Consolidated Unaudited Interim Financial Statements of the Company for three months ended 31 March 2007

The Management Board certifies that the PTA Grupp AS Consolidated Interim Report of I Q of 2007 set out on pages F1-1 to F1-20 is true and complete:

1. the accounting policies applied on the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
2. the consolidated financial statements give a true and fair view of the financial position of the Group and the results of its operations and its cash flows;
3. PTA Grupp AS and its subsidiaries are going concerns.

This Interim Report has not been audited or otherwise reviewed by auditors.

____
Peeter Larin
Chairman of the Management Board
31 May 2007

____
Marianne Paas
Member of the Management Board
31 May 2007

Balance Sheet
Consolidated, unaudited

	Notes	31.03.2007 EEK thousand	31.03.2006 EEK thousand	31.12.2006 EEK thousand	31.03.2007 EUR thousand	31.03.2006 EUR thousand	31.12.2006 EUR thousand
ASSETS							
Current assets							
Cash and cash equivalents	1	109,182	3,348	200,460	6,978	214	12,812
Trade receivables	2	232,868	6,775	111,729	14,883	433	7,141
Other receivables and prepayments	3	58,237	2,754	45,094	3,722	176	2,882
Prepaid taxes		6,399	97	31,568	409	6	2,017
Inventories	4	229,114	24,565	230,255	14,643	1,570	14,716
Total current assets		**635,800**	**37,539**	**619,106**	**40,635**	**2,399**	**39,568**
Non-current assets							
Investments in equity accounted investees		78	0	78	5	0	5
Available-for-sale financial assets		1,768	0	1,772	113	0	113
Other receivables		4,617	700	2,349	295	45	150
Property, plant and equipment	5	195,097	9,426	172,281	12,469	602	11,011
Intangible assets	5	16,538	6,430	16,551	1,057	411	1,058
Total non-current assets		**218,098**	**16,556**	**193,031**	**13,939**	**1,058**	**12,337**
TOTAL ASSETS		**853,898**	**54,095**	**812,137**	**54,574**	**3,457**	**51,905**
LIABILITIES AND EQUITY							
Current liabilities							
Loans and borrowings	6	25,692	14,882	29,907	1,642	951	1,911
Trade payables		103,580	7,774	87,534	6,620	497	5,594
Corporate income tax liability		6,665	0	5,976	426	0	382
Other tax liabilities		21,013	3,866	19,369	1,343	247	1,238
Other payables	7	27,120	5,745	27,815	1,733	367	1,778
Provisions		12	12	12	1	1	1
Total current liabilities		**184,082**	**32,279**	**170,613**	**11,765**	**2,063**	**10,904**
Non-current liabilities							
Loans and borrowings	6	8,058	5,509	9,544	515	352	610
Deferred tax liabilities		203	0	201	13	0	13
Other liabilities		0	137	0	0	9	0
Provisions		141	143	139	9	9	9
Total non-current liabilities		**8,402**	**5,789**	**9,884**	**537**	**370**	**632**
Total liabilities		**192,484**	**38,068**	**180,497**	**12,302**	**2,433**	**11,536**
Equity							
Share capital at par value	9	379,472	19,469	379,472	24,252	1,244	24,252
Share premium	9	83,011	40,994	83,011	5,305	2,620	5,305
Statutory capital reserve	9	1,046	1,046	1,046	67	67	67
Translation reserve	9	-23,057	30	-10,710	-1,473	2	-684
Retained earnings	9	50,457	-45,512	-987	3,225	-2,909	-63
Total equity attributable to equity holders of the parent		**490,929**	**16,027**	**451,832**	**31,376**	**1,024**	**28,877**
Minority interest	10	170,485	0	179,808	10,896	0	11,492
Total equity		**661,414**	**16,027**	**631,640**	**42,272**	**1,024**	**40,369**
TOTAL LIABILITIES AND EQUITY		**853,898**	**54,095**	**812,137**	**54,574**	**3,457**	**51,905**

Income Statement-Q1

Consolidated, unaudited

	Notes	2007 Q1 EEK thousand	2006 Q1 EEK thousand	2007 Q1 EUR thousand	2006 Q1 EUR thousand
Operating revenue					
Sales revenue	11	368,526	31,102	23,553	1,988
Other operating revenue		3,009	92	192	6
Total operating revenue		**371,535**	**31,194**	**23,745**	**1,994**
Changes in inventories of finished goods and work in progress		3,901	1,180	249	75
Materials, consumables and services used		-150,386	-11,686	-9,611	-747
Other operating expenses		-99,267	-6,694	-6,344	-427
Personnel expenses		-52,277	-11,608	-3,341	-742
Other operating charges		-534	-252	-34	-16
Total operating charges		**-298,563**	**-29,060**	**-19,081**	**-1,857**
EBITDA		**72,972**	**2,134**	**4,664**	**137**
Depreciation and amortization expense	5	-9,857	-1,347	-630	-86
Operating profit/loss		**63,115**	**787**	**4,034**	**51**
Financial income/expenses					
Interest expenses		-788	-243	-50	-16
Losses on conversion of foreign currencies		-131	-76	-9	-5
Other financial income / expenses		3,760	-3	240	0
Total financial income / expenses		**2,841**	**-322**	**181**	**-21**
Profit before corporate income tax		**65,956**	**465**	**4,215**	**30**
Corporate income tax		-23,835	0	-1,523	0
Net profit		**42,121**	**465**	**2,692**	**30**
Net profit attributable to minority shareholders		8,648	0	553	0
Net profit attributable to parent company		**33,473**	**465**	**2,139**	**30**
Earnings per share					
Basic earnings per share (EEK/EUR)	8	0.88	0.24	0.06	0.02
Diluted earnings per share (EEK/EUR)	8	0.88	0.24	0.06	0.02

Cash flow statement

Consolidated, unaudited

	Notes	2007 Q1 thousand EEK	2006 Q1 thousand EEK	2007 Q1 thousand EUR	2006 Q1 thousand EUR
Cash flows from operating activities					
Profit for the period		65,956	465	4,215	30
Adjustments for:					
Deprecation and impairment of fixed assets	5	9,857	1,347	630	86
Gains on the sale of property, plant and equipment		-28	-45	-2	-3
Change in receivables and prepayments		-115,393	-3,906	-7,376	-250
Change in inventories		1,142	931	73	60
Change in payables		16,995	-3,012	1,086	-193
Interests paid		-788	-239	-50	-15
Income tax paid		-23,146	0	-1,479	0
Total cash flow from operating activities		**-45,405**	**-4,459**	**-2,903**	**-285**
Cash flow from investments					
Acquisition of property, plant and equipment and intangible assets	5	-35,096	-97	-2,243	-6
Proceeds from sale of property, plant and equipment		49	97	3	6
Paid for trademark	6	0	-4,112	0	-263
Repayments of loan given		0	5	0	0
Interest received		2,132	8	136	1
Total cash flow from investment		**-32,915**	**-4,099**	**-2,104**	**-262**
Cash flow from financing					
Repayment of loans	6	-10,765	-2,500	-687	-160
Proceeds from loans received	6	0	11,500	0	735
Payment of finance lease liabilities	6	-1,964	-148	-126	-10
Change in overdraft liability	6	6,550	1,239	418	79
Payment of other liabilities	6	-6,910	-216	-440	-13
Repayment of other loans	6	0	-800	0	-51
Total cash flow from financing		**-13,089**	**9,075**	**-835**	**580**
Currency translation difference		131	0	8	0
Total cash flow		**-91,278**	**517**	**-5,834**	**33**
Increase/decrease in cash and cash equivalents		**-91,278**	**517**	**-5,834**	**33**
Cash and cash equivalents at the beginning of the period		**200,460**	**2,831**	**12,812**	**181**
Cash and cash equivalents at the end of the period		**109,182**	**3,348**	**6,978**	**214**

Statement of changes in equity

Consolidated, unaudited

		Equity attributable to equity holders of the parent						**Minority interest**	**Total equity**
In thousands of kroons	**Note**	**Share capital**	**Share premium**	**Capital reserve**	**Translation reserve**	**Retained earnings**	**Total**		
Balance at 31 December 2005		**19,469**	**40,994**	**1,046**	**26**	**-45,977**	**15,558**	**0**	**15,558**
Profit for the period		0	0	0	0	465	**465**	0	**465**
Foreign exchange translation differences		0	0	0	4	0	**4**	0	**4**
Total recognized income and expense for Q1 2006		**0**	**0**	**0**	**4**	**465**	**469**	**0**	**469**
Balance at 31 March 2006		**19,469**	**40,994**	**1,046**	**30**	**-45,512**	**16,027**	**0**	**16,027**
Balance at 31 December 2006		**379,472**	**83,011**	**1,046**	**-10,710**	**-987**	**451,832**	**179,808**	**631,640**
Profit for the period		0	0	0	0	33,473	**33,473**	8,648	**42,121**
Foreign exchange translation differences		0	0	0	-12,347	0	**-12,347**	0	**-12,347**
Total recognized income and expense for Q1 2007		**0**	**0**	**0**	**-12,347**	**33,473**	**21,126**	**8,648**	**29,774**
Acquisition of minority interest	10	0	0	0	0	17,971	**17,971**	-17,971	**0**
Balance at 31 March 2007		**379,472**	**83,011**	**1,046**	**-23,057**	**50,457**	**490,929**	**170,485**	**661,414**

Statement of changes in equity (continued)

In thousands of euros	Note	Equity attributable to equity holders of the parent						Minority interest	Total equity
		Share capital	Share premium	Capital reserve	Translation reserve	Retained earnings	Total		
Balance at 31 December 2005		**1,244**	**2,620**	**67**	**2**	**-2,939**	**994**	**0**	**994**
Profit for the period		0	0	0	0	30	**30**	0	**30**
Foreign exchange translation differences		0	0	0	0	0	**0**	0	**0**
Total recognised income and expense for Q1 2006		**0**	**0**	**0**	**0**	**30**	**30**	**0**	**30**
Balance at 31 March 2006		**1,244**	**2,620**	**67**	**2**	**-2,909**	**1,024**	**0**	**1,024**
Balance at 31 December 2006		**24,252**	**5,305**	**67**	**-684**	**-63**	**28,877**	**11,492**	**40,369**
Profit for the period		0	0	0	0	2,139	**2,139**	553	**2,692**
Foreign exchange translation differences		0	0	0	-789	0	**-789**	0	**-789**
Total recognised income and expense for Q1 2007		**0**	**0**	**0**	**-789**	**2,139**	**1,350**	**553**	**1,903**
Acquisition of minority interest	10	0	0	0	0	1,149	**1,149**	-1,149	**0**
Balance at 31 March 2007		**24,252**	**5,305**	**67**	**-1,473**	**3,225**	**31,376**	**10,896**	**42,272**

Accounting Methods and Valuation Principles Used for Preparing the Consolidated Interim Report

Bases 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 ended on 31 December 2006.

This Interim Report shows results in thousands of Estonian kroons (EEK) and thousands of euros (EUR). The Estonian kroon is pegged to the euro at the rate of 1 EUR = 15.6466 EEK.

The comparative data presented in the Interim Report are the financial ratios of PTA Grupp AS for 2006.

This Interim Report has not been audited.

Notes on the Consolidated Interim Report

Note 1. Cash and bank

	31.03.2007 EEK thousand	31. 12. 2006 EEK thousand	31.03.2007 EUR thousand	31.12.2006 EUR thousand
Cash on hand	876	859	56	55
Bank accounts in kroons	548	1,011	35	65
Bank accounts in foreign currencies	54,028	97,039	3,453	6,202
Money in transfer	3,880	12,702	248	812
Deposits	49,850	88,849	3,186	5,678
Total	**109,182**	**200,460**	**6,978**	**12,812**

Note 2. Trade Receivables

	31.03.2007 EEK thousand	31. 12. 2006 EEK thousand	31.03.2007 EUR thousand	31.12.2006 EUR thousand
Trade receivables	235,278	114,255	15,037	7,302
Allowance for uncollectible accounts	-2,410	-2,526	-154	-161
Total	**232,868**	**111,729**	**14,883**	**7,141**

The trade receivables are accounted in nominal value on the date of emergence of the claim (transaction date) and later at the adjusted acquisition cost (less the possible write-downs arising from a decrease of the value). If it is likely that the Group cannot collect all the amounts receivable pursuant to the terms of the claims, the claims will be written down. Upon assessment of claims the accrual of each specific claim is treated separately, considering the information available on the solvency of the debtor.
Receivables the accrual of which is unlikely are written down in the Balance Sheet to the collectible amount and written off.
Within the 3 months of 2007 receivables were found to be uncollectible in the amount of EEK 72 thousand (EUR 4,6 thousand), discounted receivables were abrogated in the sum of EEK 185 thousand (EUR 11,9 thousand) and irrecoverable receivables were taken off the Balance Sheet in the amount of EEK 3 thousand (EUR 0,2 thousand).
In the first quarter of 2006, no receivables were assessed as uncollectible and no bad debts were written off the Balance Sheet.

Note 3. Other receivables and prepaid expenses

	31.03.2007 EEK thousand	31. 12. 2006 EEK thousand	31.03.2007 EUR thousand	31.12.2006 EUR thousand
Prepayments to suppliers and other prepayments*	37,649	34,414	2,406	2,200
Due from customers for contract work	1,033	910	66	58
Loans to companies	4,412	447	282	28
Interest receivable from related parties	0	434	0	28
Loans to employees	203	272	13	17
Receivable for sale of shares**	200	200	13	13
Miscellaneous receivables	14,740	8,417	942	538
Total	**58,237**	**45,094**	**3,722**	**2,882**

* Other prepayments include prepaid insurance premiums, lease charges, newspaper and magazine subscriptions, IT service charges, prepayments to suppliers, etc. Other prepayments have grown considerably in connection with advance lease payments made by acquired subsidiaries in the ordinary course of their business.

** The receivable for the sale of shares is related to the divestment of the wholly-owned subsidiary AS Profline in year 2000. The current portion of the receivable is recognised in other current receivables and the non-current portion of 500,000 kroons (31 December 2006: 550,000 kroons) in other non-current receivables. The receivable is to be fully settled by 5 July 2010. Its interest rate is 6 months' EURIBOR + 1%.

Note 4. Inventories

	31.03.2007 EEK thousand	31. 12. 2006 EEK thousand	31.03.2007 EUR thousand	31.12.2006 EUR thousand
Raw materials	68,094	84,408	4,352	5,395
Work in progress	37,755	31,450	2,413	2,010
Finished goods	90,453	90,372	5,781	5,776
Goods for resale	26,756	24,022	1,710	1,535
Other inventories	6,056	3	387	0
Total	**229,114**	**230,255**	**14,643**	**14,716**

Within the 3 months of 2007 the amount of inventories written off totalled EEK 54 thousand (EUR 3.5 thousand). In 2006 inventories in the amount of EEK 10 thousand (EUR 0.6 thousand) were written off.

Note 5. Tangible and Intangible Assets

	Tangible assets EEK thousand	Intangible assets EEK thousand	Tangible assets EUR thousand	Intangible assets EUR thousand
At 31.12.2006				
Cost	**202,210**	**22,588**	**12,924**	**1,444**
Accumulated depreciation	-29,929	-6,037	-1,913	-386
Carrying amount	**172,281**	**16,551**	**11,011**	**1,058**
Movements in Q1 2007				
Acquisition	34,688	408	2,217	26
Acquired through business combinations	0	32	0	2
Effect of movements in foreign exchange on cost	866	-93	55	-6
Sales	-2,567	0	-164	0
Depreciation	-9,575	-282	-612	-18
Effect of movements in foreign exchange on accumulated depreciation	-596	-78	-38	-5
At 31.03.2007				
Cost	**235,108**	**22,935**	**15,026**	**1,466**
Accumulated depreciation	-40,011	-6,397	-2,557	-409
Carrying amount	**195,097**	**16,538**	**12,469**	**1,057**

	Tangible assets EEK thousand	Intangible assets EEK thousand	Tangible assets EUR thousand	Intangible assets EUR thousand
At 31.12.2005				
Cost	**38,115**	**11,732**	**2,436**	**749**
Accumulated depreciation	-27,579	-5,110	-1,763	-326
Carrying amount	**10,536**	**6,622**	**673**	**423**
Movements in Q1 2006				
Acquisition	59	38	4	2
Sales	-52	0	-3	0
Depreciation	-1,117	-230	-71	-15
At 31.03.2006				
Cost	**37,871**	**11,760**	**2,420**	**752**
Accumulated depreciation	-28,445	-5,330	-1,818	-341
Carrying amount	**9,426**	**6,430**	**602**	**411**

Note 6. Loans and borrowings

The Group has the following debts as of 31 March 2007:

	Short-term EEK thousand	Long-term EEK thousand	Short-term EUR thousand	Long-term EUR thousand	Interest rate	Due date of repayment
Secured loans and borrowings						
Overdraft from Hansapank	8,966	0	574	0	5.75%	19.09.2007
Loan from Hansapank	4,000	0	256	0	5.5%	21.06.2007
Loan from Hansapank	5,388	0	344	0	Euribor+2.5%	19.10.2007
Unsecured loans and borrowings						
Financial lease payables	6,916	8,058	442	515	6.5-12.5%	2007-2011
Other borrowings	422	0	27	0	5.0%	31.12.2007
Total	**25,692**	**8,058**	**1,642**	**515**		

On 23rd of March, 2007 the contract was signed with Hansapank AS in order to increase overdraft limit. The overdraft limit was increased by EEK 6.0 million (EUR 0.4 million) amounting in total EEK 11.0 million (EUR 0.7 million). The interest rate elevated from 5.5% to 5.75%.

Loan Collateral

The loans and overdraft taken from Hansapank are secured by a commercial pledge of movable property amounting to EEK 29,000 thousand (EUR 1,853 thousand).

The Group had the following debts as of 31 December 2006:

	Short-term EEK thousand	Long-term EEK thousand	Short-term EUR thousand	Long-term EUR thousand	Interest rate	Due date of repayment
Secured loans and borrowings						
Overdraft from Hansapank	2,414	0	154	0	5.5%	19.04.2007
Loan from Hansapank	5,000	0	320	0	5.5%	21.06.2007
Loan from Hansapank	6,629	0	424	0	Euribor+2.5%	19.10.2007
Unsecured loans and borrowings						
Financial lease liabilities	7,392	9,544	472	610	6.5-12.5%	2007-2011
Other liabilities	8,472	0	541	0	5.0-13.0%	31.07.2007
Total	**29,907**	**9,544**	**1,911**	**610**		

Note 7. Other payables

	31.03.2007 EEK thousand	31. 12. 2006 EEK thousand	31.03.2007 EUR thousand	31.12.2006 EUR thousand
Customer advances for products and services	376	638	24	41
Payables to employees*	24,319	26,560	1,554	1,698
Interest and other accruals	2,159	228	138	14
Interest payable to related parties	266	306	17	20
Deferred income	0	83	0	5
Total	**27,120**	**27,815**	**1,733**	**1,778**

Note 8. Earnings per Share

	2006 Q 1	2005 Q 1
Number of ordinary shares as of January 1 (Qty)	37,947,198	1,946,875
Number of ordinary shares as of March 31 (Qty)	37,947,198	1,946,875
Weighted average number of ordinary shares (Qty)	37,947,198	1,946,875
Net profit (loss) for financial year, EEK thousand	33,473	465
Net profit (loss) for financial year, EUR thousand	2,139	30
Basic earnings per share (EEK)	0.88	0.24
Basic earnings per share (EUR)	0.06	0.02
Diluted earnings per share (EEK)	0.88	0.24
Diluted earnings per share (EUR)	0.06	0.02

The diluted earnings of the 3 months of 2007 per share do not differ from the basic earnings per share, because PTA Grupp AS does not have the financial instruments to allow for diluting the earnings per share in the future.

Note 9. Owners' Equity

Shares

As of 31 March 2007 share capital of PTA Grupp AS amounted to EEK 379,472 thousand (EUR 24,253 thousand), which is divided into 37,947,198 shares with a nominal value of EEK 10 (EUR 0.64) each. All the shares of PTA Grupp AS 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 Register of Securities.

According to the revised wording of the Articles of Association, the minimum share capital and maximum share capital of PTA Grupp AS amount to 250,000,000 kroons and 1,000,000,000 kroons respectively (the maximum number of shares is 100,000,000). All shares have been paid for.

As of 31 March 2007 PTA Grupp AS had 998 shareholders.

At 31 March 2007 shareholders whose interest in PTA Grupp AS exceeded 1% included:

Name	Number of shares	Shareholding
Major shareholders	**34,987,185**	**93.2%**
SIA ALTA CAPITAL PARTNERS	26,274,309	69.2%
Skandinaviska Enskilda Banken Ab Clients	1,975,884	5.2%
SEB Eesti Ühispank AS KAUPLEMINE	1,756,486	4.6%
BRYUM ESTONIA AS	984,063	2.6%
THE BANK OF NEW YORK/ING BANK SLASKI	757,732	2.0%
STATE STREET MUNICH CARE OF SSB BOSTON/ DWS POLSKA FUNDUSZ INWESTYCYJNY OTWARTY TOP 50 MALYCH I SREDNICH SPOLEK PLUS	671,000	1.8%
BANK AUSTRIA CREDITANSTALT AG CLIENT´S	572,690	1.5%
DZ BANK INTERNATIONAL S.A.CLIENTS	561,760	1.5%
Clearstream Banking Luxembourg S.A. Clients	531,399	1.4%
NORDEA BANK FINLAND PLC/NON-RESIDENT LEGAL ENTITIES	472,712	1.2%
JPMORGAN CHASE BANK,NATIONAL ASSOCIATION ON BEHALF OF SWEDISH RESIDENTS	429,150	1.1%
STATE STREET LONDON CARE OF SSB BOSTON/DIT-GLOBAL STRATEGIES FUND	400,000	1.1%
Other shareholders	**2,560,013**	**6.8%**
Total number of shares	**37,947,198**	**100.0%**

As of 31 December 2006 PTA Grupp AS had 899 shareholders.

