Confidential

Links of London

Advisory Valuation results

Reliance Restricted

August 2, 2013

EY

Building a better working world

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To : Folli Follie Group
23rd km National Road Athens - Lamia
145 65 Athens, Greece

August 2, 2013

Attention : Mr. George Koutsolioutsos

Dear Sir,

In accordance with our engagement letter dated July 9th, 2013, we are pleased to present the following short form advisory valuation report of Links of London ("Company"). The purpose of this report is to assist the management of FF Group ("Management") in forming an opinion concerning the "market value" of the Company as at December 31, 2012.

The market value is *"the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion".*

This report sets out our view regarding the valuation methods utilised and our valuation calculations based on those methods. In performing our work, we have relied upon information and assumptions furnished to us by the Management and publicly-available information and their sources that were deemed reliable.

We have not undertaken any form of investigation, audit, substantiation or verification procedures for the information, data and projections provided to us. However, we have reviewed and challenged the financial projections provided by the Management for reasonableness and consistency with the underlying assumptions and market conditions. Therefore, due to the limited nature of our work, this valuation report constitutes advice, but not expression of an opinion on the value of the Company.

Please note that due to the nature of the financial projections and the uncertainty surrounding information based on future expectations and assumptions, potential material differences may arise between forecasted and actual results.

No obligation is assumed by EY to revise this advisory report to reflect any circumstances or information that become available subsequent to the date of this report.

EY does not owe any duty of care to anyone other than the Management. The distribution of this report is restricted to whom it is addressed and shall not be disseminated to third parties by any means without prior written consent and approval of EY.

In accordance with our engagement letter, our analysis is subject to the limiting conditions attached to our engagement letter and this Report. In particular, it should be noted that we have relied upon information provided by the Management without carrying out any verification procedures.

Yours faithfully,
Tassos Iossiphides

Partner,
Head of Transaction Advisory Services for Greece
Valuation & Business Modelling Services Leader for Central South Europe

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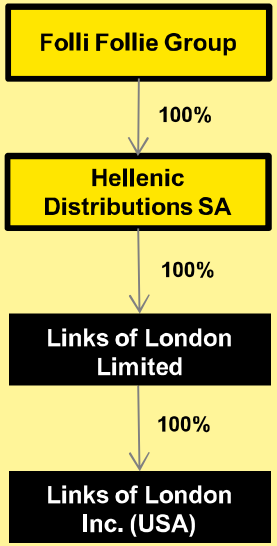
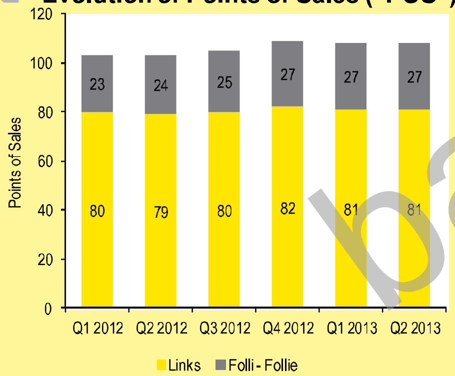
1. Executive Summary

1.1. Introduction – Valuation Perimeter

Corporate Structure



Evolution of Points of Sales (“POS”)



Valuation Perimeter

- Folli Follie Group (“FF Group”) was established in 1982 in Athens. Its areas of operation include jewelry-watches-accessories, travel retail, department stores and retail/ wholesale activities.
- It operates actively in more than 28 countries and has established a strong presence counting more than 800 points of sale (POS) and employing more than 5,800 people worldwide.
- Since 2006, FF Group owns 100% of Links of London Limited (the “Company” or “Links”) through its 100% owned subsidiary Hellenic Distributions S.A. .
- Links of London Limited was founded in 1990 and over the last twenty years has grown significantly across the globe.
- The Company operates Links and Folli Follie stores in the regions of UK and Ireland as well as in USA and Canada through its 100% subsidiary Links of London Inc.
- Links of London currently operates 59 stand alone stores and 49 concessions (comprising both Links and FF POS) within the Company’s network, all of them in prestigious locations. Some of the significant locations are in London, New York, Tokyo, Shanghai, Athens and Hong Kong. Links of London stores are also located within London Heathrow, Hong Kong International Airport and have in-flight sales with British Airways, Cathay Pacific, emirates.
- The Client requires an advisory valuation of the Company as at December 31, 2012 for supporting the Management in the refinancing of FF Group’s loans .

1.2. Introduction – Scope of Work

- The scope of our work is the estimation of the Market Value of the Company on a going concern basis.
- The effective date for the advisory valuation is December 31, 2012.
- The valuation is based on internationally accepted valuation approaches and methods comprising the Income Approach (DCF method) and the Market Approach (Trading Comparables method)
- According to definition in International Valuation Standards (IVS 1), Market Value is defined as:
  - “The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion”.

Scope of Work

- **Scope of our work:**
  - The purpose of this Report is to assist the Client in estimating the Market Value of the Company on going concern basis on a consolidated level (incorporating the cash flows of its 100% subsidiary Links of London Inc that operates the stores in US and Canada).
  - The effective date for the advisory valuation is December 31, 2012.
  - The valuation is based on internationally accepted valuation approaches & methods comprise the Income Approach (Discounted Cash Flows method) and the Market approach (Comparable Companies method).
  - Our work is based primarily on the information received by the Management and we do not offer any guarantee, or opinion that these estimates are reasonable and achievable. Ernst & Young performed limited procedures to review the projected financial information provided to us for reasonableness and consistency with underlying assumptions and market conditions. Therefore, due to the limited nature of our work, this Report constitutes advice but not expression of an opinion on the value.
- **Standard, premise and definition of value:**
  - The derivation of the Market Value of the Company was performed by EY according to the internationally accepted principle of “Market Value”, as defined by the International Valuation Standards.
  - The estimation of the Market Value was performed according to internationally accepted principles of "Market Value" on a going concern basis, based on historical data, information, assumptions and projections provided by the management of the Client and the Company.
  - We have not independently investigated or otherwise verified the historical data provided to us. We do not express an opinion or offer any form of assurance regarding the accuracy of data or its completeness. No audit, even limited, has been carried out. We have considered the information provided as reliable and accurate. We have assumed that the information provided to us presents a fair view of the assets being valued at the Valuation date. Therefore, Ernst & Young will accept no responsibility for any error or omission in the Report arising from incorrect information provided by the Management.

1.3. Introduction - Valuation Methodology

- We held meetings and conversations with key executives of the Client and the Management of the Company to develop an understanding of the business, the growth potential and key challenges
- The main documents we reviewed so as to perform our work were:
  - 5 year Business Plan 2013 – 2017
  - Audited financial statements 2010 – 2012
  - Additional information and clarifications through electronic communication
- To the extent we have relied on publicly available financial forecast from various equity research analysts, we have assumed that they have been reasonably prepared based on assumptions reflecting the best available estimates and judgments by the analysts as to the expected future results.

Our Approach

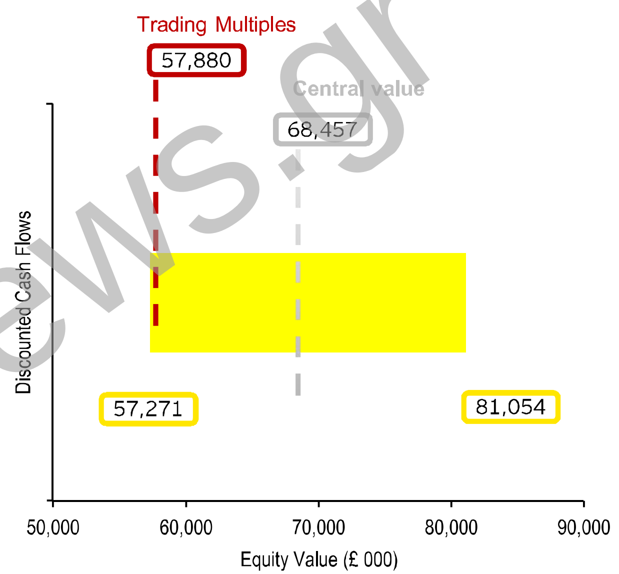
- **Valuation Methodology:**
  - In the determination of the Market Value of the Company, based on the International Valuation Standards, we have considered the following methods:
  - Income approach – Discounted cash flows method (DCF)
  - Market approach – Trading multiples method
  - Market approach – Comparable Transactions multiples method
- **Income approach:**
  - We have performed DCF analysis for the Company on a consolidated basis. A DCF valuation analyses the future free cash flow forecasts and uses a discount rate to allow the future free cash flow to be considered in present value terms. In addition we have produced appropriate scenario analysis (presented in the **Business Plan Risk Assessment** section) on key operational parameters as well as sensitivities on the discount rate and growth to perpetuity.
- **Market approach:**
  - We have also considered the market approach based on trading multiples of listed comparable companies. In our analysis of relevant multiples we have examined the Enterprise Value to Revenue multiple and Enterprise Value to EBITDA (Earnings before interest, tax, depreciation and amortization) multiple. However, the Enterprise Value to Revenue was excluded from our analysis since the peer group comprises companies that charge premium prices and therefore their Enterprise Value to Revenue multiples were not comparable.
  - An international peer group of similar listed companies to the Company was selected for the Trading Multiples method (see Appendix B).
  - We have also considered the market approach based on comparable transactions method. Our research, however, did not yield sufficient results in terms of comparable recent transactions.
- A detailed description of the valuation methods applied is described further in this Report.

1.4. Introduction - Valuation Results

- We implemented the Income Approach (Discounted Cash Flows) valuation method arriving at a market value range of the Company (Equity Value) on a 100% basis **between £57.3m and £81.1m**, with an indicative **central value** of **£68.5m** (based on the exchange rate as at 31/12/2012, the Equity Value ranges between €70.0m and €99.0m with an indicative **central value** of **€83.7m**).
- The valuation range is derived on the basis of sensitivity analysis performed on key valuation parameters (WACC, Growth to Perpetuity).
- We have also applied the Market Approach and more specifically the Trading Multiples method so as to assess the reasonability of the results of the Income Approach.
- In concluding to the above recommended range we used the income approach by considering the following two points:

  1. According to valuation practice the income approach yields more reliable results by considering specific value drivers to the subject company. Therefore the results of the market approach have been used to check the reasonability of the results of the income approach.
  2. Both methods of the Market Approach (Trading Comparables and Precedent Transactions) have been considered in order to assess the results of the market approach. Our research, however, did not yield sufficient results in terms of comparable recent transactions.

Equity Value range of Company £59.8m and £78.2m



It is noted that the results of the Market Approach stand at the lower end of the range derived through the Income Approach. This is reasonable since the Trading Multiples have been based on the stock market quotations of listed companies which do not incorporate a premium for the acquisition of a controlling stake, while the Income Approach assumes a transfer of control.

2. Market Overview

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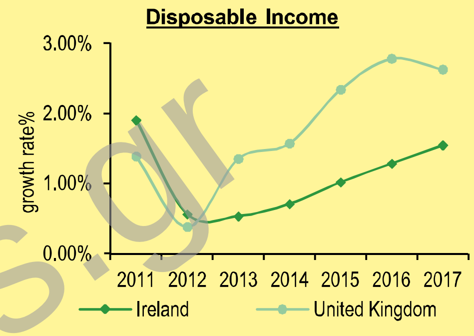
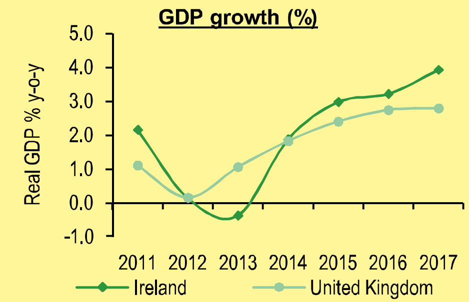
2.1. Macroeconomic Analysis *(source: Oxford Economics)*

The retail market and more specifically the Jewelry and Accessories market are significantly affected by the evolution of the macroeconomic environment. In this respect the following analysis presents the estimates of Oxford Economics in terms of the evolution of key macroeconomic factors that affect the growth in the markets where Links operates, namely UK, Ireland, USA and Canada.



