

SILVANO FASHION GROUP  
ΣΙΛΒΑΝΟ ΕΛΑΣΤΙΟΝ ΟΜΟΛΟΓΗΜΑΤΩΝ



# Silvano Fashion Group

## Q1 2010 Highlights

[www.silvanofashion.com](http://www.silvanofashion.com)

# SFG - Facts and Figures

Silvano Fashion Group



OVERVIEW		
	Q1 2010	Q1 2009
Sales	20,067	15,957
EBITDA	3,292	530
<i>EBITDA margin</i>	<i>16.4%</i>	<i>3.3%</i>
Net profit	3,110	-2,207
<i>Net profit margin</i>	<i>15.5%</i>	<i>-13.8%</i>
Net profit from continuing operations attributable to equity holders	2,472	-1,940
<i>Net margin from continuing operations</i>	<i>12.3%</i>	<i>-12.2%</i>
	31/03/2010	31/12/2009
Working capital	29,677	27,007
Cash balance	10,040	9,838
Debt (borrowings and leases)	1,467	1,805
Equity	42,806	40,009
Total assets	58,047	54,352
CAPEX	198	1,454
Employees	3,103	3,164
Wholesales:		
Pcs sold (Milavitsa) '000	3,434	2,634
Pcs sold (Lauma) '000	320	131
Retail:		
Number of own shops	52	64
Number of franchising shops	277	254

# Silvano Fashion Group - key strengths

Leading lingerie company in a market with over 100M target customers

- Over 100M women aged 15+ in Russia, Ukraine, Belarus, Kazakhstan and Baltics
- Over 25% market share in Belarus, a market leader with 5% share in Russia and #1 by sales in Ukraine and Kazakhstan

Strong distribution and retail presence in CIS countries

- Extensive wholesale coverage in CIS countries, with 40+ regional dealers and distributors
- 52 own and around 277 partner-owned retail shops in 11 countries, mainly in Russia, Ukraine, Belarus and Baltics

Leading regional brands

- Milavitsa is the most recognized lingerie brand in whole CIS region
- Lauma is the most recognized lingerie brand in Latvia and commands high level of recognition in the Baltics, Russia and Ukraine

Very strong own and outsourced manufacturing capacity in Belarus

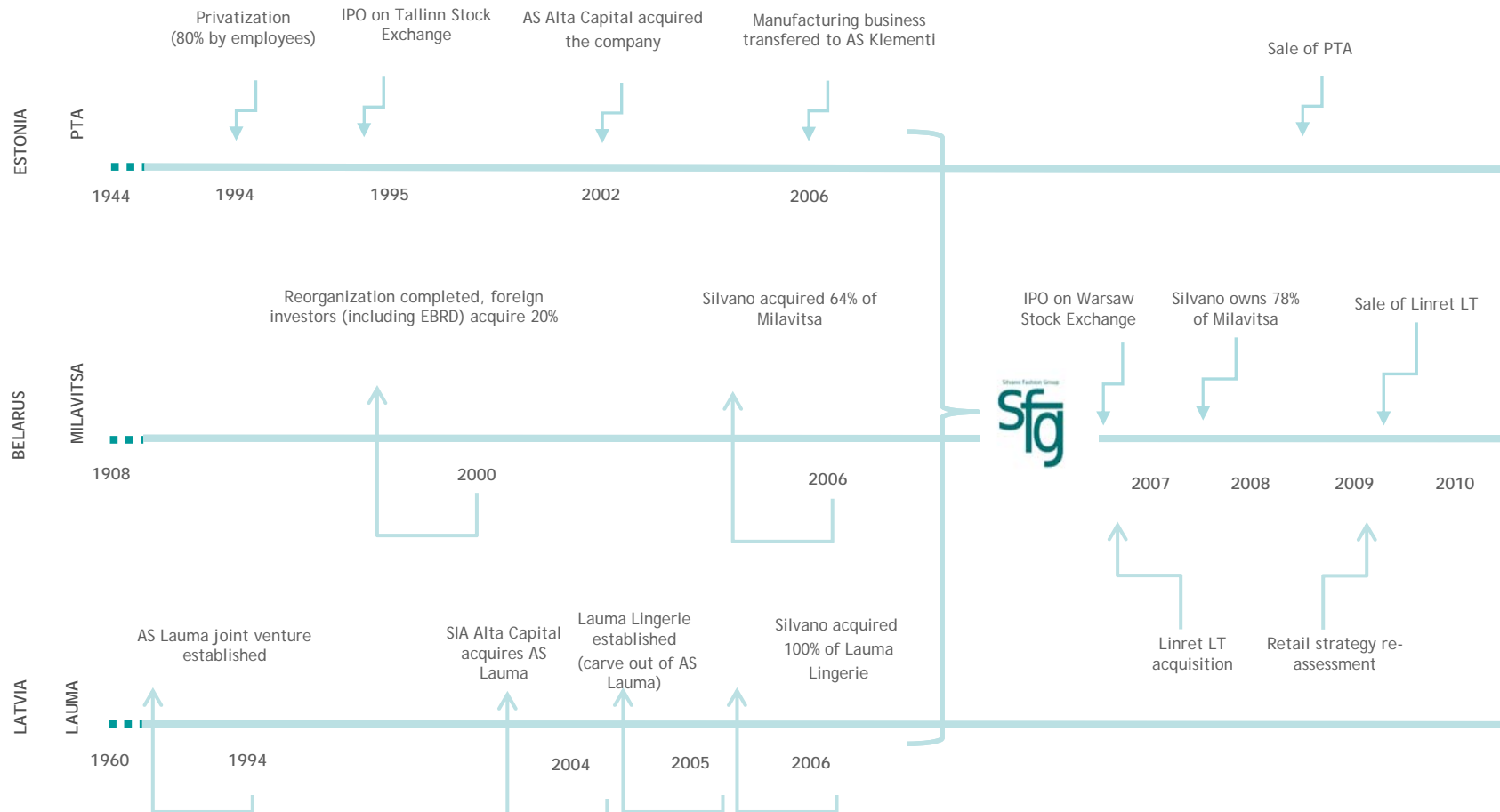
- Capacity for 17 million pieces in own and 12 outsourced production facilities in Belarus, affordable production growth opportunities
- Low production costs with closeness to key markets