At 31 December 2006 shareholders whose interest in PTA Grupp AS exceeded 1% included:

Name	Number of shares	Interest in share capital
Major shareholders	**35,360,283**	**93.2%**
SIA ALTA CAPITAL PARTNERS	28,024,309	73.9%
Skandinaviska Enskilda Banken Ab Clients	2,195,827	5.8%
NORDEA BANK FINLAND PLC/NON-RESIDENT LEGAL ENTITIES	1,058,214	2.8%
BRYUM ESTONIA AS	984,063	2.6%
EVLI BANK PLC/MUTUAL FUND BALTIC EQUITY	656,511	1.7%
JPMORGAN CHASE BANK,NATIONAL ASSOCIATION ON BEHALF OF SWEDISH RESIDENTS	639,150	1.7%
DZ BANK INTERNATIONAL S.A.CLIENTS	561,760	1.5%
THE BANK OF NEW YORK/ING BANK SLASKI	440,000	1.2%
Clearstream Banking Luxembourg S.A. Clients	400,449	1.0%
STATE STREET LONDON CARE OF SSB BOSTON/DIT-GLOBAL STRATEGIES FUND	400,000	1.0%
Other shareholders	**2,586,915**	**6.8%**
Total number of shares	**37,947,198**	**100.0%**

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 PTA Grupp AS are listed on the basic list of the Tallinn Stock Exchange.

During the first quarter of 2007, the highest and lowest prices of the PTA Grupp AS`s share on the Tallinn Stock Exchange were EEK 80.74 (EUR 5.16) and EEK 54.61 (EUR 3.49), respectively.

Share Price in EEK and Trading Statistics on the Tallinn Stock Exchange in Q1 2007

Note 10. Subsidiaries

Increase in ownership interest

In March 2007 SFG`s subsidiary Milavitsa ZAO completed share repurchase program. In total were repurchased 2,353 shares. All repurchased shares were cancelled according to decision of Milavitsa extraordinary general meeting. SFG paid for shares EEK 16,162 thousand (EUR 1,033 thousand). After cancellation, minority interest in Milavitsa decreased EEK 17,971 thousand (EUR 1,149 thousand). After the cancellation of repurchased shares SFG`s ownership interest in Milavitsa increased from 62.5% to 78.3%.

Increase of share capital of subsidiary

By general meeting of Splendo Sp. z.o.o. was decided to increase share capital. Share capital increase amounted to PLN 950,000, approximately EEK 3,841 thousand (EUR 245 thousand), for amount of 19,000 shares with par value of PLN 50.00 each, approximately EEK 202 (EUR 12,92) per share. At 31.03.2007 total amount of shares is 20,000 giving total amount of share capital of PLN 1.0 million, approximately EEK 4,043 thousand (EUR 258 thousand). On January 11, 2007 SFG paid in additional share capital for Splendo Sp. z.o.o. in amount of PLN 855,000, approximately EEK 3,457 thousand (EUR 221 thousand), according to the decision on share capital increase. After share capital increase historical shareholding of SFG 90% is retained.

Note 11. Sales Revenue

	Q1 2007 EEK thousand	Q1 2006 EEK thousand	Q1 2007 EUR thousand	Q1 2006 EUR thousand
Sales revenue				
Apparel sales	37,098	23,784	2,371	1,520
Lingerie sales	320,209	0	20,465	0
Subcontracting and services	9,717	6,645	621	425
Other sales	1,502	673	96	43
Total sales revenue	**368,526**	**31,102**	**23,553**	**1,988**

Sales revenue by countries is presented in Note 13.

Note 12. 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) SIA Alta Capital Partners and individuals with a shareholding that provides them with 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.

	Q1 2007 EEK thousand	Q1 2006 EEK thousand	Q1 2007 EUR thousand	Q1 2006 EUR thousand
Loans from companies related to the members of Management and Supervisory Boards				
Balance at beginning of the period	0	0	0	0
Loans received	10,525	0	672	0
Repayments of loans	-1,226	0	-78	0
Balance at end of the period	**9,299**	**0**	**594**	**0**
Interests on loans received	**40**	**0**	**3**	**0**

Sales of goods and services	Q1 2007 EEK thousand	Q1 2006 EEK thousand	Q1 2007 EUR thousand	Q1 2006 EUR thousand
Companies related to the members of the Management Board and Supervisory Board	179	201	11	13
Total sales of goods and services	**179**	**201**	**11**	**13**

Compensation paid to members of the Management Board	Q1 2007 EEK thousand	Q1 2006 EEK thousand	Q1 2007 EUR thousand	Q1 2006 EUR thousand
Pay and compensation	393	672	25	43
Total	**393**	**672**	**25**	**43**

Balances relating to related parties	**31.03.2007 EEK thousand**	**31.12.2006 EEK thousand**	**31.03.2007 EUR thousand**	**31.12.2006 EUR thousand**
Companies related to the members of the Management Board and Supervisory Board	109	1,414	7	90
Total current liabilities	**109**	**1,414**	**7**	**90**

Balances with related parties	**31.03.2007 EEK thousand**	**31.12.2006 EEK thousand**	**31.03.2007 EUR thousand**	**31.12.2006 EUR thousand**
Interest receivable from related parties	39	434	2	28
Total receivables	**39**	**434**	**2**	**28**

Note 13. Segments

a) Primary Segment – Business Segment by Products

	Apparel Q1 2007 EEK thousand	Lingerie Q1 2007 EEK thousand	Other activities Q1 2007 EEK thousand	Inter-segment transactions Q1 2007 EEK thousand	Total Q1 2007 EEK thousand	Apparel Q1 2007 EUR thousand	Lingerie Q1 2007 EUR thousand	Other activities Q1 2007 EUR thousand	Inter-segment transactions Q1 2007 EUR thousand	Total Q1 2007 EUR thousand
Extra-group sales revenue	37,098	320,209	11,219	0	368,526	2,371	20,465	717	0	23,553
Inter-segment sales revenue	0	0	6,354	-6,354	0	0	0	406	-406	0
Total sales revenue	**37,098**	**320,209**	**17,573**	**-6,354**	**368,526**	**2,371**	**20,465**	**1,123**	**-406**	**23,553**
Operating profit/loss of segment	**6,269**	**59,705**	**497**	**0**	**66,471**	**401**	**3,815**	**32**	**0**	**4,248**
Unallocated operating revenue and operating charges					-3,356					-214
Total operating profit / loss					**63,115**					**4,034**
Other financial income and expenses					2,841					181
Corporate income tax					-23,835					-1,523
Net profit / loss					**42,121**					**2,692**
Assets and receivables	59,842	772,353	12,599	0	844,794	3,825	49,362	805	0	53,992
Unallocated assets of group					9,104					582
Total assets					**853,898**					**54,574**
Liabilities	15,826	150,935	6,353	0	173,114	1,011	9,647	406	0	11,064
Unallocated liabilities of group					19,370					1,238
Total liabilities					**192,484**					**12,302**
Acquisition of fixed assets	1,175	23,845	10,073	0	35,096	75	1,524	644	0	2,243
Depreciation of fixed assets	445	8,580	832	0	9,857	28	549	53	0	630

The assets and liabilities set out in the Note are disclosed as of the Balance Sheet date, i.e. 31 March 2007.

	Apparel Q1 2006 EEK thousand	Lingerie Q1 2006 EEK thousand	Other activities Q1 2006 EEK thousand	Inter-segment transactions Q1 2006 EEK thousand	Total Q1 2006 EEK thousand	Apparel Q1 2006 EUR thousand	Lingerie Q1 2006 EUR thousand	Other activities Q1 2006 EUR thousand	Inter-segment transactions Q1 2006 EUR thousand	Total Q1 2006 EUR thousand
Extra-group sales revenue	23,784	0	7,318	0	31,102	1,520	0	468	0	1,988
Inter-segment sales revenue	0	0	13,786	-13,786	0	0	0	881	-881	0
Total sales revenue	**23,784**	**0**	**21,104**	**-13,786**	**31,102**	**1,520**	**0**	**1,349**	**-881**	**1,988**
Operating profit/loss of segment	**2,966**	**0**	**538**	**0**	**3,504**	**190**	**0**	**34**	**0**	**224**
Unallocated operating revenue and operating charges					-2,717					-173
Total operating profit / loss					**787**					**51**
Other financial income and expenses					-322					-21
Corporate income tax					0					0
Net profit / loss					**465**					**30**
Assets and receivables	21,394	0	23,597	0	44,991	1,367	0	1,508	0	2,875
Unallocated assets of group					9,104					582
Total assets					**54,095**					**3,457**
Liabilities	1,684	0	15,839	0	17,523	108	0	1,012	0	1,120
Unallocated liabilities of group					20,545					1,313
Total liabilities					**38,068**					**2,433**
Acquisition of fixed assets	38	0	59	0	97	2	0	4	0	6
Depreciation of fixed assets	795	0	552	0	1,347	51	0	35	0	86

The assets and liabilities set out in the Note are disclosed as of the Balance Sheet date, i.e. 31 March 2006.

b) Secondary Segment – Sales Revenue, Total Assets and Investments in Fixed Assets

	Sales revenue Q1 2007 EEK thousand	**Sales revenue Q1 2006 EEK thousand**	**Assets 31.03 2007 EEK thousand**	**Assets 31.03.2006 EEK thousand**	**Investments in fixed assets Q1 2007 EEK thousand**	**Investments in fixed assets Q1 2006 EEK thousand**	**Sales revenue Q1 2007 EUR thousand**	**Sales revenue Q1 2006 EUR thousand**	**Assets 31.03 2007 EUR thousand**	**Assets 31.03.2006 EUR thousand**	**Investments in fixed assets Q1 2007 EUR thousand**	**Investments in fixed assets Q1 2006 EUR thousand**
Russia	178,026	0	45,024	0	9,341	0	11,378	0	2,878	0	597	0
Belarus	53,773	0	438,550	0	22,985	0	3,437	0	28,028	0	1,469	0
Estonia	49,025	15,365	71,027	47,169	952	97	3,133	982	4,539	3,015	61	6
Ukraine	26,356	0	0	0	0	0	1,684	0	0	0	0	0
Finland	16,368	9,415	50	36	0	0	1,046	602	3	2	0	0
Latvia	11,762	5,432	296,780	6,852	1,187	0	752	347	18,968	438	76	0
Other markets	33,216	890	2,467	38	631	0	2,123	57	158	2	40	0
Total	**368,526**	**31,102**	**853,898**	**54,095**	**35,096**	**97**	**23,553**	**1 988**	**54,574**	**3,457**	**2,243**	**6**

The Group's primary segment reporting format is business segments based on product type. The secondary reporting format is geographical segments based on the location of consumers. Expenses not directly attributable to any segment are presented as unallocated expenses.

Segment assets include all assets directly attributable to a segment excluding items which are in common use or used by the head office. Segment assets include directly attributable goodwill. Segment liabilities include all liabilities that can be allocated to the segment on a reasonable basis. Unallocated expenses include general management expenses.

Other receivables, loans and interest receivables and payables are reported as unallocated items.

According to management's assessment the prices applied in inter-segment transactions do not differ significantly from the market.

Business segments

The Group comprises the following business segments:

a) Women's apparel – entails the design, manufacture and retail and wholesale distribution of women's apparel products as well as services related to this area.

b) Lingerie – entails the design, manufacture and retail and wholesale distribution of lingerie products as well as services related to this area.

c) Other operations – entails manufacturing and subcontracting services and other activities not listed under Women's apparel and Lingerie.

Geographical segments

The Group's business segments operate in the following geographical areas: Russia, Estonia, Belarus, Finland, Latvia, Ukraine and other markets. The revenues of geographical segments are determined based on the location of consumers.

Segment assets include inventories of goods which are located in the geographical area (market), other current assets (e.g. cash and trade receivables) and items of property, plant and equipment used in manufacturing and sales operations.

Note 14. Subsequent events

Restructuring of the Group

In 2006 PTA Grupp AS acquired SFG through a share swap in which the shares in SFG were paid for with shares in PTA Grupp AS. For this, PTA Grupp AS issued 36,000,323 new shares which were subscribed by the shareholders of SFG who consequently acquired an approximately 94.9% stake in PTA Grupp AS.

As a result of the transaction an essentially new group emerged which is engaged in the manufacturing and distribution of women's apparel and lingerie in the Baltic countries and elsewhere in Eastern Europe.

According to the Listing and Trading Prospectus of PTA Grupp AS (see the Prospectus p 66 *Combined Management*) the Group will be managed by an international team whose members will be part of the management board of the listed holding company. To execute the plan, the Group's structure will be changed.

The restructuring will involve the following steps:

- AS Silvano Fashion Group is going to merge with PTA Grupp AS.
- After the merger AS Silvano Fashion Group as a legal person will be dissolved and PTA Grupp AS will be renamed AS Silvano Fashion Group.
- A new subsidiary will separate from PTA Grupp AS (which according to plan will be renamed AS Silvano Fashion Group). The new subsidiary will be named PTA Grupp AS.

The new subsidiary will be transferred the development of the PTA concept and the shares in AS Klementi and shares in other subsidiaries acquired before the acquisition of SFG. The membership of the management board of PTA Grupp AS (which according to plan will be renamed to AS Silvano Fashion Group) will change as outlined in the Listing and Trading Prospectus of PTA Grupp AS.

The changes in the Group's structure will have no impact on the Group's operating activity or the interests of its investors (excluding positive impacts resulting from greater transparency). According to plan, the restructuring will take place in the second quarter of 2007.

On 13 April 2007 PTA Grupp AS and SFG concluded a notarised merger agreement under which SFG will be combined with PTA Grupp AS and will be deleted from the Commercial Register. On the same date, the division plan of PTA Grupp AS (which according to plan will be renamed AS Silvano Fashion Group) was approved. In conformity with the division plan, all business operations related to PTA brand will be transferred to the new subsidiary which will be named PTA Grupp AS. The division plan has to be approved by an extraordinary general meeting of the shareholders of PTA Grupp AS.

Extraordinary general meeting

The management board of PTA Grupp AS has called an extraordinary general meeting of the shareholders for 31 May 2007. The agenda of the extraordinary general meeting:

- Approval of the merger agreement between PTA Grupp AS and its subsidiary SFG by the general meeting and adoption of a merger decision
- Amendment of the Articles of Association of PTA Grupp AS and approval of the new wording of the Articles of Association
- Change of business name
- Approval of a division plan and the Articles of Association of the new company
- Removal of members of the supervisory board and election of new members of the supervisory board.

Consolidated Annual Financial Statements for the year ended 31 December 2006

Statement of management responsibility

The management board acknowledges its responsibility for the preparation of the consolidated financial statements of PTA Grupp AS presented on pages F2-1 to F2-43 and confirms that:

1. the accounting policies applied on the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
2. the consolidated financial statements give a true and fair view of the financial position of the Group and the results of its operations and its cash flows;
3. PTA Grupp AS and its subsidiaries are going concerns.

____
Peeter Larin
Chairman of Management Board
25 May 2007

____
Marianne Paas
Member of Management Board
25 May 2007

Consolidated balance sheet

As at 31 December

In thousands of euros	**Note**	**2006**	**2005**
ASSETS			
Current assets			
Cash and cash equivalents	7	12,812	181
Trade receivables	8	7,141	195
Other receivables and prepayments	9	2,882	165
Prepaid taxes	10	2,017	2
Inventories	11	14,716	1,630
Total current assets		**39,568**	**2,173**
Non-current assets			
Investments in equity accounted investees	5	5	0
Available-for-sale financial assets	6	113	0
Other receivables	9	150	48
Property, plant and equipment	12, 14	11,011	673
Intangible assets	13	1,058	423
Total non-current assets		**12,337**	**1,144**
TOTAL ASSETS		**51,905**	**3,317**
LIABILITIES AND EQUITY			
Current liabilities			
Loans and borrowings	15	1,911	977
Trade payables	16	5,594	804
Corporate income tax liability	28	382	19
Other tax liabilities	10	1,238	158
Other payables	17	1,778	331
Provisions	18	1	1
Total current liabilities		**10,904**	**2,290**
Non-current liabilities			
Loans and borrowings	15	610	9
Deferred tax liabilities	28	13	4
Other liabilities		0	11
Provisions	18	9	9
Total non-current liabilities		**632**	**33**
Total liabilities		**11,536**	**2,323**
Equity			
Share capital at par value	19	24,252	1,244
Share premium	19	5,305	2,620
Statutory capital reserve	19	67	67
Translation reserve	19	-684	2
Accumulated losses		-63	-2,939
Total equity attributable to equity holders of the parent		**28,877**	**994**
Minority interest		11,492	0
Total equity		**40,369**	**994**
TOTAL LIABILITIES AND EQUITY		**51,905**	**3,317**

The notes on pages F2-6 to F2-43 are an integral part of these financial statements.

Consolidated income statement

In thousands of euros	**Note**	**2006**	**2005**
Revenue			
Sales revenue	20, 21	27,014	7,319
Other income	22	817	2,024
Total revenue		**27,831**	**9,343**
Changes in inventories of finished goods and work in progress		524	-374
Materials, consumables and services used	23	-12,182	-2,663
Other operating expenses	24	-4,384	-1,880
Personnel expenses	25	-5,871	-2,815
Depreciation and amortisation expense	12, 13	-745	-434
Other expenses	26	-124	-103
Total expenses		**-22,782**	**-8,269**
Operating profit		**5,049**	**1,074**
Financial income and expenses			
Financial income	27	247	12
Financial expenses	27	-88	-382
Net financial items		**159**	**-370**
Share of profit of equity accounted investees	5	3	0
Profit before tax		**5,211**	**704**
Income tax expense	28	-1,237	-23
Profit for the period		**3,974**	**681**
Attributable to			
Equity holders of the parent		2,876	681
Minority interest		1,098	0
Earnings per share			
Basic earnings per share (in euros)	29	0.26	0.35
Diluted earnings per share (in euros)	29	0.26	0.35

The notes on pages F2-6 to F2-43 are an integral part of these financial statements.

Consolidated statement of cash flows

In thousands of euros	**Note**	**2006**	**2005**
Cash flows from operating activities			
Profit for the period		3,974	681
Adjustments for:			
Depreciation, amortisation and impairment losses	12, 13	745	434
Gains on the sale of property, plant and equipment	22	-12	-1,851
Losses on write-off of property, plant and equipment	26	20	25
Gain on business combination	22	-605	0
Share of profit of equity accounted investees	5	-3	0
Change in receivables and prepayments		-1,503	461
Change in inventories		-2,304	176
Change in payables		-1,087	570
Interest paid		-84	-403
Income tax paid	28	-1,084	0
Net cash used in / from operating activities		**-1,943**	**93**
Cash flows from investing activities			
Acquisition of property, plant and equipment	12, 13	-1,739	-142
Paid for trademarks	15	-263	-70
Proceeds from sale of property, plant and equipment	12	17	3,417
Loans given	30	-2,769	0
Proceeds from settlement of loans given	30	2,750	21
Interest received		139	2
Dividends received	27	25	0
Acquisition of other financial investments		-16	0
Acquisition of minority interest	4	-217	0
Acquisition of subsidiary, net of cash acquired	4	16,822	0
Net cash from investing activities		**14,749**	**3,228**
Cash flows from financing activities			
Repayment of loans	15	-1,888	-4,096
Proceeds from loans received	15	2,042	1,822
Payment of finance lease liabilities	15	-148	-192
Change in overdraft liability	15	-67	-764
Payment of other liabilities	15	-63	-55
Repayment of other loans	15	-51	-72
Net cash used in financing activities		**-175**	**-3,357**
Net cash flows		**12,631**	**-36**
Cash and cash equivalents at beginning of period	7	**181**	**217**
Increase / decrease in cash and cash equivalents		**12,631**	**-36**
Cash and cash equivalents at end of period	7	**12,812**	**181**

The notes on pages F2-6 to F2-43 are an integral part of these financial statements.

Consolidated statement of changes in equity

In thousands of euros	Note	Equity attributable to equity holders of the parent: Share capital	Share premium	Revaluation reserve	Capital reserve	Translation reserve	Accumulated losses	Total	Minority interest	Total equity
Balance at 31 December 2004		**1,212**	**2,575**	**887**	**67**	**9**	**-3,620**	**1,130**	**0**	**1,130**
Change in accounting policy	1	0	0	-887	0	0	0	**-887**	0	**-887**
Adjusted balance at 31 December 2004		**1,212**	**2,575**	**0**	**67**	**9**	**-3,620**	**243**	**0**	**243**
Profit for the period		0	0	0	0	0	681	**681**	0	**681**
Foreign exchange translation differences		0	0	0	0	-7	0	**-7**	0	**-7**
Total recognised income and expense for 2005		**0**	**0**	**0**	**0**	**-7**	**681**	**674**	**0**	**674**
Issue of share capital	19	32	45	0	0	0	0	**77**	0	**77**
Balance at 31 December 2005		**1,244**	**2,620**	**0**	**67**	**2**	**-2,939**	**994**	**0**	**994**
Profit for the period		0	0	0	0	0	2,876	**2,876**	1,098	**3,974**
Foreign exchange translation differences	19	0	0	0	0	-686	0	**-686**	-513	**-1,199**
Total recognised income and expense for 2006		**0**	**0**	**0**	**0**	**-686**	**2,876**	**2,190**	**585**	**2,775**
Issue of share capital	19	23,008	2,685	0	0	0	0	**25,693**	0	**25,693**
Minority interest from business combination		0	0	0	0	0	0	**0**	11,729	**11,729**
Acquisition of minority interest	4	0	0	0	0	0	0	**0**	-822	**-822**
Balance at 31 December 2006		**24,252**	**5,305**	**0**	**67**	**-684**	**-63**	**28,877**	**11,492**	**40,369**

The notes on pages F2-6 to F2-43 are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Significant accounting policies

PTA Grupp AS (formerly AS Klementi) is a company domiciled in the Republic of Estonia (registration number 10175491, address Akadeemia tee 33, 12618 Tallinn). The consolidated financial statements of PTA Grupp AS (the "Company" or the "Parent company") for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates. The Group's core activities are the design, manufacture and distribution of women's apparel and lingerie.