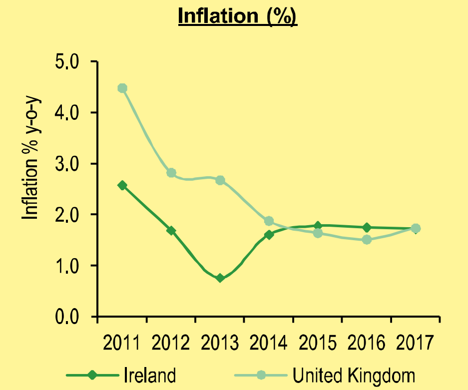
United Kingdom

- UK is a highly developed country with the sixth largest GDP in the world and the third largest in Europe.
- **GDP** growth stood at 1.1% in 2011 and is expected to remain stable in 2013. During the 2014 - 2017 period, the country is expected to experience an increase in GDP of 2.2% on average.
- **Unemployment rate** (ILO definition) in 2011 reached 8.1%, whereas in 2012 the corresponding rate decreased to 8%. A further decrease in unemployment rate is expected during the 2014-2017 period when it will be on average close to 7.6%.
- **Inflation** in 2011 stood at 4.5%. After 2012, the CPI is expected to stabilize close to 2% up to 2017.
- The **personal disposable income** in the UK is anticipated to grow at a 1.7% CAGR between 2012 and 2017.
- Based on Oxford Economics, there is some upside risk to the forecasts presented, from the possibility of a stronger recovery in business investment. Nevertheless, there remain several sources of vulnerability that could lead to lower downturns.



Ireland

- Ireland was severely hit by the global credit crunch that led the government to request a massive bailout in November 2010. As a result of fiscal adjustment measures announced in the 2011 budget and those required under the conditions of the EU/IMF bailout, the short term outlook for Ireland remains poor due to further expected weakness in consumer spending, government spending and residential investment.
- **GDP** growth stood at 2.2% in 2011 and is expected at -0.4% during 2013. During the 2014 - 2017 period, the country is expected to achieve a more robust GDP growth of approximately 3%.
- **Unemployment rate** in 2011 reached 14.6%, whereas in 2012 the corresponding rate amounted to 14.7% . However, a a decrease in unemployment rate is expected during the 2013-2017 period when it will be on average close to 11.5%.
- **Inflation** in 2011 stood at 2.6%. Following 2012, the CPI is expected to gradually decrease to 1.7% up to 2017.
- The **personal disposable income** in Ireland is anticipated to grow at a 0.8% CAGR between 2012 and 2017.



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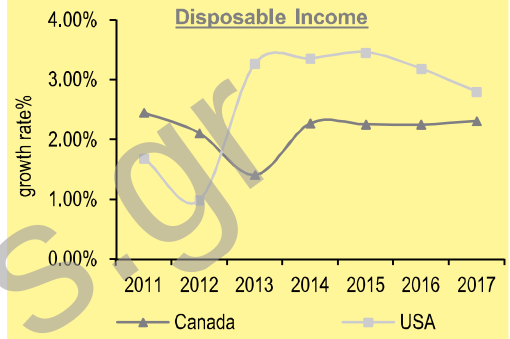
2.1. Macroeconomic Analysis *(source: Oxford Economics)*

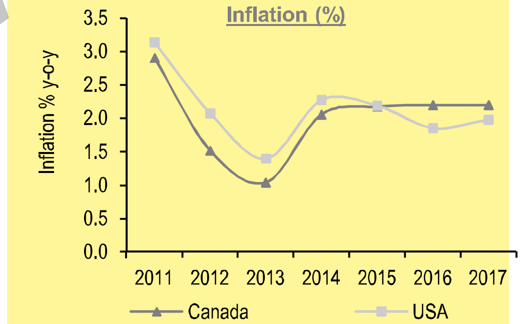
United States of America

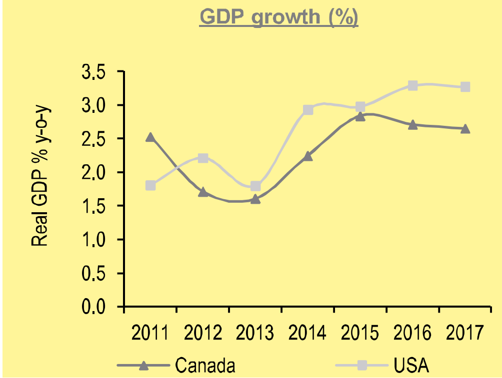
- The US is the world's largest economy, accounting for approximately 20% of global GDP.
- There are encouraging signs that private demand is gaining momentum with employment, consumer confidence and the housing market continuing to strengthen. The rising employment helps to mitigate some of the impact of higher taxes on disposable income.
- **GDP growth** stood at 1.8% in 2011 and is expected to remain stable in 2013 . During the 2014 - 2017 period, the country is expected to achieve a stable GDP growth of approximately 3%.
- **Unemployment rate** in 2011 reached 8.9%, whereas in 2012 the corresponding rate decreased to 8.1%. In line with trends, a further decrease in unemployment rate is expected during the 2014-2017 period when it will be on average close to 5.3%.
- **Inflation** in 2011 stood at 3.1%. Following 2012, the CPI is expected to stabilize close to 2% up to 2017.
- The **personal disposable income** is anticipated to grow at a 2.8% CAGR between 2012 and 2017.

Canada

- Canada is certainly rich in resources from energy commodities to minerals but its economy is actually service based.
- High levels of household debt are a concern with tighter prudential regulation aimed at reducing the availability of credit. Households are expected to reduce their debt – to – income ratios. However, the deleveraging process will take time and it will act as a drag on consumer spending.
- **GDP growth** stood at 2.5% in 2011 and is expected to reduce to a rate of 1.6% in 2013 . During the 2014 - 2017 period, the country is expected to achieve a more stable GDP growth of approximately 2.8%.
- **Unemployment rate** in 2011 reached 7.5%, whereas in 2012 the corresponding rate decreased to 7.3%. In line with trends, a further decrease in unemployment rate is expected during the 2014-2017 period when it will be on average close to 6.7%.
- **Inflation** in 2011 stood at 2.9%. After 2012, the CPI is expected to stabilize close to 2.2% up to 2017.
- The **personal disposable income** is anticipated to grow at a 2.1% CAGR between 2012 and 2017.







2.2. Market Analysis

The Jewelry and Accessories markets have been significantly affected by the deterioration of the macroeconomic environment and are expected to move in line with the evolution of the macroeconomic factors that were presented in the previous section. This section presents the major competitors of Links and the positioning of the Company within the market.

Market Competitors

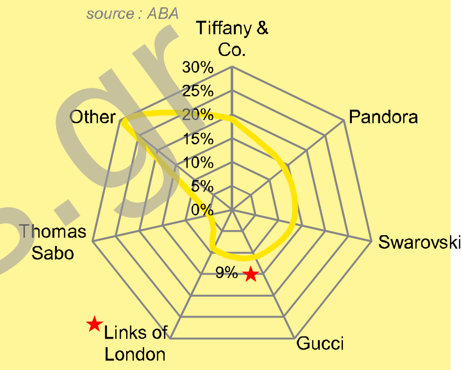
- Links' Market Competitors are companies like Pandora, Thomas Sabo, Swarovski and Tiffany.
- **Pandora** designs, manufactures and markets hand-finished and modern jewelry made from genuine materials at affordable prices. Its jewelry is sold in more than 70 countries through approximately 10,200 POS. Products offered include charms, bracelets, rings, earrings, necklaces and watches.
- **Thomas Sabo** engages in the jewelry, watches and beauty segment, the company is present in 66 countries with around 126 stand-alone shops and 102 shop-in-shops. The list of metropolitan centers with their own shops ranges from Berlin via Stockholm, Paris, London, Los Angeles, Toronto, Hong Kong to Sydney.
- **Swarovski**'s products are sold in approx. 170 countries. Swarovski designs, manufactures, and globally markets jewelry and high-quality crystal, genuine gemstones, created stones and finished products such as accessories, and lighting solutions. The company sells through a network of 2,350 stores worldwide (1,250 owned by Swarovski and 1,100 in concessions). The items offered by Swarovski include jewelry, beads, charms, watches and other fashion accessories along with figurines and home accessories.
- **Tiffany & Co.** is retailer focused on fine jewelry (c. 87% of sales). It also sells timepieces, sterling silverware, china, crystal, stationery, fragrances and accessories. The company sells through a network of directly-operated stores (220 stores worldwide on 31 Jan 2010), but also through business-to-business, Internet, catalogue and wholesale operations. The Americas account for 52% of total sales, while 35% come from Asia- Pac and 13% from Europe/rest of world.

Brand Awareness

- According to the ABA research, Pandora, Swarovski and Tiffany's are more readily recalled by people when asked for a jewelry company. Qualitatively some customers are unaware of the Links of London brand (46% of women – 35% of men).
- Links' average customer is a 38 year old female person with a higher managerial work position. Bracelets and charms are by far the most shopped –for items as the Sweetie range has dominated the market as a charm bracelet. Approximately 57% of the customers were looking for bracelets and 41% of them were seeking for charms also.
- For Links, store experience is a strength as 63% of female shoppers choose the stores because of their modern feel (video screens, funky decoration). Also the racetrack layout helps the customer navigate easily. Moreover, velvet pillows give the feeling of quality and care.