Profitable business with very low level of debt

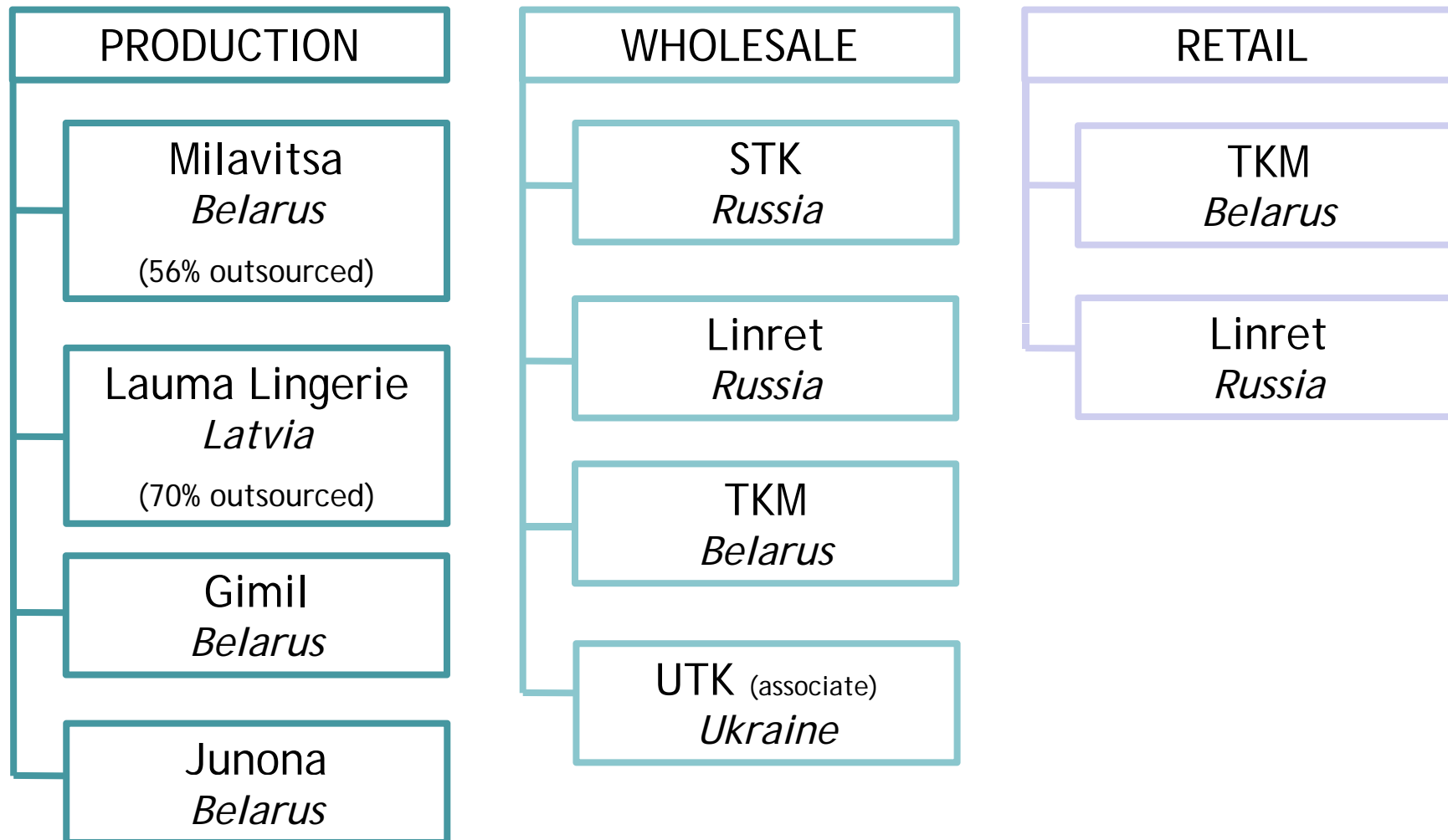
- Q1 2010 EBITDA of 3.3 mEUR
- Q1 2010 net profit 3.1 mEUR
- Q1 2010 net profit attributable to shareholders 2.5 mEUR