The consolidated financial statements for the year ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The consolidated financial statements were authorised for issue by the management board on 25 May 2007. The financial statements will be approved by the shareholders' general meeting.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except that certain financial instruments which are outlined in accounting policies are measured at their fair value. The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless indicated otherwise.

Comparative prior period data includes the financial data of PTA Grupp AS for 2005. The financial data of the subsidiary AS Silvano Fashion Group have been consolidated since 1 October 2006 (see note 4).

Changes in accounting policies and presentation practice

Changes in accounting policies

In prior periods items belonging to the category of land and buildings in property, plant and equipment were measured using the revaluation model. From 2006 all items of property, plant and equipment are measured using the cost model. The accounting policy was changed in connection with the acquisition of Silvano Fashion Group and the fact that all entities acquired measured their land and buildings using the cost model. Moreover, it would be difficult to measure the fair value and consequently the revalued amounts of items belonging to the category of land and buildings reliably in some countries where the items are located.

In connection with the change in accounting policy, financial statement line items have been adjusted retrospectively as if the new policy had always been applied.

By 31 December 2005 the Group had disposed of all assets which used to be measured using the revaluation model. As a result, the change in accounting policy does not affect the of the consolidated balance sheet as of 31 December 2005. Changes in the opening balances and comparative prior period data presented in the consolidated income statement and the consolidated statement of equity were the following:

Consolidated income statement

In thousands of euros	**2005**	**Adjustment**	**Adjusted 2005**
Sales revenue	7,319	0	7,319
Other income	1,147	877	2,024
Total revenue	**8,466**	**877**	**9,343**
Changes in inventories of finished goods and work in progress	-374	0	-374
Materials, consumables and services used	-2,663	0	-2,663
Other operating expenses	-1,702	0	-1,702
Personnel expenses	-2,815	0	-2,814
Depreciation and amortisation expense	-444	10	-434
Other expenses	-281	0	-281
Total expenses	**-8,279**	**10**	**-8,268**
Operating profit	**188**	**877**	**1,075**
Net financial items	-370	0	-370
Profit / loss before tax	**-182**	**877**	**704**
Income tax expense	-23	0	-23
Profit / loss for the period	**-205**	**877**	**681**

Consolidated statement of changes in equity

In thousands of euros	2005	Adjustment	Adjusted 2005
Total equity at 31 December 2004	**1,130**	**-887**	**243**
Profit for the period	-206	887	681
Foreign exchange translation differences	-7	0	-7
Total recognised income and expense for 2005	**-213**	**887**	**674**
Issue of share capital	77	0	77
Total equity at 31 December 2005	**994**	**0**	**994**

In connection with the change in accounting policy, comparative prior period data in notes 12, 20, 22, 29 and 34 has been adjusted as well.

Changes in presentation practice

The presentation of deferred income tax was adjusted to the requirements of IFRS.

Consolidated balance sheet
As at 31 December

In thousands of euros	2005	Adjustment	Adjusted 2005
Current liabilities			
Deferred tax liabilities	4	-4	0
Total	**4**	**-4**	**0**
Non-current liabilities			
Deferred tax liabilities	0	4	4
Total	**0**	**4**	**4**

In 2006 the structure of the consolidated income statement was changed to specify the nature of the amounts disclosed and to improve the clarity of the financial statements. Comparative prior period data has been adjusted accordingly.

Comparative prior period data has been changed as follows:

Consolidated income statement

In thousands of euros	2005	Adjustment	Adjusted 2005
Other operating expenses	-1,702	-178	-1,880
Other expenses	-281	178	-103
Total	**-1,983**	**0**	**-1,983**

Consolidated income statement

In thousands of euros	2005	Adjustment	Adjusted 2005
Financial income			
Foreign exchange gains and losses	11	0	11
Other financial income	0	1	1
Total financial income	**11**	**1**	**12**
Financial expenses			
Interest expense	-377	0	-377
Other financial expenses	-4	-1	-5
Total financial expenses	**-381**	**-1**	**-382**
Net financial items	**-370**	**0**	**-370**

Notes 24, 26 and 27 which contain explanations of income statement line items have been adjusted accordingly.

Changes in segment reporting

Presentation of the Group's segment information was changed in connection with the acquisition of Silvano Fashion Group AS. The Group's primary segment reporting format is business segments based on product type. The secondary reporting format is geographical segments based on the geographical location of consumers.

The Group comprises the following business segments:

a) Women's apparel – entails the design, manufacture and retail and wholesale distribution of women's apparel products as well as services related to this area.

b) Lingerie – entails the design, manufacture and retail and wholesale distribution of lingerie products as well as services related to this area.

c) Other operations – entails manufacturing and subcontracting services and other activities not listed under Women's apparel and Lingerie.

Comparative prior period data has been adjusted to the new business segments which are based on product type.

Functional and presentation currency

These consolidated financial statements are presented in Estonian kroons, rounded to the nearest thousand. The functional currency of the Group's Parent company and the subsidiary located in Estonia is the currency of the primary economic environment in which they operate – the Estonian kroon. The functional currency of the Group's foreign entities is the official currency of their primary economic environment.

Pursuant to the regulations set by the OMX Tallinn Stock Exchange all the information made available by the listed entities are also provided in euros. The annual report is translated from the Group official presentation currency (Estonian kroon) to euros by applying the following exchange rate 1 EUR = 15.6466 EEK.

Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, all voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are entities in which the investor has significant influence, but not control over the financial and operating policies. Significant influence is presumed to exist when the investor holds directly or indirectly through subsidiaries over 20% of the voting power of the investee. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the investment in the associate, the carrying amount of the investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations on behalf of the associate.

Business combinations involving independent entities

Acquisition of a subsidiary from an independent entity is accounted for by applying the purchase method. The acquirer has to allocate the cost of a business combination at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at that date irrespective of the proportion of the minority interest. Any difference between the cost of the business combination and the acquirer's interest in the net fair value of the assets, liabilities and contingent assets is recognised as goodwill. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent assets exceeds the cost of the business combination the excess is recognised directly in profit or loss.

Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination and that control is not transitory. A group of individuals is regarded as controlling an entity when, as a result of contractual arrangements, they collectively have the power to govern its financial and operating policies so as to obtain benefits from its activities.

Acquisition of a subsidiary from an entity under common control is accounted for by recognising the interest acquired at the carrying amount of the net assets acquired (i.e., at the amounts the assets and liabilities were carried in the acquiree's balance sheet). Any difference between the cost of the business combination and the carrying amount of the net assets acquired is recognised as a reduction or increase in the acquirer's equity. The cost of net assets acquired is calculated as a difference between the cost of the acquiree's assets and the acquiree's liabilities and the minority interest.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Company's interest in the associate. Unrealised losses arising from transactions with associates are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interest

That portion of the profit or loss of a subsidiary which is attributable to equity interests that are not owned by the Company is presented as minority interest in the consolidated income statement. That portion of the net assets of a subsidiary that is attributable to equity interests that are not owned by the Company is presented as minority interest in the consolidated balance sheet. Minority interests are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity. Minority interests in the profit or loss of the Group are also separately disclosed.

Acquisition of minority interest

Transactions with minority shareholders are accounted for in the same way as business combinations with third parties. In transactions involving acquisition of minority interest, any difference between the carrying amount of the minority interest and the amount paid for it is recognised as goodwill or directly as income (when the carrying amount of the minority interest exceeds the amount paid for it).

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the Eesti Pank (Bank of Estonia) foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Estonian kroons at exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement in the period in which they arise.

Financial statements of foreign operations

In subsidiaries whose functional currency differs from the Group's presentation currency, results of transactions and balances are translated to the presentation currency. None of the subsidiaries is located in a hyperinflationary economy.

The financials of foreign subsidiaries are translated as follows:

- assets and liabilities are translated to Estonian kroons at foreign exchange rates ruling at the balance sheet date;
- revenue and expenses are translated to Estonian kroons using the annual average foreign exchange rates;
- foreign exchange differences are recognised in the *Translation reserve* in equity.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as the assets and liabilities of foreign subsidiaries and translated at foreign exchange rates ruling at the balance sheet date. When a foreign subsidiary is disposed of the unrealised exchange differences previously recognised in equity are transferred to profit or loss.

Translations are performed using the Eesti Pank official exchange rates.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances on current accounts (excluding overdrafts) and term deposits of up to three months. Overdrafts are reported in the current portion of loans and borrowings in the balance sheet.

Financial assets

Financial assets are classified based on the purpose of their acquisition. Management decides the classification of financial assets in the course of business.

Depending on the purpose of acquisition and management's plans, upon initial recognition financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

Purchases and sales of financial assets are recognised using trade date accounting. A financial asset is derecognised when the Group's rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the asset.

The Group has not classified any financial asset to the category of financial assets at fair value through profit or loss or held-to-maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in the active market. When a loan or receivable is measured initially, the Group measures it at its fair value plus transaction costs. Subsequent to initial recognition the Group measures loans and receivables at their amortised cost using the effective interest rate method. If it is probable that the Group cannot collect the entire amount due in accordance with the terms and conditions of the receivable, the receivable is written down. The amount of the write-down equals the difference between the carrying amount and the recoverable amount of the asset. An impairment loss is recognised as an expense in the period in which it is incurred.

Loans and receivables which are due to be settled within 12 months after the balance sheet date are classified as current items. Loans and receivables which are due to be settled within more than 12 months after the balance sheet date are classified as non-current items.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified to any of the other categories of financial assets. Subsequent to initial recognition available-for-sale financial assets are measured at their fair values, except for investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured (the latter are measured at cost). Unrealised gains and losses on available-for-sale financial assets are recognised directly in equity. When an asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, then the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the loss is recognised in the income statement.

Inventories

Inventories (goods purchased and raw and other materials) are initially recognised at cost. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, non-refundable import duties and other non-refundable taxes, and transport, handling and other costs directly attributable to the acquisition of the inventories less discounts and rebates. In the balance sheet, goods purchased and raw and other materials are measured at the lower of cost and net realisable value.

The costs of conversion of finished goods and work in progress include direct production costs (the costs of raw and other materials, the costs of packaging materials, expenditures incurred in the storage of work in progress, and the costs of direct labour) and a systematic allocation of production overheads (the costs arising from the depreciation, maintenance and heating of production facilities and the remuneration of management). In the balance sheet, finished goods and work in progress are stated at the lower of their conversion cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is assigned using the weighted average cost formula.

Property, plant and equipment

Property plant and equipment are tangible items that are held for use in the Group's business activities and are expected to be used for more than one period.

Items of property, plant and equipment are initially recognised at cost. The cost of an item of property, plant and equipment comprises its purchase price (including import duties and non-refundable purchase taxes) and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. After recognition, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Items of property, plant and equipment which are acquired with finance lease are accounted for similarly to purchased items. Interest expenses arising from financial obligations assumed in connection with an item of property, plant and equipment are not capitalised as part of the cost of that item.

Subsequent costs relating to an item of property, plant and equipment are recognised in the carrying amount of the item if it is probable that future economic benefits arising from those costs will flow to the Group and the costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised as an expense as incurred.

Items of property, plant and equipment are depreciated using the straight-line method. Items are assigned depreciation rates which correspond to their useful lives. The following annual depreciation rates are assigned:

Buildings:	
Production buildings	3%
Other buildings	10%
Plant and equipment:	
Sewing equipment	10-15%
Vehicles	20%
Other equipment	20%
Other equipment and fixtures:	
Computers, tools and other items of equipment	25-30%
Store furnishings	5%

Land is not depreciated.

The costs of renovating leased premises are depreciated over the lease term.

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases when the residual value of the asset increases to an amount greater than the asset's carrying amount, the asset is removed from use completely or classified as held for sale. The residual value, depreciation rate and depreciation method of an asset are reviewed at each balance sheet date.

If the recoverable amount of an item of property, plant and equipment (i.e., the higher of its fair value less costs to sell and its value in use) decreases below the item's carrying amount, the item is written down to its recoverable amount.

The gain or loss arising on the disposal of an item of property of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the item and it is recognised in other income or other expense as appropriate.

Intangible assets

Intangible assets are initially recognised at cost. The cost of an intangible asset comprises its purchase price and any other directly attributable costs of acquisition. After initial recognition intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised using the straight-line method. Items are assigned amortisation rates which correspond to their useful lives. The following annual amortisation rates are assigned:

Software	10-20%
Trademarks	10%

Goodwill

Goodwill is the excess of the cost of a business combination over the Group's interest in the fair value of the net assets acquired, representing this portion of cost which is paid for assets which are not capable of being individually identified and separately recognised. On the acquisition of a new entity, goodwill is determined as the difference between the purchase price and the fair value of the net assets acquired (the difference between the identifiable assets acquired and liabilities and contingent liabilities incurred or assumed). Positive goodwill arising on the acquisition of a subsidiary is recognised as an intangible asset. If the Group's interest in the fair value of the net assets acquired exceeds the cost of the business combination, the excess is recognised immediately in other income.

At the date of acquisition goodwill is recognised in the balance sheet at cost. Thereafter goodwill is measured at cost less any accumulated impairment losses. Goodwill acquired from business combinations is not amortised. Goodwill is assessed for impairment. Recoverable amount is assessed for an individual asset or the cash generating unit to which it belongs.

Goodwill is tested for impairment at each balance sheet date or more frequently if there is any indication that it may be impaired. If the recoverable amount of goodwill decreases below its carrying amount, goodwill is written down to its recoverable amount.

Amortisation of goodwill acquired from business combinations which occurred before 31 March 2004 was discontinued as of 1 January 2005. Those items of goodwill are also tested for impairment at each balance sheet date and written down if impaired.

Impairment of assets

Items of property, plant and equipment which have an unlimited useful life (land) are not depreciated and intangible assets with an indefinite useful life (goodwill) are not amortised. Instead they are tested for impairment on an annual basis by comparing their carrying amounts to their recoverable amounts.

At each balance sheet date the Group assesses whether there is any indication that an item of property, plant and equipment or an intangible asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated and compared to its carrying amount.

An impairment loss is recognised in the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset or, if that is not possible, for the cash generating unit to which the asset belongs (the smallest identifiable group of assets that generates largely independent cash inflows).

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. Reversals of impairment losses are recognised in the income statement in the period in which they are performed. A reversal of an impairment loss is recognised as a decrease in expenses from impairment of assets. An impairment loss in respect of goodwill is not reversed.

Finance and operating leases

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. An operating lease is a lease other than a finance lease.

The Group as a lessee

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between the finance charge (interest expense) and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned. An asset held under finance lease is depreciated over the shorter of its lease term and useful life. The initial direct costs incurred by the Group in connection with the conclusion of a finance lease contract are added to the amount recognised as an asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

Assets subject to operating leases are presented in the balance sheet similarly to other items of property, plant and equipment, i.e., according to the nature of the asset. Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Financial liabilities

All financial liabilities (trade payables, loans, accrued expenses and other payables and borrowings) are initially recognised at their fair value less transaction costs. Subsequent to initial recognition financial liabilities are measured at their amortised cost using the effective interest rate method.

As a rule, the amortised cost of current financial liabilities is equal to their nominal value. Therefore current financial liabilities are stated in the amount payable. The amortised cost of non-current financial liabilities is identified using the effective interest rate method.

A financial liability is classified as current if it is due to be settled within 12 months after the balance sheet date or of the Group does not have an unconditional right to defer settlement of the liability for more than 12 months after the balance sheet date. Loan liabilities are classified as current when they are due to be settled within 12 months after the balance sheet date even if an agreement to refinance on a long-term basis is completed after the balance sheet date but before the financial statements are authorise for issue. Loans which the creditor can recall at the balance sheet date due to breach of the terms and conditions of the loan agreement are classified as current liabilities.

Employee benefits

Termination benefits – Termination benefits are employee benefits payable as a result of the Group’s decision to terminate an employee’s employment before the normal retirement date or the employee’s decision to accept voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when the Group is demonstrably committed to terminate the employment of an employee or a group of employees under a detailed formal plan for the termination and is without realistic possibility of withdrawal or is committed to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Where termination benefits fall due more than 12 months after the balance sheet date they are discounted to their present value.

Provisions and contingent liabilities

A provision is a liability of uncertain timing and amount. A provision is recognised in the balance sheet if the Group has a present legal or constructive obligation arising from a past event or the Group’s established pattern of past practice, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing and amount of provisions are estimated by management. The amount recognised as a provision is the management’s best estimate of the expenditure required to settle the obligation or to transfer the obligation to a third party at the balance sheet date. Provisions are not recognised for future operating losses.

Promises, guarantees and other obligations whose realisation is not probable or whose amount cannot be measured with sufficient reliability but which can transform into liabilities in the future are disclosed in the notes to the consolidated financial statements as contingent liabilities.

Corporate income tax

Corporate income tax of entities registered in Estonia

In accordance with effective legislation, in Estonia corporate income tax is not levied on profits earned. Therefore, deferred tax assets and liabilities do not arise. Instead of profit earned, income tax is levied on dividends distributed. From 1 January 2007 the tax rate is 22/78 (until 31 December 2006 the tax rate was 23/77 and until 31 December 2005 24/76) of the amount distributed as the net dividend. The income tax payable on dividends is recognised in the income statement of the period in which the dividends are declared, irrespective of the period for which the dividends are declared or in which they are paid.

Corporate income tax of foreign subsidiaries

In accordance with the tax laws of their domicile, at the Group’s foreign entities income tax is levied on corporate profits which have been adjusted for permanent and temporary differences provided for in the law. In Latvia and

Lithuania the tax rate is 15%, in Sweden 28%, in Finland 26%, in Ukraine 25%, in Poland 19% and in Russia 24%. In the above countries tax rates have not changed compared to 2005. In 2006 income tax rate in Belarus was 26.28% (2005: 28%).

A deferred tax liability is recognised for all taxable temporary differences between the carrying amounts and tax bases of assets and liabilities. A deferred tax liability is not recognised if it arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised for all temporary differences to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilised. A deferred tax liability is recognised for temporary differences arising from the existence of post-acquisition undistributed profits at subsidiaries except to the extent that the Group is able to control the subsidiaries' dividend policy and it is probable that the temporary difference will not realise through dividends or in any other manner in the foreseeable future.

Share capital

Shares are presented in equity. The Group has not issued preference shares. Expenses directly attributable to the issue of shares are recognised as a reduction of equity in share premium.

Statutory capital reserve

The statutory capital reserve has been created in accordance with the requirements of the Commercial Code. The capital reserve is created with annual net profit transfers. Every year the parent company has to transfer to the capital reserve at least one twentieth of its net profit for the period until the capital reserve amounts to at least one tenth of its share capital. The capital reserve may be used for covering losses and for increasing share capital. The capital reserve may not be distributed to shareholders.

Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable taking into account any trade discounts and volume rebates allowed by the entity. Revenue from the sale of goods is recognised when all significant risks and rewards of ownership of the assets have been transferred from the Group to the buyer, the amount of the revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the Group.

Revenue from the rendering of services is recognised when the service has been rendered or, if the service is rendered over an extended period, by reference to the stage of completion of the service at the balance sheet date.

Interest income is recognised on a time proportion basis using the effective interest rate method. When the value of a receivable decreases, the carrying amount of the receivable is written down to its recoverable amount which is found by applying the discounted cash flow method using the original effective interest rate.

Dividend income recognised when the dividend has been declared.

Revenue from service contracts

Revenue from services which are rendered over an extended period is recognised by reference to the stage of completion of the contract activity at the balance sheet date assuming that the outcome of the transaction involving the rendering of services (the revenue and expenses associated with the transaction) can be estimated reliably and it is probable that economic benefits associated with the transaction will flow to the Group. Contract revenue is matched with contract costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

The percentage of completion is determined by comparing the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a contract involving the rendering of services cannot be measured reliably but it is probable that the Group will recover the contract costs incurred, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. When it is probable that total contract costs will exceed the contract revenue, the expected loss is recognised as an expense immediately.

If at the balance sheet date progress billings exceed the costs incurred plus recognised profits the difference is recognised in current liabilities in *Due to customers for contract work*. If at the balance sheet date costs incurred plus recognised profits exceeds progress billings, the difference is recognised in other receivables in *Due from customers for contract work.*

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. A government grant that becomes receivable as compensation for expenses or losses already incurred or which does not impose additional conditions which have to be complied with in subsequent periods is recognised as income of the period in which it becomes receivable. A government grant is not recognised until there is reasonable assurance that the entity complies with the conditions attaching to the grant and the grant will be received. Expenditures associated with the fulfilment of obligations arising from government grants are recognised as provisions or disclosed as contingent liabilities.

Income from government grants received for compensation of operating expenses is disclosed in note 22.

Segment reporting

A business segment is a distinguishable component of an entity that is engaged in providing similar products and services or a group of related products and services and which is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an entity that is engaged in providing products and services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group's primary segment reporting format is business segments based on product type and the secondary reporting format is geographical segments based on the location of the consumers.

Expenses not directly related to a particular segment are accounted for as unallocated expenses. Unallocated expenses include general management expenses. Segment assets include assets directly attributable to a segment and goodwill attributable to the segment. Unallocated assets include assets which are in common use or used by the head office. Segment liabilities include all liabilities that can be allocated to the segment on a reasonable basis.

Long-term financial investments, loans, and interest receivables and liabilities are accounted for as unallocated items.

Earnings per share

Basic earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share the profit attributable to ordinary equity holders and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

New International Financial Reporting Standards and Interpretations of the Financial Reporting Interpretations Committee (IFRIC)

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements. The following is the Group's assessment of the possible impact these new standards, amendments or interpretations will have on its financial statements in the period of initial application.

- IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after 1 January 2007). The new Standard will require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risk. The Standard will require increased disclosures about financial instruments in the Group's financial statements.
- IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009). The Standard requires that segment information should be presented on the basis of components whose results are reviewed regularly by management in making business decisions. The Group's management has not completed its analysis and consequently cannot assess the impact of IFRS 8 on the Group's financial statements.
- Amendments to IAS 1 - *Presentation of Financial Statements - Capital Disclosures* (effective for annual periods beginning on or after 1 January 2007). The amendments will require increased disclosures in financial statements with respect to the Group's share capital.
- IFRIC *7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (effective for annual periods beginning on or after 1 March 2006). IFRIC 7 addresses the

application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7 will not affect the Group's financial statements.