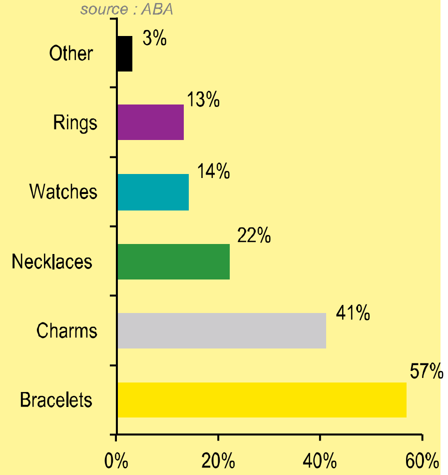
Brand Recognition

source : ABA



Products mostly sought for

source : ABA



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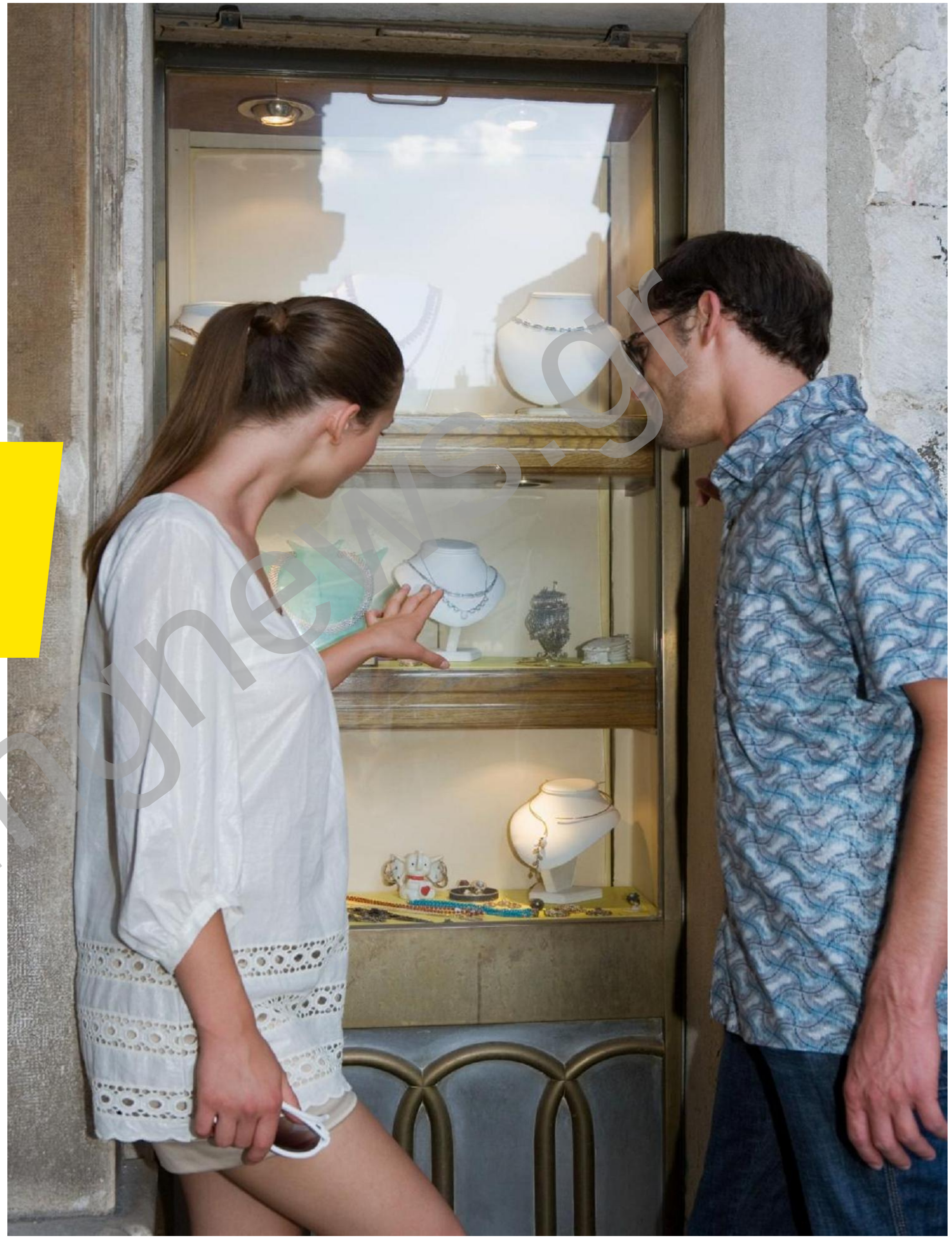
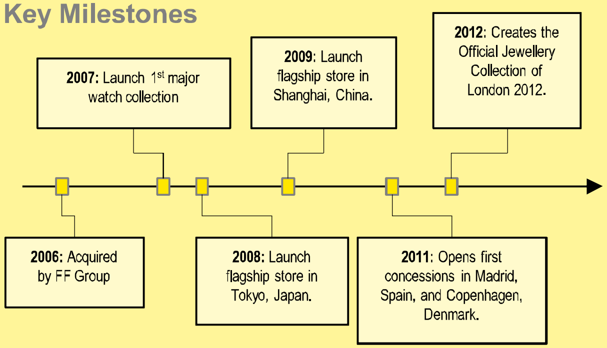
3. Links of London Limited

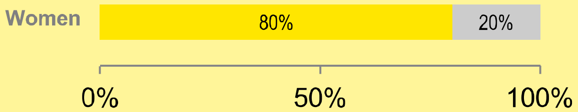


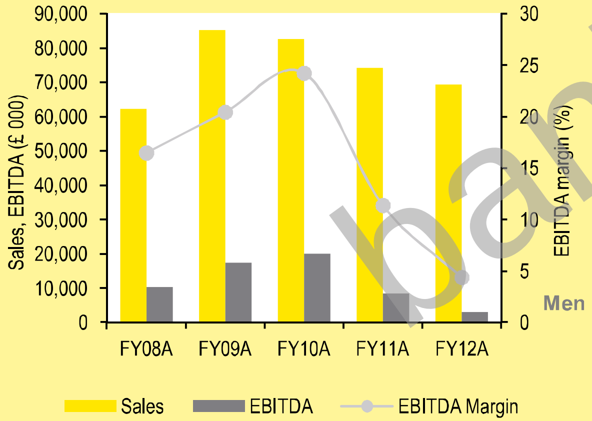
3.1. Company Overview

Key Milestones



Customer Mix





- Links of London Limited was founded in 1990 and over the last twenty years has grown significantly across the globe. FF Group acquired a 100% stake in the Company in 2006 through its 100% owned subsidiary Hellenic Distributions S.A.
- The Company operates Links and Folli Follie stores in the regions of UK and Ireland as well as in USA and Canada through its 100% subsidiary Links of London Inc.
- Links of London currently operates 59 stand alone stores and 49 concessions (comprising both Links and FF POS) within the Company's network, all of them in prestigious locations. Some of the significant locations are in London, New York, Tokyo, Shanghai, Athens and Hong Kong. Links of London stores are also located within London Heathrow, Hong Kong International Airport and have in-flight sales with British Airways, Cathay Pacific, emirates.
- Its product range includes women's jewelry (bracelets, necklaces, charms, earrings etc), men's jewelry (cufflinks, necklaces, rings etc), watches for both male and female customers and also lifestyle jewelry products.
- The Company products' target to people of 20-60 years old, who are fashion aware and appreciate luxurious services along with quality at accessible prices.
- Approximately 80% of the Company's customers are women. However, the women-men proportion is varying depending on the type of jewel accessory bought.
- Links has been established in the jewelry market as a brand synonymous to charm bracelets. Their jewelry is high in quality but affordable. The Sweetie bracelet is a more personal gift type of jewelry as it can be customized by adding pieces of your preference.
- The Company has experienced a reduction in sales from £85.1m in FY09A to £69.3m in FY12A, which as per Management is attributed to the entrance of Pandora, a competitor offering low-priced charms and the absence of updates in the Company's product portfolio. The Management has renewed the Commercial department of the Company and aims at revitalizing the product portfolio which in conjunction with new commercial agreements with wholesalers will drive future growth.

3.2. Historic Financial Statements - Income Statement

- Links' income statement for FY11A and FY12A is shown in the table on the right. Links' sales comprise of **Retail**, **Web** and **Wholesale** revenues. Total revenues decreased by 6.7% y-o-y from £74.3m in FY11A to £69.3m in FY12A mainly due to falling retail and wholesale driven by the challenging macroeconomic environment. In particular, retail and wholesale revenues fell by 3.8% and 28.5% y-o-y in FY12A.

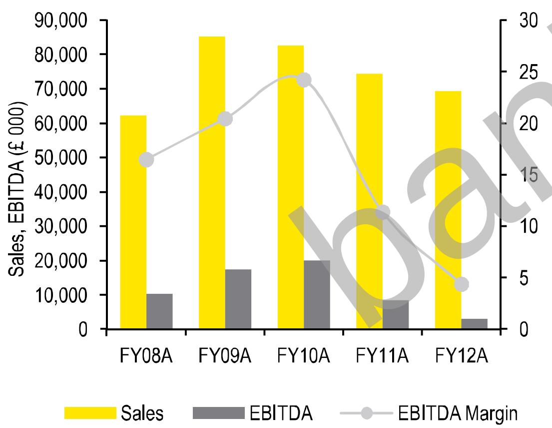
- Gross margin deteriorated by nearly 100bps from 67.9% in FY11A to 66.9% in FY12A mainly due to increasing retail COS as a % of revenues.

- In terms of EBITDA, EBITDA margin declined from 9.9% in FY11A to 2.6% in FY12A on the back of higher payroll and occupancy costs* as a % of sales.

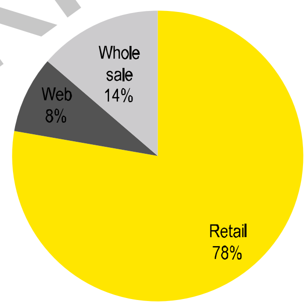
- The Company reported net losses of £3.2m in FY12A from income of £2.8m in FY11A driven by the decrease in both sales and EBITDA margin.

*Occupancy cost include rents, rates, insurance, service charges, heat & electricity, cleaning & repairs/ renewals.

Sales, EBITDA, EBITDA margin evolution



Revenue Breakdown (FY12A)



Income Statement (FY11A-FY12A)

Currency: £ 000	FY11A	FY12A
Retail	56,023	53,898
Web	4,970	5,904
Wholesale	13,308	9,515
Total sales	**74,301**	**69,318**
Retail	(14,946)	(15,131)
Web	(1,714)	(2,404)
Wholesale	(7,205)	(5,428)
Suppliers additional discounts	-	-
Total COS	(23,865)	(22,963)
Gross Profit	**50,436**	**46,355**
Payroll		(12,460)
Occupancy		(17,451
Other costs		(1,987)
Central costs		(11,415)
Total operating expenses	(41,967)	(43,314)
EBITDA	**8,469**	**3,041**
Depreciation	(3,646)	(3,970)
EBIT	**4,822**	**(929)**
Finance Income / (Expense)	(452)	(792)
EBT	**4,370**	**(1,721)**
Tax expense	(1,584)	(1,454)
Net income / (losses)	**2,786**	**(3,175)**
KPIs		
Gross profit margin (%)	*67.9*	*66.9*
EBITDA margin (%)	*9.9*	*4.4*
Net income margin (%)	*3.7*	*(4.6)*

Source: Management Information

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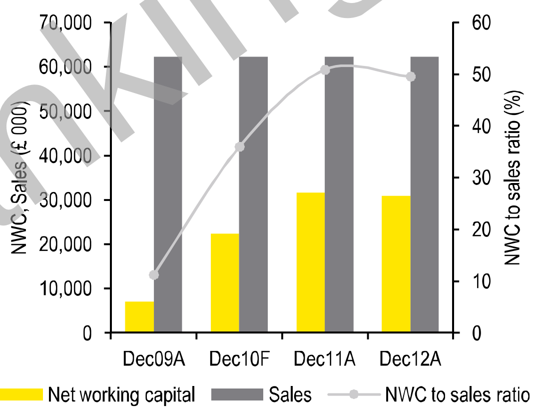
3.2. Historic Financial Statements - Balance Sheet

- Links of London's balance sheet for FY11 and FY12A is shown in the table on the right.
- Tangible assets declined by 12.9% from £12.8m as of Dec11A to £11.2m as of Dec12A as investments in fixed assets fell below depreciation levels.
- Although net working capital declined by c. £0.8m y-o-y at £30.9m as of Dec12A, CCC more than doubled from 123 days as of Dec11A to 347 days as of Dec12A driven mainly by the increase in DIO that were only partly offset by the increase in DPO.
- The Company reduced its intragroup debt obligation by nearly £1m as of Dec12A replacing part of this with short-term debt.
- The cash decreased by c. £1.1m from £2.6m as of Dec11A to £1.5m as of Dec12A. Thus, the resulting net debt has slightly increased from £7.4m as of Dec11A to £8.1m as of Dec12A.