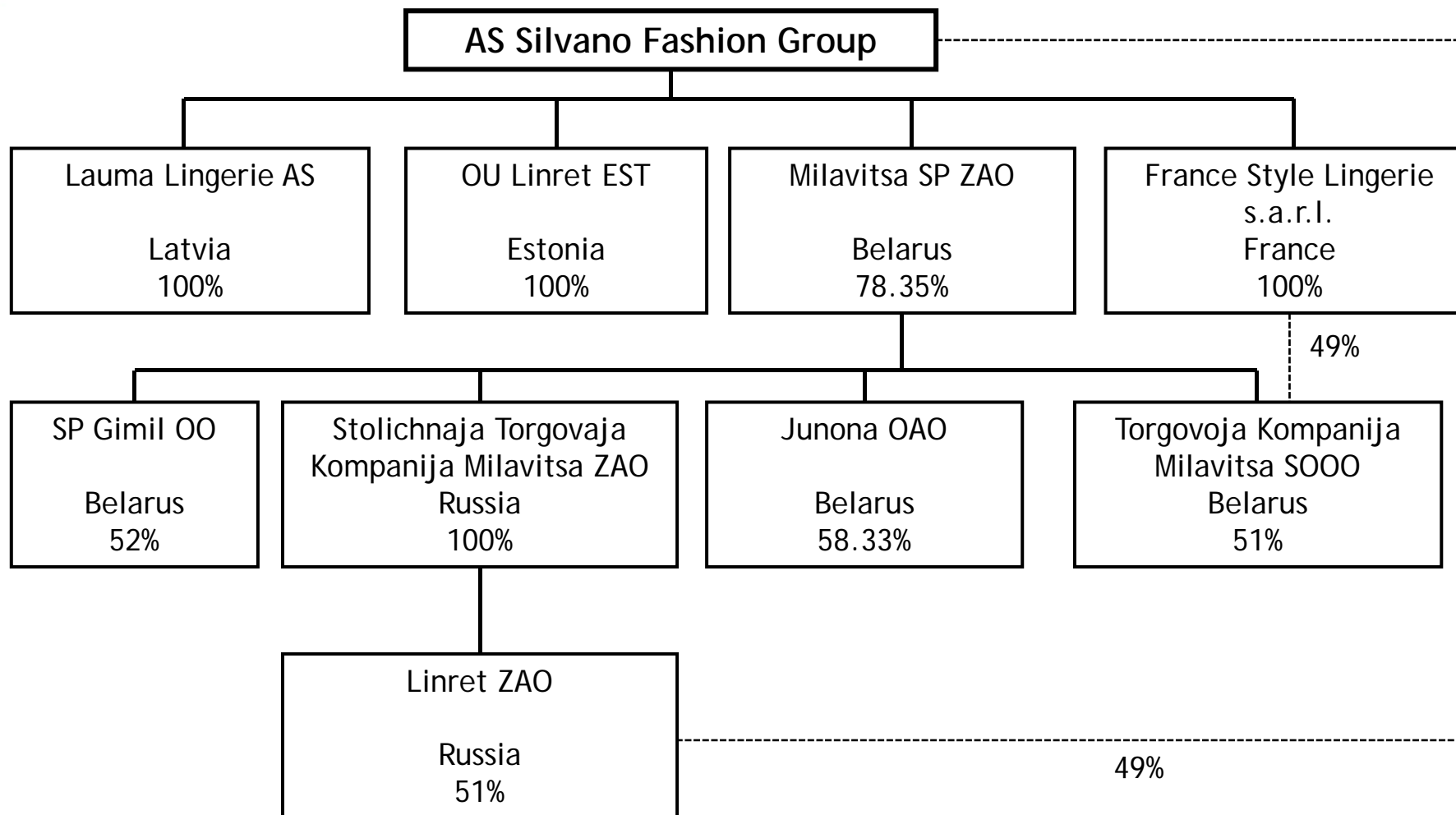
# Historical Business Development



# SFG in brief - Group structure by activities



# SFG in brief - Legal Structure

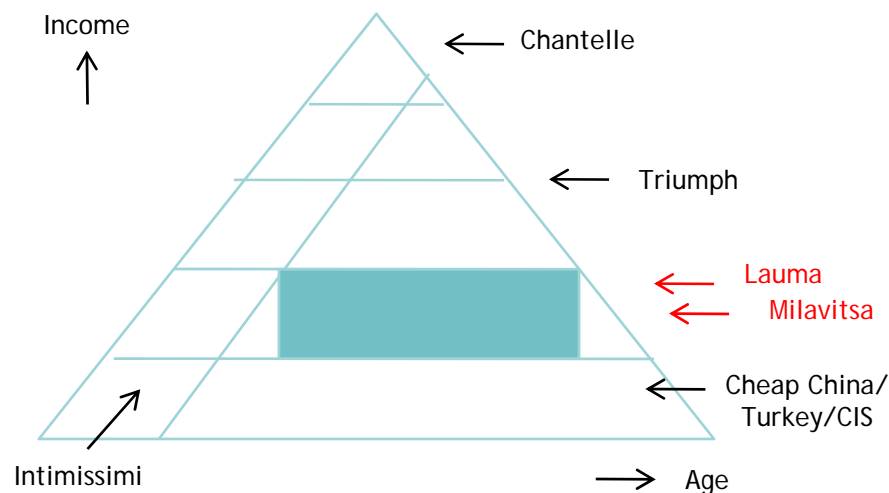
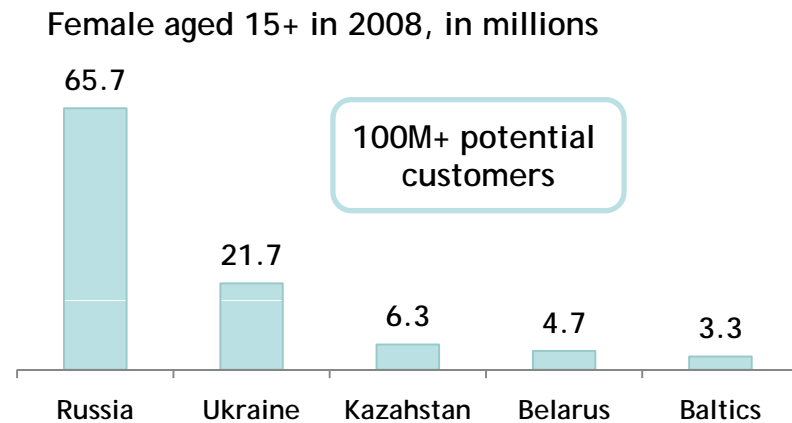