- IFRIC 8 *Scope of IFRS 2* (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will not affect the Group's financial statements
- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. According to management's assessment, IFRIC 9 will not affect the Group's financial statements.
- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will not affect the Group's financial statements.
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* (effective for annual periods beginning on or after 1 March 2007). The Group does not have agreements on share-based payment transactions. Therefore, IFRIC 11 will not affect the Group's financial statements.
- IFRIC 12 *Service Concession Arrangements* (effective for annual periods beginning on or after 1 January 2008). The Group has not entered into concession arrangements. Therefore, IFRIC 12 will not affect the Group's financial statements.

Note 2. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and measurement bases and the reported amounts of assets and liabilities and have a significant risk of adjustment in the next year.

The estimates and underlying assumptions are reviewed on an ongoing basis and they are based on historical experience and various other factors which are believed to be reasonable under the circumstances, including forecasts of future events.

Judgements and estimates made by management that have significant effect on the consolidated financial statements and the Group's result of operations include measurement of inventories (note 11), determination of the useful lives of property, plant and equipment (note 12), measurement of goodwill (note 13), measurement of deferred tax assets (note 28) and measurement of contingent assets and liabilities (note 32).

Measurement of inventories

Management measures inventories based on its best knowledge, historical experience, general background information, and assumptions and conditions for potential future events. The need for and extent of writing down inventories is determined as follows: in the case of finished goods (carrying amount at 31 December 2006: 7,311,000 euros and at 31 December 2005: 993,000 euros) on the basis of their sales potential and net realisable value; in the case of raw and other materials (carrying amount at 31 December 2006: 5,395,000 euros and at 31 December 2005: 486,000 euros) on the basis of their usability in the production of finished goods and generation of revenue; and in the case of work in progress (carrying amount at 31 December 2006: 2,010,000 euros and at 31 December 2005: 143,000 euros) on the basis of their stage of completion which can be measured reliably.

Measurement of goodwill

Management has tested the goodwill acquired on the acquisition of subsidiaries (carrying amount at 31 December 2006: 235,000 euros and at 31 December 2005: 120,000 euros) for impairment. The recoverable amount of goodwill was identified using future cash flows estimated on the basis of retail sales volumes in the Latvian market. The discount rate was the expected rate of return.

If the recoverable amount of an investment has declined below its carrying amount, the investment is written down to its recoverable amount.

Determination of the useful lives of items of property, plant and equipment

Management estimates the useful lives of production plant and equipment and other items associated with production activities on the basis of their expected useful lives. Useful lives are estimated on the basis of historical experience, and production volumes and conditions. The useful lives of items of property, plant and equipment which are used in retailing are estimated based on the period during which the item is expected to participate in the generation of revenue and the guaranteed length of lease contracts.

According to management's assessment, the average useful lives of production plant and equipment range from 5 to 10 years, depending on the purpose of use, and the useful lives of other equipment and fixtures range from 3 to 20 years, depending on their purpose of use.

The useful lives of assets with an unlimited useful life (land) are indeterminable. At 31 December 2006 the carrying amount of assets with a limited useful life was 8,453,000 euros (31 December 2005: 673,000 euros). At 31 December 2006 and 31 December 2005 the Group did not own any land.

Measurement of contingent assets and liabilities

Management estimates the probability of the realisation of contingent assets and liabilities on the basis of its best knowledge, historical experience, general background information, and assumptions and conditions for potential future events.

Measurement of deferred tax assets

A deferred tax asset has arisen from the tax loss incurred by the Lithuanian subsidiary UAB PTA Prekyba in 2006 which the Group expects to utilise against future taxable profits. Management has estimated future profits and the probability of the utilisation of tax losses on the basis of analyses and projections of the development of the market involved and the entity's operating results. Generation of taxable profits assumes attainment of the entity's targets, i.e., achievement of the planned turnover through the opening of the planned number of stores in the foreseeable future.

In line with the principles of prudence and consistency, the deferred tax asset is accounted for off the balance sheet and has not been used to reduce the expenses reported in the consolidated income statement. At 31 December 2006 the deferred tax assets amounted to 5,000 euros. At 31 December 2005 the Group did not have deferred tax assets.

Note 3. Financial risks

In the ordinary course of business the Group is exposed to and manages various financial risks. The main risks which the Group has identified include currency risk, credit risk, fair value risk, interest rate risk and liquidity risk.

Risk management in the Group is based on the risk management requirements established by Tallinn Stock Exchange, the Financial Supervision Authority and other regulatory bodies and the Group's own internal regulations.

Currency risk

In 2006 exports accounted for 82.5% (2005: 52.5%) of consolidated net sales. In the Group's retail markets, sales prices are fixed in the following currencies: EEK (Estonian kroon), LVL (Latvian lats), LTL (Lithuanian litas), RUB (Russian rouble), BYR (Belarusian rouble) and PLN (Polish zloty). Other purchase and sales transactions are performed mainly in euro and in US dollars. Intra-group transactions are performed primarily in Estonian kroons, euro and US dollars.

Most materials required for the manufacturing of women's apparel and lingerie are imported from EU member states. Those purchases are performed mainly in euro. Women's apparel is purchased, among other places, from the Far East countries. Those purchase transactions are performed mainly in euro and US dollars.

Most of the Group's wholesale sales transactions are performed in euro and Estonian kroons. The Group's retail sales prices are fixed in the currency of the retail market. Fluctuations in the exchange rates of local currencies affect both the Group's revenue and expenses. Rapid changes in a market's economic environment and increases or decreases in the value of its currency may have a significant impact on the Group's operations and the customers' purchasing power.

The Group is exposed to currency risks arising from fluctuations in the exchange rates of USD, LVL, BYR, RUB, UAH (Ukrainian grivna), SEK (Swedish krona) and PLN. During the reporting year, the exchange rates of currencies affecting the Group's operating results changed as follows: Latvian lats +0.0% (2005: -4.5%), Swedish krona +0.3% (2005: -1.7%), Ukrainian grivna +0.1% (2005: +3.8%), US dollar -1.0% (2005: -0.7%), Belarusian rouble -0.5% (2005: -0.4%), Russian rouble +3.1% (2005: +1.3%) and Polish zloty +3.3% (2005: +13.3%). The Lithuanian litas is pegged to the euro. Therefore, it has no influence on the Group's results.

The Group does not hedge its currency risks with forwards, options or any other hedging instruments because the analyses performed by the Group's management indicate that the risks arising from open currency positions do not exceed the costs arising from the use of the above instruments.

Information on foreign exchange gains and losses is presented in notes 22, 26 and 27.

Credit risk

Credit risk is the risk that a business partner will fail to discharge an obligation and will cause the Group to incur a financial loss. In the area of credit risk, the most important factor is the customer's capability to pay for goods supplied on a timely basis. The Group grants credit to all reliable customers. On average, credit is granted for 30-60 days and average credit limits range from 3,000 to 32,000 euros. In the case of some long-standing customers, credit limits are larger. The trade receivables reported in the balance sheet are not secured. In the case of retail operations credit risk is minimal because the customer pays immediately either in cash or using a debit or credit card.

At the balance sheet date the maximum credit risk was 7,141,000 euros (31 December 2005: 195,000 euros). The Group does not have any major concentrations of credit risk arising from exposures to a single debtor.

Interest rate risk

Interest rate risk is the risk that financial expenses will increase due to a rise in interest rates. Exposure to the interest rate risk arises from loans and borrowings with floating interest rates. The Group's interest rate risk stems, above all, from changes in EURIBOR (Euro Interbank Offered Rate) because some of the Group's loans (note 15) are linked to EURIBOR. The group's finance lease contracts have both fixed and floating interest rates.

The interest rate risk depends also on the economic environments of the Group's entities and changes in the banks' average interest rates. The Group has a cash flow risk arising from changes in interest rates because some loans have a floating interest rate. According to management, the cash flow risk is not significant. Therefore, no hedging instruments have been implemented.

Both in 2005 and 2006 short-term loans and borrowings with floating interest rates were fixed in euro and Estonian kroons. Therefore, they did not involve any currency risk. The Group mitigates its interest rate risk by refinancing existing loans and seeking alternative and intra-group financing solutions. Information on interest expenses is presented in the cash flow statement.

Liquidity risk

At 31 December 2006 the Group's current assets exceeded its current liabilities.

Management has prepared cash flow projections for 2007 according to which the Group's cash flows will be positive and profitability will ensure positive working capital by the end of 2007. In connection with the Group's plans to double the number of stores in 2007, the Group may experience temporary liquidity problems. Temporary liquidity problems can be solved by involving loan capital and re-allocating funds inside the Group.

For more flexible management of financial resources, the Group has implemented a group account. The facility allows group entities that have been named in the group account agreement to use the Group's funds to the extent established by the parent company (note 15).

Cash flow risk and fair value

The fair values of cash, receivables, and short-term loans, borrowing and payables do not differ materially from their carrying amounts because they will be settled within 12 months after the balance sheet date. The fair value of long-term loans and borrowings does not differ significantly from their carrying amounts because their interest rates correspond to market interest rates.

The Group has interest-bearing financial assets (loans given) and short-term loans and finance leases which have floating interest rates. The amounts of loans received and loans provided are not significant. Therefore, the risk of changes in market interest rates does not have a significant influence on the Group's result of operations and operating cash flows.

Note 4. Subsidiaries

Entity	Domicile	Core activity	Ownership at 31 December 2006	2005
Parent company				
PTA Grupp AS	Estonia	Retailing		
Subsidiaries of PTA				
Silvano Fashion Group AS (SFG)	Estonia	Holding	100%	-
AS Klementi	Estonia	Manufacturing	100%	-
Klementi Trading OY	Finland	Wholesaling	100%	100%
Klementi Trading AB (bankrupt)	Sweden	Wholesaling and retailing	100%	100%
UAB PTA Prekyba	Lithuania	Retailing	100%	-
SIA Vision	Latvia	Retailing	100%	100%
LLC PTA Ukraine	Ukraine	Retailing	100%	-
Subsidiaries of SFG				
Lauma Lingerie AS	Latvia	Manufacturing	100%	-
Milavitsa ZAO	Belarus	Manufacturing	62.53%	-
Linret ZAO	Russia	Retailing	100%	-
Splendo Polska Sp. z.o.o.	Poland	Retailing	90%	-
Subsidiaries of Milavitsa ZAO				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Retailing	51%	-
SP Gimil OOO	Belarus	Manufacturing	52%	-
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	Russia	Wholesaling	100%	-

Acquisition of a subsidiary

On 16 October 2006 PTA Grupp AS acquired all the shares in Silvano Fashion Group AS (SFG). During subscription, the shareholders of SFG transferred to PTA Grupp AS 84,488 shares in SFG (100% of the share capital). For each share in SFG, an SFG shareholder received 426.1 shares in PTA Grupp AS (see note 19).

Both PTA Grupp AS and SFG were controlled by the same parties. Therefore, the transaction constituted a business combination involving entities under common control. The assets and liabilities of the acquired entity were recognised at their carrying amounts.

The new ordinary shares were subscribed with share premium of 67,000,000 euros. The issue price of a share was 2.50 euros including share premium of 1.86 euros. Share premium was reduced by the difference between the cost of the business combination and the carrying amount of the net assets acquired, i.e., by 64,172,000 euros and direct issue and listing costs of 143,000 euros.

The business combination was recognised based on SFG's financial statements as of 30 September 2006 which had been reviewed by auditors.

Carrying amount of SFG's net assets:

In thousands of euros	**30 September 2006**
Cash and cash equivalents	16,822
Other current assets	21,460
Non-current assets	10,417
Loans and borrowings	-1,895
Other liabilities	-9,238
Minority interest	-11,729
Carrying amount of net assets	**25,837**

SFG's net profit for the last three months of 2006 amounted to 2,215,000 euros. According to management's assessment, if the business combination has occurred as at 1 January 2006, the Group's sales revenue and net profit would have been 70,155,000 euros and 6,513,000 euros respectively.

Acquisition of ownership interest

On 15 November 2006 SFG acquired all the shares in the Polish lingerie chain operator Splendo Polska Sp. z.o.o. (Splendo). SFG sold 10% of its interest in Splendo to a local business associate and its own stake remained 90%. The share capital of Splendo amounts to 50,000 Polish zloty, i.e., approximately 13,000 euros. The price of the transaction was 3,000 euros and it was settled in cash. The transaction gave rise to goodwill of 9,000 euros which is reported as an intangible asset (see note 13).

At the date of acquisition, the fair values of the assets and liabilities of Splendo did not differ significantly from their carrying amounts and were as follows:

In thousands of euros	**15 November 2006**
Cash and cash equivalents	3
Other current assets	198
Non-current assets	6
Other liabilities	-213
Fair value of net assets acquired	**-6**
Interest acquired 90%	
Goodwill on acquisition	9
Cost	2
Consideration paid, satisfied in cash	**-3**
Net cash outflow	**0**

Increase in ownership interest

In December 2006 SFG increased its majority shareholding in Belarusian lingerie manufacturer Milavitsa ZAO (Milavitsa). In order to increase its stake, SFG made an additional voluntary purchase bid to the minority shareholders of Milavitsa. Through the transaction, SFG acquired 331 shares (2.7% of share capital) which increased its interest in Milavitsa to 62.53%.

The price of the additional stake amounted to 217,000 euros and it was satisfied in cash. The business combination gave rise to gain of 605,000 euros which has been recognised in other income (see note 22) and reduced the minority interest by 822,000 euros.

Establishment of subsidiaries

In 2006 PTA Grupp AS established two new wholly-owned subsidiaries: UAB PTA Prekyba with a share capital of approximately 3,000 euros (10,000 Lithuanian litas) and LLC PTA Ukraine with a share capital of approximately 6,000 euros (37,500 Ukrainian grivnas). The share capital of both entities was contributed in cash.

Establishment of a subsidiary through division

In 2006 PTA Grupp AS established a wholly-owned subsidiary through division: the parent company's manufacturing unit was transformed into AS Klementi. The subsidiary's share capital is 294,000 euros. The value of assets transferred amounted to 517,000 euros and they were treated as a contribution in the subsidiary's share capital.

Value of assets and liabilities transferred to AS Klementi in thousands of euros:

	1 September 2006
Current assets	779
Non-current assets	244
Loans and borrowings	-15
Other liabilities	-491
Value of net assets transferred	**517**

Note 5. Associates

In thousands of euros	Domicile	Core activity	Ownership at 31 December 2006	Value of investment at 31 December 2006
SOOO Torgovyj Dom Milavitsa, Novosibirsk	Russia	Retailing	25%	0
SOOO Torgovyj Dom Milavitsa, Tjumen	Russia	Retailing	25%	0
SOOO Torgovyj Dom Milavitsa, Moscow	Russia	Retailing	25%	0
SOOO Torgovyj Dom Milavitsa, Ufa	Russia	Retailing	25%	0
SOOO Torgovyj Dom Milavitsa, Kiev	Ukraine	Retailing	26%	5
Total				**5**

The Group's share of profit in its equity accounted investees for the period was 3,000 euros (2005: 0 euros).

PTA Grupp AS acquired investments in associates through the acquisition of the subsidiary SFG. All interests in associates are held by SFG's subsidiary Milavitsa.

Note 6. Available-for-sale financial assets

In thousands of euros	Domicile	Core activity	Ownership at 31 December 2006	Value of investment at 31 December 2006
OJSC Belvnesheconombank	Belarus	Financing	0.147%	12
National Pension Fund of Belarus	Belarus	Financing	0.002%	0
OJSC Belinvestbank	Belarus	Financing	0.00014%	0
CJSC Minsk Transit Bank	Belarus	Financing	0.19%	13
Gratsiya Ltd	Belarus	Manufacturing	14.286%	6
OJSC Lauma	Latvia	Holding	0.32%	82
Total				**113**

Available-for-sale financial assets comprise the financial investments of SFG's subsidiary Milavitsa. The financial investments are stated at cost because the shares are not traded in an active market and their fair value cannot be measured reliably.

Note 7. Cash and cash equivalents

In thousands of euros **At 31 December**	**2006**	**2005**
Cash on hand	55	18
Bank accounts, kroons	65	56
Bank accounts, foreign currency	6,202	98
Cash in transit	812	9
Short-term deposits	5,678	0
Total	**12,812**	**181**

At the end of 2006, cash placed in short-term deposits with a maturity of 6 and 12 months totalled 5,678,486 euros. The interest rates of 6-month deposits ranged from 6.5% to 10.4% and the ones for 12-month deposits from 6% to 6.5%. The deposits can be cancelled by giving less than 3 months' notice. The Group intends to use the cancellation clause when necessary to ensure the liquidity for operating activities.

Note 8. Trade receivables

In thousands of euros

At 31 December	**2006**	**2005**
Trade receivables	7,302	198
Impairment of receivables	-161	-3
Total	**7,141**	**195**

	2006	**2005**
Impairment losses on trade receivables at beginning of period	**-3**	**-24**
Impairment losses of the period	-172	-178
Impairment losses on items written off	13	199
Impairment losses on trade receivables at end of period	**-162**	**-3**

Impairment losses on receivables are recognised in other operating expenses. In 2006 the Group did not recover any previously expensed items.

Note 9. Other receivables and prepayments

In thousands of euros

At 31 December

Other current receivables and prepayments	**2006**	**2005**
Prepayments to suppliers	1,100	0
Other prepayments*	1,100	74
Due from customers for contract work	58	73
Loans to companies	28	0
Interest receivable from related parties	28	0
Loans to employees	17	0
Receivable for sale of shares**	13	10
Miscellaneous receivables	538	8
Total	**2,882**	**165**
Other non-current receivables		
Loans to companies	115	0
Receivable for sale of shares**	35	48
Total	**150**	**48**

* Other prepayments include prepaid insurance premiums, lease charges, newspaper and magazine subscriptions, IT service charges, etc. Other prepayments have grown considerably in connection with advance lease payments made by acquired subsidiaries in the ordinary course of their business.

** The receivable for the sale of shares is related to the divestment of the wholly-owned subsidiary AS Profline in year 2000. The current portion of the receivable is recognised in other current receivables and the non-current portion of 35,000 euros (31 December 2005: 48,000 euros) in other non-current receivables. The receivable is to be fully settled by 5 July 2010. Its interest rate is 6 months' EURIBOR + 1%.

Note 10. Taxes

In thousands of euros
At 31 December

Tax receivables	**2006**	**2005**
Value added tax	1,976	2
Personal income tax	39	0
Corporate income tax	2	0
Total	**2,017**	**2**

Tax liabilities	**2006**	**2005**
Social tax	635	57
Value added tax	157	39
Personal income tax	105	31
Fringe benefit taxes	1	1
Income tax on licence fees	0	26
Other taxes	340	4
Total	**1,238**	**158**

Note 11. Inventories

In thousands of euros

At 31 December	**2006**	**2005**
Raw and other materials	5,395	486
Work in progress	2,010	143
Finished goods	5,776	594
Goods purchased for resale	1,535	400
Other inventories	0	7
Total	**14,716**	**1,630**

As of 31 december 2006 the write-downs of inventories to net realisable value amounted to 525,000 euros (2005: 0 euros). In 2006 inventory write-offs totalled 39,000 euros. In 2005, the Group wrote off inventories of 13,000 euros. In 2006 the Group did not reverse any prior write-downs.

Information on assets pledged as collateral is presented in note 31.

At 31 December 2006 PTA Grupp AS was storing and was responsible for other parties' goods (commission goods) of 12,000 euros (2005: 1,000 euros).

Note 12. Property, plant and equipment

In thousands of euros	**Land and buildings**	**Plant and equipment**	**Other equipment and fixtures**	**Assets under construction**	**Total**
At 31 December 2004					
Cost (note 1)	**2,160**	**1,542**	**876**	**60**	**4,638**
Accumulated depreciation (note 1)	-608	-1,043	-493	0	-2,144
Carrying amount	**1,552**	**499**	**383**	**60**	**2,494**
Movements in 2005					
Acquisition	0	23	108	11	142
Implementation	60	0	0	-60	0
Sales (note 1)	-1,546	-1	-18	0	-1,565
Write-off	0	-8	-17	0	-25
Depreciation (note 1)	-66	-166	-140	0	-373
At 31 December 2005					
Cost	**0**	**1,520**	**905**	**11**	**2,436**
Accumulated depreciation	0	-1,173	-590	0	-1,763
Carrying amount	**0**	**347**	**315**	**11**	**673**
Movements in 2006					
Acquired through business combinations (note 4)	2,496	5,580	1,542	154	9,772
Acquisition	174	352	988	95	1,609
Implementation	0	216	11	-227	0
Effect of movements in foreign exchange on cost	-146	-437	-82	-3	-668
Sales	0	-18	-2	0	-20
Write-off	0	-1	-10	-4	-15
Depreciation	-20	-417	-244	0	-681
Effect of movements in foreign exchange on accumulated depreciation	54	242	45	0	341
At 31 December 2006					
Cost	**2,524**	**7,105**	**3,269**	**26**	**12,924**
Accumulated depreciation	34	-1,241	-706	0	-1,913
Carrying amount	**2,558**	**5,864**	**2,563**	**26**	**11,011**

Pledged assets

Information on assets pledged as collateral is presented in note 31.

Finance lease

For information on assets leased under the terms of finance lease, see note 14.

Fully depreciated items

At 31 December 2006, the cost of fully depreciated items of property, plant and equipment still in use amounted to 641,000 euros (31 December 2005: 520,000 euros).

Binding acquisition contracts

At the balance sheet date the Group had contracts for the acquisition of sewing and cutting equipment of 854,000 euros and the purchase of computers and other IT equipment of 215,000 euros.

