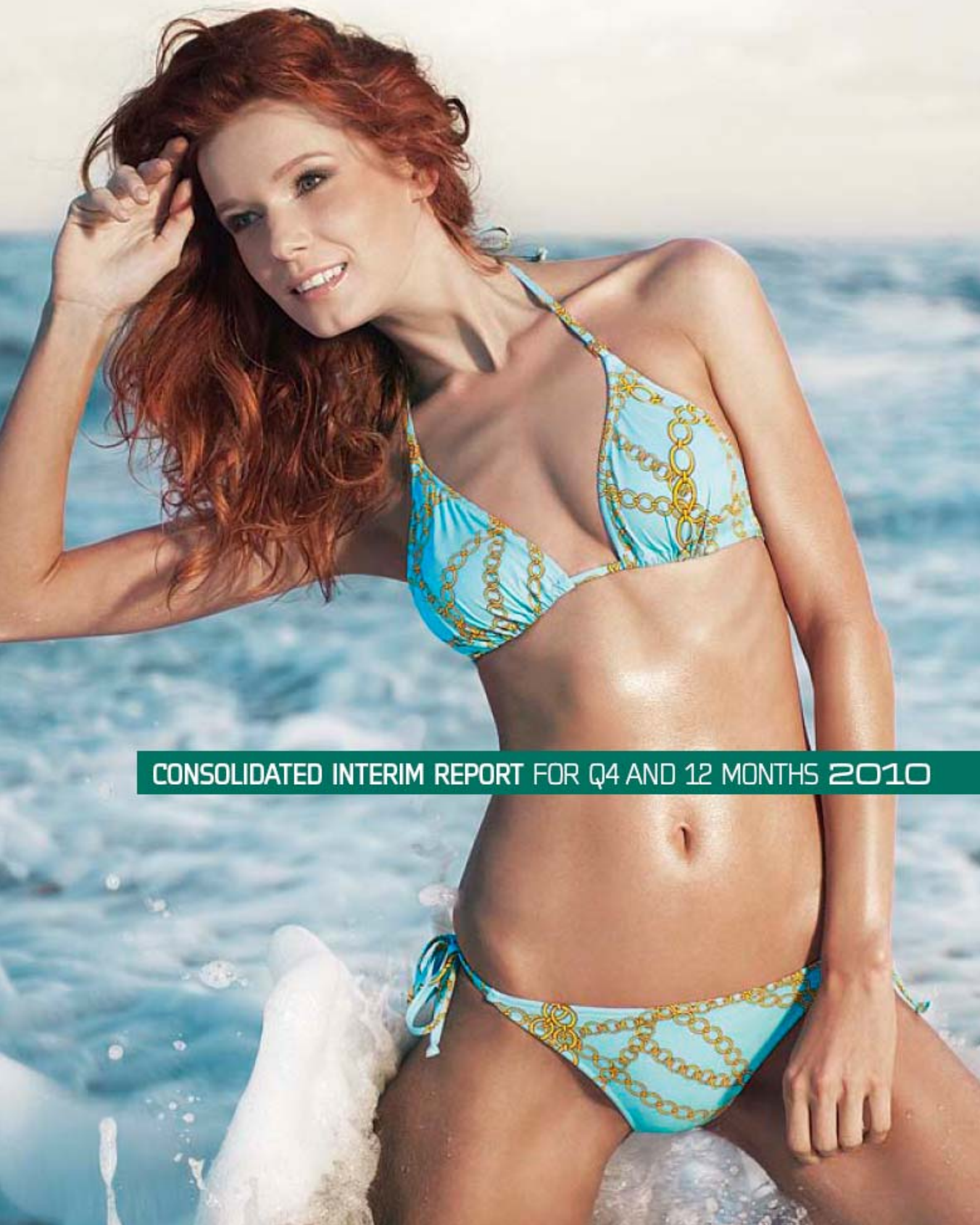


# SILVANO FASHION GROUP

CONSOLIDATED INTERIM REPORT FOR Q4 AND 12 MONTHS 2010



## COMPANY PROFILE

Business name	AS Silvano Fashion Group
Registration number	10175491
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Website	<a href="http://www.silvanofashion.com">www.silvanofashion.com</a>
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	KPMG Baltics OÜ

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## Management Report

### Selected Financial Indicators

In summary, the selected financial indicators of AS Silvano Fashion Group for Q4 2010 and 12 months 2010 were as follows:

<b>In thousands of EUR</b>	<b>Q4 2010</b>	<b>Q4 2009</b>	<b>% change</b>
Net sales	20,857	16,645	25.3%
Earnings before interest, taxes and depreciation (EBITDA)	3,579	308	1,062.0%
Net profit / (loss) for the period	2,948	706	317.6%
Net profit / (loss) attributable to owners of the Company	2,621	326	704.0%
Earnings per share (EUR)	0.07	0.01	600.0%

<b>In thousands of EUR</b>	<b>2010</b>	<b>2009</b>	<b>% change</b>
Net sales	93,292	74,044	26.0%
Earnings before interest, taxes and depreciation (EBITDA)	19,415	6,052	220.8%
Net profit / (loss) for the period*	15,064	1,391	983.0%
Net profit / (loss) attributable to owners of the Company*	12,240	-165	
Earnings per share (EUR)	0.310	-0.004	
Operating cash flow for the period	16,854	11,754	43.4%

\* Selected financial indicator includes only the result of continuing operations in 2009

<b>In thousands of EUR</b>	<b>31.12.2010</b>	<b>31.12.2009</b>	<b>% change</b>
Total assets	65,085	54,352	19.7%
Total current assets	49,974	39,452	26.7%
Total equity attributable to equity holders of the Company	42,042	31,308	34.3%
Loans and borrowings	36	1,805	-98.0%
Cash and cash equivalents	21,468	9,838	118.2%

<b>Ratios*</b>	<b>Q4 2010</b>	<b>Q4 2009</b>	<b>% change</b>
Gross margin	38.7%	44.8%	-13.8%
EBITDA margin	17.2%	1.9%	805.3%
Net profit margin attributable to owners of the Company	12.6%	2.0%	541.3%

<b>Ratios*</b>	<b>2010</b>	<b>2009</b>	<b>% change</b>
Gross margin	39.8%	43.5%	-8.5%
EBITDA margin	20.8%	8.2%	153.7%
Net profit margin attributable to owners of the Company	13.1%	-0.2%	
ROA	20.5%	-0.3%	
ROE	33.4%	-0.5%	
Price to earnings ratio (P/E)	8.8	n/a	
Current ratio	4.1	2.8	46.4%
Quick ratio	2.8	1.6	75.0%

\* Financial ratios cover only continuing operations

### Underlying formulas:

Gross margin = gross profit / sales revenue

EBITDA margin = EBITDA / sales revenue

Net profit margin attributable to owners of the Company = net profit attributable to owners of the Company / sales revenue

ROA (return on assets) = net profit attributable to owners of the Company/ average total assets

ROE (return on equity) = net profit attributable to owners of the Company/ average equity attributable to equity holders of the Company

EPS (earnings per share) = net profit attributable to owners of the Company/ weighted average number of ordinary shares

Price to earnings ratio = Share price at the end of reporting period/earnings per share

Current ratio = current assets / current liabilities

Quick ratio = (current assets – inventories) / current liabilities

### Business results

On overall, according to the seasonality trends of the business Q4 is usually slightly weaker with respect to sales as compared to other quarters; however, December usually is one of the best performing months in a year.

In 2010 the Group's major markets have continued to recover. Economic situation in Russia, the Group's key market, was steadily improving. The consumers' purchasing power has increased and unemployment rate has lowered. Russian Ruble strengthened by 3.8% against multi-currency basket in 2010 (from January till December). To compare, in 2009 it weakened by 3.9%. Real effective exchange rate of the Russian Ruble went up by 4.2% against USD and by 15.0% against Euro. Based on the forecasts of the Ministry of Economics of Russian Federation effective exchange rate of Russian Ruble will go up by 5.7% in 2011. Oil and gas prices continue to support Russian economy. As a result, retail sales in the end customer market have been growing since the beginning of 2010. The Group's sales in Russia in 12 months 2010 were 24.1% above of the respective period in 2009.

The Belarusian market has been stable during 2009 and did not weaken in 12 months 2010. According to preliminary information the estimated Belarusian economy's GDP growth was 7.6% in 2010. In Q4 2010 retail operations in Belarus demonstrated an increase of 56.6% in local currency terms and 56.3% in EUR terms as compared to Q4 2009.

Unfortunately signs of the recovery of Ukrainian economy are still not as strong as in Russia.

Despite the difficult situation that remains in the Baltics, where economy suffered the most in 2009, Lauma Lingerie's Q4 2010 sales in the Baltic countries increased by 76.5% as compared to Q4 2009.

In general, 2010 sales level and market situation confirmed management forecast of business recovery. Q4 sales demonstrated an increase of 25.3% as compared to Q4 2009.

The opinion of the management of the Group is that the markets have entered into the stabilization phase and that consumers have adjusted their purchasing patterns to the new market conditions.