Net Working Capital (Dec11A-Dec12A)

Currency: £ 000	Dec11A	Dec12A
Inventory	17,304	20,100
Trade and other Receivables	34,762	38,463
Trade and other Payables	18,342	24,196
Tax and other Payables	2,053	3,505
Net working capital	**31,671**	**30,863**
DIO	265	319
DSO	171	203
DPO	312	175
CCC	**123**	**347**

Net Working Capital evolution



Balance Sheet (Dec11A-Dec12A)

Currency: £ 000	Dec11A	Dec12A
ASSETS		
Tangible assets	12,820	11,161
Intangible assets	26	23
Total Non-current assets	*12,845*	*11,184*
Inventory	17,304	20,100
Trade and other Receivables	34,762	38,463
Cash and cash equivalents	2,630	1,499
Total Current assets	*54,696*	*60,063*
Total assets	**67,541**	**71,246**
EQUITY & LIABILITIES		
Share capital	(6,434)	(6,401)
Other reserves	295	251
Retained earnings	(30,939)	(27,765)
Total Equity	**(37,078)**	**(33,915)**
Long term debt from parent company	(4,130)	(3,054)
Total Non-current liabilities	*(4,130)*	*(3,054)*
Short-term debt	(5,938)	(6,577)
Trade and other Payables	(18,342)	(24,196)
Tax and other Payables	(2,053)	(3,505)
Total Current liabilities	*(26,333)*	*(34,278)*
Total liabilities	(30,463)	(37,332)
Total equity & liabilities	**(67,541)**	**(71,246)**

Source: Management Information

3.3. Business Plan - Overview

- Management expects total sales to grow at a 11.9% CAGR (Compounded Annual Growth Rate) between FY12A and FY17F mainly driven by increasing Web and Wholesale revenues.
- Gross profit margin is anticipated to remain relatively constant over the forecast period with minor changes caused from the change in sales mix.
- Payroll costs are expected to grow at a 4.3% CAGR between FY12A and FY17F mainly driven by the new POS additions. Payroll to retail sales ratio though, will fall from 23.1% in FY12A to 18.6% in FY17F, as Retail revenues grow at a higher CAGR (8.9%) compared to payroll costs over the same period. We note that we have not been provided with the POS headcount.
- Occupancy costs are expected to grow at a 6.8% CAGR between FY12A and FY17F mainly driven by the POS network expansion.
- Central costs and other costs excluding depreciation are expected to grow at a 7.3% and 23.9% CAGR between FY12A and FY17F on the back of higher marketing expenses and recharges to other affiliate companies that occurred in FY12A; thus, reducing respective costs.
- EBITDA margin will move upward throughout the projected period and will amount just below 17% in FY17F mainly due to positive operating leverage.

Income Statement (FY12A-FY17F)

Currency: £ 000	FY12A	FY13F	FY14F	FY15F	FY16F	FY17F
Retail	53,898	58,921	66,468	72,594	77,873	82,594
Web	5,904	8,621	10,653	12,616	14,282	15,470
Wholesale	9,515	12,994	15,153	17,993	20,773	23,377
Total sales	**69,318**	**80,536**	**92,273**	**103,203**	**112,928**	**121,440**
Retail	(15,131)	(18,332)	(20,341)	(22,102)	(23,605)	(24,997)
Web	(2,404)	(3,009)	(3,290)	(3,872)	(4,354)	(4,683)
Wholesale	(5,428)	(6,433)	(7,501)	(8,817)	(10,117)	(11,346)
Suppliers additional discounts	-	1,700	1,700	1,700	1,700	1,700
Total COS	(22,963)	(26,074)	(29,432)	(33,090)	(36,376)	(39,326)
Gross Profit	**46,355**	**54,462**	**62,841**	**70,113**	**76,552**	**82,114**
Payroll	(12,460)	(13,200)	(14,100)	(14,700)	(15,100)	(15,400)
Occupancy	(17,451)	(18,800)	(20,600)	(22,100)	(23,400)	(24,300)
Other costs	(1,987)	(4,626)	(5,074)	(5,338)	(5,677)	(5,801)
Central costs	(11,415)	(13,878)	(14,498)	(15,046)	(15,641)	(16,217)
Total operating expenses	(43,314)	(50,504)	(54,273)	(57,184)	(59,819)	(61,718)
EBITDA	**3,041**	**3,958**	**8,568**	**12,928**	**16,733**	**20,396**
Depreciation	(3,970)	(3,420)	(3,424)	(2,418)	(1,131)	(1,401)
EBIT	**(929)**	**538**	**5,144**	**10,511**	**15,602**	**18,995**
Finance Income / (Expense)	(792)	(156)	58	103	215	421
EBT	**(1,721)**	**382**	**5,202**	**10,614**	**15,817**	**19,417**
Tax expense	(1,454)	(88)	(1,144)	(2,335)	(3,480)	(4,272)
Net income / (losses)	**(3,175)**	**294**	**4,058**	**8,279**	**12,337**	**15,145**
KPIs						
Gross profit margin (%)	*66.9*	*67.6*	*68.1*	*67.9*	*67.8*	*67.6*
EBITDA margin (%)	*4.4*	*4.9*	*9.3*	*12.5*	*14.8*	*16.8*
Net income margin (%)	*(4.6)*	*0.4*	*4.4*	*8.0*	*10.9*	*12.5*

Source: Management Information, EY Analysis

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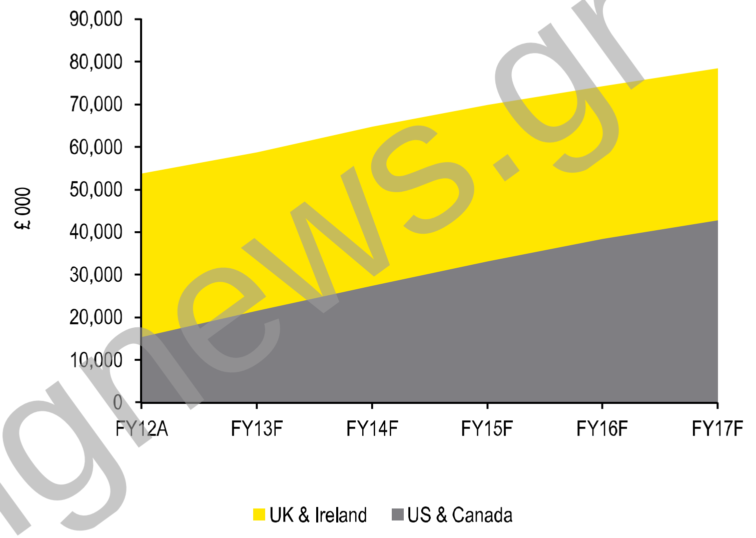
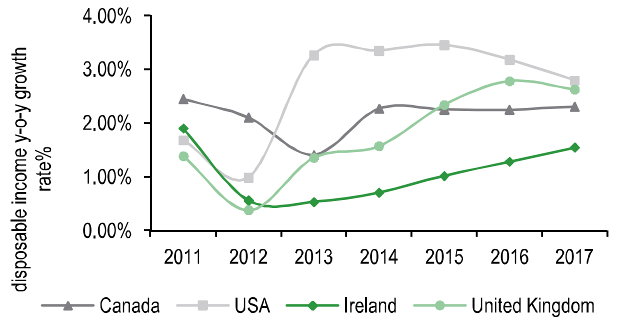
3.3. Business Plan - Revenue Assumptions

- The graph on the right presents the breakdown of Link's revenues per region. UK & Ireland revenues accounted for c. 78% of Links' total sales in FY12A, whilst the remaining came from US & Canada markets.
- Over the projected period, US & Canada contribution is expected to gradually rise amounting to c. 35% in FY17F. This is mainly attributed to improvement of US & Canada Web sales, new accounts (related to wholesale division) and higher growth rates of disposable income for the above countries compared to UK & Ireland.
- In particular, US & Canada revenues are expected to grow at a 22.7% CAGR between FY12A and FY17F vs. UK & Ireland of 7.8% CAGR over the same period.
- However, both of the aforementioned assumptions seem to exceed the independent research analysts' forecasts. In particular, Oxford Economics estimates that disposable income will increase at a 1.7% CAGR in UK, 0.8% in Ireland, 2.8% in US and 2.1% in Canada between FY12A and FY17F.

Revenue Breakdown per Region (FY12A-FY17F)



UK, US, Canada & Ireland disposable income y-o-y growth rates



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3.3. Business Plan - Revenue Assumptions

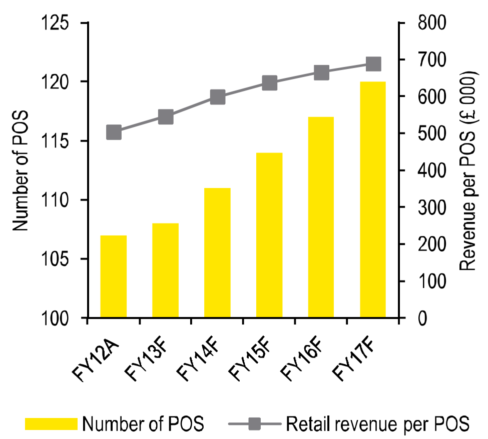
- The adjacent table presents the breakdown of Link's revenues per distribution channel. Retail revenues accounted for c. 78% of Links' total sales in FY12A, whilst the remaining came from Web and Wholesale channels.
- Over the projected period, though, Web and Wholesale channels are expected to post significant growth. In particular, Web revenues are anticipated to rise at a 21.2% CAGR between FY12A and FY17F mainly on the back of increasing traffic and conversion rate (i.e. ratio of visitors that become customers). The Company's presence on E-bay is also expected to boost Web revenues over the projected period.
- Wholesale revenues are expected to reverse their downward trend and increase at a 19.7% CAGR for the same period through new accounts, facilitated also by FF group into signing new corporate contracts. In fact, FF Group has already signed an agreement with Ernest Jones, the 2nd largest jewelry chain in UK, whilst Links has recently reorganized its Commercial Division.
- Retail revenues are also seen to grow at a 8.9% CAGR for the same period due to launches of new products, the increase in POS by 3 per annum from FY14F onwards and the anticipated improvement in macroeconomic environment.
- As a result, retail revenue per POS is expected to rebound at £546k in FY13F from £504k in FY12A and gradually increase at around £688k in FY17F pointing at a 6.4% CAGR over the forecast period.
- However, the above assumptions seem to exceed independent research analysts' forecasts, as mentioned above, and current trading (6m13A vs. budget). We note, though, that the Management seems confident that the Company will meet its second semester's target, as further analyzed below.

Revenue Breakdown per type (FY12A-FY17F)

Currency: £ 000	FY12A	FY13F	FY14F	FY15F	FY16F	FY17F
Retail	53,898	58,921	66,468	72,594	77,873	82,594
% y-o-y change	*-3.8%*	*9.3%*	*12.8%*	*9.2%*	*7.3%*	*6.1%*
Web	5,904	8,621	10,653	12,616	14,282	15,470
% y-o-y change	*18.8%*	*46.0%*	*23.6%*	*18.4%*	*13.2%*	*8.3%*
Wholesale	9,515	12,994	15,153	17,993	20,773	23,377
% y-o-y change	*-28.5%*	*36.6%*	*16.6%*	*18.7%*	*15.4%*	*12.5%*
Total sales	**69,318**	**80,536**	**92,273**	**103,203**	**112,928**	**121,440**
% y-o-y change	*-6.7%*	*16.2%*	*14.6%*	*11.8%*	*9.4%*	*7.5%*
Number of POS	107	108	111	114	117	120
Retail revenue per POS	**504**	**546**	**599**	**637**	**666**	**688**
% y-o-y change	*-28.1%*	*8.3%*	*9.8%*	*6.3%*	*4.5%*	*3.4%*

Source: Management Information, EY Analysis

Retail revenue per POS & number of POS evolution



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3.3. Business Plan - Gross Margin Assumptions

- The adjacent graph and table present the gross margins per distribution channel. Post FY13F, Retail and Web gross margin converge towards to c. 70%.
- On the other hand, Wholesale gross margin improves significantly in FY13F, increasing from 43% in FY12A to 50% in FY13F mainly on the back of positive operating leverage (as fixed costs remain stable despite the revenue growth) and remaining relatively constant from FY14F thereon.
- We note that the business plan incorporates nearly £1.7m from suppliers additional discounts per annum that contribute positively to the Company's gross profit from FY13F onwards.
- Overall, Links' gross margin is expected to slightly increase to 68% in FY13F from 67% in FY12A mainly driven by the improvement in Web and Wholesale gross margins that will be partly offset by the deterioration in Retail gross margin.