Note 13. Intangible assets

In thousands of euros	**Software**	**Trademarks**	**Goodwill**	**Projects in progress**	**Total**
At 31 December 2004					
Cost	**287**	**365**	**139**	**94**	**885**
Accumulated amortisation	-269	-113	-19	0	-401
Carrying amount	**18**	**252**	**120**	**94**	**484**
Movements in 2005					
Implementation	94	0	0	-94	0
Amortisation	-28	-33	0	0	-61
At 31 December 2005					
Cost	**264**	**365**	**120**	**0**	**749**
Accumulated amortisation	-180	-146	0	0	-326
Carrying amount	**84**	**219**	**120**	**0**	**423**
Movements in 2006					
Acquisition	43	0	0	175	218
Acquired through business combinations (note 4)	4	67	115	313	499
Effect of movements in foreign exchange on cost	0	-3	0	-15	-18
Amortisation	-29	-35	0	0	-64
At 31 December 2006					
Cost	**306**	**430**	**235**	**473**	**1,444**
Accumulated amortisation	-204	-182	0	0	-386
Carrying amount	**102**	**248**	**235**	**473**	**1,058**

In 2006 PTA Grupp AS implemented Phase II improvements to financial accounting software Axapta. Projects in progress include the costs of licence fees and developments related to different parts of Axapta which will be implemented at Milavitsa.

Determination of the recoverable amounts of cash generating units

In measuring the recoverable amount of goodwill, the Group determines the recoverable amounts of the cash generating units to which the goodwill belongs. For measurement, goodwill of 235,000 euros was allocated to cash generating units as follows:

In thousands of euros **At 31 December**	**2006**	**2005**
SIA Vision (subsidiary)	120	120
Other units	115	0
Total	**235**	**120**

The Group tested goodwill for impairment as at 31 December 2006. The value in use of SIA Vision was determined using the following documents and assumptions:

a) cash flow forecasts for 2007-2009 according to which revenues and expenses will grow at the rate of 8% and 5% per year; the financial model underlying the business plan was developed on the basis of management's historical experience; and

b) a discount rate of 15%.

The test indicated that the recoverable amount of SIA Vision exceeded the carrying amount of the net assets of SIA Vision plus the carrying amount of goodwill substantially. Therefore, goodwill was not impaired.

The goodwill allocated to other units was tested for impairment on a similar basis. The growth rates applied in the projections were deduced from management's estimates of the industry's growth rates for the same period. Management made the estimates on the basis of historical experience. The tests did not indicate the need for a write-down.

Fully amortised items

At 31 December 2006 the cost of fully amortised intangible assets still in use amounted to 186,000 euros (31 December 2005: 172,000 euros).

Note 14. Finance and operating leases

Finance leases
The Group as a lessee

In thousands of euros		**Plant and equipment**	**Total**
Cost	31 December 2005	121	121
Accumulated depreciation	31 December 2005	-91	-91
Carrying amount	**31 December 2005**	**30**	**30**
Cost	31 December 2006	1,329	1,329
Accumulated depreciation	31 December 2006	-582	-582
Carrying amount	**31 December 2006**	**747**	**747**

In thousands of euros

At 31 December	**2006**	**2005**
Minimum finance lease rentals:		
Payable in less than 1 year	587	28
Payable between 1 and 5 years	710	8
Total	**1,297**	**36**
Future interest expenses	-215	-2
Total present value of minimum lease rentals of subsequent periods (note 15)	**1,082**	**34**
Present value of minimum lease rentals of subsequent periods:		
Payable in less than 1 year	472	26
Payable between 1 and 5 years	610	8
Total (note 15)	**1,082**	**34**

Operating leases
The Group as a lessee

In 2006 the Group made operating lease payments for store, office and production premises and plant and equipment. Operating lease expenses totalled 1,142,000 euros (2005: 507,000 euros).

Minimum non-cancellable operating lease rentals have been found on the basis of the non-cancellable periods of operating lease contracts. The contracts on the lease of store premises in Estonia and Latvia are not binding for a long term. Most leases can be cancelled by giving two to ten months' notice. The lease of PTA Grupp AS's office and production premises can be cancelled by giving 1 year's notice.

In thousands of euros

At 31 December	**2006**	**2005**
Minimum non-cancellable operating lease rentals:		
Payable in less than 1 year	62	99
Payable between 1 and 5 years	572	389
Payable in over 5 years	72	28
Total	**706**	**516**

Operating lease
The Group as a lessor

The Group as a lessor does not have any non-cancellable operating lease contracts.

The Group leases out premises under the terms of operating lease. In 2006 operating lease income amounted to 7,000 euros (2005: 63,000 euros).

In 2006 PTA Grupp AS leased out premises of 90 square metres at Akadeemia tee 33 (2005: a total of 738 square metres was leased to 17 companies). All contracts on the lease of premises are cancellable.

Note 15. Loans and borrowings

Loans and borrowings at 31 December 2006:

In thousands of euros	**Current portion due within 12 months**	**Non-current portion due between 1 and 5 years**	**Final settlement date**	**Interest rate**
Secured loans and borrowings				
Overdraft from Hansapank	154	0	19 April 2007	5.5%
Loan from Hansapank	320	0	21 June 2007	5.5%
Loan from Hansapank	424	0	19 October 2007	EURIBOR + 2.5%
Unsecured loans and borrowings				
Finance lease liabilities	472	610	2007-2011	6.5-12.5%
Other liabilities	541	0	31 December 2007	5.0-13.0%
Total	**1,911**	**610**		

The short-term loan whose outstanding balance at 31 December 2006 amounted to 424,000 euros has a floating interest rate which is determined on the basis of 6 months' EURIBOR and reassessed during the year. As the interest rate is floating and the margin depends on the Group's operating risks, management of the Group is of the opinion that the loan has been taken on market terms at a market interest rate and consequently its fair value does not differ significantly from its carrying amount. The Group has access to a revolving credit line with a limit of 320,000 euros which will expire on 21 June 2007. The annual interest rate of the credit is 5.5%.

Short-term fixed interest loans and borrowings of 474,000 euros involve fair value risk. As the items will be settled within a year, the fair value risk is insignificant.

The Group's parent company has concluded a group account agreement under which the subsidiary AS Klementi has access to an overdraft. At 31 December 2006, the limit of the overdraft facility was 320,000 euros and the limit available to the subsidiary was 64,000 euros. The overdraft facility is secured with a pledge of the parent company's movable assets.

In 2006 the Group received loans of 2,042,000 euros (2005: 1,822,000 euros) and settled loan liabilities of 1,888,000 euros (2005: 4,096,000 euros). The figures for loans received and loans repaid include use of the revolving credit line (192,000 euros) and the transformation of two long-term loans received at the beginning of 2006 to a short-term loan of 485,000 euros.

Loan collateral

The loans and overdraft provided by Hansapank are secured with a commercial pledge of movable assets of 1,853,000 euros.

Loans and borrowings at 31 December 2005:

In thousands of euros	**Current portion due within 12 months**	**Non-current portion due between 1 and 5 years**	**Final settlement date**	**Interest rate**
Secured loans and borrowings				
Overdraft from Hansapank	222	0	30 June 2006	6%
Loan from Hansapank	383	0	15 December 2006	6%
Unsecured loans and borrowings				
Finance lease liabilities (note 14)	26	9	2005-2007	5.5-8.0%
Other liabilities	32	0	31 July 2006	7%
Loan repayable to the bankruptcy estate of P.T.A Group OY	51	0	31 December 2005	5%
Trademark liabilities	263	0	15 January 2006	8%
Total	**977**	**9**		

According to the agreement, the loan repayable to the bankruptcy estate of P.T.A Group OY had to be settled by 31 December 2005. In fact the liability of 51,000 euros was satisfied in January 2006.

Trademark liabilities

Trademark liabilities comprised trademark liabilities to the bankruptcy estate of P.T.A. Group OY. The liabilities were stated at their discounted present value and were to be settled during the period 2004-2006. The discount rate applied was 8%.

Discounted present value of trademarks	**2006**		**2005**	
In thousands of euros **At 31 December**	**Principal liability**	**Interest liability**	**Principal liability**	**Interest liability**
Total liability	0	0	209	54
Payable within 12 months	0	0	209	54

Note 16. Trade payables

In thousands of euros **At 31 December**	**2006**	**2005**
Trade payables to suppliers	5,523	725
Trade payables to related parties	71	79
Total	**5,594**	**804**

Note 17. Other payables

In thousands of euros **At 31 December**	**2006**	**2005**
Customer advances for products and services	41	8
Payables to employees*	1,698	298
Interest and other accruals	14	21
Interest payable to related parties	20	0
Deferred income	5	4
Total	**1,778**	**331**

* Payables to employees include among other items undeclared social tax and unemployment insurance liabilities calculated on employee wages and salaries for December and undeclared personal income tax, unemployment insurance premiums and funded pension premiums withheld on employee wages and salaries for December.

Note 18. Provisions

Current and non-current provisions comprise provisions for incapacity benefits to a former employee of AS Klementi which are payable on a monthly basis under a court order. The current portion amounts to 1,000 euros (31 December 2005: 1,000 euros) and the non-current portion, which is stated at its discounted present value, amounts to 9,000 euros (31 December 2005: 9,000 euros). The discount rate is 5% and the remaining term of the liability is 18 years. Until the end of 2004 the discount rate was 10% and the remaining term of the liability was 10 years.

Note 19. Equity

Share capital

The extraordinary shareholders' general meeting which convened on 5 September 2006 decided to amend the Articles of Association of PTA Grupp AS in connection with an increase in the company's share capital. According to the revised wording of the Articles of Association, the minimum share capital and maximum share capital of PTA Grupp AS amount to 15,978,000 euros and 63,912,000 euros respectively (the maximum number of shares is 100,000,000).

The same meeting decided to increase the share capital of PTA Grupp AS. After the increase the company's registered share capital amounts to 24,252,680 euros and is made up of 37,947,198 ordinary shares with a par value of 0.64 euros each. The increase in share capital was entered in the Commercial Register on 26 October 2006.

The new shares were subscribed with share premium of 67,000,000 euros. The issue price of a share was 2.50 euros including share premium of 1.86 euros. Share premium was reduced by the difference between the cost of acquiring a subsidiary under common control and the carrying amount of the subsidiary's net assets, i.e., by 64,172,000 euros and direct issue and listing costs of 143,000 euros. Thus, share premium amounted to 2,685,000 euros.

All shares have been paid for.

At 31 December	**2006**	**2005**
Share capital, in thousands of euros	24,252	1,244
Number of shares	37,947,198	1,946,875
Par value of a share, in euros	0.64	0.64

All shares issued by PTA Grupp AS are registered ordinary shares. Each ordinary share grants the holder one vote at meetings of the company. The company does not issue share certificates to shareholders. The company's share register is electronic and maintained at the Estonian Central Register of Securities.

Each ordinary share grants the holder the right to participate in profit distributions in proportion to the number of shares held. The general meeting decides the amount which will be distributed as dividends on the basis of the Company's approved annual report.

Changes in share capital in 2006:

Date	**Increase / decrease**	**Increase / decrease in number of shares**	**Total number of shares**	**Share capital at par value**	**Share premium**
				In thousands of euros	
31 December 2005			**1,946,875**	**1,244**	**2,620**
16 October 2006	Share issue	36,000,323	37,947,198	23,008	2,828
16 October 2006	Issue costs				-143
31 December 2006			**37,947,198**	**24,252**	**5,305**

Statutory capital reserve

The statutory capital reserve has been created in accordance with the requirements of the Commercial Code. The reserve may be used for covering losses and for increasing share capital through a bonus issue. The capital reserve has to amount to at least one tenth of share capital.

At 31 December 2006 the capital reserve amounted to 67,000 euros (31 December 2005: 67,000 euros).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the Group's foreign entities whose functional currency differs from the Group's presentation currency.

At 31 December 2006 the translation reserve amounted to 684,000 euros (31 December 2005: 2,000 euros).

Shareholder structure

At 31 December 2006 shareholders whose interest in PTA Grupp AS exceeded 1% included:

Name	Number of shares	Interest in share capital
Major shareholders	**35,360,283**	**93.2%**
SIA ALTA CAPITAL PARTNERS	28,024,309	73.9%
Skandinaviska Enskilda Banken Ab Clients	2,195,827	5.8%
NORDEA BANK FINLAND PLC/NON-RESIDENT LEGAL ENTITIES	1,058,214	2.8%
BRYUM ESTONIA AS	984,063	2.6%
EVLI BANK PLC/MUTUAL FUND BALTIC EQUITY	656,511	1.7%
JPMORGAN CHASE BANK,NATIONAL ASSOCIATION ON BEHALF OF SWEDISH RESIDENTS	639,150	1.7%
DZ BANK INTERNATIONAL S.A.CLIENTS	561,760	1.5%
THE BANK OF NEW YORK/ING BANK SLASKI	440,000	1.2%
Clearstream Banking Luxembourg S.A. Clients	400,449	1.0%
STATE STREET LONDON CARE OF SSB BOSTON/DIT-GLOBAL STRATEGIES FUND	400,000	1.0%
Other shareholders	**2,586,915**	**6.8%**
Total number of shares	**37,947,198**	**100.0%**

At 31 December 2005 shareholders whose interest in PTA Grupp AS exceeded 1% included:

Name	Number of shares	Interest in share capital
Major shareholders	**1,719,621**	**88.3%**
OÜ ALTA INVESTMENTS I	462,731	23.8%
BRYUM ESTONIA AS	381,809	19.6%
HANSA BALTI KASVUFOND	193,758	9.9%
ING LUXEMBOURG S.A.	188,805	9.7%
ALTA CAPITAL AS	146,988	7.5%
FIREBIRD AVRORA FUND LTD	68,611	3.5%
OÜ ALTA HOLDING	67,500	3.5%
P.T.A. Group OY	50,000	2.6%
SEESAM ELUKINDLUSTUSE AS	50,000	2.6%
AS HANSA ELUKINDLUSTUSE	37,274	1.9%
Skandinaviska Enskilda Banken Finnish Clients	29,296	1.5%
HANSA PENSIONIFOND K3 (KASVUSTRATEEGIA)	22,849	1.2%
Peeter Larin	20,000	1.0%
Other shareholders	**227,254**	**11.7%**
Total number of shares	**1,946,875**	**100.0%**

Note 20. Segment reporting

The Group's primary segment reporting format is business segments based on product type. The secondary reporting format is geographical segments based on the location of consumers. Comparative data on 2005 has been adjusted to the new business segments which are based on product type. Expenses not directly attributable to any segment are presented as unallocated expenses.

Segment assets include all assets directly attributable to a segment excluding items which are in common use or used by the head office. Segment assets include directly attributable goodwill. Segment liabilities include all liabilities that can be allocated to the segment on a reasonable basis. Unallocated expenses include general management expenses.

Other receivables, loans, and interest receivables and payables are reported as unallocated items.

According to management's assessment the prices applied in inter-segment transactions do not differ significantly from the market.

Business segments

The Group comprises the following business segments:

d) Women's apparel – entails the design, manufacture and retail and wholesale distribution of women's apparel products as well as services related to this area.

e) Lingerie – entails the design, manufacture and retail and wholesale distribution of lingerie products as well as services related to this area.

f) Other operations – entails manufacturing and subcontracting services and other activities not listed under Women's apparel and Lingerie.

Geographical segments

The Group's business segments operate in the following geographical areas: Russia, Estonia, Belarus, Finland, Latvia, Ukraine and other markets. The revenues of geographical segments are determined based on the location of consumers.

Segment assets include inventories of goods which are located in the geographical area (market), other current assets (e.g. cash and trade receivables) and items of property, plant and equipment used in manufacturing and sales operations.

Primary format – business segments 2006

In thousands of euros	**Women's apparel**	**Lingerie**	**Other operations**	**Inter-segment transactions**	**Total**
External sales revenue	7,096	17,270	2,648	0	27,014
Inter-segment sales revenue	0	0	2,328	-2,328	0
Total sales revenue (note 21)	**7,096**	**17,270**	**4,976**	**-2,328**	**27,014**
Segment's operating profit	**1,262**	**3,705**	**62**	**0**	**5,029**
Unallocated revenue / expenses					-551
Total operating profit					**4,478**
Other financial income / expenses					733
Income tax expense (note 28)					-1,237
Net profit /loss					**3,974**
Segment assets	2,347	39,702	942	0	42,991
Unallocated assets					8,914
Total assets					**51,905**
Segment liabilities	1,152	9,116	435	0	10,703
Unallocated liabilities					833
Total liabilities					**11,536**
Capital expenditure	222	1,601	4	0	1,827
Depreciation and amortisation expense	307	393	46	0	746
Write-down and write-off of receivables (note 8)	-10	-84	0	0	-94
Write-down and write-off of inventories (note 11)	-7	-274	-284	0	-565
Write-off of property, plant and equipment	-10	-4	-1	0	-15

Primary format – business segments 2005

In thousands of euros	Women's apparel	Lingerie	Other operations	Inter-segment transactions	Total
External sales revenue	5,701	0	1,618	0	7,319
Inter-segment sales revenue	0	0	1,187	-1,187	0
Total sales revenue (note 21)	**5,701**	**0**	**2,805**	**-1,187**	**7,319**
Segment's operating profit	**-138**	**0**	**67**	**0**	**-71**
Unallocated revenue / expenses					1,146
Total operating profit					**1,075**
Other financial income / expenses					-370
Income tax expense (note 28)					-23
Net profit /loss					**682**
Segment assets	1,676	0	1,031	0	2,707
Unallocated assets					610
Total assets					**3,317**
Segment liabilities	733	0	586	0	1,319
Unallocated liabilities					1,004
Total liabilities					**2,323**
Capital expenditure	119	0	23	0	142
Depreciation and amortisation expense	268	0	166	0	434
Write-down and write-off of receivables (note 8)	-178	0	0	0	-178
Write-down and write-off of inventories (note 11)	-13	0	0	0	-13
Write-off of property, plant and equipment	-17	0	-7	0	-24
Write-off of unallocated assets					-1

Secondary format – geographical segments

In thousands of euros	Sales revenue		Assets at 31 December		Capital expenditures	
	2006	2005	2006	2005	2006	2005
Russia	9,307	0	9,847	0	694	0
Estonia	6,192	3,499	5,837	2,879	109	83
Belarus	3,831	0	29,280	0	783	0
Finland	2,175	1,770	3	2	0	0
Latvia	1,964	1,601	6,527	432	184	59
Ukraine	1,177	0	4	0	0	0
Other markets	2,368	449	407	4	57	0
Total	**27,014**	**7,319**	**51,905**	**3,317**	**1,827**	**142**

Note 21. Sales revenue

In thousands of euros	2006	2005
Sale revenue		
Sales of women's apparel	7,097	5,701
Sales of lingerie	17,270	0
Sales of subcontracting and other services	2,321	1,367
Other sales	326	251
Total sales revenue	**27,014**	**7,319**

Sales revenue by countries is presented in note 20.

Note 22. Other income

In thousands of euros	**2006**	**2005**
Gains on sale of property, plant and equipment	12	1,851
Rental income and income from intermediation of utilities services	9	78
Other income from non-core activities	78	61
Government grants received	0	6
Miscellaneous income	27	28
Recognition of expired debts as income	16	0
Foreign exchange gains	4	0
Penalty payments received	66	0
Gain on business combination	605	0
Total other income	**817**	**2,024**

Note 23. Materials, consumables and services used

In thousands of euros	**2006**	**2005**
Goods purchased	1,565	1,061
Main and ancillary materials	8,817	1,310
Services purchased	1,183	171
Other production supplies and materials	153	121
Other costs	464	0
Total	**12,182**	**2,663**

Note 24. Other operating expenses

In thousands of euros	**2006**	**2005**
Retail and wholesale costs	1,517	1,379
Other marketing expenses	1,019	202
Other administrative expenses	1,848	299
Total	**4,384**	**1,880**

Note 25. Personnel expenses

In thousands of euros	**2006**	**2005**
Wages and salaries	4,536	2,118
Social charges	1,335	697
Total	**5,871**	**2,815**

Note 26. Other expenses

In thousands of euros	**2006**	**2005**
Losses on write-off of property, plant and equipment	20	23
Foreign exchange losses	24	16
Interest on tax arrears	20	7
Membership fees	10	3
Value added tax expense	0	30
Miscellaneous expenses	50	24
Total	**124**	**103**

Note 27. Financial income and expenses

In thousands of euros

Financial income	**2006**	**2005**
Interest income	173	0
Foreign exchange gains	42	11
Dividends received	25	0
Other financial income	7	1
Total financial income	**247**	**12**
Financial expenses		
Interest expense	-88	-377
Other financial expenses	0	-5
Total financial expenses	**-88**	**-387**
Net financial items	**159**	**-370**

Note 28. Income tax expense and deferred tax assets and liabilities

Deferred income tax liability

In thousands of euros	**2006**	**2005**
Changes in deferred tax liability:		
Balance at beginning of year	4	0
Expense in the income statement	9	4
Balance at end of year	**13**	**4**

The deferred tax liability arises from temporary differences between the carrying amount of an asset or a liability in the balance sheet and its tax base. The Group's deferred tax liability is attributable to the following assets and liabilities:

In thousands of euros	**2006**	**2005**
Property, plant and equipment	13	4

Income tax expense

In thousands of euros	**2006**	**2005**
Profit for the period	3,974	681
Income tax expense	1,237	23
Profit before tax	**5,211**	**704**
Income tax using the Parent company's domestic tax rate of 0% (2005: 0%)	0	0
Income tax using the foreign subsidiaries' domestic tax rate of 21.49% (2005: 15%)*	1,120	23
Non-deductible expenses	138	0
Current year losses for which no deferred tax asset was recognised	137	0
Adjustment of prior periods' calculations in the reporting period	13	
Tax exempt donations	-15	0
Increase / decrease in unrecognised deferred tax receivable	-7	0
Tax exempt income (gain on business combination)	-149	0
Total	**1,237**	**23**
Including current tax expense	1,228	19
Including deferred tax expense	9	4

* Average tax rate in the subsidiaries' domiciles during the reporting period

Unrecognised deferred tax asset

The deferred tax asset has arisen from the tax loss incurred by the Lithuanian subsidiary UAB PTA Prekyba in 2006 which the Group expects to utilise against future taxable profits. In line with the principles of prudence and consistency, the deferred tax asset is accounted for off the balance sheet and has not been used to reduce the expenses reported in the consolidated income statement. At 31 December 2006 the deferred tax assets amounted to 5,000 euros (2005: 0 euros).