On overall, apparel and lingerie markets are currently undersupplied, especially in Russia, because of limited orders placed for finished garments by major retailers in 2009 while the demand has grown significantly. The situation is favourable for the companies operating their own production units and those capable of fast restock of their retail outlets due to effective sourcing and logistics solutions. At the same time this has brought severe rivalry for local production capacities and the price per labour minute in the market has on average increased by 30-50%.

At the end of the reporting period the Group and its franchising partners operated 412 Milavitsa and Lauma Lingerie outlets, including 50 stores operated directly by the Group and the rest by franchising partners. The Group's retail focus has been shifted towards the promotion and support of franchising in cooperation with existing and new partners.

## **Financial performance**

The Group's sales from continuing operations amounted to EUR 93,292 thousand in 2010, representing a 26.0% increase as compared to the previous year. In Q4 2010 sales amounted to EUR 20,857 thousand, representing a 25.3% increase as compared to respective period in the previous year.

Overall wholesale sales from continuing operations increased by 37.7%, while retail sales from continuing operations presented a decrease of 5.4%, mainly due to closures of underperforming stores and the restructuring of the Group's distribution model that was carried out by the management in 2009. Decrease in retail sales is thus in line with management expectations and follows the restructuring decisions taken in 2009 when loss-making own retail operations in Russia were gradually discontinued. As the result, the proportion of own retail sales in total sales decreased by 5.8% and came at 17.5% of total sales in 2010.

The Group's gross margin from continuing operations in 2010 decreased and was 39.8%, as compared to 43.5% in the previous year. Q4 2010 gross margin decreased as well as compared to Q4 2009 and amounted to 38.7%. Decrease in gross margin is mainly explained by higher customs duties on materials imported by the Group from the EU after Belarus joining the Customs Union with Russia and by the decline of the proportion of retail sales in total sales.

The consolidated operating profit from continuing operations in 2010 amounted to EUR 17,658 thousand, compared to EUR 3,863 thousand in 2009. The consolidated operating margin from continuing operations was 18.9% (5.2% in 2009). The operating profit and the operating margin in 2009 were adversely influenced by one-off expenses.

Consolidated net profit from foreign exchange rate fluctuations amounted to EUR 805 thousand in 2010 and was mainly accrued in Q1 2010 and mainly related to the intra-group borrowings in EUR and USD.

Effective tax rate for the year 2010 amounted to 22.2% and was lower than expected due to relatively low effective tax rates in Q2 2010 (19.2%) and Q4 2010 (18.7%). Effective tax rates in 2010 and Q4 2010 improved significantly as compared to the respective periods in the previous year. While statutory tax rates in Belarus and Russia remained unchanged, the improvement of the effective tax rate is caused by the terminated loss making

operations, lowering profitability of the Group's largest subsidiary SP ZAO Milavitsa and use of tax loss of prior years in Russia.

Consolidated net profit from continuing operations attributable to equity holders amounted to EUR 12,240 thousand in 2010, compared to net loss of EUR 165 thousand in 2009; net margin from continuing operations attributable to equity holders was 13.1% (up from a negative margin of 0.2% in 2009).

In 2010, the Group's return on equity amounted to 33.4% (-6.8% in 2009) and return on assets was 20.5% (-3.8% in 2009).

### Financial position

As of 31 December 2010 consolidated assets amounted to EUR 65,085 thousand representing an increase of 19.7% as compared to the position as of 31 December 2009.

Property, plant and intangibles balances increased by EUR 657 thousand as compared to 31 December 2009. Acquisitions of property, plant and intangible assets amounted to EUR 2,419 thousand in 2010.

Inventory balance amounted to EUR 15,792 thousand as of 31 December 2010 as compared to EUR 17,019 thousand as of 31 December 2009. Decrease in inventories is mainly explained by optimization of stock levels in the distribution and retail companies of the Group.

Trade receivables increased by EUR 1,230 thousand as compared to 31 December 2009 and amounted to EUR 9,642 thousand as of 31 December 2010. The balance of trade receivables as of 31 December 2010 is in line with seasonality trends and overall increase is mainly driven by increase in sales.

Foreign exchange fluctuations had a positive impact on the Group's equity, in the form of a positive change in the currency translation reserve in the amount of EUR 335 thousand for 2010. On 21 September 2010 the Group paid out a dividend in the amount of EUR 1,980 thousand. Equity attributable to equity holders increased by EUR 10,734 thousand and amounted to EUR 42,042 thousand as of 31 December 2010.

Current liabilities decreased by EUR 1,922 thousand in 2010, in line with management expectations.

The liquidity position of the Group improved in 2010 with respect to the total balance of borrowings and related maturities. Current and non-current loans and borrowings decreased by EUR 1,769 thousand to EUR 36 thousand as of 31 December 2010. Loans received and loans repaid in 2010 amounted to EUR 765 thousand and EUR 2,542 thousand respectively, including finance lease liabilities repaid in the amount of EUR 53 thousand. In Q2 2010 the Group settled an overdraft facility of AS Lauma Lingerie that amounted to EUR 925 thousand as of 31 March 2010.

In 2009 the Group divested its loss making apparel business line through the sale of shares in its former 100% subsidiary PTA Grupp AS. At the date of disposal the Group had outstanding guarantees issued to Danske Bank A/S Estonian branch securing certain borrowings and guarantee limits of PTA Grupp AS. As of 31 December 2010 PTA Grupp AS's balance of borrowings and guarantees from Danske Bank A/S Estonian branch that were secured by a surety provided by SFG amounted respectively to EUR 178 thousand and EUR 228 thousand.

Tax liabilities and other payables, including payables to employees, amounted to EUR 4,216 thousand. Provisions amounted to EUR 136 thousand as of 31 December 2010.

### Sales

#### *Sales by business segments*

	<b>2010</b>	<b>2009</b>	<b>Change</b>	<b>2010</b>	<b>2009</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>	<b>percentage</b>	<b>percentage</b>
	<b>thousand</b>	<b>thousand</b>	<b>thousand</b>	<b>from sales</b>	<b>from sales</b>
Wholesale	76,536	55,583	20,953	82.0%	75.1%
Retail	16,345	17,275	-930	17.5%	23.3%
Other operations	411	1,186	-775	0.5%	1.6%
<b>Total</b>	<b>93,292</b>	<b>74,044</b>	<b>19,248</b>	<b>100.0%</b>	<b>100.0%</b>

**Sales by markets**

In 2010, the Group focused mainly on the Baltic, Russian, Belarusian and Ukrainian markets.

**Total sales by markets**

	<b>2010 EUR thousand</b>	<b>2009 EUR thousand</b>	<b>Change EUR thousand</b>	<b>2010 percentage from sales</b>	<b>2009 percentage from sales</b>
Russia	53,721	43,295	10,426	57.6%	58.5%
Belarus	25,531	19,558	5,973	27.4%	26.4%
Baltics	4,814	3,946	868	5.2%	5.3%
Ukraine	4,636	3,493	1,143	4.9%	4.7%
Other markets	4,590	3,752	838	4.9%	5.1%
<b>Total</b>	<b>93,292</b>	<b>74,044</b>	<b>19,248</b>	<b>100.0%</b>	<b>100.0%</b>

The majority of lingerie sales revenue in 2010 in the amount of EUR 53,721 thousand was generated in the Russian market, accounting for 57.6% of all lingerie sales in 2010 as compared to EUR 43,295 thousand in 2009. Sales in Russia comprise both retail sales and wholesale. The second largest region for lingerie sales was Belarus, where sales reached EUR 25,531 thousand, contributing 27.4% of lingerie sales (both retail and wholesale) as compared to EUR 19,558 thousand in 2009.

Although still affected by the economic situation, sales in the major markets demonstrated a positive trend in terms of pieces sold in 2010 as compared to the respective period in 2009.

The most considerable sales growth took place on the Belorussian, Russian and Ukrainian markets. Overall sales results in 2010 were slightly above management expectations after a difficult 2009.

Changes in the sales strategy introduced by Milavitsa in late 2009 and early 2010 were implemented in 2010 in Russia and Ukraine. The Group aims to increase control over its distribution and its organizational structure has been adjusted accordingly.

To support the growth of sales, Milavitsa continued conducting additional marketing activities in Belarus, Ukraine and Russia and implementing supportive measures in the opening of new franchised stores. Joint programs with dealers and distributors were continued in 2010 in the fields of marketing and franchising.

Milavitsa has been recognized as the most valuable Belorussian brand in the report published by MPP Consulting, a Ukrainian brand rating agency.

Intima, the largest and the most respected European lingerie magazine, produced a substantial report on Milavitsa in its September issue which is available at [www.intima.fr](http://www.intima.fr).

Lauma Lingerie experienced a sharp recovery in sales in their major markets after being affected by the crisis. A new sales and marketing manager with considerable experience in the industry has joined the company.

