity	10.75%
Terminal cost of debt after tax	3.98%
Terminal WACC	9.40%

Weighted Average Cost of Capital (WACC) for every period

2017	2018	2019	2020	2021	Terminal
14.70%	13.44%	12.29%	11.24%	10.28%	9.40%

Note: WACC has been assumed to decrease with an annual rate of -8.55%, as the world economy, and the economies of interest to the Group particularly, recover and risks posed by the financial crisis are mitigated, till it reaches its terminal value of 9.40%.

Terminal Growth Rate:

Terminal Period Growth Rate estimation			Weighted GDP long term growth rate
Countries of Activity	Geogr. Segmentation	Compound Annual GDP Growth rate	
Greece	20.76%	1.58%	0.33%
UK	9.41%	2.09%	0.20%
Spain	0.87%	1.65%	0.01%
China	46.55%	2.72%	1.27%
Japan	16.93%	1.22%	0.21%
Korea	5.48%	1.79%	0.10%
		(SUM)	2.11%

Note: Based on OECD forecasts of GDP's nominal value in \$ for the period 2020 to 2060

GDP Volume (In 100bil \$)	2022e	2060e
Greece	3.05	5.53
Japan	44.11	69.96
Korea	21.09	41.43
Spain	14.08	26.27
U.K	27.10	59.46
China	194.30	538.28

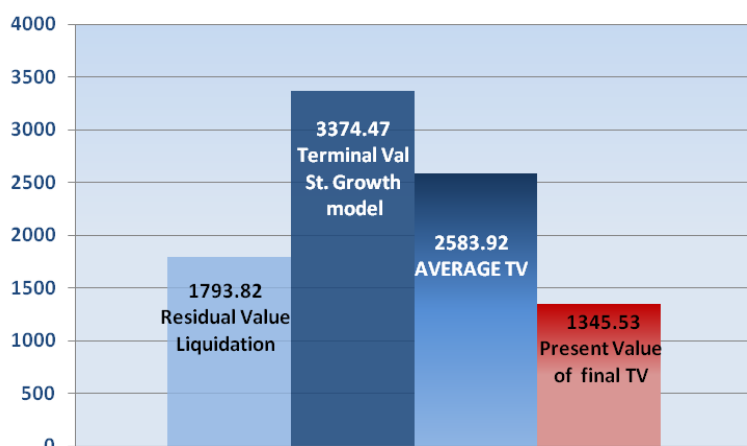
Terminal Value:

Average FCFF of the period 2016-2021= 256.18 mill €

Stable Growth Model: $\frac{\text{Cash Flow}_{2021}(\text{last projected period})}{WACC(\text{term.}) - g(\text{terminal growth rate})}$

Net tangible Value=Residual value=1,755.99 mill. €

Note: Based on Damodaran NYU Stern



Note: The values are presented in € million. For the present value we used the terminal discount rate = $\{\text{Dis. Rate}_1(1+t.\text{gr.}r)\} * (1+W.A.C.C)^{-1}$

To project the terminal growth rate, we presumed on the GDP long term forecasts, formed by OECD, for the countries in which the Company activates. The strongly correlated weighted GDP growth rate to the Company's gross profit comprise the driver of our estimations, and for the terminal period we pose compound annual growth rate of the formed GDP as the terminal growth rate of the firm. We choose this measure to capture the long term growth of FCFF assuming that the long term CAGR Ratio will approach unity and the FF Group's development will be more moderate and still consistent to the GDP. To calculate the compound annual GDP growth rate we used the values of GDP (in billion \$) of 2022 as initial value and the respective GDP values of 2060 (last forecasted year) as final price. The euro-dollar exchange rates are not taken into consideration to calculate the anticipated GDP growth of euro which is used as growth driver of the short term period forecasts. The exchange rate estimation for the period 2022 to 2060 could not be characterized as credible and because of that the measurements accept the hypothesis of stable exchange rates.