Note 29. Earnings per share

	2006	**2005**
Weighted average number of ordinary shares	11,020,929	1,935,505
Profit attributable to equity holders of the parent, in thousands of euros	2,876	681
Basic earnings per share, in euros	**0.26**	**0.35**
Diluted earnings per share, in euros	**0.26**	**0.35**

At the beginning of 2006 the number of ordinary shares was 1,946,875. In 2006 36,000,323 ordinary shares were issued. At 31 December 2006, the number of ordinary shares was 37,947,198 (see note 19). The shares issued during the period have been included in the calculation of the weighted average number of shares from 1 October 2006 when the consolidation of the revenue and expenses of Silvano Fashion Group AS commenced (see note 4).

Diluted earnings per share do not differ from basic earnings per share because PTA Grupp AS has not issued any financial instruments which could dilute basic earnings per share.

Note 30. 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:

f) SIA Alta Capital Partners and individuals with a shareholding that provides them with control or significant influence;

g) members of the governing bodies (management and supervisory boards) of shareholders that have control or significant influence;

h) members of the Group's management and supervisory boards;

i) close family members of and companies controlled or significantly influenced by the above;

j) associated companies.

In thousands of euros		
Purchase of goods and services	**2006**	**2005**
Companies related to members of the management and supervisory boards	45	83
Total purchases	**45**	**83**

In thousands of euros	**2006**	**2005**
Loans from shareholders		
Opening balance	0	745
Received	514	0
Repaid	0	-745
Closing balance	**514**	**0**
Accrued interest expense	**5**	**146**

In thousands of euros	**2006**	**2005**
Loans to shareholders		
Opening balance	0	0
Given	2,740	0
Repaid	-2,740	0

Closing balance	**0**	**0**
Accrued interest income	**28**	**0**

In thousands of euros

At 31 December **Balances with related parties**	**2006**	**2005**
Companies related to members of the management and supervisory boards	70	79
Interest liabilities to related parties (note 17)	20	0
Total current liabilities	**90**	**79**

In thousands of euros

At 31 December **Balances with related parties**	**2006**	**2005**
Interest receivable from related parties (note 9)	28	0
Total receivables	**28**	**0**

In thousands of euros

Benefits to members of the management board	**2006**	**2005**
Remuneration and benefits	112	49
Total	**112**	**49**

In the event of removal from office, members of the management board are entitled to termination benefits equal to their 6 months' remuneration. In 2005 and 2006 members of the supervisory board were not remunerated.

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

Information on the shareholders of PTA Grupp AS is presented in note 19, information on subsidiaries and associates is presented in notes 4 and 5 respectively.

Note 31. Collateral and pledged assets

PTA Grupp AS has secured an overdraft facility and short- and long-term loans with a commercial pledge of movable assets of 1,853,000 euris established for the benefit of AS Hansapank. The loans and overdraft received from AS Hansapank are guaranteed by Alta Capital AS, a shareholder of PTA Grupp AS, under a suretyship agreement.

At 31 December 2006 PTA Grupp AS had obtained bank guarantees to secure lease payments for retail premises of 41,000 euros (2005: 70,000 euros) and import duties payable to the Customs Board of 26,000 euros (2005: 26,000 euros). In addition, at 31 December 2005 PTA Grupp AS had secured trade payables to the extent of 78,000 euros. At 31 December 2006 no trade payables were secured.

Note 32. Contingent liabilities

Contingent dividend tax liability

Since 1 January 2007, dividend distributions are subject to income tax at the rate of 22/78. Since both the Group's and the Parent company's unrestricted equity as of 31 December 2006 was negative, no dividend distributions can be made that might give rise to an income tax liability.

Other contingent liabilities

Under the legislation of the countries in which it operates, the Group has to mend or replace the products which do not comply with established quality standards during the period provided in the law. The Group does not provide any additional contractual warranties. According to the assessment of the Group's management, the expenses which may arise from the fulfilment of the warranty obligations imposed by the law are not material.

Note 33. Subsequent events

Repurchase of shares by Milavitsa

In March 2007 SFG's subsidiary Milavitsa ZAO completed its share repurchase programme in the course of which it repurchased 2,353 shares (roughly 19.1% of the share capital) at a price of approximately 439 euro per share. The extraordinary general meeting of Milavitsa which convened on 23 March 2007 decided to cancel the repurchased shares. After the cancellation, SFG's ownership interest in Milavitsa will increase from 62.5% to approximately 77.2%.

At the date these financial statements are authorised for issue, registration of the cancellation of the shares is still under way.

Restructuring of the Group

SFG was acquired through a share swap in which the shares in SFG were paid for with shares in PTA Grupp AS. For this, PTA Grupp AS issued 36,000,323 new shares which were subscribed by the shareholders of SFG who consequently acquired an approximately 94.9% stake in PTA Grupp AS.

As a result of the transaction an essentially new group emerged which is engaged in the manufacturing and distribution of women's apparel and lingerie in the Baltic countries and elsewhere in Eastern Europe.

The need for restructuring stems from the new Group's strategy which foresees management of the core processes at the level of a holding company listed at Tallinn Stock Exchange. Centralisation of strategic management functions to the level of a listed holding company ensures greater transparency and efficiency.

Currently the Group is managed at two levels: the management board of PTA Grupp AS is responsible for the development of the PTA brand (including the supervision of the management of AS Klementi and other subsidiaries of PTA Grupp AS excluding SFG) while the management board of SFG is responsible for the strategic management of its subsidiaries (Milavitsa, Lauma Lingerie, Linret and Splendo).

According to the Listing and Trading Prospectus of PTA Grupp AS (see the Prospectus p 66 *Combined Management*) the Group will be managed by an international team whose members will be part of the management board of the listed holding company. To execute the plan, the Group's structure will be changed.

The superfluous holding company AS Silvano Fashion Group will be dissolved and PTA Grupp AS which is listed at Tallinn Stock Exchange is going to focus entirely on the strategic management of the Group. To separate PTA Grupp AS' current business (arrangement of the retail sale of PTA products) from the Group's strategic management, PTA Grupp AS will establish a new subsidiary. In the course of restructuring PTA Grupp AS will be renamed AS Silvano Fashion Group.

The restructuring will involve the following steps:

- AS Silvano Fashion Group is going to merge with PTA Grupp AS.
- After the merger AS Silvano Fashion Group as a legal person will be dissolved and PTA Grupp AS will be renamed AS Silvano Fashion Group.
- A new subsidiary will separate from PTA Grupp AS (which according to plan will be renamed AS Silvano Fashion Group). The new subsidiary will be named PTA Grupp AS.

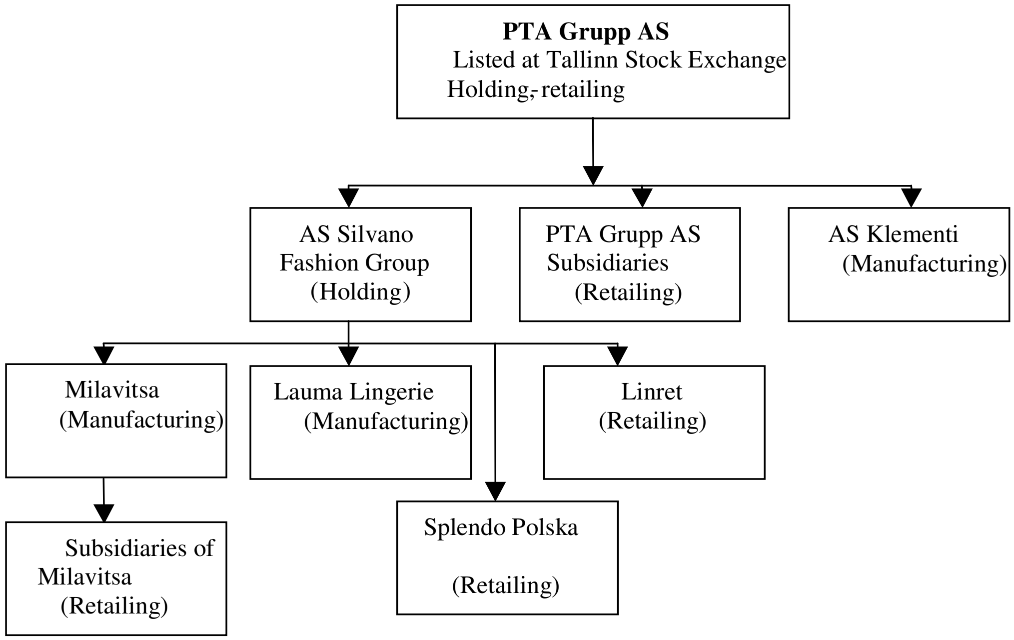
The new subsidiary will be transferred the development of the PTA concept and the shares in AS Klementi and shares other subsidiaries acquired before the acquisition of SFG. The membership of the management board of PTA Grupp AS (which according to plan will be renamed AS Silvano Fashion Group) will change as outlined in the Listing and Trading Prospectus of PTA Grupp AS.

The changes in the Group's structure will have no impact on the Group's operating activity or the interests of its investors (excluding positive impacts resulting from greater transparency). According to plan, the restructuring will take place in the second quarter of 2007.

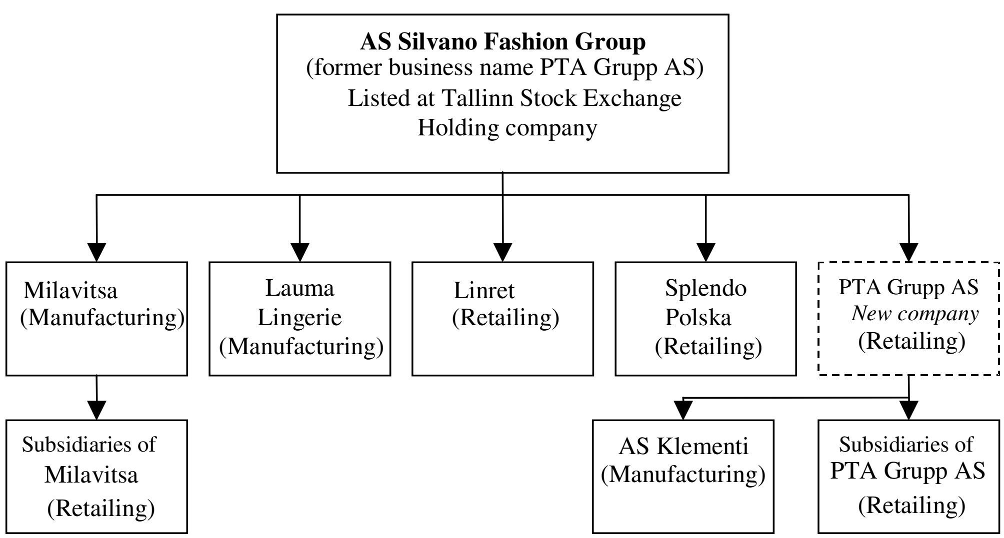
On 13 April 2007 PTA Grupp AS and SFG concluded a notarised merger agreement under which SFG will be combined with PTA Grupp AS and will be deleted from the Commercial Register. On the same date, the division plan of PTA Grupp AS (which according to plan will be renamed AS Silvano Fashion Group) was approved. In conformity with the division plan, all business operations related to PTA brand will be transferred to the new subsidiary which will be named PTA Grupp AS. The division plan has to be approved by an extraordinary general meeting of the shareholders of PTA Grupp AS.

The Group's structure before and after restructuring is best described in the following diagram.

PTA Group before restructuring



PTA Group (new business name Silvano Fashion Group) after restructuring



Extraordinary general meeting

The management board of PTA Grupp AS has called an extraordinary general meeting of the shareholders for 31 May 2007. The agenda of the extraordinary general meeting:

- Approval of the merger agreement between PTA Grupp AS and its subsidiary SFG by the general meeting and adoption of a merger decision.
- Amendment of the Articles of Association of PTA Grupp AS and approval of the new wording of the Articles of Association
- Change of business name
- Approval of a division plan and the Articles of Association of the new company
- Removal of members of the supervisory board and election of new members of the supervisory board

Possible listing of the shares at Warsaw Stock Exchange

The management board of PTA Grupp AS (PTA) is considering possibilities for listing the company at Warsaw Stock Exchange, a transaction which would improve the liquidity of PTA's share, simplify the Group's access to East European capital markets, and improve prospects for further growth.

In addition to increasing the investor base and enhancing the liquidity of the share, listing at Warsaw Stock Exchange would make PTA's share available to Polish pension funds which owing to the specific nature of Polish legislation have limited possibilities for performing transactions with shares listed outside Poland. It would improve PTA's image as a regional women's apparel and lingerie manufacturer and distributor, would help build long-term relations with strong regional customers and suppliers, and would prepare the ground for further expansion through mergers and acquisitions.

At the date these financial statements are authorised for issue, preparations for a potential listing are under way and the final decision on the listing will be made in the second quarter of 2007.

Takeover bid to the shareholders of PTA Grupp AS

In accordance with Section 166 Subsection 1 of the Securities Market Act, Indrek Rahumaa has made a bid to the shareholders of PTA Grupp AS for the acquisition of all the shares not belonging to SIA Alta Capital Partners (ACP).

PTA Grupp AS has issued 37,947,198 ordinary registered shares with a par value of 0.64 euros each which are listed in the main list of Tallinn Stock Exchange. Each share grants the holder the right to attend the general meeting of the shareholders of PTA Grupp AS, to participate in the distribution of profits and in the allocation of residual assets on the dissolution of the company, and to exercise other rights provided for in the law and the Articles of Association of PTA Grupp AS.

ACP and Investeerimisvabrik OÜ own 26,274,640 shares and 136,414 shares in PTA Grupp AS respectively. Together the two entities hold 69.6% of the share capital and consequently the shares of PTA Grupp AS which are listed on Tallinn Stock Exchange. ACP and Investeerimisvabrik OÜ are companies controlled by Indrek Rahumaa.

The terms of the bid are as follows:

- The object of the takeover bid is the shares in PTA Grupp AS which do not belong to ACP or Investeerimisvabrik OÜ, i.e., 11,536,144 shares in PTA Grupp AS.
- The bid price is 65.5592 kroons, i.e., 4.19 euro per share.
- The shares will be paid for in cash and the purchase price will be transferred to each seller on 4 June 2007 in exchange for the transfer of shares in PTA Grupp AS.
- The period of accepting the bid begins on 3 May 2007 and ends on 30 May 2007. The transaction orders of the shareholders of PTA Grupp AS who wish to accept the bid have to be registered at the Estonian Central Register of Securities on 30 May 2007, i.e., on the last day of the bid, at 5 p.m. at the latest.

As a result of the takeover bid, small shareholders' proportion in the shareholder structure may change.

Note 34. Financial information on the Group's parent company

Pursuant to the Accounting Act of the Republic of Estonia, the unconsolidated financial statements (primary statements) of the consolidating entity (parent company) have to be disclosed in the notes to the consolidated financial statements. In preparing the primary financial statements of the Parent company the same accounting policies have been used as in preparing the consolidated financial statements, except that investments in the shares of subsidiaries are accounted for at cost less any impairment losses.

Balance sheet (unconsolidated)

As at 31 December

In thousands of euros	**2006**	**2005**
ASSETS		
Current assets		
Cash and cash equivalents	82	123
Trade receivables	128	194
Other receivables and prepayments	438	104
Prepaid taxes	18	0
Inventories	1,454	1,507
Total current assets	**2,120**	**1,928**
Non-current assets		
Shares in subsidiaries	26,528	165
Long-term financial investments	39	52
Property, plant and equipment	206	596
Intangible assets	282	303
Total non-current assets	**27,055**	**1,116**
TOTAL ASSETS	**29,175**	**3,044**
LIABILITIES AND EQUITY		
Current liabilities		
Loans and borrowings	853	977
Trade payables	641	753
Tax liabilities	116	136
Other payables	300	322
Provisions	1	1
Total current liabilities	**1,911**	**2,189**
Non-current liabilities		
Loans and borrowings	32	9
Provisions	9	9
Total non-current liabilities	**41**	**18**
Total liabilities	**1,952**	**2,207**
Equity		
Share capital at par value	24,252	1,244
Share premium	5,305	2,620
Statutory capital reserve	67	67
Accumulated losses	-2,401	-3,094
Total equity	**27,223**	**837**
TOTAL LIABILITIES AND EQUITY	**29,175**	**3,044**

Income statement (unconsolidated)

In thousands of euros

	2006	2005
Revenue		
Sales revenue	7,996	6,625
Other income	25	2,321
Total revenue	**8,021**	**8,946**
Changes in inventories of finished goods and work in progress	210	-225
Materials, consumables and services used	-3,563	-2,690
Other operating expenses	-1,495	-1,295
Personnel expenses	-2,064	-2,633
Depreciation and amortisation expense	-268	-407
Other expenses	-68	-735
Total expenses	**-7,248**	**-7,985**
Operating profit	**773**	**961**
Financial income	1	12
Financial expenses	-81	-377
Net financial items	**-80**	**-365**
Profit for the period	**693**	**596**

Statement of cash flows (unconsolidated)

In thousands of euros

	2006	2005
Cash flows from operating activities		
Profit for the period	693	596
Adjustments for:		
Depreciation, amortisation and impairment losses	268	407
Gains on the sale of property, plant and equipment	-5	-1,851
Losses on write-off of property, plant and equipment	1	8
Change in receivables and prepayments	-450	1,037
Change in inventories	-560	100
Change in payables	269	190
Interest paid	-78	-403
Net cash from operating activities	**138**	**84**
Cash flows from investing activities		
Acquisition of property, plant and equipment and assets under construction	-27	-83
Proceeds from sale of property, plant and equipment	9	3,411
Acquisition of subsidiaries	-9	0
Paid for trademarks	-263	-70
Proceeds from settlement of loans given	10	21
Interest received	2	2
Net cash used in / from investing activities	**-278**	**3,281**
Cash flows from financing activities		
Repayment of loans	-1,683	-4,096
Proceeds from loans received	2,043	1,822
Payment of finance lease liabilities	-27	-192
Change in overdraft liability	-120	-764
Payment of other liabilities	-63	-55
Repayment of other loans	-51	-72
Net cash from / used in financing activities	**99**	**-3,357**
Net cash flows	**-41**	**8**
Cash and cash equivalents at beginning of period	**123**	**115**
Cash and cash equivalents at end of period	**82**	**123**
Decrease / increase in cash and cash equivalents	**-41**	**8**

Statement of changes in equity (unconsolidated)

In thousands of euros	**Share capital**	**Share premium**	**Revaluation reserve**	**Capital reserve**	**Accumulated losses**	**Total**
Balance at 31 December 2004	**1,212**	**2,575**	**887**	**67**	**-3,690**	**1,051**
Change in accounting policy	0	0	-887	0	0	-887
Adjusted balance at 31 December 2004	**1,212**	**2,575**	**0**	**67**	**-3,690**	**164**
Issue of share capital	32	45	0	0	0	77
Profit for 2005	0	0	0	0	596	596
Balance at 31 December 2005	**1,244**	**2,620**	**0**	**67**	**-3,094**	**837**
Carrying amount of interests under control or significant influence						-165
Carrying amount of interests under control or significant influence under the equity method						380
Adjusted unconsolidated equity at 31 December 2005						**1,052**
Issue of share capital	23,008	2,685	0	0	0	25,693
Profit for 2006	0	0	0	0	693	693
Balance at 31 December 2006	**24,252**	**5,305**	**0**	**67**	**-2,401**	**27,223**
Carrying amount of interests under control or significant influence						-26,825
Carrying amount of interests under control or significant influence under the equity method						28,263
Adjusted unconsolidated equity at 31 December 2006						28,958

INDEPENDENT AUDITOR'S REPORT

To the shareholders of PTA Grupp AS

We have audited the accompanying consolidated financial statements of PTA Grupp AS, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages F2-1 to F2-43.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PTA Grupp AS as of 31 December 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Tallinn, 25 May 2007

KPMG Baltics AS

Taivo Epner
Authorized Public Accountant

Indrek Alliksaar
Authorized Public Accountant

Consolidated Annual Financial Statements for the year ended 31 December 2006

Consolidated income statement

For year ended 31 December 2006

		Consolidated financial statements		Parent company's financial statements	
in millions of BYR	Note	2006	2005	2006	2005
Revenue	4	161 043	136 269	142 647	123 060
Cost of sales	5	(99 492)	(96 720)	(93 751)	(90 254)
Gross profit		**61 551**	**39 549**	**48 896**	**32 806**
Other operating income	6	2 662	556	2 788	310
Distribution expenses	7	(7 327)	(4 933)	(3 456)	(2 681)
Administrative expenses	8	(12 908)	(9 251)	(12 832)	(9 251)
Other operating expenses		(4 708)	(4 164)	(3 780)	(3 612)
Operating profit before financing costs		**39 270**	**21 757**	**31 616**	**17 572**
Finance income	9	1 166	703	1 300	636
Finance expenses		(866)	(387)	(689)	(387)
Net financing costs		**300**	**316**	**611**	**249**
Loss on net monetary position		**-**	**(3 123)**	**-**	**(3 207)**
Profit before tax		**39 570**	**18 950**	**32 227**	**14 614**
Income tax expense	10	(12 643)	(7 296)	(10 372)	(6 056)
Profit for the year		**26 927**	**11 654**	**21 855**	**8 558**
Attributable to:					
Equity holders of the parent		26 460	11 236	21 855	8 558
Minority interest		467	418	-	-
Profit for the year		**26 927**	**11 654**	**21 855**	**8 558**

The accompanying notes on pages F3-7 to F3-29 form an integral part of these financial statements.