Gross Margin per type (FY12A-FY17F)

Gross Margin per type (FY12A-FY17F)

Currency: £'000	FY12A	FY13F	FY14F	FY15F	FY16F	FY17F
Sales						
Retail	53,898	58,921	66,468	72,594	77,873	82,594
Web	5,904	8,621	10,653	12,616	14,282	15,470
Wholesale	9,515	12,994	15,153	17,993	20,773	23,377
Total sales	**69,318**	**80,536**	**92,273**	**103,203**	**112,928**	**121,440**
Gross profit						
Retail	38,767	40,589	46,126	50,492	54,268	57,596
Web	3,500	5,612	7,363	8,744	9,928	10,787
Wholesale	4,087	6,561	7,652	9,177	10,656	12,031
Suppliers additional discounts	-	1,700	1,700	1,700	1,700	1,700
Total gross profit	**46,355**	**54,462**	**62,841**	**70,113**	**76,552**	**82,114**
Gross margin (%)						
Retail (%)	72	69	69	70	70	70
Web (%)	59	65	69	69	70	70
Wholesale (%)	43	50	50	51	51	51
Total gross margin (%)	**67**	**68**	**68**	**68**	**68**	**68**

Source: Management Information, EY Analysis

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3.3. Business Plan - Operating Expenses

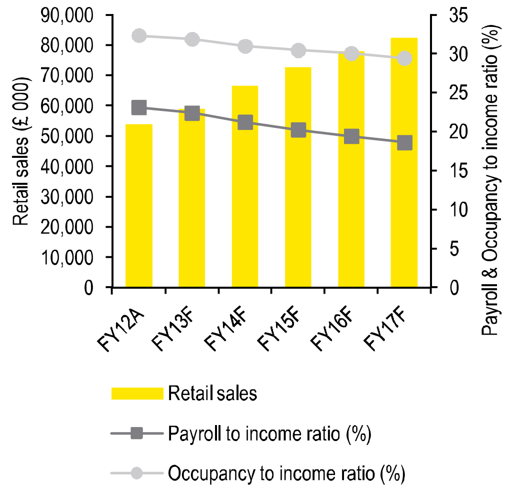
- Occupancy costs mainly comprise rents, rates, insurance fees, service charges, heat & electricity expenses, cleaning & repairs and renewals.
- Occupancy costs are expected to increase at a 6.8% CAGR between FY12A and FY17F mainly due to new POS additions post FY13F. As a result, occupancy costs per POS will rise from £163k in FY12A to £203k in FY17F pointing at a 4.4% CAGR over the forecast period.
- However, occupancy to retail sales ratio is expected to decrease from 32.4% in FY12A to 29.4% in FY17F, as Retail revenues are expected to grow at a higher CAGR (8.9%) compared to occupancy costs over the same period.
- Payroll costs mainly include wages & salaries, social pension contribution, redundancies and other staff costs. We were not provided with an analysis of payroll costs per nature, neither per function.
- Payroll costs are expected to increase at a 4.3% CAGR between FY12A and FY17F mainly due to new POS additions post FY13F. As a result, payroll costs per POS will slightly rise from £116k in FY12A to £128k in FY17F, in-line with anticipated inflation rate.
- Payroll to retail sales ratio is expected to decline from 23.1% in FY12A to 18.6% in FY17F, as Retail revenues grow at a higher CAGR (8.9%) compared to payroll costs over the same period.

Occupancy & Payroll costs (FY12A-FY17F)

Currency: £ 000	FY12A	FY13F	FY14F	FY15F	FY16F	FY17F
Payroll	12,460	13,200	14,100	14,700	15,100	15,400
% y-o-y change	*na*	*5.9%*	*6.8%*	*4.3%*	*2.7%*	*2.0%*
Occupancy	17,451	18,800	20,600	22,100	23,400	24,300
% y-o-y change	*na*	*7.7%*	*9.6%*	*7.3%*	*5.9%*	*3.8%*
Retail sales	53,898	58,921	66,468	72,594	77,873	82,594
Payroll to income ratio (%)*	23.1	22.4	21.2	20.2	19.4	18.6
Payroll per POS	116	122	127	129	129	128
Occupancy to income ratio (%)*	32.4	31.9	31.0	30.4	30.0	29.4
Occupancy per POS	163	174	186	194	200	203

Source: Management Information, EY Analysis
*Income relates to Retail sales

Occupancy & Payroll costs (FY12A-FY17F)



3.3. **Business Plan** - Operating Expenses

- The tables on the right present the breakdown of central and other costs over the forecast period. We note that the above costs do not include depreciation.
- Central costs mainly comprise staff costs, marketing expenses, property expenditures, selling expenses and legal & professional fees.
- Central costs are expected to increase at a 7.3% CAGR between FY12A and FY17F mainly due to increasing marketing costs, as the Company targets to enhance its market position, and no recharge part of central costs to other affiliates. We note that, in FY12A, the Company recharged c. £4.5m central costs to other companies of FF Group that reduced the total amount.
- Other costs mainly include selling expenses, marketing costs, administrative expenses and IT costs.
- Other costs are expected to increase at a 23.9% CAGR between FY12A and FY17F mainly due to increasing marketing costs, and no recharge part of central costs to other affiliates. We note that, in FY12A, the Company recharged c. £2.8m other costs to other companies of FF Group.

Central & Other costs breakdown (FY12A-FY17F)

Currency: £ 000	**FY12A**	**FY13F**	**FY14F**	**FY15F**	**FY16F**	**FY17F**
Staff Costs	7,533	6,896	7,204	7,476	7,772	8,058
Property	1,051	1,471	1,536	1,594	1,657	1,718
Selling Expenses	1,851	1,441	1,505	1,562	1,624	1,684
Marketing Costs	2,943	2,992	3,126	3,244	3,372	3,496
Product Costs	51	78	81	84	87	91
Administrative Expenses	458	388	406	421	438	454
IT Costs	546	290	303	315	327	339
Legal & Professional	1,314	323	338	350	364	378
Exchange Loss/(Gain)	148	-	-	-	-	-
Recharges	(4,479)					
Total Central costs	**11,415**	**13,878**	**14,498**	**15,046**	**15,641**	**16,217**

Source: Management Information, EY Analysis

Currency: £ 000	**FY12A**	**FY13F**	**FY14F**	**FY15F**	**FY16F**	**FY17F**
Selling Expenses	1,633	1,350	1,481	1,558	1,657	1,693
Marketing Costs	1,426	1,893	2,076	2,184	2,323	2,374
Product Costs	10	-	-	-	-	-
Administrative Expenses	565	923	1,012	1,065	1,132	1,157
IT Costs	259	428	469	493	525	536
Legal & Professional	868	33	36	38	40	41
Exchange Loss/(Gain)	31	-	-	-	-	-
Recharges	(2,805)					
Total Other costs	**1,987**	**4,626**	**5,074**	**5,338**	**5,677**	**5,801**

Source: Management Information, EY Analysis

3.3. Business Plan - Working Capital Assumptions

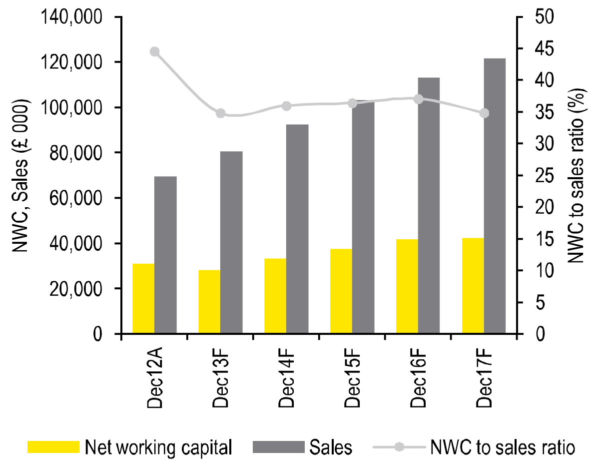
- The adjacent table presents the net working capital and Cash Conversion Cycle (CCC) evolution over the forecast period, whilst the net working capital to sales ratio evolution is shown on the graph.
- Net working capital is expected to decline by 18% y-o-y at £25.3m as of Dec13F from £30.9m as of Dec12A, as CCC will fall from 347 days as of Dec12A to 287 days as of Dec13F driven mainly by the decrease in DIO and DSO that were only partly offset by the decrease in DPO. As per Management, The movements in trade receivables and trade payables between FY12A and FY13F mainly relates to intragroup collections and payments.
- Post FY13F, the business plan assumes limited fluctuations in CCC, as DIO, DSO and DPO remain relatively constant.
- Overall, net working capital will decline from £30.9m as of Dec12A to £28.9m as of Dec17F due to the decrease in CCC from 347 days as of Dec12A to 260 days as of Dec17F.

Net Working Capital (Dec12A-Dec17F)

Currency: £ 000	Dec12A	Dec13F	Dec14F	Dec15F	Dec16F	Dec17F
Inventory	20,100	16,511	16,683	17,421	17,401	17,313
Trade and other Receivables	38,463	29,736	31,168	31,844	32,243	31,480
Trade and other Payables	24,196	18,104	17,856	17,510	16,510	16,395
Tax and other Payables	3,505	2,840	2,057	2,736	3,068	3,488
Net working capital	**30,863**	**25,303**	**27,937**	**29,019**	**30,065**	**28,909**
DIO	319	262	252	253	246	238
DSO	203	151	148	145	142	135
DPO	175	126	118	117	112	114
CCC	**347**	**287**	**282**	**281**	**276**	**260**

Source: Management Information, EY Analysis

Net Working Capital to sales ratio evolution



3.3. Business Plan - CapEx Assumptions

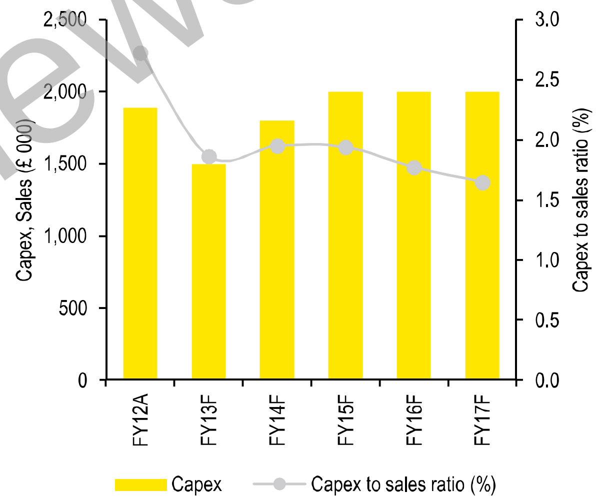
- The adjacent table presents the capex and capex to sales ratio evolution over the forecast period. We note that the business plan assumes 3 POS additions per annum post FY13F.
- The business plan assumes that Links' capex will be around £1.5m in FY13F, implying a capex to sales ratio of 1.9%. From FY14F onwards, the Company targets to open 3 new POS per annum that will lead to capex of nearly £1.8 - £2m. As a result, capex to sales ratio will range between 1.6% and 2% from FY14F thereon.
- The amount of capex incorporated in the business plan seems reasonable, as Links' capex to sales ratio is broadly in-line with the respective of our peer group.

Capex (FY12A-FY17F)

Currency: £ 000	FY12A	FY13F	FY14F	FY15F	FY16F	FY17F
Capex	1,887	1,500	1,800	2,000	2,000	2,000
Sales	69,318	80,536	92,273	103,203	112,928	121,440
Capex to sales ratio (%)	2.7	1.9	2.0	1.9	1.8	1.6

Source: Management Information, EY Analysis

Capex & capex to sales ratio evolution



4. Assessment

4.1 Business Plan Risk Assessment

4.1. Business Plan Risk Assessment

The following table presents a comparison between 6m13A and 6m13B results as a means of assessing the achievability of FY13F projections incorporated in the Management's business plan.