Terminal Value

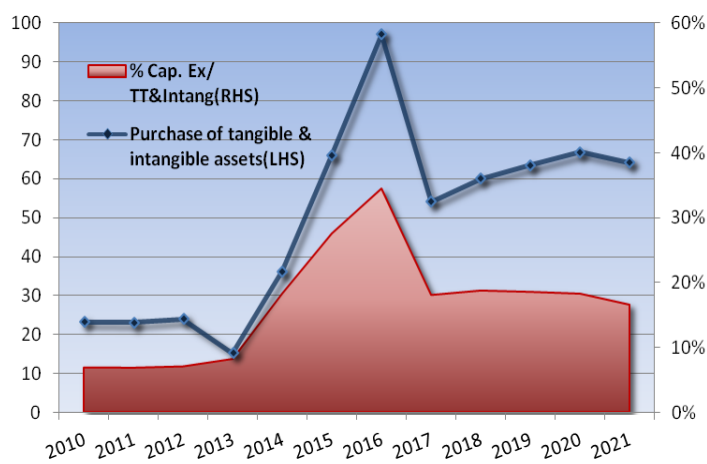
Because the accessible luxury brands are accused of their constraint lifespan and their volatile performance, we used the estimated liquidation value of the end of 2021 combined with the terminal value based on stable perpetual growth to determine the terminal value used in our DCF model. The inherent power of the affordable luxury brands to generate sales and excessive performance was doubted, so we reject the stable growth model or other models, based on the assumption that the Company has an infinite life as absolutely representative.

Net tangible book value at the end of 2021 is acceptable as the liquidation value, if the Company terminates its operations after 5 years. However the history of FF Group does not allow us to make such an assumption (it is an established firm since 1982). As a result, we combine the residual value of the liquidation and the terminal value based on DCF model theory to define the terminal value in our DCF approach.

Historical & forecasted Cap.Ex

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Purchase of tangible & intangible assets	23.20	23.04	23.92	15.34	36.11	66.06	97.08	54.08	59.99	63.44	66.76	64.07
Total Tangible and Intangible Assets	337.49	336.92	339.70	187.24	197.47	239.77	281.59	299.49	320.14	342.21	365.60	386.96
Purch. Ass/TT&Intang	6.87%	6.84%	7.04%	8.19%	18.29%	27.55%	34.48%	18.06%	18.74%	18.54%	18.26%	16.56%
Δ Change TT&Intang		-0.57	2.78	-152.46	10.23	42.3	41.82	17.90	20.65	22.06	23.39	21.36

Cap. Ex compared to Purchase of Tangible & Intangible Assets



Note: The projected fixed assets account are given at the forecasted financial statements

The capital expenditure is approximately 7% of the tangible-intangible assets independently of the aggregate change in the respective accounts of the balance sheet at the end of the fiscal year. We assume that the other part of CapEx is correlated with the aggregate change observed at the end of FY in the respective accounts. The average ratio of the last 3 years of this part of the CapEx (Excluding 7%) divided with the whole change in Tangible-Intangible assets is **1.7311**. We presume that this ratio will approach this average at the end of the 5-year period.

Ordinary Correlation Coefficient between Current Assets and Historical Turnover = **52%**

Taking this level of credibility we project the aggregate current assets account for the 5-year period.

Change in Working Capital

Working capital	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating - Excluding short term borrowings and non operating current assets	475.72	567.23	650.86	507.94	686.67	894.88	954.24	1053.72	1004.18	958.32	914.67	987.20
Δ Working Capital	-	91.51	83.63	-142.9	178.73	208.21	59.364	99.479	-49.54	-45.86	-43.645	72.53

Free Cash Flow to the firm

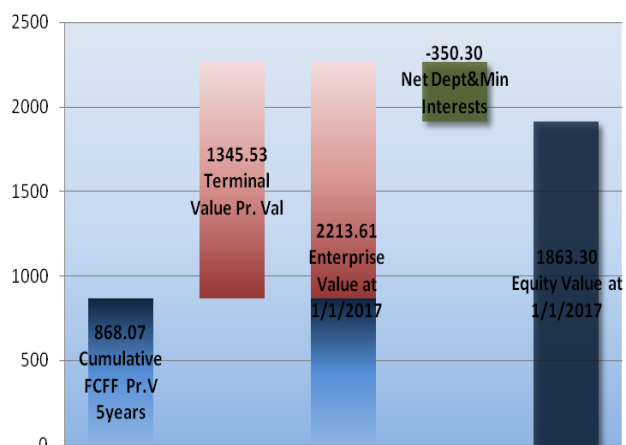
Forward FCFF	2016	2017	2018	2019	2020	2021
EBIT(1-t)	223.4244	235.3678	263.3604	294.4319	315.5324	345.8285
Less: Pur. Of as.	97.0839	54.07597	59.99419	63.44075	66.76058	64.06641
Plus: Dep.	30.6898	30.779	32.56792	32.81247	34.75922	36.79012
Less: Ch. In W.Cap.	59.36428	99.47908	-49.5429	-45.8637	-43.6454	72.5308
FCFF	97.66601	112.5917	285.477	309.6673	327.1764	246.0214

