

■ Silvano Fashion Group ■



Consolidated interim report for Q3 and 9 months of 2009



■ Silvano Fashion Group ■

COMPANY PROFILE

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Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	KPMG Baltics AS

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Management Report

Business results

In Q3 2009, high season factors improved sales in the major lingerie markets of Silvano Fashion Group (“SFG” or the “Company”, and together with its subsidiaries the “Group”). The economy in the key markets of the Group (Russia and Belarus) showed signs of stabilization and recovery. Consumer demand has been recovering since May 2009. Consumers have adjusted their spending to the new market and pricing conditions. Local currencies, except for Ukrainian Hryvnia, have stabilized against Euro and USD. In Ukraine currency exchange fluctuations as well as political environment still prevent economic and consumer demand recovery in the country.

For SFG Q3 2009 demonstrated a 3.0% increase in sales from continuing operations compared to Q2 2009 while being 23.4% lower than in Q3 2008. Retail operations in Belarus demonstrated an increase of 30.7% in local currency terms and 3.2% in EUR terms compared to Q3 2008. The Group achieved a like-for-like increase in retail sales in Russia as compared to the respective period in 2008. Lingerie retail sales in the Baltic countries decreased by 31.9% compared to Q3 2008.

As of the end of the reporting period the Group and its franchising partners operated over 320 Milavitsa and other lingerie outlets. Of that 82 stores are operated by the Group and the rest is operated by franchising partners. The Group's retail focus has been shifted towards the promotion and support of the franchising in cooperation with existing and potential partners. In Q3 2009 the Group continued restructuring of its own retail business in Russia, closing ineffective stores.

Financial performance

The Group's sales from continuing operations amounted to EEK 898,099 thousand (EUR 57,399 thousand) in the 9 months' period ended 30 September 2009, representing a 27.8% decline as compared to the respective period in the previous year. Overall wholesales from continuing operations decreased by 30.1% and retail continuing operations presented a decrease of 16.8%. The proportion of retail sales in total sales increased by 3.2% and reached 24.7% of total sales in 9M 2009. The Group's sales from continuing operations in Q3 2009 amounted to EEK 329,032 thousand (EUR 21,029 thousand), a decrease of 23.4% as compared to the respective period in the previous year.

The Group's gross margin from continuing operations in the 9 months' period improved slightly and was 43.1%, as compared to 42.6% in the respective period in the previous year. This positive effect was observed in Q2 and Q3 2009 mainly due to the increased sales prices in key markets and the beneficial impact of the devaluation of Belorussian Rouble on production costs.

The consolidated operating profit from continuing operations amounted to EEK 63,181 thousand (EUR 4,038 thousand), representing a 61.7% decline compared to 9M 2008. The consolidated operating margin from continuing operations was 7.0% (13.2% in 9M 2008). The operating profit and the operating margin were adversely influenced by one-off expenses related to the restructuring of Russian operations.

In the nine months of 2009 the Group continued with the restructuring of Russian retail operations. One-off expenses related to the restructuring of Russian operations in 9M 2009 amounted to EEK 39,289 thousand (EUR 2,511 thousand), including EEK 13,863 thousand (EUR 886 thousand) in Q1 2009, EEK 18,353 thousand (EUR 1,173 thousand) in Q2 2009 and EEK 7,072 thousand (EUR 452 thousand) in Q3 2009, and partially related to initiatives started in prior periods. The Group will continue closing inefficient stores in the fourth quarter of the year, with provisions to cover future restructuring losses related to Russian retail chain restructuring currently amounting to EEK 5,946 thousand (EUR 380 thousand). The operating loss of the Russian retail operations in 9M 2009 was EEK 66,451 thousand (EUR 4,247 thousand), including one-off expenses amounting to EEK 39,289 thousand (EUR 2,511 thousand).

Loan receivable in the amount of EEK 20,356 thousand (EUR 1,301 thousand) was fully provided based on the management's assessment of the recoverability of the loan in Q1 2009. The expenses related to the provision have been recognized in other operating expenses from continuing operations in 9M 2009. The management will continue actions to recover the loan balance and certain progress on the loan restructuring has been reached in Q3 2009.

In total one-off continuing operating losses related to the restructuring of Russian operations and the provisioning of a loan amounted to EEK 59,645 thousand (EUR 3,812 thousand) in the 9 months' period ended 30 September 2009. As the result, consolidated normalised operating profit from continuing operations amounted to EEK 122,826 thousand (EUR 7,850 thousand) for the 9 months' period ended 30 September 2009, representing a 25.5% decline compared to 9M 2008. The consolidated normalised operating margin from continuing operations reached 13.7% (13.2% in 9M 2008).