Actual 6m13A results vs. budget 6m13B

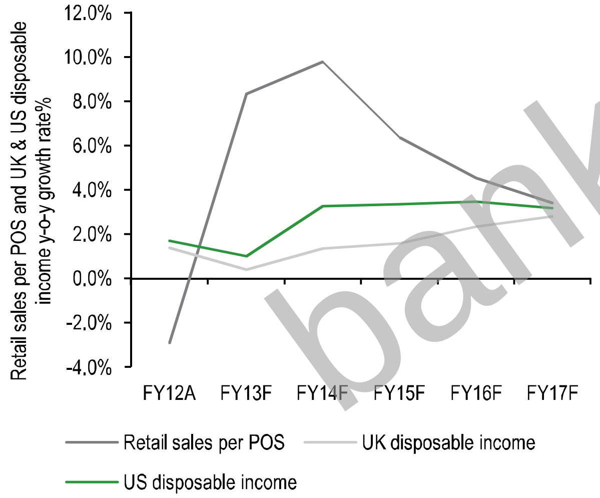
Currency: £ 000	6m13A	6m13B	Δ (£ 000)	Δ (%)
Retail	20,391	24,023	*(3,632)*	*(15.1)*
Web	2,506	3,271	*(764)*	*(23.4)*
Wholesale	3,690	5,104	*(1,413)*	*(27.7)*
Total sales	**26,587**	**32,397**	***(5,810)***	***(17.9)***
COS	(9,070)	(10,394)	*1,324*	*(12.7)*
Gross profit	17,517	22,003	*(4,486)*	*(20.4)*
Gross margin (%)	*65.9*	*67.9*		
Payroll	(5,966)	(6,403)	*437*	*(6.8)*
Occupancy	(7,998)	(8,671)	*673*	*(7.8)*
Other costs	(3,207)	(3,329)	*122*	*(3.7)*
Central costs	(7,485)	(7,333)	*(152)*	*2.1*
Total operating expenses	(24,656)	(25,736)	*1,080*	*(4.2)*
Depreciation adjustment	1,904	1,781	*123*	*6.9*
EBITDA	**(5,235)**	**(1,952)**	***(3,283)***	***168.2***
Depreciation	(1,904)	(1,781)	*(123)*	*6.9*
EBIT	**(7,139)**	**(3,733)**	***(3,405)***	***91.2***
Finance Income / (Expense)	(295)	(300)	*5*	*(1.7)*
EBT	(7,434)	(4,033)	*(3,400)*	*84.3*
Tax expense	(5)	-	*(5)*	*na*
Net income / (losses)	**(7,439)**	**(4,033)**	***(3,405)***	***84.4***

Source: Management Information, EY Analysis

- **Sales:** Total sales were down 9.3% y-o-y at £26.6m in 6m13A and 17.9% below budgeted, as all sales categories missed the six-month targets. In particular, Retail sales came 15.1% below budgeted, Web sales 23.4% and Wholesale revenues 27.7%. We note that the business plan assumes revenue growth of 16.2% y-o-y in FY13F.
- **COS:** Cost of sales came also below budgeted (12.7%) in 6m13A mainly due to lower than expected revenues. As the decrease in COS was lower than the reduction in revenues, gross margin came at 65.9% vs. 67.9% anticipated .
- **OPEX:** Operating costs came nearly £1.1m or 4.2% below budgeted mainly driven by lower payroll and occupancy expenses that were only partly offset by slightly higher central costs.
- **EBITDA:** As a result, EBITDA came £3.3m below budgeted at negative £5.2m in 6m13A vs. negative £2m projected by the budget mainly driven by lower revenues. In the same manner, EBITDA margin came negative at 19.7% vs. negative 6% budgeted.
- **Net losses:** Net losses came at £7.4m in 6m13A vs. £4m budgeted, as the negative surprise in EBITDA came down in total to net losses.
- The Management seems confident that Links will meet its second semester's targets. This will be achieved through launches of new products, particularly in women jewellery category, improvement of product mix (increasing watches sales), opening of one new outlet and new wholesale accounts (Ernest Jones will now list FF products).
- As the Company missed its first semester's target, combined with higher revenue growth incorporated in the business plan compared to UK and US disposable income growth rates over the forecast period, we have developed alternative scenarios assuming a more conservative growth in each sales category, as presented in the following page.

4.1. Business Plan Risk Assessment

Risk areas	Probability	Reasons
Projected FY13F sales	High	Significant deviations are noted between 6m13A and 6m13B sales
Evolution of retail sales	High	Based on independent reports the evolution of disposable income is expected at lower levels than the expected growth in sales per POS
Evolution of wholesale	Low	Based on our discussion with Management wholesale revenue projections are based on contracts currently in place



Uncertainty on key operational parameters

We understand that Links of London has recently reorganized its wholesale division and is in the process of revitalising its product portfolio by launching new products in the second semester of FY13. However, we noted significant deviations between 6m13A and 6m13B results, while the business plan incorporates growth rates that exceed the expectations of independent research analysts (Oxford Economics).

In order to assess the specific risk premium that would be appropriate for addressing the risks incorporated in the Management's projections we have adjusted/stressed the Management base case scenario assumptions so as to take into consideration the impact of an unfavourable variation on key operational parameters of the business plan on the Enterprise Value. Revenue growth of retail sales, revenue growth of web sales and revenue growth from wholesale rates have been identified as the key risky areas affecting the materialization of Management's business plan.

- **Projected FY13F sales:** Based on the comparison of first semester's actual results with budget, we consider that there is a risk of materialisation of meeting FY13F target.. However, as per Management, the second semester's target will be met through launches of new products, new wholesale accounts and the opening of one new outlet.
- **Retail sales per POS:** The assumptions of Management regarding retail sales per POS exceed the estimated evolution of disposable income in UK and US, as provided by trusted sources of information (Euromonitor). The adjacent graph presents the evolution of Links' Retail sales per POS as per business plan and disposable income in UK and US., as provided by Euromonitor.
- **Revenue growth over forecast period:** The revenue growth incorporated in the business plan (retail, wholesale and web sales) seem to outperform the estimates in terms of the macroeconomic environment and to exclude the potential response of competitors.

4.1. Business Plan Risk Assessment

Base case vs. alternative scenarios key figures

Currency: £ 000	FY12A	FY13F	FY14F	FY15F	FY16F	FY17F	CAGR FY12-17 (%)
Management scenario							
Retail	53,898	58,921	66,468	72,594	77,873	82,594	8.9
Web	5,904	8,621	10,653	12,616	14,282	15,470	21.2
Wholesale	9,515	12,994	15,153	17,993	20,773	23,377	19.7
Total sales	**69,318**	**80,536**	**92,273**	**103,203**	**112,928**	**121,440**	**11.9**
EBITDA margin (%)	4.4	4.9	9.3	12.5	14.8	16.8	
Scenario 1							
Retail	53,898	55,289	62,370	68,119	73,073	77,502	7.5
Web	5,904	7,856	9,708	11,497	13,016	14,098	19.0
Wholesale	9,515	11,581	13,505	16,036	18,513	20,834	17.0
Total sales	**69,318**	**74,726**	**85,583**	**95,652**	**104,602**	**112,435**	**10.2**
EBITDA margin (%)	4.4	3.6	8.0	11.3	13.6	15.6	
Scenario 2							
Retail	53,898	55,688	58,451	61,224	64,096	66,988	4.4
Web	5,904	7,856	9,708	11,497	13,016	14,098	19.0
Wholesale	9,515	11,581	13,505	16,036	18,513	20,834	17.0
Total sales	**69,318**	**75,125**	**81,664**	**88,757**	**95,625**	**101,920**	**8.0**
EBITDA margin (%)	4.4	3.8	6.1	8.3	10.1	11.9	
Scenario 3							
Retail	53,898	55,688	58,451	61,224	64,096	66,988	4.4
Web	5,904	7,856	9,428	10,842	11,926	12,522	16.2
Wholesale	9,515	11,581	13,318	14,650	16,115	16,921	12.2
Total sales	**69,318**	**75,125**	**81,197**	**86,716**	**92,137**	**96,431**	**6.8**
EBITDA margin (%)	4.4	3.8	5.9	7.6	9.1	10.4	

Source: Management Information, EY Analysis

Alternative scenarios

As already mentioned, we have addressed the aforementioned risk areas by developing alternative scenarios so as to assess the specific risk premium that would be appropriate for the potential risks incorporated in the Management's projections. In this context, we developed the following scenarios:

- **Scenario 1:** We assume that the Company will meet its second semester's budget, but will not able to offset the miss evidenced in the first semester. Post FY13F, the revenue growth is in-line with the growth rate incorporated in the business plan.
- **Scenario 2:** We assume that the Company will meet its second semester's budget, but will not able to offset the miss evidenced in the first semester. Post FY13F, the growth in retail sales per POS will be in-line with Euromonitor's weighted average growth for UK and US disposable income. Web and Wholesale revenue will grow at the rate assumed by the Management in the business plan (base case).
- **Scenario 3:** We assume that the Company will meet its second semester's budget, but will not able to offset the miss evidenced in the first semester. Post FY13F, the growth in retail sales per POS will be in-line with Euromonitor's weighted average growth for UK and US disposable income. In addition, we assume more conservative Web and Wholesale revenue growth compared to the respective growth rates incorporated in the business plan.

4.1. Business Plan Risk Assessment

Alternative scenarios – Estimation of Specific Risk Premium

- We have applied the discounted cash flows method on each of the above mentioned scenarios so as to measure the effect on the Equity value from adverse changes in the identified risk areas. The free cash flows of each scenario were discounted at the discount rate without incorporating a specific risk premium.
- Subsequently, we applied probabilities on each scenario based on the likelihood of materialisation, as presented in the following table:

Equity value on a 100% basis (£ 000)	Management Scenario	Scenario 1	Scenario 2	Scenario 3
Indicative Probability Factors (per scenario)	15.0%	30.0%	40.0%	15.0%

Processing and analyzing the above scenarios with their respective probabilities, we estimated that the appropriate specific risk premium on the discount rate applied to the Management scenario would be **2.5%** by applying reverse engineering. The specific risk premium would address the risks associated with the launching of new products and the restructuring of the wholesales division which is expected to account for a significant part of the revenue growth.

5. Valuation

5.1 Discount Rate
5.2 Income Approach
5.3 DCF – Results
5.4 Recommended Value Range

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5.1. Discount Rate

Parameter	Comment
Risk free rate (Rf)	1 year average of 10-Year UK Sovereign Bond
Beta unlevered	Median unlevered beta of the peer group (2 year period 104 weekly observations)
Net Debt / EV	Peer group median Net Debt / EV ratio
Equity Risk Premium (ERP)	EY consensus
Country Risk Premium (CRP)	CRP of UK and USA based on Damodaran's methodology on calculating the risk premium.
Size Premium	Additional risk factor added to address the fact that peer group companies are significantly larger than Globul. Source: 2012 Ibbotson SBBI Valuation Yearbook
Cost of Equity	[Rf + βxERP +CRP + Size Premium]
Pre tax cost of debt	Peer group average
Tax rate (t)	Long-term effective tax rate of Links of London (22%)
After tax cost of debt	Pre tax cost of debt x (1-t)
Weighted Average Cost of Capital (WACC)	WACC = Cost of equity x Equity / EV + After tax cost of debt x Debt / EV

- We have considered for risk free rate, the Yield to Maturity (YTM) of the 10 Year UK Government Bond. To exclude any short term fluctuations in the risk free rates we based our calculation on the one year average yields of the annual period up to December 31, 2012 providing us with a risk free rate of **1.9%.**
- Compared to more mature markets (USA, UK, Germany etc), less developed or developing countries contain additional risks to be taken by investors. The quantification of these risks is called risk premium for the Country (Country Risk Premium, CRP). Given that the company has sales in UK and USA the Country Risk Premium has been set to **0%.**
- The market risk premium (the price for risk) is the difference between the expected rate of return on the market portfolio and the risk-free rate. Historical capital market analysis/statistics have shown that investments in shares generate between 4% and 6% higher returns than investments in low-risk debt securities. In this valuation study, we have applied a **6%** Market Risk Premium.
- The average market risk premium must be modified to reflect the specific risk structure. The Capital Asset Pricing Model accounts for the company-specific risk within the beta factor. Beta factors represent a weighting figure for the sensitivity of the company's returns compared to the trend of the entire market. They are thus a measure of volatility for the systematic risk. Beta factors of more than one reflect a higher volatility than the market average. Beta factors are ideally determined with reference to the entire equity market, since the concept of systematic and specific risk requires that individual shares are measured in relation to the market portfolio.