## Markets & Brands

# Market and Competition

## Main markets



## Market share

- Estimated markets share:
  - Belarus: 25%+
  - Russia: 4-6%
  - Ukraine: 3-4%

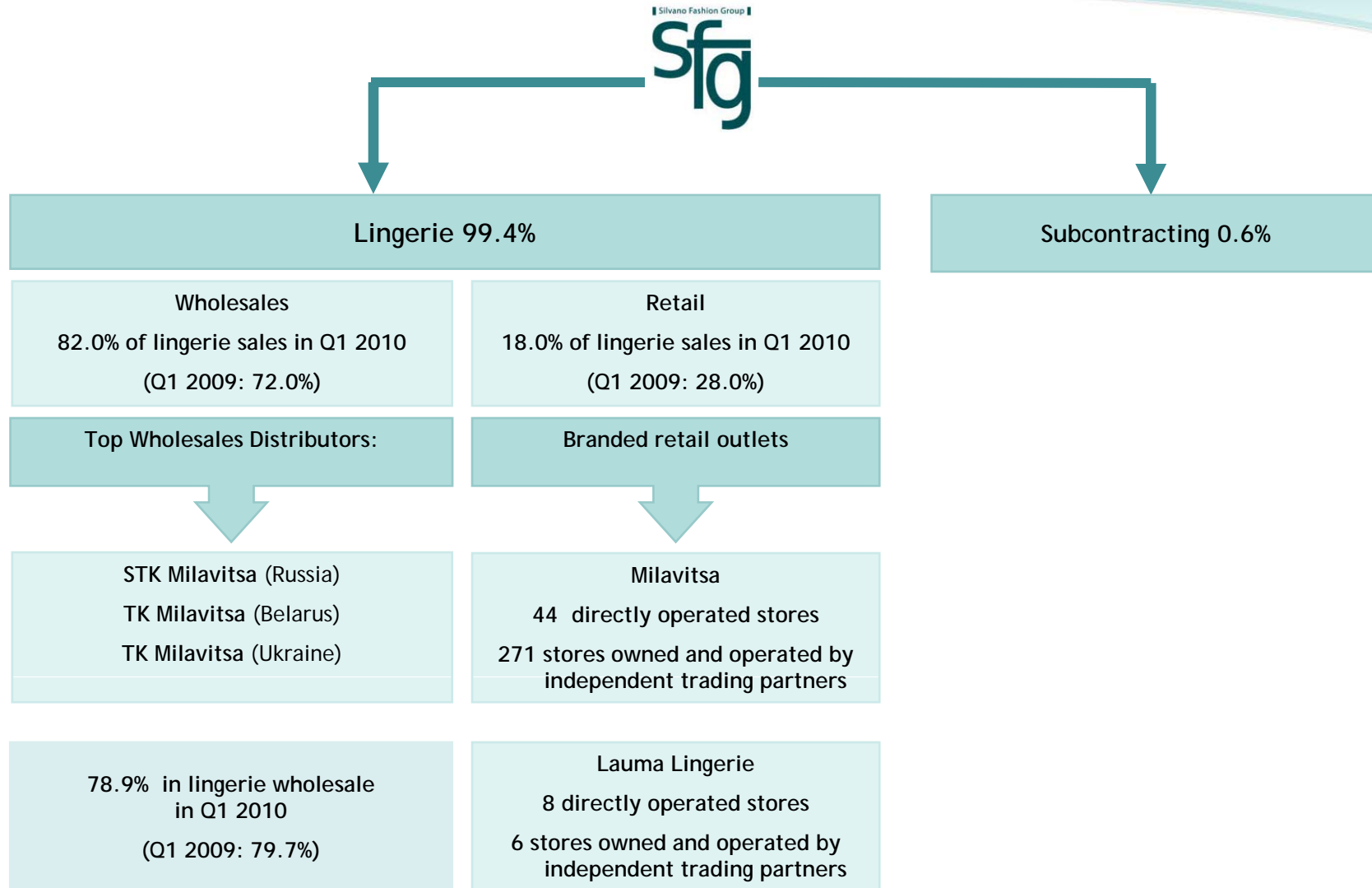
## Main competition, products

- Palmetta, Lilly, Lormar in Russia
- Triumph, Rosme in Baltics

## Main competition, retail chains

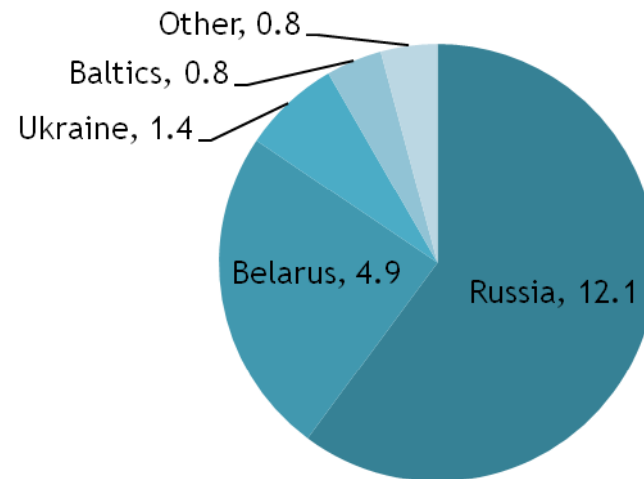
- Wild Orchid group (Bustier, Defile stores), Incanto, Palmetta in Russia
- 75B retail chain in Ukraine
- Triumph in Baltics

# Revenue Breakdown in Q1 2010



# Lingerie sales by regions

Sales by regions Q1 2010, EUR mill.



Sales by regions EUR mill.