Basic Note: The FCFF of the whole 2016 is considered as already occurred and is not included in the calculations for enterprise value.

DCF discount rates of FCFF's based on WACC



Note: We assume that the free cash flow discount takes place at 1/1/2017



DCF Results

	2017	2018	2019	2020	2021
Present value of FCFF	98.16	219.40	211.95	201.30	137.26
Cumulative present value of FCFF	98.16	317.56	529.51	730.81	868.07
Long term Growth rate%	0.02108				
Terminal value	2583.92				
Present value of terminal value at 1/1/2017	1345.53				
EV (1/1/2017)	2213.61				
Less: Net Debt & Minority Interest	350.302				
Equity value on the beginning of the year	1863.3				
Number of Shares	66.9482				
Intrinsic Value of FF Group's Share	27.83				

The Terminal Value represents the 60.78% of the given enterprise value, since with the combined method of estimating it, we are led to a more moderate value. The present value of FCFFs captures 39.22% of the whole enterprise value.

Relative Valuation Method

Based on the multiples valuation method we chose fourteen direct competitors whose operation in apparel retail sector or jewelry sector clash with FF's activities. Especially for the jewelry sector, we took into consideration where each firm makes most of its profits and which are its expansion plans in Asia, where Folli Follie has already established (in Japan since 1995 and in main Asia since 1998) its brand name. Each company must fulfill two criteria in order to be chosen, meaning the characteristics of a well rounded structure in "affordable luxury" and a match up to FF Group's region activities. For every criterion each rival fulfills is awarded with 0.05 weighting points.

Comparable companies	"affordable luxury" positioning	Region of activities	Weighting Points
Chow Tai Fook		✓	0.05
Pandora	✓		0.05
Michael Kors	✓		0.05
Tod's	✓	✓	0.1
Coach	✓	✓	0.1
Chow Sang Sang	✓	✓	0.1
Burberry		✓	0.05
Signet Jewelers	✓		0.05
Tiffany		✓	0.05
Luxottica	✓		0.05
LVHM		✓	0.05
Inditex			0.1
H&M			0.1
Gap			0.1

The apparel retail / wholesale sector that Folli Follie runs in Greece and Cyprus, and the market segmentation as a result of the enormous number of small family businesses lead us to choose three multinational companies that operate in the same sector Inditex (mother company of Zara, Pull and Bear, Stradivarius, Bershka), H&M and GAP.

Simple Valuation method

In order to achieve the best combination of multiples to create an integrated perception about the Company's price, we reached a price through a combination of Enterprise Value and Equity Multiples. We used 4 multiples in order to capture all the dimensions of the FF Group. More specifically P/E, P/S, EV/EBITDA, EV/Revenue multiples were applied to the valuation approach. FF Group runs its businesses in three regions and thirty countries. EV multiples are less affected by accounting differences and measure the levered value of the Company. Additionally, EBITDA is the most common measure of performance and value that also overcomes the problem of accounting differences. So we conclude to a weighted approach for the price of the Company with the following weights to the multiples.