5.1. Discount Rate

Parameter	Comment
Risk free rate (Rf)	1 year average of 10-Year UK Sovereign Bond
Beta unlevered	Median unlevered beta of the peer group (2 year period 104 weekly observations)
Net Debt / EV	Peer group median Net Debt / EV ratio
Equity Risk Premium (ERP)	EY consensus
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Size Premium	Additional risk factor added to address the fact that peer group companies are significantly larger than Globul. Source: 2012 Ibbotson SBBI Valuation Yearbook
Cost of Equity	[Rf + βxERP +CRP + Size Premium]
Pre tax cost of debt	Peer group average
Tax rate (t)	Long-term effective tax rate of Links of London (22%)
After tax cost of debt	Pre tax cost of debt x (1-t)
Weighted Average Cost of Capital (WACC)	WACC = Cost of equity x Equity / EV + After tax cost of debt x Debt / EV

- In the calculation of the Company's WACC, the raw beta of each company of the peer group was unlevered based on the company's capital structure and then the median of the unlevered betas was re-levered based on peer group's average capital structure. The Company's beta that was derived and utilised equals to **0.83.**
- In the calculation of the required rate of return for an investment, the cost of external financing, such us the cost of long and short term debt should be added to the required rate of return. The Company's cost of debt was set equal to **6%** and was based on the peer group average.
- The discount rate used incorporates a **2.5%** specific risk premium that addresses the risks associated with the revenue growth incorporated in the business plan, as presented in the Business Plan Risk Assessment section. In addition, in the calculation of the required rate of return is incorporated a size risk premium of **3.89%** based on the 2012 Ibbotson SBBI Valuation Yearbook.

By incorporating all the aforementioned data we have concluded to a WACC of **13.0%.**

5.2. Income Approach

Formula

$$PV=\sum_{i=1}^{n}\frac{CF_i}{(1+r)^i}+\frac{CF_{n+1}}{(1+r)^n(r-g)}$$

where:

PV = present value of future cash flows
CF_i = cashflow in the i^{th} year of the forecast period
r = discount rate
n = forecast period
g = expected growth rate of the cash flows after the last year of the forecast period.

The Free Cash Flow to Firm computation can be summarized as follows:

FCFF = EBIT
– Tax on EBIT
+ Depreciation
– Capital Expenditures (CAPEX)
– /+ Increase (Decrease) in Working Capital

In applying this valuation method, we conducted a sensitivity analysis on key valuation parameters: growth in perpetuity (after the forecast period), sales growth over the explicit forecast period, weighted average cost of capital and EBITDA over the explicit forecast period.

- The Discounted Cash Flow valuation method is generally accepted as the most comprehensive valuation technique since it takes into account the unique, dynamic nature of individual businesses. The DCF Method is based on the premise that the value of an ownership interest in a company is equal to the present worth of the future benefits of ownership, i.e. the present value of future cash flows discounted at a rate which reflects the expected rate of return on an investment adjusted for potential risk is a reliable indicator for the fair market value of the object of valuation.
- The method is generally well received and rarely disputed but the main difficulty in its application comes from the uncertainty about the future development of the company under valuation, hence its forecasting and projecting.
- Estimating the cash flows which can be generated by an enterprise requires a large number of detailed assumptions concerning the future revenues and expenses of the business. These estimations include forecasts and projections regarding markets, sales volumes, prices, cost structure, organization, investments, etc. A financial forecast is based on actual conditions that the company's management expects to occur in the future based on the company's existing business plan. A projection is based on expected conditions under hypothetical assumptions.
- The estimate of cash flows is usually based on historical data about sales and expenses and on assumptions concerning sales, prices and different expense categories, as well as other developments that are expected to influence directly or indirectly the company's trading results and cash flows.

5.3. Discounted Cash Flow - Results

Valuation Inputs

- We have developed a two stage period DCF model, comprising of the following valuation parts:
  - Explicit Forecast Period: Management Projections for the period FY13F-FY17F;
  - Perpetuity: Calculation of Free Cash Flow to Perpetuity.
- The tax rate used in our analysis is the effective tax rate, which is estimated at 23% in FY13F and 22% from FY14F onwards.
- The calculation of the FCF to perpetuity was based on the last year figures of the explicit forecast period, i.e. FY17F.
  - Growth Rate to Perpetuity (GRTP): The GRTP factor incorporated, which is applied on the FY17F Revenues, is set to 2.24%, taking into account the projections for long term growth prospects of UK and US economies, in which the Company operates. We have performed a sensitivity analysis over Growth Rate to Perpetuity.
  - EBITDA Margin to Perpetuity: We have normalized the EBITDA margin to perpetuity. More specifically, we assumed a 13% EBITDA margin, which is equal to the average margin of FY15F-FY17F period.
  - Net Investment to Perpetuity: Concerning the net investment in perpetuity of the Company (Capital Expenditure - Depreciation), based on our discussions with Management, we considered it to be equal to zero, since the Company will make only the capital expenditure necessary for the replacement of its depreciated fixed assets .

Discounted Cash Flows

Currency: £ 000		FY12A	FY13F	FY14F	FY15F	FY16F	FY17F	Perpetuity
EBIT		(929)	538	4,946	10,312	15,404	18,797	13,918
Minus: TAX on EBIT		-	(118)	(1,088)	(2,269)	(3,389)	(4,135)	(3,062)
NOPAT		(929)	420	3,858	8,044	12,015	14,661	10,856
Plus: Depreciation		3,970	3,420	3,623	2,616	1,329	1,600	2,268
Minus: Capex		(1,887)	(1,500)	(1,800)	(2,000)	(2,000)	(2,000)	(2,268)
Minus: Change in Working Capital		808	3,068	(5,087)	(4,692)	(4,297)	(250)	(942)
Free cash flows to firm (FCFF)		**-**	**5,407**	**593**	**3,967**	**7,047**	**14,011**	**9,914**
Terminal value								92,061
Discount Factor		1.000	0.970	0.858	0.760	0.672	0.595	0.595
Present Value - Explicit Period	21,836		5,245	509	3,013	4,736	8,333	5,897
Present Value - Terminal Value	54,753							
Enterprise Value	76,590							
Minus : Debt as of 31/12/2012	(9,631)							
Plus : Cash as of 31/12/2012	1,499							
Equity Value ('000 GBP) - DCF	**68,457**							

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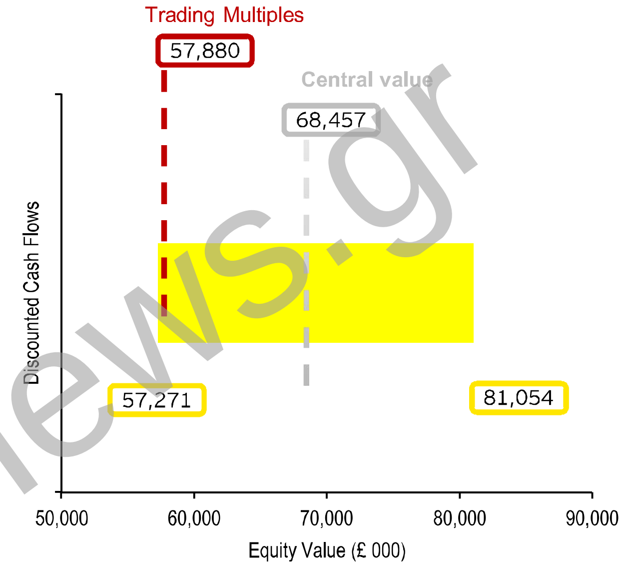
5.4. Recommended Value Range

- EY performed the valuation of the Company, based on the valuation approach and methodologies stated in the respective section in this presentation.
- Based on the income approach, the value of the equity of Links of London, on a 100% basis, ranges **between £57.3m and £81.1m**, with an indicative **central value** of **£68.5m** (based on the exchange rate as at 31/12/2012, the Equity Value ranges between €70.0m and €99.0m with an indicative **central value** of **€83.7m**). We have measured the impact of a change in Growth Rate to Perpetuity (+/-0.5%) and WACC (+/-0.5%) as well as a change in EBITDA margin to Perpetuity (+/- 1.5%). The respective results are presented in the adjacent tables.
- The Equity Value was derived by incorporating a 2.5% specific risk premium on the discount rate so as to address the risks incorporated in the Management scenario. The specific risk premium was estimated by developing alternative scenarios as presented in the section Business Plan Risk Assessment.
- We have also applied the Market Approach and more specifically the Trading Multiples method so as to assess the reasonability of the results of the Income Approach. The Trading Multiples applied are presented in **Appendix B.**
- It is noted that the results of the Market Approach stand at the lower end of the range derived through the Income Approach. This is reasonable since the Trading Multiples have been based on the stock market quotations of listed companies which do not incorporate a premium for the acquisition of a controlling stake, while the Income Approach assumes a transfer of control.



Currency: £ 000		WACC		
		12.5%	13.0%	13.5%
	2.7%	74,499	70,211	66,325
Growth to perpetuity	2.2%	72,481	68,457	64,794
	1.7%	70,651	66,859	63,394

Source: EY Analysis

Currency: £ 000		WACC		
		12.5%	13.0%	13.5%
EBITDA margin to perpetuity	14.5%	81,054	76,479	72,318
	13.0%	72,481	68,457	64,794
	11.5%	63,909	60,435	57,271

Source: EY Analysis

Appendices

Appendix A – WACC

- By definition, the Weighted Average Cost of Capital (WACC) reflects the risk of the company as a whole and the minimum return required by all fund providers. The estimated WACC is then adjusted accordingly for premiums/ discounts in order to estimate the appropriate discount rates (required returns) by assessing the extent to which the risk profile of the assets or liabilities under review vary from the overall risk profile of the company.
- The application of the income approach requires the determination of an appropriate discount rate with which future cash flows are discounted to their present value. The discount rate must reflect the time value of money and the risk associated with projected future cash flows. It is derived on the basis of the expected return on, and the price of, the best alternative use for the capital, assuming it is not invested in the asset to be valued.
- The WACC is derived by weighting the cost of equity and the cost of debt with their respective weights relative to the total market value of invested capital. For the determination of the WACC, each component was considered separately as presented in the current section. Arithmetically, the formula for calculating the WACC is:

$$WACC = \frac{E}{E+D} * Ke + \frac{D}{E+D} * Kd$$

- For the estimation of the cost of equity, the Capital Asset Pricing Model ("CAPM") was applied. Arithmetically, the formula for calculating the Cost of Equity is:

$$Ke = Rf + \beta * (Pm + CRP)$$

<u>Abbreviations:</u>

D	*debt*
E	*equity*
Ke	*cost of equity*
Kd	*after tax cost of debt*

Ke	*cost of equity*
Rf	*risk free rate*
B	*systematic risk coefficient*
Pm	*equity premium*
CRP	*country risk premium*

Appendix A – WACC

Links of London Ltd

Weighted Average Cost of Capital

Analysis as of 31 December 2012

(Amounts in millions of GBP currency)