____
Dmitry A. Ditchkovsky
General Director

22 June 2007

Consolidated balance sheet

As at 31 December 2006

		Consolidated financial statements		**Parent company's financial statements**	
in millions of BYR	**Note**	**2006**	**2005**	**2006**	**2005**
Assets					
Property, plant and equipment	11	24 593	21 131	23 252	20 114
Intangible assets	12	1 521	813	1 381	810
Investments in subsidiaries	13	-	-	265	265
Other investments	13	333	2 432	319	92
Other non-current assets		-	119	-	119
Total non-current assets		**26 447**	**24 495**	**25 217**	**21 400**
Inventories	14	24 153	21 448	20 120	18 325
Trade accounts receivable, net	15	17 763	10 244	20 100	17 389
Other accounts receivable	16	9 612	4 985	7 566	2 665
Cash and cash equivalents	17	26 760	14 490	20 726	11 276
Total current assets		**78 288**	**51 167**	**68 512**	**49 655**
Total assets		**104 735**	**75 662**	**93 729**	**71 055**
Shareholders' equity and liabilities					
Equity					
Share capital	18	28 807	26 140	28 807	26 140
Treasury shares	18	-	(91)	-	(91)
Share premium		5 493	5 473	5 493	5 473
Reserves:					
Revaluation reserve		223	-	223	-
Translation reserve		268	(35)	-	-
Retained earnings		50 422	29 258	43 587	27 028
Total equity attributable to equity holders of the Company		**85 213**	**60 745**	**78 110**	**58 550**
Minority interest		1 033	701	-	-
Total equity		**86 246**	**61 446**	**78 110**	**58 550**
Liabilities					
Long-term interest-bearing borrowings	19	**1 627**	**1 285**	**1 627**	**1 285**
Short-term liabilities					
Short-term interest-bearing borrowings	19	1 368	649	1 290	649
Trade accounts payable	20	9 289	7 191	8 218	6 654
Other accounts payable	21	3 608	2 856	2 022	1 715
Provisions	22	2 597	2 202	2 462	2 202
Dividends payable		-	33	-	-
Total current liabilities		**16 862**	**12 931**	**13 992**	**11 220**
Total liabilities		**18 489**	**14 216**	**15 619**	**12 505**
Total shareholders' equity and liabilities		**104 735**	**75 662**	**93 729**	**71 055**

The accompanying notes on pages F3-7 to F3-29 form an integral part of these financial statements

____
Dmitry A. Ditchkovsky
General Director

22 June 2007

Consolidated statement of cash flows

For year ended 31 December 2006

in millions of BYR	**Consolidated financial statements** **2006**	**2005**	**Parent company's financial statements** **2006**	**2005**
Operating activities				
Profit before income tax and loss on net monetary position	39 570	22 073	32 227	17 821
Adjustments for:				
Depreciation and amortisation	3 978	3 781	3 122	3 665
Impairment of construction in progress	122	-	122	-
Increase in/(recovery of) allowance for doubtful accounts receivable	(12)	6	(12)	6
Recovery of impairment allowance for inventories	(43)	(354)	(43)	(354)
(Gain)/Loss on disposal of property, plant and equipment	7	(46)	(5)	(46)
(Gain)/loss from disposal of securities held to maturity	(24)	-	-	-
Interest income	(1 141)	(578)	(1 141)	(511)
Dividend income	(17)	(115)	(159)	(115)
Interest expense	866	387	689	387
Operating cash flow before movements in working capital	**43 307**	**25 154**	**34 800**	**20 853**
Movements in working capital:				
(Increase)/decrease in inventories	(2 659)	5 291	(1 752)	5 705
Increase in trade accounts receivable	(4 037)	(1 942)	(2 699)	(4 784)
(Increase)/decrease in other accounts receivable	(7 897)	(2 648)	(4 929)	(1 176)
Decrease in trade accounts payable	2 170	(1 281)	1 564	(1 587)
Increase/(decrease) in other accounts payable	65	697	60	154
Increase/(decrease) in provisions	395	316	260	316
Cash flow from operating activities	**31 344**	**25 552**	**27 304**	**19 481**
Income taxes paid	(11 957)	(7 572)	(10 125)	(6 505)
Interest paid	(866)	(387)	(689)	(387)
Net cash provided by/ used in operating activities	**18 521**	**17 583**	**16 490**	**12 589**

The accompanying notes on pages F3-7 to F3-29 form an integral part of these financial statements

Consolidated statement of cash flows (continued)

		Consolidated financial statements		Parent company's financial statements	
in millions of BYR		**2006**	**2005**	**2006**	**2005**
Investing activities					
Purchase of property, plant and equipment		(6 029)	(1 964)	(4 850)	(1 715)
Purchase of intangible assets		(725)	(254)	(575)	(254)
Purchase of securities held to maturity		-	(2 266)	-	-
Proceeds from sale of securities held to maturity		2 346	-	-	-
Proceeds from disposal of other non-current assets		119	-	119	-
Purchase of investments		-	-	(4)	-
Proceeds from repayment of loans		28	60	28	60
Proceeds from sale of property, plant and equipment		30	295	30	286
Interest received		1 141	511	1 141	511
Dividends received		17	115	159	115
Net cash used in investing activities		**(3 073)**	**(3 503)**	**(3 952)**	**(1 087)**
Financing activities					
Repayment of obligations under finance lease		(570)	(1 032)	(570)	(1 032)
Purchases of treasury shares		-	(90)	-	(90)
Proceeds from sale of treasury shares		111	-	111	-
Loans received		78	-	-	-
Dividends paid		(2 797)	(1 536)	(2 629)	(1 487)
Net cash used in financing activities		**(3 178)**	**(2 658)**	**(3 088)**	**(2 609)**
Net increase in cash and cash equivalents		12 270	11 432	9 450	8 983
Cash and cash equivalents, beginning of the period		14 490	6 181	11 276	5 500
Effects of net loss on monetary position		-	(3 123)	-	(3 207)
Cash and cash equivalents, end of the period	17	**26 760**	**14 490**	**20 276**	**11 276**

The accompanying notes on pages F3-7 to F3-29 form an integral part of these financial statements

____

Dmitry A. Ditchkovsky
General Director

22 June 2007

Consolidated statement of changes in equity

For year ended 31 December 2006

in millions of BYR	**Share capital**	**Share premium**	**Treasury shares**	**Revaluation reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Minority interests**	**Total equity**
Balance at 1 January 2005 (unaudited, restated)	**15 668**	**5 473**	**-**		**-**	**30 018**	**51 159**	**283**	**51 442**
Profit for the year	-	-	-		-	11 236	11 236	418	11 654
Treasury shares purchased	-	-	(90)		-	-	(90)	-	(90)
Capitalisation of statutory reserves	10 472	-	(1)		-	(10 471)	-	-	-
Foreign currency translation differences	-	-	-		(35)	-	(35)	-	(35)
Dividends	-	-	-		-	(1 525)	(1 525)	-	(1 525)
Balance at 31 December 2005	**26 140**	**5 473**	**(91)**	**-**	**(35)**	**29 258**	**60 745**	**701**	**61 446**
Profit for the year	-	-	-	-	-	26 460	26 460	467	26 927
Capitalisation of statutory reserves	2 667	-	-	-	-	(2 667)	-	-	-
Sale of treasury shares	-	20	91	-	-	-	111	-	111
Foreign currency translation differences	-	-	-	-	303	-	303	-	303
Change in revaluation reserve	-	-	-	223	-	-	223	-	223
Dividends	-	-	-	-	-	(2 629)	(2 629)	(135)	(2 764)
Balance at 31 December 2006	**28 807**	**5 493**	**-**	**223**	**268**	**50 422**	**85 213**	**1 033**	**86 246**

The amount of restricted retained earnings as of 31 December 2006 and 31 December 2005 was BYR 4 893 million and BYR 3 844 million respectively.

The accompanying notes on pages F3-7 to F3-29 form an integral part of these financial statements

____
Dmitry A. Ditchkovsky
General Director

22 June 2007

Statement of changes in equity, Parent

For year ended 31 December 2006

in millions of BYR	Share capital	Share premium	Treasury shares	Revaluation reserve	Retained earnings	Total
Balance at 1 January 2005 (restated)	**15 668**	**5 473**	**-**	**-**	**30 428**	**51 569**
Profit for the year	-	-	-	-	8 558	8 558
Treasury shares purchased	-	-	(90)	-	-	(90)
Capitalisation of statutory reserves	10 472	-	(1)	-	(10 471)	-
Dividends	-	-	-	-	(1 487)	(1 487)
Balance at 31 December 2005	**26 140**	**5 473**	**(91)**	**-**	**27 028**	**58 550**
Profit for the year	-	-	-	-	21 855	21 855
Capitalisation of statutory reserves	2 667	-	-	-	(2 667)	-
Sale of treasury shares	-	20	91	-	-	111
Change in revaluation reserve	-	-	-	223	-	223
Dividends	-	-	-	-	(2 629)	(2 629)
Balance at 31 December 2006	**28 807**	**5 493**	**-**	**223**	**43 587**	**78 110**

The amount of restricted retained earnings as of 31 December 2006 and 31 December 2005 was BYR 4 893 million and BYR 3 844 million respectively.

The accompanying notes on pages F3-7 to F3-29 form an integral part of these financial statements

____
Dmitry A. Ditchkovsky
General Director

22 June 2007

Notes to financial statements

1 Nature of the business

JV Closed Joint Stock Company MILAVITSA (the "Parent") was established on 19 March 1992 by reorganization of the state owned Minsk sewing factory MILAVITSA into a closed joint stock company. On 28 April 2000 the Company was reregistered and incorporated in the Republic of Belarus as a joint venture closed Joint Stock Company when a foreign investor, "Iluna Group SPA", Italy, purchased its shares. In 2006 the ownership of the Company changed; as of 31 December 2006 the parent company is Silvano Investment Group AS with 62.53% holding. The ultimate parent company is SIA Alta Capital Partners incorporated in Latvia.

The Company's and its subsidiaries (the "Group") main activities are production and sale of women's underwear. The registered address of the Company is: 28, Novovilenskaia Street, Minsk, 220053 Republic of Belarus.

As of 31 December 2005 the Parent had three subsidiaries, CJSC Jimil, in the Republic of Belarus, Milavitsa Trading Company Ltd. (Republic of Belarus) and CJST Metropolitan Trade Company Milavitsa (Russian Federation).

The number of employees of the Parent as of 31 December 2006 and 31 December 2005 was 1,913 and 1,946, respectively. The number of employees of the Group as of 31 December 2006 and 31 December 2005 was 2,186 and 2,121, respectively.

These consolidated and parent financial statements were authorized for issue by management of the Company on 22 June 2007.

2 Presentation of financial statements

a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company and its subsidiaries maintain their accounting records in Belarusian and Russian Roubles as applicable in accordance with the accounting and reporting regulations of the respective country of incorporation. The consolidated financial statements and Parent's financial statements, which have been prepared from the Group's and Parent's statutory accounting records, include adjustments necessary for consolidated and stand-alone financial statements to be presented in accordance with IFRS.

The consolidated financial statements of the Group and stand-alone financial statements of the Parent are prepared on the historical cost basis, except for property, plant and equipment, equity, non-monetary assets and liabilities and the income statement of Group companies, registered in the Republic of Belarus, which are recorded at their historical cost adjusted for hyperinflation up to 31 December 2005 in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), and except for financial instruments, which are recorded in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39"), as described further in Note 3.

b) Use of estimates and assumptions

The preparation of parent and consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Due to the inherent uncertainty in making those estimates, actual results reported in future periods could differ from such estimates.

c) Measurement and presentation currencies

The functional currency of the companies incorporated in the Republic of Belarus is the Belarusian Rouble ("BYR"). Amounts stated in Belarusian Roubles were adjusted for hyperinflation. The functional currency of Russian subsidiary of the Company is the Russian Rouble ("RUR") and is translated in the consolidated financial statements into the presentation currency, Belarusian Roubles. All financial information presented in Belarusian Roubles has been rounded to the nearest million.

3 Summary of significant accounting policies

a) Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Company and other enterprises, where the Company, directly or indirectly, exercises control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions, balances and unrealized gains (losses) on transactions are eliminated on consolidation.

The Company's subsidiaries as of 31 December 2006 and 31 December 2005 are as follows:

	Place of incorporation and operation	Proportion of ownership interest	Principal activity
JV Milavitsa Trading Company Ltd, Minsk	**Republic of Belarus**	**51%**	**Trade**
CJST Metropolitan Trade Company Milavitsa, Moscow	**Russian Federation**	**100%**	**Trade**
CJSC Jimil, Minsk	**Republic of Belarus**	**52%**	**Manufacturing**

Investments in associates
An associate is an enterprise over which the Company is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee but does not directly or indirectly exercise control. Investments in associates are recorded at cost adjusted in accordance with IAS 29 as at 31 December 2005, less provision for impairment, if occurred.

b) Hyperinflationary accounting

The Republic of Belarus has experienced high levels of inflation in previous years. In accordance with IAS 29 balances up to 31 December 2005 were adjusted to reflect the effects of the diminution of the purchasing power of the Belarusian Rouble. The change of rates of Consumer Price Index ("CPI") during the last five consecutive periods was as follows:

Year	% change
2006	6.6%
2005	8.0%
2004	14.4%
2003	25.4%
2002	34.8%

All figures in these consolidated and stand-alone financial statements, if not otherwise indicated, were restated presented in the measuring unit current as of 31 December 2005; no restatement was made for the balances as of 31 December 2006. Monetary assets and liabilities as of 31 December 2005 were not restated, as they were already expressed in the monetary unit current as of 31 December 2005. Non-monetary assets and liabilities were restated by applying the appropriate index. The effect of hyperinflation on the Group's and Parent’s net monetary position for the year ended 31 December 2005 was reflected in the consolidated and stand-alone income statements as a gain or loss on net monetary position.
Effective 1 January 2006 the Republic of Belarus has been removed from the list of hyperinflationary economies given the recent sustainable improvement of inflation rates (47.8% cumulative inflation over the past three years prior to 2006) and general strengthening of the economic conditions. In accordance with IAS 29, amounts expressed in the measuring unit current as of 31 December 2005 are used as carrying amounts in the financial statements for the year ended 31 December 2006.

c) Foreign currency transactions

Transactions in currencies other than Belarusian Rouble are initially recorded at the official exchange rates of the National Bank of the Republic of Belarus prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date. All translation gains and losses are included in the consolidated income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Exchange rates as of 31 December 2006 and 31 December 2005 were as follows:

	31 December 2006	31 December 2005
BYR/USD	2,140.00	2,152.00
BYR/EUR	2,817.31	2,546.35
BYR/RUR	81.13	74.86

d) Recognition, measurement and derecognition of financial instruments

The Group and Parent recognize financial assets and liabilities on the consolidated and stand-alone balance sheets when, and only when, the Group or Parent becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are initially recognized at fair value being the consideration given or received, respectively, including or net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets are derecognised if the Group’s and Parent’s contractual rights to the cash flows from the financial assets expire or if the Group and Parent transfer the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group’s and Parent’s obligations specified in the contract expire or are discharged or cancelled.

e) Property, plant and equipment

Property, plant and equipment are stated at cost adjusted for IAS 29. The last restatement was made for the balances as of 31 December 2005.

Capitalized cost includes major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to the consolidated and stand-alone income statements as incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated and stand-alone income statement. Depreciation methods, useful lives are residual values are assessed annually.

(i) Depreciation

Deprecation is computed by the Group and Parent under the straight-line method utilizing useful lives of the assets, which in 2005 and 2006 were:

Buildings	50-75 years
Infrastructure fixed assets	10-40 years
Machinery and equipment	5-10 years
Office equipment and other assets	5-10 years

Residual values, depreciation methods and estimated useful lives are reassessed at the reporting date.

(ii) Construction in progress

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property, plant and equipment, commences when the assets are put into operation. Construction in progress is reviewed regularly to determine whether its carrying value is fairly stated and whether appropriate provision for impairment is made.

(iii) Impairment of property, plant and equipment

At each balance sheet date, the Group and Parent review the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is impossible to estimate the recoverable amount of an individual asset, the Group and Parent estimate the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense in the period they arose in the consolidated income statement.

(iv) Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

Group and Parent as lessees under financial lease

The Group and Parent recognize finance leases as assets and liabilities in the consolidated and stand-alone balance sheets at the inception of the lease at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Group's and Parent's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capital costs incurred to maintain or improve assets received under finance leases are capitalized and reported as leasehold improvements and are amortized over the term of the related lease.

(v) Operating leases

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases.

Group and Parent as lessees under operating lease

Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease term and included into operating expenses.

Group and Parent as lessors under operating lease

The Group and Parent present in the consolidated and stand-alone balance sheets assets subject to operating leases according to the nature of the asset. Lease income from operating leases is recognized in the consolidated and stand-alone income statements on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are recognized as an expense in the consolidated and stand-alone income statements in the period in which they are incurred.

(f) Intangible assets

Intangible assets that are acquired by the Group and Parent, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Software	5 years
Trademarks	10 years

(g) Investments

In accordance with IAS 39 investments are classified into the following categories: financial asset or financial liability at fair value through profit or loss (including held for trading investments), held-to-maturity, available-for-sale and loans and receivables. Non derivative investments with fixed or determinable payments and fixed maturity that the Group and Parent have the positive intent and ability to hold to maturity, other than loans and receivables, are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading. All other investments are classified as available-for-sale.

Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date. All purchases and sales of investments are recognized on the settlement date.

Investments are initially measured at fair value being the consideration given for them, including transaction costs. As no readily available market exists for a significant part of the Group's and Parent's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument.

Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealized gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognized in equity. Equity securities for which fair values cannot be measured reliably are recognized at cost less impairment. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the statement of income as gains and losses from investment securities. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

Held-to-maturity investments are carried at amortized cost using the effective yield method, less any provision for impairment.

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

(h) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost comprises direct materials, customs duties, transportation and handling costs. Cost is calculated using the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(i) Accounts receivable

Accounts receivable are stated at their amortized cost after deducting allowance for estimated irrecoverable amounts.

(j) Cash and cash equivalents

Cash includes petty cash and cash held on current bank accounts. Cash equivalents include short-term investments that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

(k) Share capital and share premium

Share capital and share premium are recognized at cost restated for hyperinflation to 2005. Share capital contributions made in the form of assets other than cash are stated at their fair value at the date of contribution. Treasury shares are recorded at cost restated for hyperinflation up to 31 December 2005. Gains and losses on sale of treasury stock are charged or credited to share premium.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group and Parent have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Bank loans

All loans are initially recorded at the proceeds received, net of direct issue costs. After initial recognition loans are subsequently measured at amortized cost, which is calculated by taking into account any discount or premium on settlement.

(n) Trade and other payables

Liabilities for trade and other amounts payable are stated at amortized cost. Short term liabilities and trade payables are not discounted.

(o) Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred.

(p) Revenue recognition

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(q) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Income taxes have been computed in accordance with the laws of the country of incorporation of the companies of the Group. They are based on the results for the year adjusted for non-taxable income and non-deductible expenses.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group and Parent intend to settle their tax assets and liabilities on a net basis.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(r) Contingencies

Contingent liabilities are disclosed in the consolidated and stand-alone financial statements.

4. Revenue

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Corset products and similar	158 988	132 220	140 592	119 011
Sewing and other services	1 166	3 284	1 166	3 284
Other	889	765	889	765
Total	**161 043**	**136 269**	**142 647**	**123 060**

5. Cost of sales

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Raw materials	62 325	62 029	61 747	61 440
Payroll expenses	18 318	18 171	17 007	17 163
Services	12 276	9 371	12 156	8 211
Depreciation and amortization	3 045	3 372	2 251	3 242
Other	3 528	3 777	590	198
Total	**99 492**	**96 720**	**93 751**	**90 254**

6. Other income

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Result from exchange rate fluctuations	1 507	-	1 993	-
Result of fixed asset disposal	-	46	5	46
Other income	1 155	510	790	264
	2 662	**556**	**2 788**	**310**

7. Distribution expenses

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Advertising expenses	3 746	2 713	1 802	1 733
Packaging materials	991	365	991	365
Transportation services	445	177	314	114
Marketing expenses	693	1 104	162	199
Bad debt expenses	764	53	(4)	53
Other expenses	688	521	191	217
	7 327	**4 933**	**3 456**	**2 681**

8. Administrative expenses

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Payroll expenses	10 525	7 767	10 525	7 767
Materials	254	95	254	95
Services	687	597	687	597
Depreciation and amortization	708	69	708	69
Taxes, other than income taxes	-	103	-	103
Utilities	127	103	127	103
Other expenses	607	517	531	517
	12 908	**9 251**	**12 832**	**9 251**

9. Finance income

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Interest income	1 141	578	1 141	511
Dividend income	17	115	159	115
Other income	8	10	-	10
	1 166	**703**	**1 300**	**636**

10. Income tax

The Group and Parent provide for taxes based on statutory tax accounts maintained and prepared in accordance with statutory tax regulations of the country of incorporation of the respective Group company.

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Current income tax expense	12 643	7 296	10 372	6 056
Total income tax expense	**12 643**	**7 296**	**10 372**	**6 056**

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as of 31 December 2006 is presented below:

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Deductible temporary differences				
Intangible assets	399	1 796	399	1 796
Allowance for doubtful debts	915	138	127	138
Property, plant and equipment	4 270	245	4 255	199
Inventories	615	658	615	658
Total deductible temporary differences	**6 200**	**2 837**	**5 396**	**2 791**
Deferred tax asset at the relevant statutory effective tax rate	1 629	794	1 418	781
Less: valuation difference	(1 629)	(794)	(1 418)	(781)
Net deferred tax asset	**-**	**-**	**-**	**-**

Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group and the Parent can utilise the benefits therefrom.