In terms of lingerie brands, "Milavitsa" core brand accounted for 72.1% of total lingerie sales revenue in 2010 (2009: 74.4%) and amounted to EUR 66,967 thousand. "Lauma Lingerie" core brand accounted for 8.2% of total lingerie sales (2009: 5.3%) and amounted to EUR 7,616 thousand. Other brands such as "Alisee", "Aveline", "Hidalgo" and "Laumelle" comprised 19.7% of total lingerie sales in 2010 (2009: 20.3%), amounting to EUR 18,298 thousand.

### Wholesale

In 2010, wholesale revenue amounted to EUR 76,536 thousand, representing 82.0% of the Group's total revenue (2009: 75.1%). The main wholesale regions were Russia, Belarus, Ukraine and the Baltic States. Gradual improvements in sales were observed already in Q1 and Q2 2010 despite the expectations of the difficult start of the year. Wholesale results in Q3 and Q4 continued improving compared to the same period of 2009 demonstrating a positive trend. Substantial growth has been achieved in Kazakhstan.

Additional activities were introduced in the non-core markets targeted at the diversification of the Group's sales towards the western European countries. Some markets will be approached through sales agents, while others will be served by local dealers. The Group will also seek private label production opportunities where practical.

### Retail operations

Total lingerie retail sales of the Group in 2010 amounted to EUR 16,345 thousand, representing a 5.4% decrease as compared to the previous year.

Retail operations were conducted in Belarus, Russia and Latvia. At the end of 2010 the Group operated 50 own retail outlets with a total area of 4,253 square meters. As of 31 December 2010, there were 348 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Belarus, Ukraine, Moldavia, Kazakhstan, Uzbekistan, Kyrgyzstan, Latvia, Azerbaijan, Armenia, Cyprus, Germany, Georgia and Slovenia, of which 25 shops were opened in Q4 2010. Some underperforming shops were closed or relocated. Additionally, as of 31 December 2010, there were 14 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Lithuania, Latvia and Estonia, of which 2 were opened in Q4 2010. International retail expansion of Milavitsa resulted in opening of Milavitsa branded stores in Germany, Georgia and Slovenia. The 200<sup>th</sup> Milavitsa store was opened in Russia. Also a Milavitsa store was opened in Tverskaja street, the major shopping street in Moscow.

In 2010 9 new own lingerie stores were opened, including 5 under Milavitsa brand name in Belarus and 4 stores under Lauma Lingerie brand name in Latvia. One underperforming store was closed in Belarus, one – in Latvia, three underperforming stores were closed in Russia and 18 stores were transferred to Milavitsa's trading partners in the course of the strategy to shift focus from own retail chain towards the development of Milavitsa franchise network, thus terminating the loss making own retail operations in Russia.

### Number of own stores as of:

	31.12.2010	31.12.2009
Latvia	8	5
Belarus	42	38
Russia	0	21
<b>Total stores</b>	<b>50</b>	<b>64</b>
<b>Total sales area, sq m</b>	<b>4,253</b>	<b>5,523</b>

A number of sales promotions were conducted in the Milavitsa retail chain in Belarus. Own retail operations in Belarus remain one of the key priorities for the Group's further sales development in the country. Overall retail operations in the country demonstrated a 50.2% growth in local currency terms and a 47.7% growth in EUR terms as compared to 2009 mainly due to the number of new shops opened in the recent year. Sales per square meter in the like-for-like shops have increased as well.

In the Baltics, retail sales decreased by 38.2% as compared to the previous year and amounted to EUR 759 thousand. Decrease in own retail sales in the Baltics is explained by the divestment of Lithuanian retail operations in November 2009.

In respect of lingerie retail in Russia the strategic decision to shift focus from own retail chain towards the development of Milavitsa franchise network was made in H2 2009, that resulted in the termination of the loss making own retail operations in Russia. As the result, the Group's own Oblicie stores were rebranded to Milavitsa and a transfer of stores to Milavitsa's trading partners commenced while non-performing stores were closed. During H1 2010 all 21 remaining stores were either transferred to trading partners or closed. As of 30 June 2010 the Group did not have any own retail stores in Russia. Certain structural and management changes have been made in the Group's Russian operations (including the establishment of a separate franchise department) to implement the selected franchise development strategy.

### Own stores by concept

Market	Milavitsa stores	Lauma Lingerie stores	Total	Sales area, sq m
Belarus	42	0	42	3,824
Latvia	0	8	8	429
<b>Total</b>	<b>42</b>	<b>8</b>	<b>50</b>	<b>4,253</b>



### **Discontinued operations**

Discontinued operations' reported results in 2009 include operations of PTA (apparel business line) for H1 2009. Results of PTA operations are presented in the consolidated income statement as a single line item under 'Loss from discontinued operations'.

### **Production, sourcing, purchasing and logistics**

Due to the high demand on the market, similarly to H1 2010, in H2 2010 the Group's manufacturing companies increased their production and purchasing volumes.

The total volume of production in SP ZAO Milavitsa amounted to 4,688 thousand pieces in Q4 2010, representing a 24.9% increase as compared to the respective period in the previous year. The total production volume in Lauma Lingerie amounted to 264 thousand pieces in Q4 2010, showing an increase of 81% as compared to the respective period in the previous year. Production capacities in SP ZAO Milavitsa in Q4 2010 increased in order to prepare for increased production volumes in 2011.

### **Investment**

In 2010, the Group's investments totalled EUR 2,419 thousand with investments into retail amounting to EUR 355 thousand. Other investments were made in equipment and facilities to maintain effective production and to add capacity for 2011.

### **Personnel**

As of 31 December 2010, the Group employed 3,193 employees including 411 in retail and 2,064 in production. The rest were employed in wholesale, administration and support operations.

Total salaries and wages in 2010 amounted to EUR 17,980 thousand. The remuneration of the members of the Management Board and Supervisory Board totalled EUR 357 thousand. The members of the Management Board also serve as executives for the Group's subsidiaries.

## Key Events in 2010

### *Share buy-back program*

On 9 November 2010 the Extraordinary General Meeting approved the Supervisory Council's proposal to start a share buyback program under the following conditions:

- SFG is entitled to buy back its own shares from the date of the approval of the buyback until 30 June 2011;
- The total nominal value of own shares to be bought back by SFG may not exceed 3,960,700 shares, i.e 10% of total share capital of SFG;
- The maximum price payable by SFG for one share to be 4.00 EUR;
- The maximum amount payable by SFG for its own shares to be 15,842,800 EUR;
- Own shares to be paid for with assets exceeding the share capital, compulsory reserves and share premium.

The buyback period started on 15 November 2010. During the period from 15 November 2010 to 7 January 2011 number of shares bought back amounted to 133,629, average price per share amounted to 2.7757 EUR resulting in total cost of 370,911 EUR.

After the transactions listed above, AS Silvano Fashion Group owns 133,629 of its own shares, which constitute 0.34% of the share capital. Under the buyback program, shares up to the value of 15,308,284 million Euros remain to be bought back. The maximum amount of shares that remains to be bought back is 3,827,071.

### *Registration of share capital reduction*

The decrease of the share capital of Aktsiaselts Silvano Fashion Group was registered in Estonian commercial register on 15 October 2010.

The reduction of the share capital was decided by the Annual General Meeting of SFG on 28 June 2010, by which the share capital of SFG was decreased from EUR 25,564,659 (EEK 400,000,000) to EUR 25,313,487 (EEK 396,070,000) by cancelling of 393,000 A-shares owned by SFG.

### *Share buy-back program of the Group's subsidiary SP ZAO Milavitsa*

On 21 May 2010 the parent company of the Group approved the share buy-back program of the Group's largest subsidiary SP ZAO Milavitsa. The terms of the program permit a buy-back of up to 1,967 shares of SP ZAO Milavitsa, representing up to 20% of all shares in SP ZAO Milavitsa, in the period between June 2010 and February 2011 with the objective of subsequent cancellation of shares; the offered price per share of SP ZAO Milavitsa is 3,000,000 BYR. As of 27 January 2011, 256 shares have been acquired by SP ZAO Milavitsa constituting 2.60% of all shares in SP ZAO Milavitsa. The management of the Group does not expect that the shareholding of SFG will increase significantly after the completion of the buy-back program. Changes in AS SFG's shareholding as the result of share buy-back will take place in H1 2011, provided the Annual General Meeting of SP ZAO Milavitsa will resolve to cancel the shares that were repurchased by SP ZAO Milavitsa.

### *Establishment of a Subsidiary OOO Milavitsa Logistic*

In the light of the increasing business volumes and potential business for the services to be offered to all group companies, a joint-venture between the Group's parent company AS Silvano Fashion Group and largest subsidiary SP ZAO Milavitsa was created in December 2010. The newly founded company targets rendering of the services for both in- and outbound logistics and distribution of the Group's products.

### *Changes in the Supervisory Board*

The extraordinary general meeting of shareholders of AS Silvano Fashion Group was held on 5 March 2010, in Tallinn. The meeting resolved to recall members of the Supervisory Board of SFG Mr. Indrek Rahumaa and Mr. Priit Põldoja and to elect Mr. Risto Mägi, Mr. Stephan Balkin, Mr. Otto Tamme and Mr. Sven Kuning to the Supervisory Board.