# Product Brand Portfolio

Silvano Fashion Group



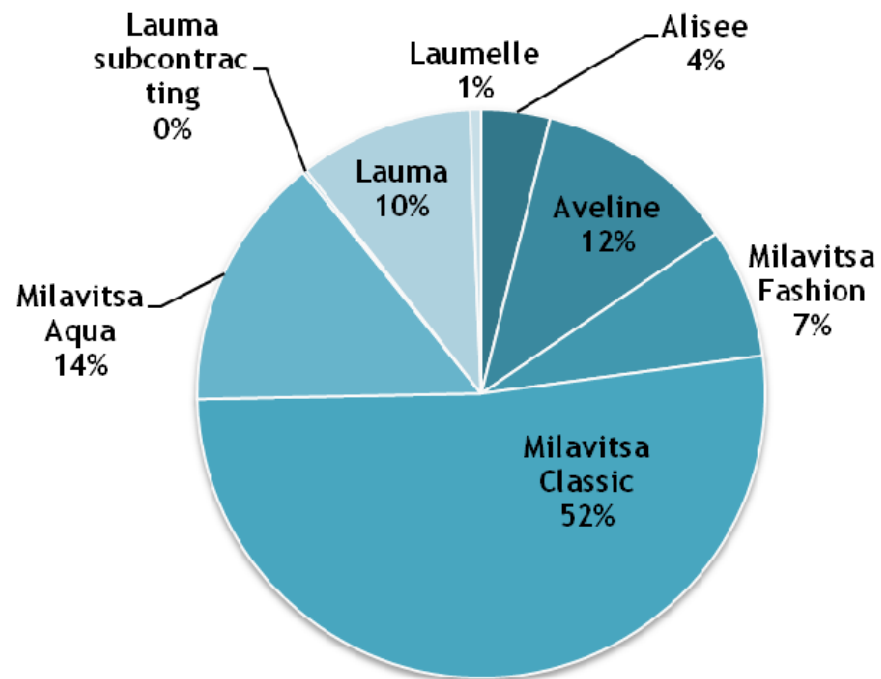
**Milavitsa**  
Belarus

**Lauma Lingerie**  
Latvia

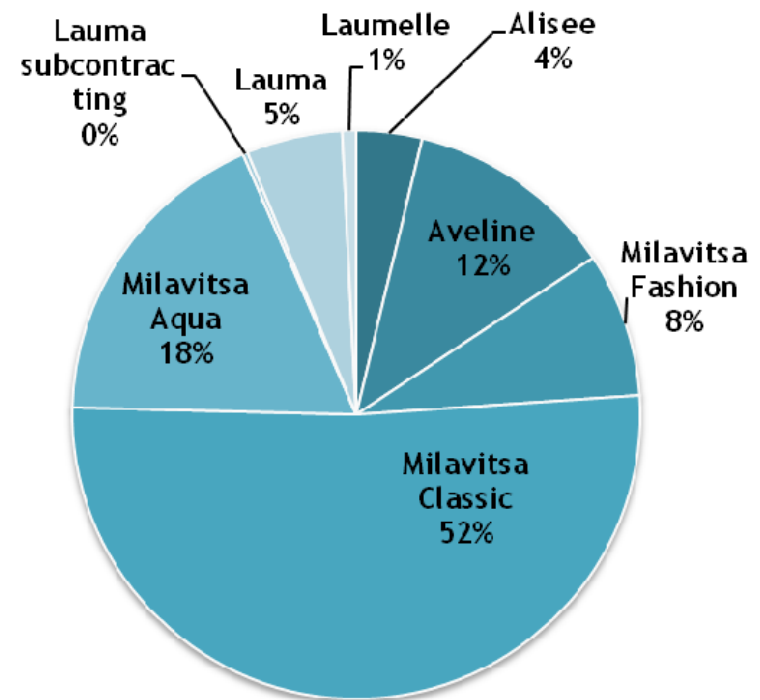


# Lingerie Sales by Trademarks

Q1 2010



Q1 2009



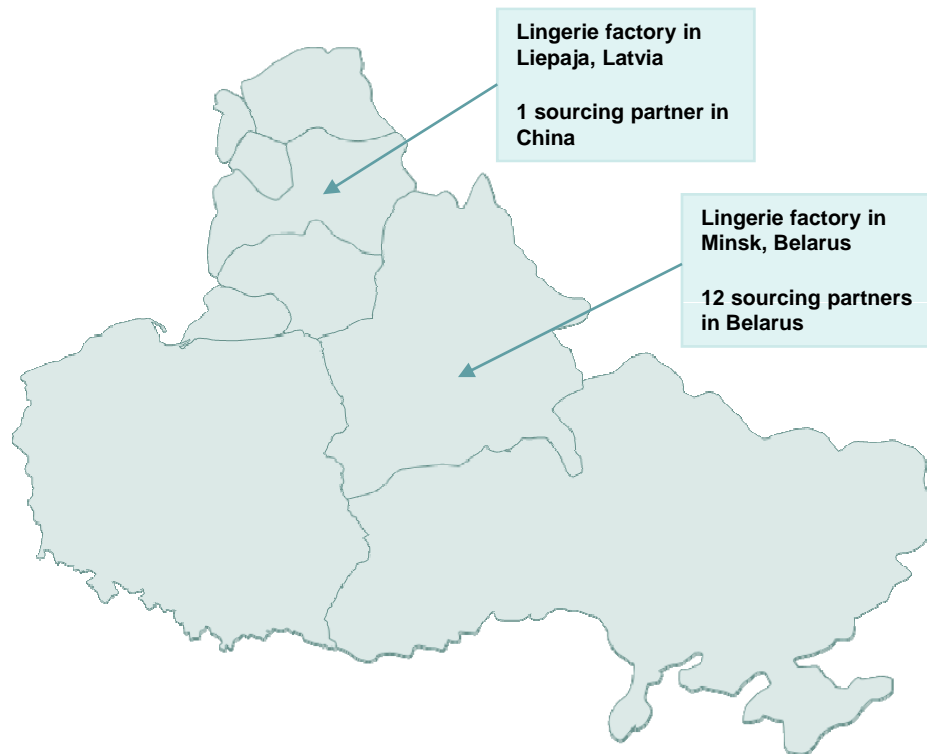
■ Silvano Fashion Group ■



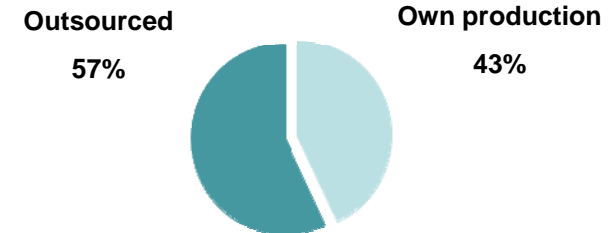
## Operations

# Production Model

**OWN PRODUCTION FACILITIES ALLOW FOR FASTER RESPONSE TO CHANGING CUSTOMER DEMAND**

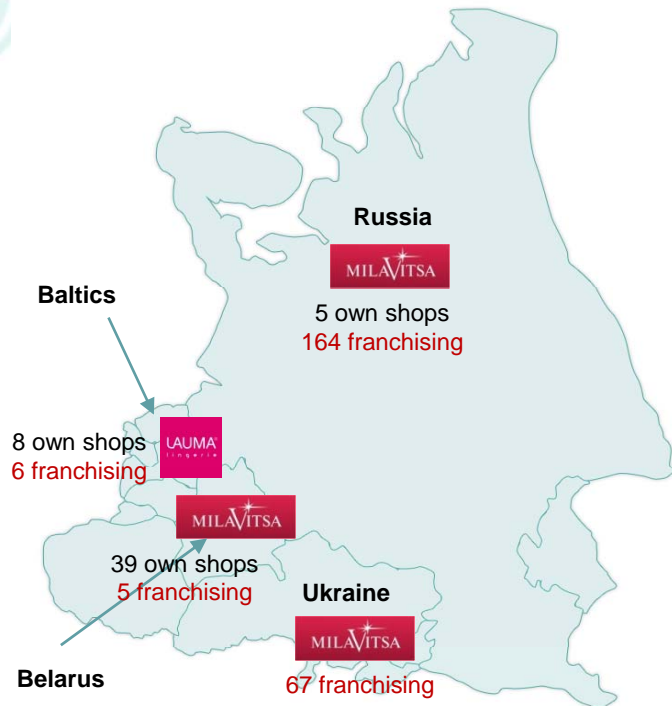


## LINGERIE Q1 2010



**WHILE MAINTAINING OWN PRODUCTION FACILITIES SHARE OF OUTSOURCING WILL BE INCREASING**

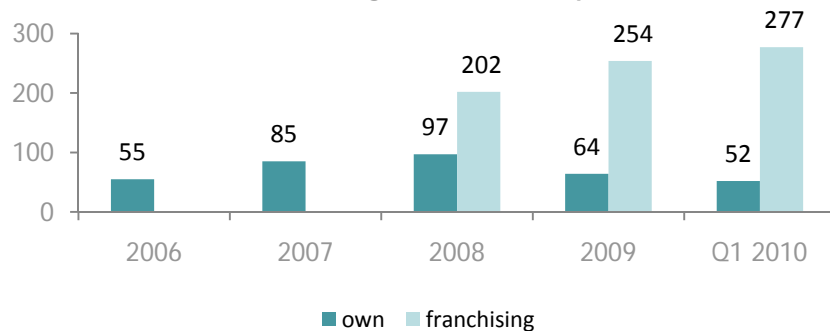
# Lingerie Retail Network as of 31.03.2010



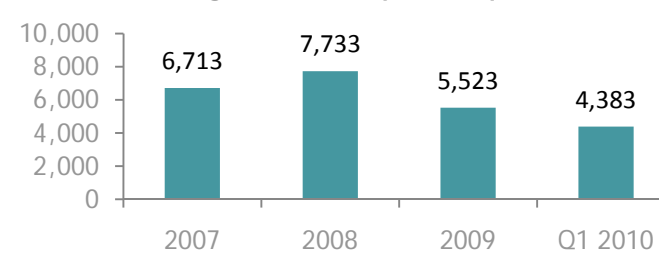
Other Milavitsa franchising shops by countries	#
Moldavia	12
Kazakhstan	5
Armenia	4
Azerbaijan	4
Uzbekistan	4
Kirgizstan	4
Latvia	1
Cyprus	1

- 4 new own lingerie stores opened in Q1 2010 (3 Lauma Lingerie, 1 Mailavitsa)
- 2 shops closed in Q1 2010
- 14 stores transferred to Milavitsa trading partners giving total 24 Milavitsa franchising shops opened in Q1 2010
- 52 own lingerie shops in operation
- Retail development put on hold
- Focus on franchising opportunities