On 30 June 2009 the Group closed the transaction for the sale of all shares in PTA Grupp AS (“PTA”) held by the Group to PTA Holding OÜ for total consideration of EEK 15,224 thousand (EUR 973 thousand), including EEK

7,401 thousand (EUR 473 thousand) paid upon closing by way of taking over certain liabilities of the Group and the remaining part of the purchase price being payable in cash by 31 December 2011 at the latest and carrying interest until full payment. The transaction resulted in a EEK 23,845 thousand (EUR 1,524 thousand) loss in the consolidated results of the Group in 9M 2009 (Note 15). Further details of the transaction are provided in section 'Key events'. In accordance with the requirements of the International Financial Reporting Standards PTA operations (apparel business line) are now regarded as discontinued operations for the purposes of financial reporting. Accordingly, PTA's financial performance is not consolidated in sales and expenses, but instead the consolidated loss from PTA's business operations in the amount of EEK 12,189 thousand (EUR 779 thousand) for the 6 months' period ended 30 June 2009 and the loss generated by the sales transaction are recorded separately in the consolidated income statement as a loss from discontinued operations in the total amount of EEK 36,034 thousand (EUR 2,303 thousand).

Consolidated net profit from foreign exchange rate fluctuations amounted to EEK 9,576 thousand (EUR 612 thousand) in the 9 months' period ended 30 September 2009. SP ZAO Milavitsa accrued a foreign exchange gain in the amount of EEK 32,717 thousand (EUR 2,091 thousand) that was caused mainly by EUR-denominated intra-Group trading in Q1 2009, while Russian operations suffered a loss from foreign exchange rate fluctuations. Starting from April 2009, all trading to Russia is Russian Rouble denominated to minimise unrealized foreign exchange gains and losses within the Group.

Corporate income tax from continuing operations amounted to EEK 61,695 thousand (EUR 3,943 thousand) and effective tax rate for the Group increased significantly compared to respective period of the previous year. Income tax expense in 9M 2009 was higher than anticipated due to taxable foreign exchange gains of SP ZAO Milavitsa. However, high overall effective tax rate is the temporary result of the loss making subsidiaries' net loss position for the reporting period, non-tax deductible one-off expenses discussed above and other non-tax deductible expenses in Belarus (mainly employee remuneration).

During 9M 2009, Consolidated net loss from continuing operations attributable to equity holders amounted to EEK 7,683 thousand (EUR 491 thousand), compared to net profit of EEK 47,112 thousand (EUR 3,011 thousand) in 9M 2008; net margin from continuing operations was -0.9% (down from a positive margin of 3.8% in 9M 2008). However in Q3 2009 consolidated net profit from continuing operations attributable to equity holders demonstrated an increase of 40.9% as compared to the respective period in prior year and amounted to EEK 8,089 thousand (EUR 517 thousand); net margin from continuing operations was 2.5% against 1.3% in Q3 2008.

Consolidated normalised net profit from continuing operations (excluding one-off expenses in the amount of EEK 59,645 thousand (EUR 3,812 thousand) attributable to equity holders amounted to EEK 46,940 thousand (EUR 3,000 thousand), compared to a net profit of EEK 47,112 thousand (EUR 3,011 thousand) in 9M 2008; normalised net margin from continuing operations was 7.8% (6.8% in 9M 2008).

In 9M 2009 the Group's return on equity was negative and amounted to -7.7% (5.3% in 9M 2008) and return on assets was -4.3% (3.5% in 9M 2008).

Financial position

As of 30 September 2009 consolidated assets amounted to EEK 843,492 thousand (EUR 53,909 thousand) representing a decrease of 30.2% as compared to the position as of 31 December 2008. The value of total asset base in EUR terms was significantly impacted by the devaluation of the Belarusian Rouble which depreciated against the Euro by 31.1% in 9M 2009, decreasing the value of assets based in Belarus in EUR terms. Furthermore, due to the closing of the PTA sales transaction on 30 June 2009 the financial position of PTA is not consolidated as of 30 September 2009, causing a further decrease in the assets of the Group.

Property, plant and intangibles balances decreased by EEK 118,429 thousand (EUR 7,569 thousand) as compared to 31 December 2008, the key reason being the impact of the foreign exchange rate in the amount of EEK 57,440 thousand (EUR 3,671 thousand) and the sale of PTA in the amount of EEK 23,360 thousand (EUR 1,493 thousand).