On 24 March 2010 a member of the Supervisory Board Mr. Sven Kuning presented to SFG an application for his resignation from the position of a supervisory board member, and requested that the application would be provided

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to the next ordinary general meeting of SFG. The shareholders of the Company acknowledged Sven Kuning's resignation from the supervisory board on the Annual General Meeting held on 28 June 2010.

On 28 June 2010 Ants Susi was elected as the supervisory board member of the Company

*Changes in the Management Board*

On 5 June 2010 the term of office of Dmitry Ditchkovsky and Sergei Kusonski as Management Board members of SFG expired. Mr. Ditchkovski and Mr. Kusonski continues to work in the same positions in the management of SFG under employment agreements.

On 5 August 2010 the Supervisory Board of AS Silvano Fashion Group decided to elected Märt Meerits as the new management board member of SFG. On 8 November 2010 the Supervisory Board of AS Silvano Fashion Group appointed Mr. Märt Meerits as the Chairman of the Management Board. Mr. Norberto Rodriguez was appointed as the Vice Chairman of the Management Board

*Establishment of an Audit Committee*

On November 8, the Supervisory Board of Silvano Fashion Group approved the formation of the Audit Committee on grounds of the Authorised Public Accountants Act. The committee has three members: Ms. Jekaterina Stuge (Chairperson), Ms. Maivi Ots and Mr. Otto Tamme.

## General information and approval of the management board for the consolidated interim report for Q4 and 12 months of 2010

The Group is an international lingerie distribution group involved in the design, manufacturing and marketing of women's lingerie. In addition, the Group provides a limited volume of sewing services to other manufacturers of lingerie. The Group's continuing operations include the "Milavitsa" and "Lauma" retail chains which distribute the "Milavitsa", "Alisee", "Hidalgo", "Lauma Lingerie", "Laumelle" and certain other brands in Latvia, Russia, Belarus and Ukraine. The Group's products are also distributed through wholesale channels.

The parent company of the Group is AS Silvano Fashion Group, a company domiciled in Estonia. AS Silvano Fashion Group registered address is Tulika 15/17, 10613 Tallinn, Estonia.

The shares of AS Silvano Fashion Group are listed on the Tallinn Stock Exchange and on the Warsaw Stock Exchange.

As of 31 December 2010, the Group employed 3,193 people (as of 31 December 2009: 3,164 people).

The Group comprises the following companies:

<b>As of 31 December 2010</b>	<b>Location</b>	<b>Main activity</b>	<b>Ownership interest 31.12.2010</b>	<b>Ownership interest 31.12.2009</b>
<b>Parent company</b>				
AS Silvano Fashion Group	Estonia	Holding		
<b><u>Subsidiaries of SFG</u></b>				
AS Lauma Lingerie	Latvia	Manufacturing, wholesale and retail	100%	100%
SP ZAO Milavitsa	Belarus	Manufacturing	78.35%	78.35%
ZAO Linret	Russia	Wholesale and retail	0%	49%
France Style Lingerie s.a.r.l.	France	Holding	100%	100%
OÜ Linret EST	Estonia	No operations	0%	100%
Milavitsa Logistic OOO	Belarus	Logistics	49%	0%
<b><u>Subsidiaries of SP ZAO Milavitsa</u></b>				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Retail and wholesale	51%	51%
SP Gimil OOO	Belarus	Manufacturing	52%	52%
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	Russia	Wholesale	100%	100%
OAo Junona	Belarus	Manufacturing	58.33%	58.33%
Milavitsa Logistic OOO	Belarus	Logistics	51%	0%
<b><u>Subsidiary of SOOO Torgovaja Kompanija Milavitsa</u></b>				
OÜ Linret EST	Estonia	No operations	100%	0%
<b><u>Subsidiary of OÜ Linret EST</u></b>				
ZAO Linret	Russia	Wholesale and retail	100%	0%
<b><u>Subsidiary of ZAO Stolichnaja Torgovaja Kompanija Milavitsa</u></b>				
ZAO Linret	Russia	Retail and wholesale	0%	51%
<b><u>Associate of France Style Lingerie S.A.R.L.</u></b>				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Retail and wholesale	49%	49%

**Management declaration regarding the consolidated interim report for Q4 and 12 months of 2010**

The management board of AS Silvano Fashion Group confirms that the management report correctly and fairly reflects the significant events that occurred during the reporting period as well as their impact on the interim financial statements, contains a description of the main known risks and uncertainties influencing the subsequent reporting periods, and reflects the significant transactions with related parties.

The management board of AS Silvano Fashion Group also confirms that the consolidated interim report for 12 months 2010 set out on pages 14-33 is true and complete, and:

1. the accounting policies applied in the preparation of the consolidated interim report comply with the International Financial Reporting Standards, as adopted by the European Union;
2. the consolidated interim report gives a true and fair overview of the assets, obligations, equity, economic results and cash flows of the Group;
3. AS Silvano Fashion Group and its subsidiaries (except those identified in the report as dormant) are going concerns.

The interim report has not been audited or otherwise reviewed by auditors.



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Märt Meerits  
Chairman of the Management Board  
15 February 2011



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Norberto Rodriguez  
Vice Chairman of the Management Board  
15 February 2011



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Baiba Gegere  
Member of the Management Board  
15 February 2011

## Consolidated statement of financial position

Unaudited

	Notes	31.12.2010 EUR thousand	31.12.2009 EUR thousand
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	11,446	10,753
Intangible assets	2	534	570
Investment property	3	1,299	1,284
Investments in equity accounted investees		106	139
Available-for-sale financial assets		370	362
Deferred tax asset		1,324	1,158
Other receivables		32	634
<b>Total non-current assets</b>		<b>15,111</b>	<b>14,900</b>
<b>Current assets</b>			
Inventories	4	15,792	17,019
Corporate income tax asset		59	464
Other tax receivables		1,517	1,462
Trade receivables	5	9,642	8,412
Other receivables	6	1,188	1,167
Prepayments	7	288	609
Cash and cash equivalents	8	21,468	9,838
Assets classified as held for sale		20	481
<b>Total current assets</b>		<b>49,974</b>	<b>39,452</b>
<b>TOTAL ASSETS</b>		<b>65,085</b>	<b>54,352</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Share capital at per value		25,313	25,565
Share premium		14,130	14,271
Own shares		-311	-450
Statutory capital reserve		67	67
Other reserves		453	0
Translation reserve		-11,587	-11,922
Retained earnings		13,977	3,777
<b>Total equity attributable to equity holders of the Company</b>	12	<b>42,042</b>	<b>31,308</b>
Non-controlling interest		10,974	8,701
<b>Total equity</b>		<b>53,016</b>	<b>40,009</b>
<b>Non-current liabilities</b>			
Loans and borrowings	9	0	259
Other liabilities		0	93
<b>Total non-current liabilities</b>		<b>0</b>	<b>352</b>
<b>Current liabilities</b>			
Loans and borrowings	9	36	1,546
Trade payables		7,681	7,925
Corporate income tax payable		608	227
Other tax payable		712	1,587
Other payables	10	1,131	912
Provisions		136	217
Accrued expenses		1,757	1,536
Deferred income		8	41
<b>Total current liabilities</b>		<b>12,069</b>	<b>13,991</b>
<b>Total liabilities</b>		<b>12,069</b>	<b>14,343</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>65,085</b>	<b>54,352</b>

**Consolidated income statement for 12 months 2010**

Unaudited

		<b>2010</b>	<b>2009</b>
		<b>12 months</b>	<b>12 months</b>
		<b>EUR</b>	<b>EUR</b>
		<b>thousand</b>	<b>thousand</b>
<b>Continuing operations</b>			
<b>Revenue</b>			
Sales revenue	13	93,292	74,044
Costs of goods sold		-56,132	-41,862
<b>Gross Profit</b>		<b>37,160</b>	<b>32,182</b>
Other operating income		1,176	987
Distribution costs		-9,986	-11,552
Administrative expenses		-8,146	-10,138
Other operating expenses		-2,546	-7,616
<b>Operating profit / loss</b>		<b>17,658</b>	<b>3,863</b>
<b>Finance income and finance costs</b>			
Interest expenses		-75	-527
Gains/losses on conversion of foreign currencies		805	972
Other financial income / expenses		1,004	611
<b>Net finance income/ (costs)</b>		<b>1,734</b>	<b>1,056</b>
Share of profit of equity accounted investees		-36	-20
<b>Profit before tax</b>		<b>19,356</b>	<b>4,899</b>
Income tax expense		-4,292	-3,508
<b>Profit / (loss) from continuing operations</b>		<b>15,064</b>	<b>1,391</b>
<b>Discontinued operations</b>			
Loss from discontinued operations (net of income tax)		0	-2,303
<b>Profit / (loss) for the period</b>		<b>15,064</b>	<b>-912</b>
<i>Attributable to</i>			
Owners of the Company		12,240	-2,468
Non-controlling interest		2,824	1,556
<b>Earnings per share</b>			
Basic earnings per share (EUR)	11	0.31	-0.06
Diluted earnings per share (EUR)	11	0.31	-0.06
<i>Continuing operations</i>			
Basic earnings per share (EUR)	11	0.31	-0.004
Diluted earnings per share (EUR)	11	0.31	-0.004