	P/E(ttm)	P/S(ttm)	EPS	EV/EBITDA	EV/REVENUE	Weight
Chow Tai Fook	18.64	0.97	0.29	11.5	0.99	5%
Pandora	20.99	5.03	42	14.01	5.25	5%
Michael Kors	10.75	1.71	4.5	5.85	1.65	5%
Tse Sui Luen	19.76	0.13	0.11	7.72	0.37	10%
Coach	21.35	2.19	1.97	10.73	2.07	10%
Chow Sang Sang	12.04	0.52	1.13	6.37	0.54	10%
Burberry	20.19	2.43	0.7	8.35	1.87	5%
Signet Jewelry	12.25	0.89	7.05	7.89	1.1	5%
Tiffany	20.52	2.26	3.64	9.9	2.35	5%
Swatch	19.97	2.04	15.02	4.16	0.89	5%
Louis Vuitton	22.64	2.31	7.37	11.03	2.44	5%
Inditex	33.9	4.57	0.95	19.28	4.25	10%
H&M	23.27	2.26	11.03	12.14	2	10%
Gap	14.61	0.67	2.12	5.05	0.68	10%
Folli Follie	6.9	1.15	3.13	5.62	1.23	100%

This method claims a price at 39.39 € computing the weighted average of four multiples. Folli Follie shows a lower P/E ratio due to its low price in the stock market, while its Net income/Total Assets ratio stands at average levels of companies above.

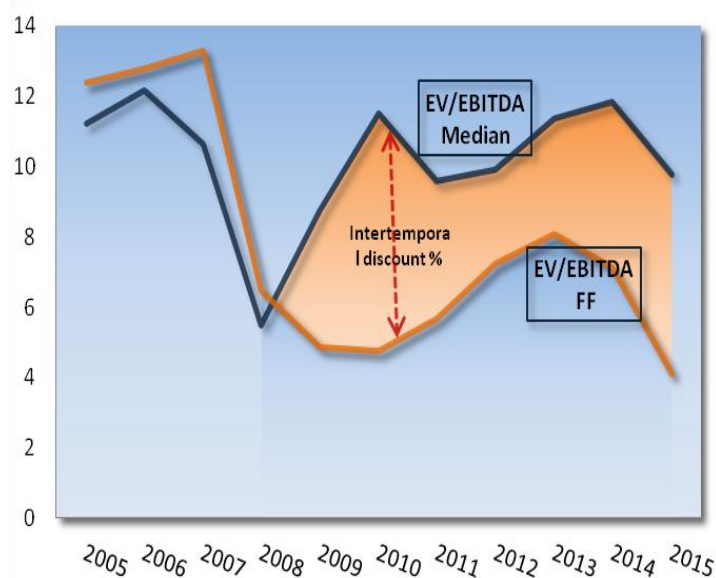
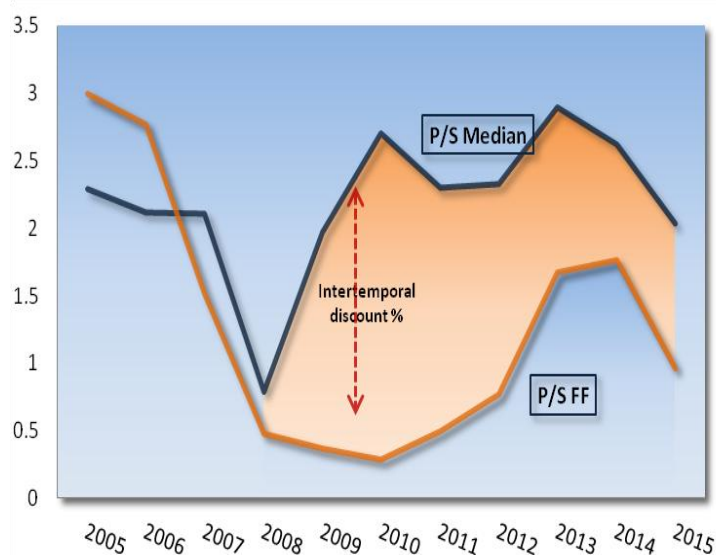
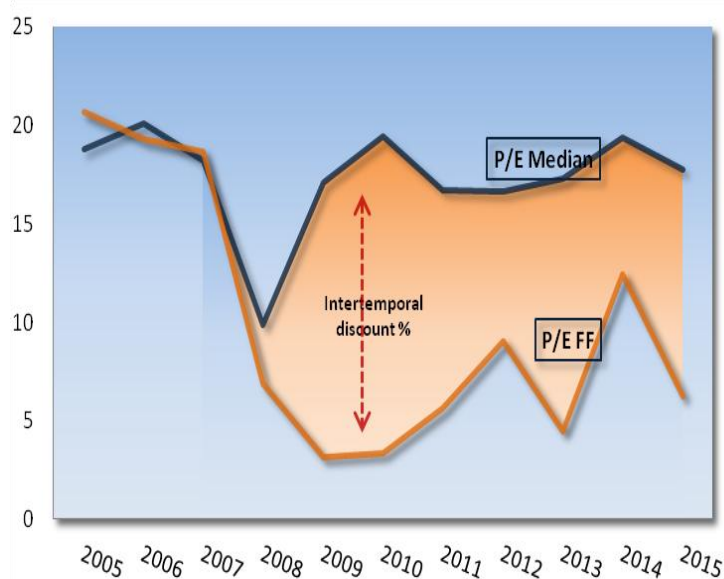
FF EBITDA	285,600,000 €
Short-Long Borrowings	359,355,015.41 €
Cash and Cash Equivalents	233,674,768.32 €
Minority Interests	30,368,469.32 €
Net Income (2016 TTM)	188,959,450.62 €
Number of Shares	66,948,210
Turnover (2016 TTM)	1,251,440,000 €