	Identifier	Currency	Equity beta (a)	2-Yr Avg net debt (b)	2-Yr Avg market equity (c)	2-Yr Avg net debt/ market equity (c)	2-Yr Avg income tax rate	Asset beta
Christian Dior SA	ENXTPA:CDI	GBP	0.89	5,501	28,030	*19.6%*	*29.9%*	0.78
Luxottica Group SpA	BIT:LUX	GBP	0.39	1,494	10,071	*15.6%*	*35.3%*	0.35
Hermès International Société en commandite par ac	ENXTPA:RMS	GBP	0.33	-	19,557	*0.0%*	*32.1%*	0.33
Hugo Boss AG	DB:BOSS	GBP	0.86	118	3,857	*3.2%*	*23.9%*	0.84
LVMH Moet Hennessy Louis Vuitton	ENXTPA:MC	GBP	0.91	3,773	51,749	*7.4%*	*26.0%*	0.86
Kering SA	ENXTPA:KER	GBP	0.91	2,424	13,657	*18.2%*	*19.9%*	0.79
Burberry Group plc	LSE:BRBY	GBP	1.45	-	5,864	*0.0%*	*27.8%*	1.45
Ralph Lauren Corporation	NYSE:RL	GBP	0.50	-	8,822	*0.0%*	*32.2%*	0.50
Swatch Group AG	SWX:UHR	GBP	1.20	-	14,055	*0.0%*	*20.5%*	1.20
Tiffany & Co.	NYSE:TIF	GBP	1.34	86	4,860	*1.7%*	*26.0%*	1.33
Antichi Pellettieri SpA	BIT:AP	GBP	0.66	67	18	*372.7%*	*33.3%*	0.19
Geox SpA	BIT:GEO	GBP	0.83	-	463	*0.0%*	*33.3%*	0.83
		Mean	0.86			*36.5%*	*28.3%*	0.79
		Median	0.87			*2.5%*	*28.8%*	0.81

Cost of equity calculation	
Selected asset beta	0.81
Net debt/Mkt equity selected	*2.5%*
Expected income tax rate	*22.0%*
Risk-free rate: UK 10 year Governent Bond (1 year average) (d)	*1.89%*
Relevered beta	0.83
Equity market risk premium (e)	*6.00%*
Company specific risk premium (f)	*2.50%*
Country specific risk premium	*0.00%*
Size risk premium (g)	*3.89%*
Cost of equity capital	*13.24%*

Cost of debt calculation	
Debt borrowing rate	*6.00%*
Country-specific adjustment	*0.00%*
Expected income tax rate	*22.00%*
After-tax cost of debt	*4.68%*

Weighted Average Cost of Capital					
Debt	Weight	2.4%	Cost of debt	4.68%	*0.11%*
Equity	Weight	97.6%	Cost of equity	13.24%	*12.92%*
WACC					*13.03%*
WACC (Rounded)					***13.00%***

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Appendix B - Market Approach

In the course of our work we also examined the market approach. We identified a peer group of companies active in the **Apparel, Accessories & Luxury Goods** sector.

The **Peer Group** is presented on the table below:

Ticker	Company Name	Country
ENXTPA:CDI	Christian Dior SA	France
BIT:LUX	Luxottica Group SpA	Italy
ENXTPA:RMS	Hermès International	France
DB:BOSS	Hugo Boss AG	Germany
ENXTPA:MC	LVMH Moet Hennessy Louis Vuitton	France
ENXTPA:KER	Kering SA	France
LSE:BRBY	Burberry Group plc	United Kingdom
NYSE:RL	Ralph Lauren Corporation	United States
SWX:UHR	Swatch Group AG	Switzerland
NYSE:TIF	Tiffany & Co.	United States

source: S&P Capital IQ

A number of multiples for fundamental factors are calculated for each of the companies in the sample, however we focused on Enterprise Value to EBITDA .

- The markets approach to valuation is based on comparative company data. The most commonly applied method under the market approach is the Comparable Companies (CC) method.
- The CC Method focuses on comparing the subject company's risk profile and growth prospects to selected, reasonably similar ("guideline") publicly traded companies. Multiples derived from guideline companies provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. These multiples might be then applied to the operating data of the company subject to valuation to arrive at an indication of value.
- A critical step in this valuation approach is the selection of a sample of companies that are listed and comparable to the subject company in terms of operational and growth characteristics.
- This method dynamically values a company since it employs the market's assessment of the future financial and operational expectations of similar companies as it is expressed by the market values set by the Stock Market. However, while it takes into account the future expectations of the Shareholders / Investors of the sample companies, it cannot sample their expectations for the company under valuation. Thus, the appraiser must build the subject company valuation built upon such market evidence.

Appendix B – Market Multiples

Links of London Ltd

Selected financial data for guideline companies

Analysis as of 31 December 2012

(Amounts in millions of GBP currency)

EV multiples	EV	EV/Revenue							EV/EBITDA						
Guideline companies	**31-Dec-12**	**5-yr**	**3-yr**	**LFY**	**LTM**	**NFY**	**NFY+1**	**NFY+2**	**5-yr**	**3-yr**	**LFY**	**LTM**	**NFY**	**NFY+1**	**NFY+2**
Christian Dior SA	36,540	2.0x	1.8x	1.7x	1.7x	n/a	1.5x	1.4x	8.1x	7.3x	6.8x	6.8x	n/a	6.0x	5.3x
Luxottica Group SpA	13,111	2.6x	2.5x	2.3x	2.3x	2.1x	2.0x	1.9x	14.1x	13.3x	11.9x	11.9x	10.8x	9.9x	9.3x
Hermès International Société en comm	18,586	8.7x	7.7x	6.6x	6.6x	6.1x	5.6x	5.0x	26.5x	22.1x	18.1x	18.1x	17.4x	15.7x	14.5x
Hugo Boss AG	4,586	2.8x	2.7x	2.4x	2.4x	2.3x	2.1x	1.9x	14.1x	12.4x	10.9x	10.9x	9.7x	8.7x	7.8x
LVMH Moet Hennessy Louis Vuitton	60,678	3.3x	3.0x	2.7x	2.7x	2.5x	2.3x	2.2x	13.3x	12.0x	10.8x	10.8x	9.7x	8.8x	8.4x
Kering SA	16,991	1.6x	2.1x	2.2x	2.2x	2.0x	1.9x	1.8x	10.7x	10.9x	10.1x	10.1x	9.1x	8.1x	7.8x
Burberry Group plc	5,109	3.8x	3.4x	2.8x	2.6x	2.6x	2.3x	2.1x	16.8x	14.2x	11.3x	10.2x	10.1x	9.0x	7.9x
Ralph Lauren Corporation	7,796	2.3x	2.1x	1.8x	1.8x	1.8x	1.6x	1.5x	12.7x	11.4x	9.7x	9.4x	9.3x	8.4x	7.5x
Swatch Group AG	14,430	3.5x	3.1x	2.8x	2.8x	2.6x	2.4x	2.3x	13.2x	11.1x	9.6x	9.6x	9.1x	8.3x	8.1x
Tiffany & Co.	4,872	2.6x	2.5x	2.1x	2.1x	2.1x	1.9x	1.8x	11.2x	10.4x	8.6x	9.2x	9.0x	8.1x	7.1x
Antichi Pellettieri SpA	78	0.4x	0.7x	0.9x	0.9x	n/a	n/a	n/a	61.3x	nmf	11.4x	11.4x	n/a	n/a	n/a
Geox SpA	411	0.5x	0.6x	0.6x	0.6x	0.6x	0.6x	0.5x	3.3x	4.3x	5.9x	5.9x	5.4x	5.1x	5.1x
	High	8.7x	7.7x	6.6x	6.6x	6.1x	5.6x	5.0x	61.3x	22.1x	18.1x	18.1x	17.4x	15.7x	14.5x
	Mean	2.8x	2.7x	2.4x	2.4x	2.5x	2.2x	2.0x	17.1x	11.8x	10.4x	10.4x	10.0x	8.7x	8.1x
	Median	2.6x	2.5x	2.2x	2.2x	2.2x	2.0x	1.9x	13.3x	11.4x	10.4x	10.2x	9.5x	8.4x	7.8x
	Low	0.4x	0.6x	0.6x	0.6x	0.6x	0.6x	0.5x	3.3x	4.3x	5.9x	5.9x	5.4x	5.1x	5.1x
Multiple		2.59x	2.47x	2.22x	2.22x	2.19x	1.99x	1.87x	13.27x	11.42x	10.45x	10.17x	9.51x	8.38x	7.82x

Appendix C – Disclaimer

- The valuation of the Company was based on the internationally recognized valuation premises of the "going concern" for the purpose of determining the market value. Going concern means that an Enterprise will continue its operations in the foreseeable future and that there is no intention, or necessity of liquidation or any reasons to limit its activities.
- Our work does not intend to provide assurance on the value of Enterprise or on the achievability of the projections or on the assumptions underlying such statements, nor does it provide assurance that we would become aware of significant matters that might be disclosed by more extensive procedures. There are usually differences between projected and actual results, because events and circumstances frequently do not occur as expected and those differences, if any, may be material.
- Nothing has come to our attention to cause us to believe that the facts and data set forth in this Report are not correct.
- Neither EY nor its employees and contractors have any present or contemplated financial or any other business interest in the Enterprise that might tend to prevent them from making a fair and unbiased appraisal.
- The fee for the advisory services is not contingent upon values reported.
- Provision of valuation estimates and considerations of the issues described herein are areas of regular valuation practice for which we believe that we have, and hold ourselves out to the public as having, substantial knowledge and experience. The services provided are limited to such knowledge and experience and do not represent audit, advisory or tax-related services that may otherwise be provided by EY.
- No investigation of the title to the Enterprise has been made, and the owner's claim to the shares being valued is assumed to be valid. No responsibility is assumed for matters of a legal nature, including liens or encumbrances which may be against the Enterprise, except as specifically stated in the Report. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any government or private entity or organization have been or can readily be obtained or renewed for any use on which the value estimates contained in this Report are based.
- This Report has been prepared solely for the purpose stated, and should not be used for any other purpose. Neither this Report nor any portions thereof shall be copied or disseminated through advertising, public relations, news, sales, Hellenic Capital Market Commission disclosure documents or any other public (or private) media without the expressed written approval of EY.
- The estimates of value contained herein are not intended to represent the value of the Enterprise at any time other than the Valuation Date that is specifically stated in this Report. Changes in market conditions could result in other estimates of value substantially different than those presented at the stated reference date. We assume no responsibility for changes in market conditions or for the inability of the owner to locate a purchaser of the Company's shares at the value(s) stated herein. We do not have responsibility to update this Report for events and circumstances occurring after the valuation reference date.

Appendix C– Disclaimer

- No responsibility is assumed for information furnished by others, and such information is believed to be reliable.
- In the course of our analysis, we were provided with written information, oral information, and/or data in electronic form (e.g., computer diskettes, e-mails, etc.), related to the structure, operation, and financial performance of the Enterprise. We have relied upon this information in our analyses and in the preparation of this Report, and have not independently verified its accuracy or completeness.
- Certain historical financial data used in our valuation engagement were derived from audited financial statements of the Enterprise. These statements are approved by the management of the Enterprise and the management is responsible for them. We have not independently verified the accuracy or completeness of the data provided and do not express an opinion or offer any form of assurance regarding its accuracy or completeness.
- The projected cash flows are presented in nominal rates and are discounted by using nominal discount factors.
- We assume no responsibility for any financial and tax reporting judgments, which are appropriately those of management. It is our understanding that the management of Enterprise accepts the responsibility for any financial statement and tax reporting issues with respect to the assets covered by our analysis.
- Neither the appraiser nor any individual signing or associated with this Report shall be required by reason of this Report to give testimony or appear in court or other legal proceedings, unless specific arrangements therefore have been made.
- This Report should be viewed as a whole document.

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