**Consolidated statement of comprehensive income for 12 months 2010**

Unaudited

	<b>2010</b>	<b>2009</b>
	<b>12 months</b>	<b>12 months</b>
	<b>EUR</b>	<b>EUR</b>
	<b>thousand</b>	<b>thousand</b>
<b>Profit/ (loss) for the period</b>	<b>15,064</b>	<b>-912</b>
<b>Other comprehensive income</b>		
Foreign currency translation differences for foreign operations	504	-10,131
<b>Other comprehensive income for the period</b>	<b>504</b>	<b>-10,131</b>
<b>Total comprehensive income</b>	<b>15,568</b>	<b>-11,043</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	12,572	-10,677
Non-controlling interest	2,996	-366



**Consolidated income statement for Q4 2010**

Unaudited

		<b>Q4 2010</b>	<b>Q4 2009</b>
		<b>EUR</b>	<b>EUR</b>
		<b>thousand</b>	<b>thousand</b>
<b>Continuing operations</b>			
<b>Revenue</b>			
Sales revenue		20,857	16,645
Costs of goods sold		-12,792	-9,187
<b>Gross Profit</b>		<b>8,065</b>	<b>7,458</b>
Other operating income		723	-35
Distribution costs		-2,748	-2,955
Administrative expenses		-1,896	-2,634
Other operating expenses		-997	-2,009
<b>Operating profit / loss</b>		<b>3,147</b>	<b>-175</b>
<b>Finance income and finance costs</b>			
Interest expenses		-3	-58
Gains/losses on conversion of foreign currencies		202	360
Other financial income / expenses		309	145
<b>Net finance income/ (costs)</b>		<b>508</b>	<b>447</b>
Share of profit of equity accounted investees		-27	-1
<b>Profit before tax</b>		<b>3,628</b>	<b>271</b>
Income tax expense		-680	435
<b>Profit / (loss) from continuing operations</b>		<b>2,948</b>	<b>706</b>
<b>Discontinued operations</b>			
Loss from discontinued operations (net of income tax)		0	0
<b>Profit / (loss) for the period</b>		<b>2,948</b>	<b>706</b>
<i>Attributable to</i>			
Owners of the Company		2,621	326
Non-controlling interest		327	380
<b>Earnings per share</b>			
Basic earnings per share (EUR)	11	0.07	0.01
Diluted earnings per share (EUR)	11	0.07	0.01
<i>Continuing operations</i>			
Basic earnings per share (EUR)	11	0.07	0.01
Diluted earnings per share (EUR)	11	0.07	0.01

**Consolidated statement of comprehensive income for Q4 2010**

Unaudited

	<b>Q4 2010</b>	<b>Q4 2009</b>
	<b>EUR</b>	<b>EUR</b>
	<b>thousand</b>	<b>thousand</b>
<b>Profit/ (loss) for the period</b>	<b>2,948</b>	<b>706</b>
<b>Other comprehensive income</b>		
Foreign currency translation differences for foreign operations	1,433	-1,001
<b>Other comprehensive income for the period</b>	<b>1,433</b>	<b>-1,001</b>
<b>Total comprehensive income</b>	<b>4,381</b>	<b>-295</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	3,774	-549
Non-controlling interest	607	254

**Consolidated statement of cash flows for 12 months 2010**

Unaudited

	Notes	2010 12 months thousand EUR	2009 12 months thousand EUR
<b>Cash flows from operating activities</b>			
<b>Profit/ (loss) for the period</b>		<b>15,064</b>	<b>-912</b>
Adjustments for:			
Depreciation of fixed assets and investment property	1,3	1,631	2,233
Amortization of intangible assets	2	126	187
Impairment of property, plant and equipment	1	-59	1,191
Impairment losses on intangible assets	2	25	203
Impairment losses on other assets		31	2,362
Net finance (income)/ costs		-1,734	-1,056
Share of profit of equity accounted investees		36	20
(Gains)/ losses on the sale of property, plant and equipment		24	99
Loss on sale of subsidiaries		0	1,474
Income tax expense		4,292	3,508
Change in inventories		1,784	2,385
Change in trade and other receivables		-22	3,939
Change in trade and other payables		-633	814
Interests paid		-78	-525
Income tax paid		-3,633	-4,168
<b>Net cash used in/ from operating activities</b>		<b>16,854</b>	<b>11,754</b>
<b>Cash flow from investing activities</b>			
Interest received		995	450
Dividends received		15	14
Proceeds from sale of property, plant and equipment		279	256
Disposal of subsidiaries, net of cash disposed of		0	-163
Loans granted		-119	-85
Proceeds from repayments of loans granted		86	187
Proceeds from disposal of investments		8	0
Acquisition of property, plant and equipment	1	-2,305	-1,197
Acquisition of intangible assets	2	-114	-359
Acquisition of investment property	3	0	-130
Acquisition of shares by subsidiary		-138	0
<b>Net cash used in/from investing activities</b>		<b>-1,293</b>	<b>-1,027</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	9	765	6,558
Repayment of borrowings	9	-2,489	-10,457
Repayment of finance lease	9	-53	-877
Dividends paid		-2,112	-80
Acquisition of own shares		-311	0
<b>Net cash used in/ from financing activities</b>		<b>-4,200</b>	<b>-4,856</b>
<b>Increase/ (decrease) in cash and cash equivalents</b>		<b>11,361</b>	<b>5,871</b>
<b>Cash and cash equivalents at the beginning of period</b>	8	<b>9,838</b>	<b>5,249</b>
Effect of exchange rate fluctuations on cash		269	-1,282
<b>Cash and cash equivalents at the end of period</b>	8	<b>21,468</b>	<b>9,838</b>

## Consolidated statement of changes in equity

Unaudited

<i>In thousands of EUR</i>	Equity attributable to equity holders of the Company							Total	Non-controlling interest	Total equity
	Share capital	Share premium	Own shares	Capital reserve	Translation reserve	Other reserves	Accumulated profit (losses)			
<b>Balance as of 31 December 2008</b>	<b>25,565</b>	<b>14,271</b>	<b>-450</b>	<b>67</b>	<b>-3,713</b>	<b>0</b>	<b>5,243</b>	<b>40,983</b>	<b>9,074</b>	<b>50,057</b>
Profit for the period	0	0	0	0	0	0	-2,468	-2,468	1,556	-912
<b>Other comprehensive income</b>										
Effect on consolidation of foreign subsidiaries	0	0	0	0	-8,209	0	0	-8,209	-1,922	-10,131
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,209</b>	<b>0</b>	<b>0</b>	<b>-8,209</b>	<b>-1,922</b>	<b>-10,131</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,209</b>	<b>0</b>	<b>-2,468</b>	<b>-10,677</b>	<b>-366</b>	<b>-11,043</b>
<b>Disposal of subsidiary (common control transaction)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,002</b>	<b>1,002</b>	<b>73</b>	<b>1,075</b>
<b>Transactions with owners, recorded directly in equity</b>										
Dividends paid	0	0	0	0	0	0	0	0	-80	-80
<b>Total transactions with owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-80</b>	<b>-80</b>
<b>Balance as of 31 December 2009</b>	<b>25,565</b>	<b>14,271</b>	<b>-450</b>	<b>67</b>	<b>-11,922</b>	<b>0</b>	<b>3,777</b>	<b>31,308</b>	<b>8,701</b>	<b>40,009</b>
<b>Balance as of 31 December 2009</b>	<b>25,565</b>	<b>14,271</b>	<b>-450</b>	<b>67</b>	<b>-11,922</b>	<b>0</b>	<b>3,777</b>	<b>31,308</b>	<b>8,701</b>	<b>40,009</b>
Profit for the period	0	0	0	0	0	0	12,240	12,240	2,824	15,064
<b>Other comprehensive income</b>										
Effect on consolidation of foreign subsidiaries	0	0	0	0	332	0	0	332	172	504
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>332</b>	<b>0</b>	<b>0</b>	<b>332</b>	<b>172</b>	<b>504</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>332</b>	<b>0</b>	<b>12,240</b>	<b>12,572</b>	<b>2,996</b>	<b>15,568</b>
<b>Transactions with owners, recorded directly in equity</b>										
Cancellation of own shares	-252	-141	450	0	3	0	-60	0	0	0
Re-purchase of own shares	0	0	-311	0	0	0	0	-311	0	-311
Dividends paid	0	0	0	0	0	0	-1,980	-1,980	-132	-2,112
Re-purchase of own shares by subsidiary	0	0	0	0	0	453	0	453	-591	-138
<b>Total transactions with owners</b>	<b>-252</b>	<b>-141</b>	<b>139</b>	<b>0</b>	<b>3</b>	<b>453</b>	<b>-2,040</b>	<b>-1,838</b>	<b>-723</b>	<b>-2,561</b>
<b>Balance as of 31 December 2010</b>	<b>25,313</b>	<b>14,130</b>	<b>-311</b>	<b>67</b>	<b>-11,587</b>	<b>453</b>	<b>13,977</b>	<b>42,042</b>	<b>10,974</b>	<b>53,016</b>

## **Accounting methods and valuation principles used for preparing the consolidated interim report**

### **Basis for preparation**

This Interim Report has been made pursuant to the requirements of IAS 34 “Interim Financial Reporting” of the International Accounting Standards and the International Financial Reporting Standards (IFRS) adopted by the European Union. The same accounting methods were used in the preparation of interim reports as in the Annual Report for the financial year which ended on 31 December 2009.