	P/E	P/S	EV/EBITDA	EV/REVENUE
Price	56.68 €	39.53 €	36.6 €	30.57 €
Weight	20%	20%	30%	30%
Final Price	39.39 €			

The Company's financial statements claim a higher price which is demonstrated through the multiples' valuation. Although, we think that the political and economic factors which affect Greek Stock Exchange and are responsible for the high volatility and low company's market price cannot be depicted with the simple multiple approach. For this reason we try to find the weights of the two multiples that describe the perfect affiliation between the pre-crisis and the in-crisis period. The best way to catch the discount that historically FF Group's multiples show according to its rivals is the regression (OLS), between the median of competitors and the Company's multiples. For this reason we run four regressions for the four multiples respectively. In order to embrace this method we took into account the basic criteria for the statistical significance of regression's coefficients. The measures of statistical significance at 5% level are:

- P-value<0.05
- |t-statistic|>2

	Multiple	t-stat	Prob	Multiple	t-stat	Prob
Constant	P/E	-409	0.691	EV/EBITDA	0.101	0.921
Slope		1.18	0.268		1.311	0.222
Constant	P/S	0.301	0.769	EV/REVENUE	-0.104	0.919
Slope		0.727	0.485		1.736	0.116

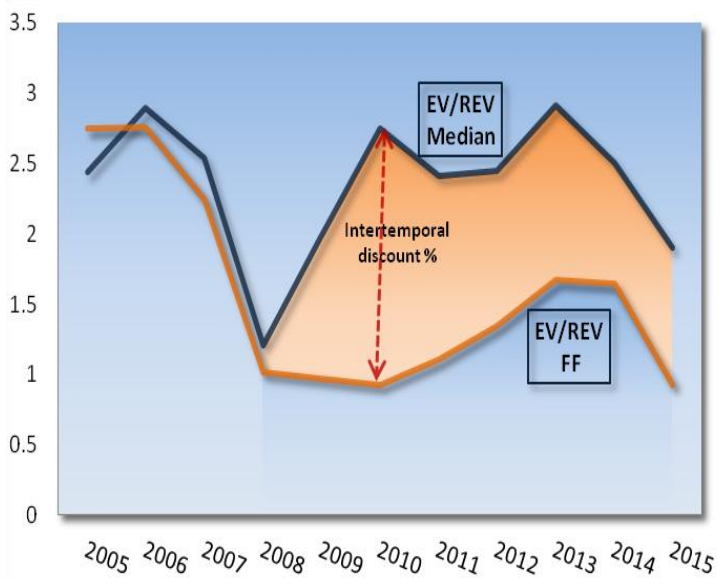


Tables on the left depict the regression result for each multiple.