The relationship between tax expense and accounting profit:

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Profit before income taxes	39 570	18 950	32 227	14 614
	39 570	**18 950**	**32 227**	**14 614**
Theoretical income taxes at statutory rate (2006: 26.28%, 2005: 28%)	10 399	5 306	8 469	4 092
Effect of permanent and temporary differences	2 392	1 727	1 903	1 586
Write-off of deferred tax asset	-	384	-	378
Effect of tax rates in foreign jurisdictions	(148)	(121)	-	-
Total income tax expense	**12 643**	**7 296**	**10 372**	**6 056**

11. Property, plant and equipment, net, Group

in millions of BYR	**Buildings**	**Plant and equipment**	**Fixed assets**	**Under construction**	**Total**
Cost					
At 31 December 2004 (unaudited)	**9 631**	**27 517**	**4 068**	**197**	**41 776**
At 1 January 2005 (unaudited)	9 631	27 517	4 431	197	41 776
Additions	60	2 587	711	150	3 508
Reclassifications	-	-	119	(119)	-
Disposals	(36)	(1 773)	(274)	-	(2 083)
At 31 December 2005	**9 655**	**28 331**	**4 987**	**228**	**43 201**
Additions	1 415	3 778	1 564	825	7 582
Reclassifications	-	911	-	(911)	-
Disposals	-	(175)	(314)	-	(489)
Impairment	-	-	-	(122)	(122)
At 31 December 2006	**11 070**	**32 845**	**6 237**	**20**	**50 172**
Accumulated depreciation					
At 31 December 2004 (unaudited)	**3 652**	**13 933**	**2 539**	**-**	**20 124**
Charge for the year	151	2 959	670	-	3 780
Disposals	(2)	(1 617)	(215)	-	(1 834)
At 31 December 2005	**3 801**	**15 275**	**2 994**	**-**	**22 070**
Charge for the year	190	3 032	739	-	3 961
Disposals	-	(152)	(300)	-	(452)
At 31 December 2006	**3 991**	**18 155**	**3 433**	**-**	**25 579**
Net Book Value					
At 31 December 2004 (unaudited)	**5 979**	**13 584**	**1 892**	**197**	**21 652**
At 31 December 2005	**5 854**	**13 056**	**1 993**	**228**	**21 131**
At 31 December 2006	**7 079**	**14 690**	**2 804**	**20**	**24 593**

Impairment losses are included in other operating expenses in the income statement.

Depreciation charge for the year ended 31 December 2006 in the amount of BYR 225 million is included in the cost of inventories as at 31 December 2006.

Property, plant and equipment, net, Parent

in millions of BYR	**Buildings**	**Plant and equipment**	**Fixed assets**	**Under construction**	**Total**
Cost					
At 31 December 2004	**9 631**	**27 106**	**4 068**	**78**	**40 883**
Additions	53	2 433	623	150	3 259
Disposals	(36)	(1 773)	(260)	-	(2 069)
At 31 December 2005	**9 648**	**27 766**	**4 431**	**228**	**42 073**
Additions	1 422	3 888	768	325	6 403
Internal transfer	-	414	-	(414)	-
Disposals	-	(170)	(300)	-	(470)
Impairment	-	-	-	(122)	(122)
At 31 December 2006	**11 070**	**31 898**	**4 899**	**17**	**47 884**
Accumulated depreciation					
At 31 December 2004	**3 652**	**13 933**	**2 539**	**-**	**20 124**
Charge for the period	151	2 879	634	-	3 664
Disposals	(2)	(1 617)	(210)	-	(1 829)
At 31 December 2005	**3 801**	**15 195**	**2 963**	**-**	**21 959**
Charge for the year	189	2 460	469	-	3 118
Disposals	-	(149)	(296)	-	(445)
At 31 December 2006	**3 990**	**17 506**	**3 136**	**-**	**24 632**
Net Book Value					
At 31 December 2004 (unaudited)	**5 979**	**13 173**	**1 529**	**78**	**20 759**
At 31 December 2005	**5 847**	**12 571**	**1 468**	**228**	**20 114**
At 31 December 2006	**7 080**	**14 392**	**1 763**	**17**	**23 252**

The carrying amount of the Group's property, plant and equipment included an amount of BYR 3,636 million and BYR 2,279 million in respect of assets held under finance leases as of 31 December 2006 and 31 December 2005, respectively.

Impairment losses are included in other operating expenses in the income statement.

Depreciation charge for the year ended 31 December 2006 in the amount of BYR 163 million is included in the cost of inventories remaining in the balance of the Parent company as of 31 December 2006.

12. Intangible assets, net, Group

in millions of BYR	**Software**	**Trademarks**	**Other**	**Total**
Cost				
At 31 December 2005	**4**	**14**	**799**	**817**
Additions	8	182	535	725
At 31 December 2006	**12**	**196**	**1 334**	**1 542**
Accumulated amortization				
At 31 December 2005	**1**	**3**	**-**	**4**
Charge for the year	1	16	-	17
At 31 December 2006	**2**	**19**	**-**	**21**
Net Book Value				
At 31 December 2005	**3**	**11**	**799**	**813**
At 31 December 2006	**10**	**177**	**1 334**	**1 521**

Intangible assets, net, Parent

in millions of BYR	**Software**	**Trademarks**	**Other**	**Total**
Cost				
At 31 December 2005	**-**	**15**	**799**	**814**
Additions	-	40	535	575
At 31 December 2006	**-**	**55**	**1 334**	**1 389**
Accumulated amortization	**-**			
At 31 December 2005	-	**4**	**-**	**4**
Charge for the year	**-**	4	-	4
At 31 December 2006	**-**	**8**	**-**	**8**
Net Book Value				
At 31 December 2005	**-**	**11**	**799**	**810**
At 31 December 2006	**-**	**47**	**1 334**	**1 381**

Other intangible assets are comprised of the costs of development of management information system Axapta ERP, which is expected to be put in use by the middle of 2007. Capitalized costs of the system constituted BYR 1,334 million and BYR 799 million as of 31 December 2006 and 31 December 2005 respectively.

Amortization of intangible assets is included in cost of sales and administrative expenses in the income statement.

13. Investments

Details of the Group's subsidiaries included in consolidation:

in millions of BYR	**Parent company's financial statements**	
	2006	**2005**
JV Milavitsa Trading Company Ltd, Minsk	54	54
CJST Metropolitan Trade Company Milavitsa, Moscow	210	210
CJSC Jimil, Minsk	1	1
	265	**265**

	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
JV Milavitsa Trading Company Ltd, Minsk	Belarus	51%	51%	Trade
CJST Metropolitan Trade Company Milavitsa, Moscow	Russian Federation	100%	100%	Trade
CJSC Jimil, Minsk	Belarus	52%	52%	Manufacturing

Details of the Group's investments:

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Debt securities held-to-maturity				
CJSC Bank Globex, Russian Federation, treasury bill	-	2 322	-	-
Equity securities available-for-sale				
OJSC Belvnesheconombank, Minsk, Republic of Belarus	35	39	35	39
CJSC Minsk Transit Bank, Minsk, Republic of Belarus	38	41	38	41
Gratsiya Ltd, Minsk, Republic of Belarus	16	12	16	12
OJSC Lauma, Latvia	230	-	230	-
Other investments	-	12	-	-
Investments in associates	14	6	-	-
	333	**2 432**	**319**	**92**

There are no quoted market prices in active markets for available-for-sale investments in OJSC Belvnesheconombank, CJSC Minsk Transit Bank, and Gratsiya; therefore, these investments are measured at cost.

Available-for-sale investment in OJSC Lauma is measured using recent share transaction prices for similar amount of shares.

Details of the Group's associates:

	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Trade house Milavitsa Ltd., Novosibirsk	Russian Federation	25%	25%	Trade
CJSC Trade house Milavitsa, Tjumen	Russian Federation	25%	25%	Trade
CJSC Trade house Milavitsa, Moscow	Russian Federation	25%	25%	Trade
Trade house Milavitsa Ltd., Ufa	Russian Federation	25%	25%	Trade
Trade house Milavitsa Ltd., Kiev	Ukraine	26%	26%	Trade

14. Inventories

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Raw materials, gross	10 618	7 986	9 846	7 660
Impairment allowance for raw materials	(403)	(264)	(403)	(264)
Work in progress, net	3 579	4 023	3 577	4 023
Finished goods, gross, restated	10 458	10 069	7 259	7 272
Impairment allowance for finished goods	(212)	(394)	(212)	(394)
Other inventories, net	113	28	53	28
	24 153	**21 448**	**20 120**	**18 325**

At 31 December 2006 and 31 December 2005 finished goods at the total costs of BYR 755 million and BYR 3 687 million respectively were pledged to secure obligations under finance lease entered into during 2006, 2005 and 2004.

15. Trade accounts receivable, net

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Trade accounts receivable from third parties	8 508	6 519	2 568	1 584
Trade accounts receivable from related parties	9 382	3 864	17 659	15 944
Less: allowance for doubtful trade accounts receivable	(127)	(139)	(127)	(139)
	17 763	**10 244**	**20 100**	**17 389**

Gross receivables denominated in currencies other than the functional currency of the parent company in the parent company's financial statements as of 31 December 2006 comprise EUR 5 051 436 and RUR 5 287 455 (31 December 2005: EUR 4 699 508).

16. Other accounts receivable

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Taxes receivable	1 923	1 381	1 891	1 381
VAT on unpaid invoices	2 703	2 326	716	501
Advances paid	4 118	336	4 172	-
Loans to subcontractors	324	-	324	-
Deferred expenses	310	265	262	242
Loans to employees	49	77	49	77
Other receivables	185	600	152	464
	9 612	**4 985**	**7 566**	**2 665**

In 2006 the Company has issued non-interest bearing short term loans to subcontractors for purchase of sewing equipment.

17. Cash and cash equivalents

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Cash, BYR	22	136	2	-
Banks, BYR and foreign currencies	10 740	5 051	4 726	1 972
Short-term bank deposits, BYR and foreign currencies	15 998	9 303	15 998	9 304
	26 760	**14 490**	**20 726**	**11 276**

18. Shareholders' equity

As of 31 December 2006 and 31 December 2005 total authorized, issued and fully paid share capital of the Company consisted of 12,320 shares (as of 31 December 2006, 12,320 were ordinary shares; as of 31 December 2005, 11,088 ordinary were shares and 1,232 – preference shares).

Based on a shareholders' decisions of 7 February 2006 and 17 March 2005, the par value of each share was increased by means of capitalization of reserves made under statutory legislation in the amount of BYR 2 667 million and BYR 10 472 million respectively.

As of 31 December 2006 and 31 December 2005 the par value of each share was BYR 1 216 500 (at historical cost) and BYR 1 000 000 (at historical cost), respectively.

Each ordinary share carries one vote. Dividends paid to shareholders are proposed by management based on profit recorded in accordance with the accounting and reporting regulations of the Republic of Belarus. The Company declares dividends quarterly. Interim (quarterly) dividends are declared and approved at the meeting of Supervisory Board. Final (annual) dividends are declared and approved at the annual Shareholders' meeting.

The translation reserve represents exchange rate differences arising on translation of foreign operations' balance sheet items presented in the functional currency of foreign operations to the presentation currency.

The revaluation reserve relates to revaluation movements of available-for-sale investments at fair value.

In 2006 the Parent sold treasury shares at the nominal value with the total proceeds of BYR 111 million to Silvano Investment Group AS.

After the balance sheet date the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences:

in millions of BYR	**2006**	**2005**
Final dividends proposed	308	519

As of 31 December 2006 and 31 December 2005, the share capital of the Parent was owned by the following shareholders:

	2006	**2005**
Silvano Investment Group AS	62.53%	-
Private individuals	36.15%	65.29%
Iluna group SPA, Italy	1.31%	21.32%
Belarusbank	0.01%	0.01%
European Bank for Reconstruction and Development	-	12.68%
Treasury shares	-	0.70%
	100%	**100%**

19. Interest-bearing borrowings

Finance lease obligations, Parent and Group

in millions of BYR	**Minimum lease payments 31 December 2006**	**Present value of minimum lease payments 31 December 2006**	**Minimum lease payments 31 December 2005**	**Present value of minimum lease payments 31 December 2005**
Amounts payable under finance leases				
Within one year	1 597	1 290	800	649
Second to fifth years inclusive	1 908	1 627	1 603	1 285
Less: future finance charges	(588)	-	(469)	-
Present value of lease obligations	**2 917**	**2 917**	**1 934**	**1 934**
Less: amount due for settlement within 12 months		(1 290)		(649)
Amount due for settlement after 12 months		**1 627**		**1 285**

The Parent leases certain equipment under finance leases agreements. The lease terms are from 36 to 60 months. Interest rates are not fixed and the risk of floating interest rates stays with the Parent. All leases have fixed repayment schedules and no arrangements are stipulated for contingent rental payments. All lease obligations are denominated in foreign currencies and comprise of US dollars 109 803 (31 December 2005: 231 925) and EUR 952 152 (31 December 2005: 563 430). The fair value of the Parent's lease obligations approximates their carrying amount. The lease obligations are secured by finished goods.

Credit line, Parent and Group

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Short term credit line from OJSC Belvnesheconombank	78	-	-	-
	78	**-**	**-**	**-**

The credit line agreement with OJSC Belvnesheconombank commenced on 25 December 2004. As at 31 December 2006 the credit line amounts to BYR 78 million. The credit line is due for repayment on 24 December 2007 and carries an annual interest rate of 13%.

Total Interest-bearing borrowings, Parent and Group

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
Long term				
Finance lease obligations	1 627	1 285	1 627	1 285
	1 627	**1 285**	**1 627**	**1 285**
Short term				
Finance lease obligations	1 290	649	1 290	649
Credit line	78	-	-	-
	1 368	**649**	**1 290**	**649**
Total interest-bearing borrowings	**2 995**	**1 934**	**2 917**	**1 934**

20. Trade accounts payable

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Trade payables to third parties	9 289	4 965	8 218	4 428
Trade payables to related parties	-	2 226	-	2 226
	9 289	**7 191**	**8 218**	**6 654**

Payables denominated in currencies other than the functional currency of the Parent in the Parent's financial statements as of 31 December 2006 comprise EUR 2 690 808 and RUR 2 942 063 (31 December 2005: EUR 2 423 067, RUR 2 023 896, USD 22 699, and UAH 776).

21. Other accounts payable

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Payroll payable	604	577	508	506
Taxes payable	2 645	1 960	1 288	1 035
Trade advances received	105	82	75	69
Accrued expenses	141	98	141	98
Other payables	113	139	10	7
	3 608	**2 856**	**2 022**	**1 715**

22. Provisions, Group

in millions of BYR	Provision for unused vacations	Provision for bonuses	Total
Balance at 31 December 2005	**702**	**1 500**	**2 202**
Provisions made in the period	134	1 761	1 895
Provisions used in the period	-	(1 500)	(1 500)
Balance at 31 December 2006	**836**	**1 761**	**2 597**

Provisions, Parent

in millions of BYR	Provision for unused vacations	Provision for bonuses	Total
Balance at 31 December 2005	**702**	**1 500**	**2 202**
Provisions made in the period	134	1 626	1 760
Provisions used in the period	-	(1 500)	(1 500)
Balance at 31 December 2006	**836**	**1 626**	**2 462**

Provision for unused vacations is calculated in accordance with the number of vacation days unused as at reporting date and the average remuneration during the reporting year.

Provision for bonuses is calculated in the amount of annual bonus approved by shareholders.

23. Related parties

Related parties, as defined by IAS 24 "Related Party Disclosures", are those counter parties that represent:

(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company or its subsidiaries. This includes holding companies, subsidiaries and fellow subsidiaries;

(b) Associates - enterprises in which the Company or its subsidiaries have significant influence and which are neither subsidiaries nor joint ventures of the investor;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the Company or its subsidiaries that gives them significant influence over the Company or its subsidiaries;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company or its subsidiaries, including directors and officers of the Company or its subsidiaries and close members of the families of such individuals; and

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Company or its subsidiaries and enterprises that have a member of key management in common with the Company or its subsidiaries.

Included in the consolidated balance sheet as of 31 December 2006 and 31 December 2005 are the following transactions outstanding with related parties:

Trade accounts receivable from related parties

in millions of BYR	**Consolidated financial statements**		**Parent company's financial statements**	
	2006	**2005**	**2006**	**2005**
JV Milavitsa Trading Company Ltd, Minsk, Belarus	-	-	4 136	4 584
CJST Metropolitan Trade Company Milavitsa, Moscow, Russian Federation	-	-	11 951	10 394
CJSC Trade house Milavitsa, Moscow, Russian Federation	2 499	2 094	-	-
Trade house Milavitsa Ltd., Novosibirsk, Russian Federation	569	601	-	-
Trade house Milavitsa Ltd., Ufa, Russian Federation	205	142	-	-
CJSC Trade house Milavitsa, Tiumen, Russian Federation	128	61	-	-
Trade house Milavitsa Ltd., Kiev	1 426	966	1 426	966
A/S Lauma Lingerie, Liepaja, Latvia	146	-	146	-
CJSC Linret, Moscow, Russian Federation	4 409	-	-	-
	9 382	**3 864**	**17 659**	**15 944**

Other accounts receivable from related parties

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
JV Milavitsa Trading Company Ltd, Minsk, Belarus	-	-	686	-
CJST Metropolitan Trade Company Milavitsa, Moscow, Russian Federation	-	-	119	-
	-	**-**	**805**	**-**

Trade accounts payable to related parties

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Iluna group SPA, Italy	-	2 226	-	2 226
	-	**2 226**	**-**	**2 226**

Revenue from sales to related parties

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
JV Milavitsa Trading Company Ltd, Minsk, Belarus	-	-	22 106	14 905
CJST Metropolitan Trade Company Milavitsa, Moscow, Russian Federation	-	-	93 359	55 388
Trade house Milavitsa Ltd., Kiev	10 688	-	10 688	-
CJSC Trade house Milavitsa, Moscow, Russian Federation	13 189	7 284	-	1 917
Trade house Milavitsa Ltd., Novosibirsk, Russian Federation	6 929	6 365	-	1 632
Ural Trade house Milavitsa Ltd., Ufa, Russian Federation	1 855	1 614	-	461
CJSC Trade house Milavitsa, Tiumen, Russian Federation	1 524	1 123	-	274
A/S Lauma Lingerie, Liepaja, Latvia	655	-	655	-
	34 840	**16 386**	**126 808**	**74 577**

Purchases of goods from related parties

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Iluna Group SPA, Italy	5 545	9 930	5 545	9 930
CJSC Jimil	-	-	-	82
	5 545	**11 798**	**5 545**	**11 880**

Remuneration of key management

in millions of BYR	Consolidated financial statements		Parent company's financial statements	
	2006	**2005**	**2006**	**2005**
Salary and bonuses	1 038	850	945	777
Dividends paid	50	49	50	49
	1 088	**899**	**995**	**826**

24. Risk management policies

Management of risk is an essential element of the Group's and Parent's operations. The main risks inherent to the Group's and Parent's operations are those related to credit risk exposures, market movements in interest rates and foreign exchange rates and liquidity. A description of the Group's and Parent's risk management policies in relation to those risks follows.

Credit risk - The Group and Parent are exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group and Parent structure the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer, or groups of customers.

Currency risk - Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group and Parent are managing currency risk by assessing the current market situation and holding short term cash deposits with banks.

Interest rate risk - Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments.

The Group and Parent manage interest rate risks by entering into finance lease agreements with interest rates that do not significantly differ from market rates in currencies that have relatively stable interest rates.

Liquidity risk - Liquidity risk arises in the process of financing the Group's and Parent's activities. It includes the risk of the inability to raise sufficient funding of assets with adequate timing and interest rates as well as the risk that the Group and Parent would be unable to realize assets for adequate price and within appropriate terms.

25. Fair value of financial instruments

Cash and cash equivalents - For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Accounts receivable and loans issued - Carrying value of these financial instruments is a reasonable estimate of fair value due to their short-term nature.

Investments - As fair value of investments cannot be reliably estimated, they are recorded at cost adjusted for hyperinflation, except for investment in securities available-for-sale, which are accounted at cost less impairment loss.

Accounts payable - Carrying value of these financial instruments is a reasonable estimate of fair value due to their short-term nature.

26. Commitments and contingencies

Capital commitments - The Group and Parent had no material commitments for capital expenditures outstanding as of 31 December 2006.

Legal proceedings – As of 31 December 2006 the Group and Parent do not have any contingent liabilities and assets that could arise from involvement in legal proceedings initiated by third parties against the Group and Parent or by the Group and Parent against third parties.

Rental commitments - As of 31 December 2006 the Group and Parent had no material operating lease commitments.

Pensions - Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus or the Russian Federation. As of 31 December 2006, the Group and Parent were not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

27. Uncertainties

Economy of the Republic of Belarus - The economy of the Republic of Belarus continues to be affected by high rates of taxation, inflation and significant regulation of economy. Laws and regulations affecting the business environment in the Republic of Belarus are subject to rapid change. The economic stability depends to a large extent on the efficiency of the measures taken by the Government of Belarus and other actions beyond control of the Group and Parent. The recoverability of the Group's and Parent's assets and the ability of the Group and Parent to maintain or pay their debts as they mature, as well as the future operations of the Group and Parent are heavily dependent on the future direction of the economic policy of the Government of the Republic of Belarus.

The management of the Group and Parent has made its best estimate on the recoverability and classification of recorded assets and completeness of recorded liabilities. However, the uncertainty described above still exists and the Group and Parent may continue to be affected by it.

Legislation - Belarusian commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of legislation may differ from that of the authorities, transactions may be challenged by the authorities, and as a result the Group and Parent may be assessed with additional taxes, penalties and interest. The Group and Parent believe that the Group and Parent have already made all tax and other payments, and therefore no allowance has been made in the consolidated and stand-alone financial statements for any additional amount that may become payable. Past fiscal years remain open to review by the authorities.

Independent Auditors' Report

To the shareholders of Closed Joint Stock Company Milavitsa

Report on the Unconsolidated and Consolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of Closed Joint Stock Company Milavitsa ("the Company"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages F3-1 to F3-29. In addition, we have audited the accompanying consolidated financial statements of Closed Joint Stock Company Milavitsa and subsidiaries ('the Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages F3-1 to F3-29.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated and consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2006, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Baltics SIA
22 June 2007
Balasta dambis 1a
Riga LV-1048
Latvia