This Interim Report shows results in thousands of euros (EUR).

The comparative data presented in the Interim Report are the financial ratios of AS Silvano Fashion Group for 2009.

This Interim Report has not been audited.

## Notes to the consolidated interim report

### Note 1. Property, plant and equipment

<i>In thousands of EUR</i>	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Other equipment and fixtures</b>	<b>Assets under construction</b>	<b>Total</b>
<b>Cost as of 31 December 2008</b>	<b>6,433</b>	<b>16,997</b>	<b>8,355</b>	<b>1,323</b>	<b>33,108</b>
Movements in 2009					
Acquisition	0	0	382	877	1,259
Transfers and reclassifications	152	645	1,220	-1,499	518
Transfers to investment property	-89	0	0	0	-89
Transfers to assets held for sale	0	0	-782	-4	-786
Disposals	-2	-362	-1,246	-73	-1,683
Eliminated on disposal of subsidiary	0	-1,485	-2,228	-5	-3,718
Effect of movements in foreign exchange on cost	-1,804	-3,779	-875	-270	-6,728
<b>Cost as of 31 December 2009</b>	<b>4,690</b>	<b>12,016</b>	<b>4,826</b>	<b>349</b>	<b>21,881</b>
<b>Cost as of 31 December 2009</b>	<b>4,690</b>	<b>12,016</b>	<b>4,826</b>	<b>349</b>	<b>21,881</b>
Movements in 2010					
Acquisition	0	0	213	2,092	2,305
Transfers and reclassifications	418	1,123	558	-2,099	0
Transfer to assets held for sale	0	-	-662	0	-662
Disposals	0	-56	-1,583	-43	-1,682
Effect of movements in foreign exchange on cost	180	384	164	10	738
<b>Cost as of 31 December 2010</b>	<b>5,288</b>	<b>13,467</b>	<b>3,516</b>	<b>309</b>	<b>22,580</b>
<b>Accumulated depreciation as of 31 December 2008</b>	<b>1,542</b>	<b>9,438</b>	<b>3,368</b>	<b>0</b>	<b>14,348</b>
Movements in 2009					
Depreciation	154	1,073	979	0	2,206
Transfers and reclassification	0	-17	17	0	0
Transfers to investment property	-7	0	0	0	-7
Transfers to assets held for sale	0	0	-257	0	-257
Impairment	0	0	1,191	0	1,191
Disposals	-1	-297	-632	0	-930
Eliminated on disposal of subsidiary	0	-1,297	-1,108	0	-2,405
Effect of movements in foreign exchange on accumulated depreciation	-582	-2,032	-404	0	-3,018
<b>Accumulated depreciation as of 31 December 2009</b>	<b>1,106</b>	<b>6,868</b>	<b>3,154</b>	<b>0</b>	<b>11,128</b>
<b>Accumulated depreciation as of 31 December 2009</b>	<b>1,106</b>	<b>6,868</b>	<b>3,154</b>	<b>0</b>	<b>11,128</b>
Movements in 2010					
Depreciation	156	975	471	0	1,602
Transfer to assets held for sale	0	0	-553	0	-553
Impairment loss	0	-59	0	0	-59
Disposals	0	-55	-1,314	0	-1,369
Effect of movements in foreign exchange on accumulated depreciation	61	215	109	0	385
<b>Accumulated depreciation as of 31 December 2010</b>	<b>1,323</b>	<b>7,944</b>	<b>1,867</b>	<b>0</b>	<b>11,134</b>
<b>Carrying amounts</b>					
<b>As of 31 December 2008</b>	<b>4,891</b>	<b>7,559</b>	<b>4,987</b>	<b>1,323</b>	<b>18,760</b>
<b>As of 31 December 2009</b>	<b>3,584</b>	<b>5,148</b>	<b>1,672</b>	<b>349</b>	<b>10,753</b>
<b>As of 31 December 2010</b>	<b>3,965</b>	<b>5,523</b>	<b>1,649</b>	<b>309</b>	<b>11,446</b>

In 12 months 2010, there were no fixed assets acquired under finance lease (12 months 2009: EUR 62 thousand).

## Note 2. Intangible assets

### Intangible assets

<i>In thousands of EUR</i>	<b>Software</b>	<b>Trademarks</b>	<b>Goodwill</b>	<b>Projects in progress</b>	<b>Total</b>
<b>Cost as of 31 December 2008</b>	<b>1,068</b>	<b>443</b>	<b>2,384</b>	<b>159</b>	<b>4,054</b>
Movements in 2009					
Acquisition	77	0	0	282	359
Transfers	0	42	0	-10	32
Eliminated on disposal of subsidiary	-414	-368	-2,384	-25	-3,191
Effect of movements in foreign exchange on cost	-136	-9	0	-50	-195
<b>Cost as of 31 December 2009</b>	<b>595</b>	<b>108</b>	<b>0</b>	<b>356</b>	<b>1,059</b>
<b>Cost as of 31 December 2009</b>	<b>595</b>	<b>108</b>	<b>0</b>	<b>356</b>	<b>1,059</b>
Movements in 2010					
Acquisition	16	0	0	98	114
Transfer	4	3	0	-7	0
Disposals	-3	-84	0	0	-87
Effect of movements in foreign exchange on cost	18	7	0	11	36
<b>Cost as of 31 December 2010</b>	<b>630</b>	<b>34</b>	<b>0</b>	<b>458</b>	<b>1,122</b>
<b>Accumulated amortisation as of 31 December 2008</b>	<b>495</b>	<b>267</b>	<b>2,264</b>	<b>0</b>	<b>3,026</b>
Movements in 2009					
Amortisation	148	39	0	0	187
Impairment loss	95	0	0	108	203
Eliminated on disposal of subsidiary	-335	-264	-2,264	0	-2,863
Effect of movements in foreign exchange on amortisation	-56	-2	0	-6	-64
<b>Accumulated amortisation as of 31 December 2009</b>	<b>347</b>	<b>40</b>	<b>0</b>	<b>102</b>	<b>489</b>
<b>Accumulated amortisation as of 31 December 2009</b>	<b>347</b>	<b>40</b>	<b>0</b>	<b>102</b>	<b>489</b>
Movements in 2010					
Amortisation	110	16	0	0	126
Disposal	-2	-67	0	0	-69
Impairment loss	0	25	0	0	25
Effect of movements in foreign exchange on amortisation	12	1	0	4	17
<b>Accumulated amortisation as of 31 December 2010</b>	<b>467</b>	<b>15</b>	<b>0</b>	<b>106</b>	<b>588</b>
<b>Carrying amounts</b>					
<b>As of 31 December 2008</b>	<b>573</b>	<b>176</b>	<b>120</b>	<b>159</b>	<b>1,028</b>
<b>As of 31 December 2009</b>	<b>248</b>	<b>68</b>	<b>0</b>	<b>254</b>	<b>570</b>
<b>As of 31 December 2010</b>	<b>163</b>	<b>19</b>	<b>0</b>	<b>352</b>	<b>534</b>

## Note 3. Investment property

	<b>2010</b>	<b>2009</b>
	<b>12 months</b>	<b>12 months</b>
	<b>EUR thousand</b>	<b>EUR thousand</b>
As of beginning of period	1,284	1,479
Acquisitions	0	130
Depreciation	-29	-27
Transfer from fixed assets	0	82
Effect of movements in exchange rates	44	-380
<b>Total</b>	<b>1,299</b>	<b>1,284</b>

As of 31 December 2010 investment property consisted of premises located at Nemiga 8, Minsk (Belarus) (728.3 sq. m.) acquired in 2007 and two other premises in Minsk and Mogilev (Belarus).

According to management estimates, the book value of investment property as of 31 December 2010 is not significantly different from fair value.

#### Note 4. Inventories

	31.12.2010	31.12.2009
	EUR thousand	EUR thousand
Raw and other materials	4,816	3,929
Work in progress	1,972	1,479
Finished goods	8,744	11,320
Other inventories	260	291
<b>Total</b>	<b>15,792</b>	<b>17,019</b>

Inventories are shown at their carrying values which are determined as the lower of cost and net realizable value. As of 31 December 2010 the write-downs of raw materials to net realizable value amounted to EUR 552 thousand, whereas as of 31 December 2009 those amounted to EUR 550 thousand. As of 31 December 2010 the write-downs of finished goods to net realizable value amounted to EUR 354 thousand, whereas as of 31 December 2009 write-downs amounted to EUR 687 thousand.