None of the four multiples demonstrates statistical significance for both coefficients, concluding that we cannot apply this method to capture the perfect affiliation between the two periods. To show the discount that FF Group trades in stock market we will use the average difference between the competitor's median and FF Group's one through years. Based on graphs we understand that from 2008 until 2013 the two variables follow different directions with those of the rival showing increase among 2008-2010 and

decrease in 2011. On the other hand, FF Group follows a completely different route with the decline that started in 2006 up to the end in 2011. So we cannot rely on post 2011 period to capture the discount that FF Group trades in the stock market. Contrarily, from 2012 till present both lines in three out of the four graphs (excluding P/E graph) go hand to hand, for the last four years (2012-2015) when the one goes down the other does also, and vice versa. If we isolate only the last four years of the three graphs the lines appear to move similarly along the way showing some veracity in our effort to capture the correct discount.

Three multiples in four years (namely EV/EBITDA, EV/Revenue and P/S) provide 12 observations. We calculate the gap between the median and the Company's multiples and then compute the average for each multiple separately. The average difference for the P/S multiple is 48.54%, for the EV/EBITDA multiple stands at 38.39% and the EV/Revenue multiple hits 43.31%. R-square for each of the above stands at 0.65, 0.38 and 0.85 respectively. The final discount from this method is the average of discount from the above three multiples namely 43.41%. This method leads to a price of € 22.29 (= 39.39 * (1 - 0.4341)).



To conclude to the final weight of each multiple we will compute a weighted R-square for the three relatives from the second method on our effort to depict how the four years for the three multiples follow a similar way of growth reaching the second's method weight. High R-square's shows that for the last three years there is a great prediction between the independent and the dependent variables. $(0.65+0.38+0.85)/3 = 62.67\%$

- Simple Method Weight: 37.33% (=1-0.6267)
- Average method Weight: 62.67%

	Weight	Price	Total
Method A	37.33%	39.39€	€ 28.67
Method B	62.67%	22.29€	

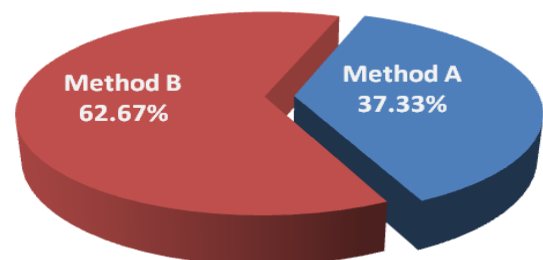
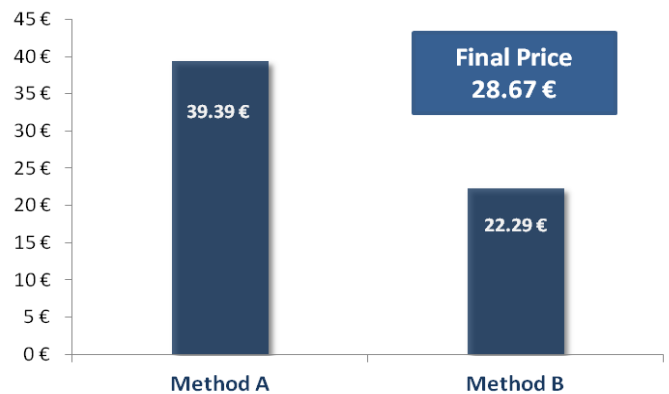
Taking both methods into consideration we reach an aggregate price of **€ 28.67**.

Summary-Final Price

FF Group is poised for a glittering future since its strong position in key emerging markets enhances its potentials for additional growth. Both valuation methods mirror FF Group's successful strategy and imply an upward trend of its share's price. The two implemented methods demonstrate a "fair" value with FF Group's share standing at approximately € 28.1.

DCF Results					
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Present value of FCFF	98.16	219.40	211.95	201.30	137.26
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Less: Net Debt & Minority Interest	350.302				
Equity value on the beginning of the year	1863.3				
Number of Shares	66.9482				
Intrinsic Value of FF Group's Share	27.83				

Relative Valuation



Note: To weight the two major methods we used the R-squared of the projected Gross Profit, which comprised the foundation of our DCF model. The R-squared = 0.69 of the regression between Gross Profit and W. GDP is posed as the weight for DCF method. The final "target" price stands at **€ 28.09**.

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DISCLOSURE CHECKLIST

Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
FOLLI FOLLIE S.A. (FF GROUP)	FFGRP:GA	HDFr.AT	€ 20.01	November 14, 2016	----

1. VRS has acted as financial consultant for the covered company within the past 24 months.
2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
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