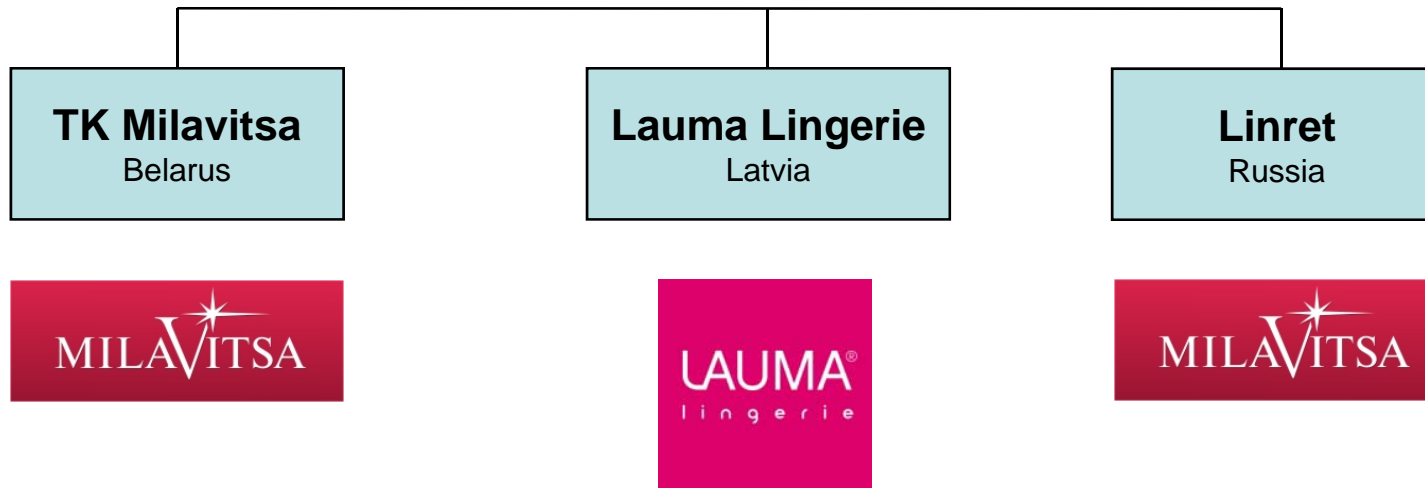
no. of lingerie retail shops



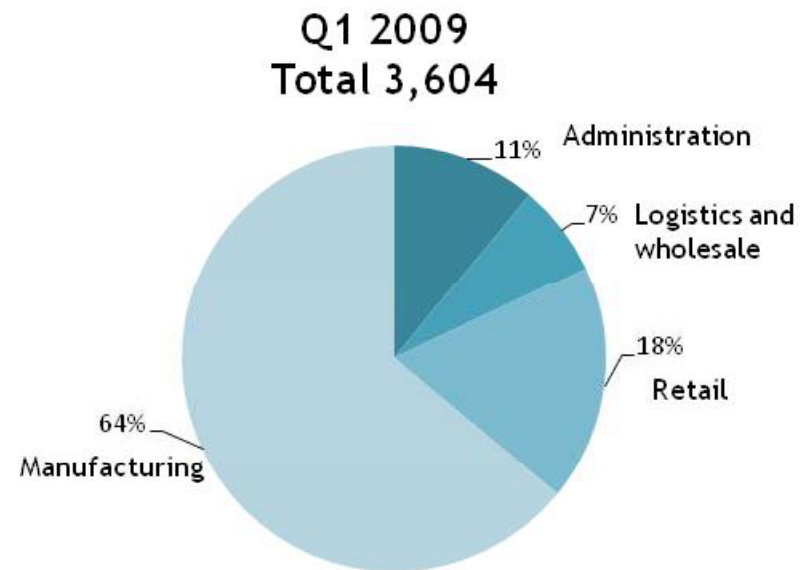
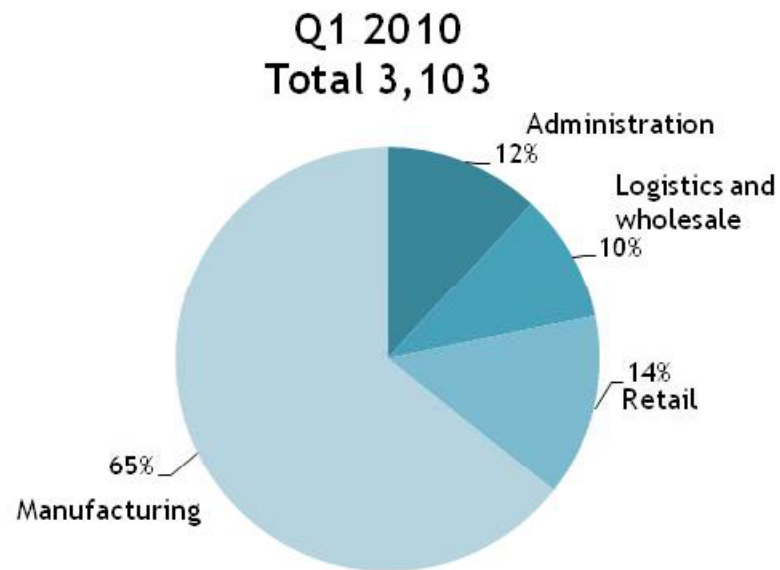
lingerie retail space, sqm