#### Note 5. Trade receivables

	31.12.2010	31.12.2009
	EUR thousand	EUR thousand
Trade receivables	10,190	9,051
Impairment of receivables	-548	-639
<b>Total</b>	<b>9,642</b>	<b>8,412</b>

#### Note 6. Other receivables

##### Other short term receivables

	31.12.2010	31.12.2009
	EUR thousand	EUR thousand
VAT on unpaid invoices	99	628
Guarantees withheld	42	261
Loans to third parties	757	100
Prepaid expenses	140	173
Employees receivables	12	47
Due from customers for contract work	23	13
Miscellaneous receivables	185	122
Impairment of other receivables	-70	-177
<b>Total</b>	<b>1,188</b>	<b>1,167</b>

#### Note 7. Prepayments

	31.12.2010	31.12.2009
	EUR thousand	EUR thousand
Prepayments for advertising and marketing expenses	167	8
Prepayments for rent	28	150
Prepayments to customs	21	37
Prepayments to other suppliers	72	414
<b>Total</b>	<b>288</b>	<b>609</b>



## Note 8. Cash and cash equivalents

	31.12.2010	31.12.2009
	EUR thousand	EUR thousand
Short-term deposits	16,438	7,991
Bank accounts in foreign currencies	4,385	1,222
Cash in transit	385	575
Cash on hand	22	46
Bank accounts in kroons	238	4
<b>Total</b>	<b>21,468</b>	<b>9,838</b>

As of 31 December 2010, cash placed in short-term deposits with the maturity from 1 to 5 months amounted to EUR 16,442 thousand. The interest rates were in the range from 0.1% to 6.5% per annum for deposits denominated in EUR, 14% per annum for demand deposits denominated in Belarusian rubles, 0.1% per annum for demand deposits denominated in EEK, and from 0.8% to 9.5% per annum for demand deposits denominated in Russian rubles.

## Note 9. Loans and borrowings

The Group has the following debts as of 31 December 2010:

*In thousands of EUR*

Bank	Company	Cur- rency	Nominal interest rate	Year of maturity	31.12.2010		31.12.2009	
					Short term	Long term	Short term	Long term
Secured bank loan	SP Gimil OOO	BYR	23.00%	2010	0	0	105	0
Secured bank loan	Junona OAO	BYR	BYRIBOR*+ 11.00%	2010	0	0	110	0
Secured bank loan	Junona OAO	BYR	BYRIBOR*+ 3.00%	2011	27	0	0	0
Secured bank loan	SP Gimil OOO	BYR	23.00%	2010	0	0	37	0
Secured bank loan	SP Gimil OOO	EUR	19.00%	2010	0	0	52	0
Secured bank loan	AS SFG	EUR	3M EURIBOR + 4.00%	2013	0	0	89	251
Bank overdraft	Lauma Lingerie AS	EUR	3M EURIBOR + 6.25%	2010	0	0	1,101	0
Finance lease liabilities	SP Gimil OOO	USD	14.50%	2012	9	0	8	8
Finance lease liabilities	AS SFG	EUR	14.00%	2010	0	0	7	0
Finance lease liabilities	Milavitsa SP ZAO	EUR	13.00%	2010	0	0	37	0
<b>Total interest bearing liabilities</b>					<b>36</b>	<b>0</b>	<b>1,546</b>	<b>259</b>

\* BYRIBOR – BYR Interbank Offered Rate

All fixed rate interest bearing liabilities are to Belarus financial institutions and interest rates are reviewed annually and adjusted based on the State Refinancing Rate.

In 12 months 2010 the Group received loans in the amount of EUR 765 thousand, in 12 months 2009 in the amount of EUR 6,558 thousand. The Group settled loans and finance lease liabilities in 12 months 2010 in the amount of EUR 2,542 thousand, in 12 months 2009 in the amount of EUR 11,334 thousand.

### **Loan collateral**

The loan provided to OAO Junona by OAO Belarusbank is secured by fixed assets of OAO Junona for the book value of EUR 906 thousand.

## Note 10. Other payables

	31.12.2010	31.12.2009
	EUR thousand	EUR thousand
Payables related to employees	600	514
Customer prepayments for goods and services	277	148
Other payables	254	250
<b>Total</b>	<b>1,131</b>	<b>912</b>

## Note 11. Earnings per share

The calculation of basic earnings per share at 31 December 2010 (31 December 2009) was based on the profit attributable to owners and a weighted average number of ordinary shares.

<i>In thousands of shares</i>	12 months 2010	Q 4 2010	12 months 2009	Q 4 2009
Number of ordinary shares at the beginning of the period	40,000	40,000	40,000	40,000
Shares canceled	-393	-393	0	0
Effect of own shares held	-9	-37	-393	-393
<b>Weighted average number of ordinary shares</b>	<b>39,598</b>	<b>39,570</b>	<b>39,607</b>	<b>39,607</b>

	2010 12 months Continuing operations	2010 12 months Discontinued operations	2010 12 months Total	2009 12 months Continuing operations	2009 12 months Discontinued operations	2009 12 months Total
Profit/(Loss) for the period, attributable to owners, EUR thousand	12,240	0	12,240	-165	-2,303	-2,468
Basic earnings/(loss) per share (EUR)	0.31	0	0.31	-0.004	-0.058	-0.06
Diluted loss per share (EUR)	0.31	0	0.31	-0.004	-0.058	-0.06

	Q4 2010 Continuing operations	Q4 2010 Discontinued operations	Q4 2010 Total	Q4 2009 Continuing operations	Q4 2009 Discontinued operations	Q4 2009 Total
Profit/(Loss) for the period, attributable to owners, EUR thousand	2,621	0	2,621	326	0	326
Basic earnings/(loss) per share (EUR)	0.07	0	0.07	0.01	0	0.01
Diluted loss per share (EUR)	0.07	0	0.07	0.01	0	0.01

Diluted earnings per share do not differ from basic earnings per share as the Group has no financial instruments issued that could potentially dilute the earnings per share.

## Note 12. Owners' equity

### Shares

As of 31 December 2010 registered share capital of AS Silvano Fashion Group amounted to EUR 25,313 thousand divided into 39,607,000 shares with a nominal value of EUR 0.64 each. All the shares of AS Silvano Fashion Group are ordinary shares and all are registered. Each ordinary share gives the shareholder one vote at the general meeting. No share certificates are issued for registered shares. The share register is electronic and maintained at the Estonian Central Depository for Securities. All shares have been paid for.

On 28 June 2010 the decision was taken by the Annual General Meeting to reduce the share capital of AS Silvano Fashion Group by EUR 252 thousand (EEK 3,930 thousand) to EUR 25,313 thousand (EEK 396,070 thousand) by way of cancelling 393,000 own shares owned by the Company. The share capital reduction was registered in Estonian commercial registry on 15 October 2010.

The extraordinary general meeting of shareholders of Silvano Fashion Group held on 9 November 2010 authorized the buyback of Silvano Fashion Group's own shares under the following conditions: SFG is entitled to buy back its own shares until 30 June 2011, the total nominal value of own shares to be bought back by SFG may not exceed 10% of total share capital of SFG, the maximum price payable by SFG for one share will be 4.00 EUR, the maximum amount payable by SFG for its own shares to be EUR 15,843 thousand, own shares will be paid for with assets exceeding the share capital, compulsory reserves and share premium.

As of 31 December 2010 the amount of shares bought back is 131,629 the average price per share was 2.7723 EUR, the cost in total was 364,915 EUR.

According to the Articles of Association, the minimum share capital and maximum share capital of AS Silvano Fashion Group amount to EUR 15,978 thousand (EEK 250,000 thousand) and EUR 63,912 thousand (EEK 1,000,000 thousand) respectively.

As of 31 December 2010 AS Silvano Fashion Group had 1,473 shareholders.

As of 31 December 2010 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>29,963,543</b>	<b>75.66%</b>
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	9,647,397	24.36%
TOOMAS TOOL	9,600,000	24.24%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8,100,000	20.45%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	2,616,146	6.61%
<b>Other shareholders</b>	<b>9,643,457</b>	<b>24.34%</b>
<b>Total number of shares</b>	<b>39,607,000</b>	<b>100.00%</b>

As of 31 December 2009 AS Silvano Fashion Group had 1,055 shareholders.

As of 31 December 2009 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>31,238,988</b>	<b>78.10%</b>
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	19,783,870	49.46%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	7,359,662	18.40%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	4,095,456	10.24%
<b>Other shareholders</b>	<b>8,761,012</b>	<b>17.24%</b>
<b>Total number of shares</b>	<b>40,000,000</b>	<b>100.00%</b>

### Legal Reserve

The reserve indicated under the owners' equity is a legal reserve established pursuant to the Commercial Code, which can be used for covering losses or increasing the share capital by way of a bonus issue based on a decision of the shareholders. The minimum legal reserve amount is 1/10 of the share capital.

### Information about Shares

As of 21 November 2006 the shares of AS Silvano Fashion Group are listed on the main list of the Tallinn Stock Exchange.