# Retail Brand Portfolio (Directly operated stores)



# Personnel Q1 2010 vs Q1 2009





## Financials & Business Development

# SFG Financial performance Q1 2010

SFG Consolidated IS, TEUR	ACTUAL	PREVIOUS YEAR		
	Q1 2010	Q1 2009	Variances	
			abs	%
<b>NET SALES</b>	20,067	15,957	4,110	25.8%
COST OF GOODS SOLD	-11,833	-9,315	-2,518	27.0%
<b>GROSS PROFIT</b>	8,234	6,642	1,592	24.0%
<i>Gross profit margin</i>	41.0%	41.6%		
Selling expenses	-2,384	-2,943	559	-19.0%
Administration expenses	-2,272	-2,765	493	-17.8%
Other income	166	735	-569	-77.4%
Other expenses	-899	-1,741	842	-48.4%
<b>Total operating expenses</b>	<b>-5,389</b>	<b>-6,714</b>	<b>1,325</b>	<b>-19.7%</b>
<b>OPERATING PROFIT/EBIT</b>	<b>2,845</b>	<b>-72</b>	<b>2,917</b>	<b>-4,051.4%</b>
<i>Operating profit / EBIT margin</i>	14.2%	-0.5%		
Interest expense	-42	-167	125	-74.9%
Foreign currency exchange income/loss	1,305	-53	1,358	-2562.3%
Other financial income/expense	183	57	126	221.1%
Share of profit of equity accounted investees	-77	-117	40	-34.2%
Company income tax	-1,104	-1,305	201	-15.4%
<b>GAIN/LOSS FROM CONTINUING OPERATIONS</b>	<b>3,110</b>	<b>-1,657</b>	<b>4,767</b>	<b>-287.7%</b>
<i>Net margin from continuing operations</i>	15.5%	-10.4%		
Loss from discontinued operations	0	-550	550	-100.0%
<b>NET PROFIT</b>	<b>3,110</b>	<b>-2,207</b>	<b>5,317</b>	<b>-240.9%</b>
<i>Net margin</i>	15.5%	-13.8%		
Net profit attributable to parent company	2,472	-2,490	4,962	-199.3%
Net profit attributable to minority shareholders	638	283	355	125.4%
Add back : depreciation	447	602	-155	-25.7%
<b>EBITDA</b>	<b>3,292</b>	<b>530</b>	<b>2,762</b>	<b>521.1%</b>
<i>EBITDA margin</i>	16.4%	3.3%		

# IS split to Lingerie Wholesales and Retail Q1 2010

IS Q1 2010 TEUR	Q1 2010		Variances (%) Wholesale vs Q1 2009	Variances (%) Retail vs Q1 2009
	Wholesale Lingerie	Retail lingerie		
<b>NET SALES</b>	16,345	3,593	41.5%	-16.1%
<b>OPERATING PROFIT/EBIT</b>	3,798	-644	32.9%	-58.6%
<i>Operating profit / EBIT margin</i>	23.2%	-17.9%		
Financial income/expense	581	496	-27.0%	-151.5%
Share of profit of equity accounted investees	-30	0	-74.4%	0.0%
Company income tax	-1,048	-25	-18.8%	67.8%
<b>NET PROFIT</b>	3,301	-173	46.9%	-93.2%
<i>Net margin</i>	20.2%	-4.8%		
EBIT	3,798	-644	32.9%	-58.6%
Add back : depreciation	349	82	-21.2%	-42.7%
<b>EBITDA</b>	4,147	-562	25.6%	-60.2%
<i>EBITDA margin</i>	25.4%	-15.6%		

## Financial Performance Q1 2010

- The Group's sales in Q1 2010 amounted to EUR 20,067 thousand representing a 25.8% increase as compared to Q1 2009 and 20.6% increase as compared to Q4 2009. Considerable growth demonstrated by Russian market with Belarusian operations showing a slight increase.
- Gross margin from continuing operations in Q1 2010 was 40.9% (Q1 2008: 41.6%) as the result of higher customs duties on materials imported by the Group from the EU after Belarus joining the Customs Union with Russia.
- As the result of increase in sales EBITDA was higher than in Q1 2009 by EUR 2,762 thousand. Q1 2009 EBITDA was as well adversely influenced by one-off expenses.
- Net profit from continuing operations amounted to EUR 3,110 thousand (EUR 4,757 thousand above last year). Net profit increased by EUR 5,317 thousand. Reasons as above plus positive foreign currency exchange gain in the amount of EUR 1,305 thousand.

# Consolidated Balance Sheet

ASSETS (IN EUR MILL.)	31/03/2010	%	31/12/2009	%
Non-current assets	14.7	25.3%	14.9	27.4%
Current assets:	43.4	74.7%	39.5	72.6%
Inventories	17.5	30.2%	17.0	31.3%
Trade receivables	12.4	21.4%	8.4	15.5%
Other current assets	3.4	5.8%	4.2	7.7%
Cash and cash equivalents	10.0	17.3%	9.8	18.1%
<b>Assets</b>	<b>58.0</b>	<b>100.0%</b>	<b>54.4</b>	<b>100.0%</b>
<b>EQUITY AND LIABILITIES (IN EUR MILL.)</b>				
	31/03/2010	%	31/12/2009	%
Equity	42.8	73.8%	40.0	73.6%
Borrowings	1.5	2.5%	1.8	3.3%
Trade payables	7.8	13.4%	7.9	14.6%
Other liabilities	6.0	10.3%	4.6	8.5%
<b>Equity and liabilities</b>	<b>58.0</b>	<b>100.0%</b>	<b>54.4</b>	<b>100.0%</b>
<b>Working capital</b>	<b>29.7</b>		<b>27.0</b>	

## Financial position

- Consolidated assets amounted to EUR 58,047 thousand representing an increase of 6.8% as compared to the position as of 31 December 2009.
- Inventory balance and trade receivables increased by EUR 492 thousand and EUR 4,029 thousand respectively in line with the seasonality trend of the business.
- Equity attributable to equity holders increased by EUR 2,185 thousand and amounted EUR 33,493 thousand.
- Current liabilities increased by EUR 991 thousand compared to 31 December 2009 in line with management expectations.
- The liquidity position of the Group improved in Q1 2010. Current and non-current loans and borrowings decreased by EUR 338 thousand as of 31 March 2010 to EUR 1,467 thousand. Subsequent to the end of the quarter the Group settled an overdraft facility of AS Lauma Lingerie that amounted to EUR 925 thousand as of 31 March 2010.

## Changes in the Supervisory Board structure

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



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