### Share price development and turnover on the Tallinn Stock Exchange in 12 months 2010 (EEK)

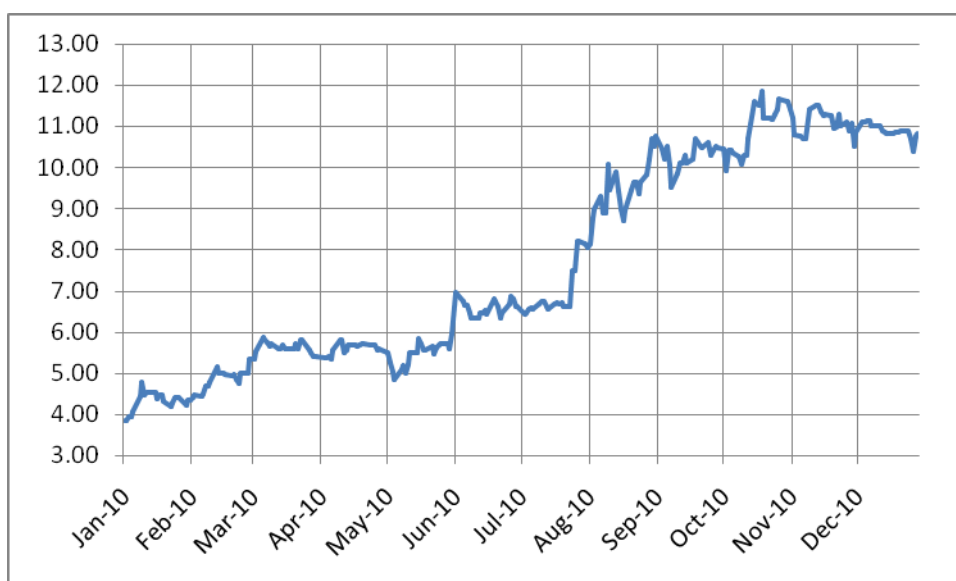
During 12 months of 2010, the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were EUR 3.19 (EEK 49.91) and EUR 0.78 (EEK 12.20), respectively.



From 23 July 2007 the shares of AS Silvano Fashion Group are listed on the basic list of the Warsaw Stock Exchange.

### Share price development on the Warsaw Stock Exchange in 12 months 2010 (PLN)

During 12 months of 2010, the highest and lowest prices of the AS Silvano Fashion Group' share on the Warsaw Stock Exchange were PLN 11.86 and PLN 3.85, respectively.



### Note 13. Sales revenue

	<b>2010</b>	<b>2009</b>
	<b>12 months</b>	<b>12 months</b>
	<b>EUR thousand</b>	<b>EUR thousand</b>
Income from wholesale	76,536	55,583
Income from retail sale	16,345	17,275
Subcontracting and services	307	1,085
Other sales	104	101
<b>Total sales revenue</b>	<b>93,292</b>	<b>74,044</b>

Sales revenue by countries is presented in Note 15.

### Note 14. Transactions with related parties

For the purposes of these financial statements, parties are related if one controls the other or exerts significant influence on the other's financial and operating policies. Related parties include:

- a. companies and individuals with a shareholding that provides them with the control or significant influence;
- b. members of the governing bodies (management and supervisory boards) of shareholders that have control or significant influence;
- c. members of the Group's management and supervisory boards;
- d. close family members of and companies controlled or significantly influenced by the above;
- e. associated companies.

	<b>2010</b>	<b>2009</b>
	<b>12 months</b>	<b>12 months</b>
	<b>EUR thousand</b>	<b>EUR thousand</b>
<b>Sales of goods and services</b>		
Associated companies	8,508	11,457
<b>Total sales</b>	<b>8,508</b>	<b>11,457</b>

	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>Balances with related parties</b>	<b>EUR thousand</b>	<b>EUR thousand</b>
Receivable from associated companies	1,542	2,611
<b>Total receivable</b>	<b>1,542</b>	<b>2,611</b>

	<b>2010</b>	<b>2009</b>
<b>Benefits to members of the management and supervisory board</b>	<b>12 months</b>	<b>12 months</b>
	<b>EUR</b>	<b>EUR</b>
	<b>thousand</b>	<b>thousand</b>
Remuneration and benefits	357	645
<b>Total</b>	<b>357</b>	<b>645</b>

According to management's assessment, the prices applied in transactions with related parties did not differ significantly from the market terms.

**Note 15. Segments**

**Operating segments 12 months 2010, in thousands of EUR**

	Lingerie retail	Lingerie wholesale	Apparel (discontinued operation)	Total segments	Unallocated	Less discontinued operation	Eliminations	Continuing operations
<b>Revenue from external customers</b>	<b>16,345</b>	<b>76,536</b>	<b>0</b>	<b>92,881</b>	<b>411</b>	<b>0</b>	<b>0</b>	<b>93,292</b>
Intersegment revenues	0	8,705	0	8,705	1,013	0	-9,718	0
<b>EBITDA</b>	<b>762</b>	<b>18,635</b>	<b>0</b>	<b>19,397</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>19,415</b>
Amortization and depreciation	-258	-1,435	0	-1,693	-64	0	0	-1,757
<b>Operating income/loss, EBIT</b>	<b>504</b>	<b>17,200</b>	<b>0</b>	<b>17,704</b>	<b>-46</b>	<b>0</b>	<b>0</b>	<b>17,658</b>
Interest in the profit or loss of equity accounted investees	0	11	0	11	-47	0	0	-36
Financial items, net	2	1,171	0	1,173	561	0	0	1,734
Income tax	-303	-3,867	0	-4,170	-122	0	0	-4,292
<b>Net income</b>	<b>203</b>	<b>14,515</b>	<b>0</b>	<b>14,718</b>	<b>346</b>	<b>0</b>	<b>0</b>	<b>15,064</b>
Investments in associate	0	106	0	106	0	0	0	106
Other operating segment assets	3,787	55,989	0	59,776	5,203	0	0	64,979
Reportable segment liabilities	641	9,778	0	10,419	1,650	0	0	12,069
Impairment of assets	0	-3	0	-3	0	0	0	-3
Capital expenditures	355	2,063	0	2,418	1	0	0	2,419
Number of employees as of reporting date	482	2,701	0	3,183	10	0	0	3,193

**Operating segments 12 months 2009, in thousands of EUR**

	Lingerie retail	Lingerie wholesale	Apparel (discontinued operation)	Total segments	Unallocated	Less discontinued operation	Eliminations	Continuing operations
<b>Revenue from external customers</b>	<b>17,275</b>	<b>55,583</b>	<b>5,023</b>	<b>77,881</b>	<b>1,186</b>	<b>-5,023</b>	<b>0</b>	<b>74,044</b>
Intersegment revenues	0	20,136	0	20,136	480	0	-20,616	0
<b>EBITDA</b>	<b>-5,686</b>	<b>13,450</b>	<b>-477</b>	<b>7,287</b>	<b>-1,712</b>	<b>477</b>	<b>0</b>	<b>6,052</b>
Amortization and depreciation	-640	-1,484	-231	-2,355	-65	231	0	-2,189
<b>Operating income/loss, EBIT</b>	<b>-6,326</b>	<b>11,966</b>	<b>-708</b>	<b>4,932</b>	<b>-1,777</b>	<b>708</b>	<b>0</b>	<b>3,863</b>
Interest in the profit or loss of equity accounted investees	0	-42	0	-42	22	0	0	-20
Financial items, net	-1,271	1,456	-84	101	871	84	0	1,056
Income tax	-158	-3,222	13	-3,367	-128	-13	0	-3,508
Loss on sale of discontinued operations	0	0	-1,524	-1,524	0	1,524		0
<b>Net income</b>	<b>-7,755</b>	<b>10,158</b>	<b>-2,303</b>	<b>100</b>	<b>-1,012</b>	<b>2,303</b>	<b>0</b>	<b>1,391</b>
Investments in associate	0	93	0	93	46	0	0	139
Other operating segment assets	5,868	45,975	0	51,843	2,370	0	0	54,213
Reportable segment liabilities	6,352	6,120	0	12,472	1,871	0	0	14,343
Impairment of assets	2,164	250	41	2,455	1,301	-41	0	3,715
Capital expenditures	414	910	294	1,618	130	-294	0	1,454
Number of employees as of reporting date	472	2,683	409	3,564	9	-409	0	3,164



### **Geographical segments**

The Group's manufacturing facilities are based in Belarus and Latvia. Lingerie wholesale and retail operations are analyzed on the basis of geographical segments. Segment revenue is based on the geographical location of customers, segment assets are based on the geographical location of the assets.

	<b>Sales revenue 2010 12 months EUR thousand</b>	<b>Sales revenue 2009 12 months EUR thousand</b>	<b>Non-current assets 31.12.2010 EUR thousand</b>	<b>Non-current assets 31.12.2009 EUR thousand</b>
Russia	53,721	43,295	99	578
Belarus	25,531	19,558	14,448	13,295
Baltics	4,814	3,946	564	841
Ukraine	4,636	3,493	0	0
Other countries	4,590	3,752	0	186
<b>Total</b>	<b>93,292</b>	<b>74,044</b>	<b>15,111</b>	<b>14,900</b>