Trade receivables decreased by EEK 37,614 thousand (EUR 2,404 thousand) as compared to 31 December 2008 and amounted to EEK 130,399 thousand (EUR 8,334 thousand) as of 30 September 2009. Payment discipline of key customers in Russia improved during 9M 2009. Inventory balance decreased by EEK 198,305 thousand (EUR 12,674 thousand) and amounted to EEK 236,107 thousand (EUR 15,090 thousand) as of 30 September 2009. This was partially related to the disposal of PTA; however, a major decrease was achieved through changes in the production planning to adjust to the new level of the working capital resulting from decreased sales volumes and through the devaluation of the Belarusian Rouble which depreciated against the Euro by 31.1% in 9M 2009, decreasing the value of inventories based in Belarus in EUR terms.

Foreign exchange fluctuations also left a negative impact on the Group's equity, in the form of a negative change in currency translation reserve in the amount of EEK 172,848 thousand (EUR 11,047 thousand). On the overall basis, equity attributable to equity holders decreased by EEK 142,801 thousand (EUR 9,126 thousand) and amounted to EEK 498,446 thousand (EUR 31,857 thousand) as of 30 September 2009.

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Current liabilities decreased by EEK 204,369 thousand (EUR 13,062 thousand) in the 9 months' period, in line with management expectations.

The liquidity position of the Group improved during Q2 and Q3 2009 with respect to the total balance of borrowings and related maturities. Current and non-current loans and borrowings decreased by EEK 100,279 thousand (EUR 6,409 thousand) in Q2 and Q3 to EEK 42,387 thousand (EUR 2,709 thousand) as of 30 September 2009. Loans received and loans repaid during the 9 months' period amounted to EEK 87,824 thousand (EUR 5,613 thousand) and EEK 154,165 thousand (EUR 9,853 thousand) respectively, including finance lease liabilities repaid in the amount of EEK 5,315 thousand (EUR 340 thousand). PTA loan balance in the amount of EEK 31,606 thousand (EUR 2,020 thousand) was eliminated from consolidated financial position as the result of the PTA sales transaction. In July 2009 a credit line facility of Lauma Lingerie AS was prolonged with Unicredit Bank in Latvia, decreasing the available facility's limit with the bank from EEK 31,293 thousand (EUR 2,000 thousand) to EEK 26,599 thousand (EUR 1,700 thousand) until January 2010 and to EEK 21,905 thousand (EUR 1,400 thousand) after that date. Information on the maturity of current borrowings is presented in Note 8 to the summarized financial statements.

Tax liabilities and other payables, including payables to employees, amounted to EEK 39,076 thousand (EUR 2,497 thousand). Provisions amounted to EEK 19,684 thousand (EUR 1,258 thousand) as of 30 September 2009 and included provisions for the restructuring of Russian retail operations in the amount of EEK 548 thousand (EUR 35 thousand).

Sales from continuing operations

Women's apparel operations were fully divested as of 30 September 2009 after the sale of PTA in the end of H1 2009 and are no longer part of continuing operations of the Group. Continuing operations include production and sale of women lingerie.

Sales by business segments

	9 months 2009 EEK thousand	9 months 2008 EEK thousand	Change EEK thousand	9 months 2009 EUR thousand	9 months 2008 EUR thousand	Change EUR thousand	9 months 2009 percentage from sales	9 months 2008 percentage from sales
Wholesale	671,161	960,357	-289,196	42,895	61,378	-18,483	74.7%	77.2%
Retail	221,415	266,211	-44,796	14,151	17,014	-2,863	24.7%	21.4%
Other operations	5,523	17,180	-11,657	353	1,098	-745	0.6%	1.4%
Total	898,099	1,243,748	-345,649	57,399	79,490	-22,091	100.0%	100.0%

Sales by markets

In 9M 2009, the Group focused mainly on the Baltic, Russian, Belarusian and Ukrainian markets.

Total sales by markets

	9 months 2009 EEK thousand	9 months 2008 EEK thousand	Change EEK thousand	9 months 2009 EUR thousand	9 months 2008 EUR thousand	Change EUR thousand	9 months 2009 percentage from sales	9 months 2008 percentage from sales
Russia	519,639	728,333	-208,694	33,211	46,549	-13,338	57.9%	58.6%
Belarus	240,066	266,806	-26,740	15,343	17,052	-1,709	26.7%	21.5%
Ukraine	47,847	97,165	-49,318	3,058	6,210	-3,152	5.3%	7.8%
Baltics	45,062	62,665	-17,603	2,880	4,005	-1,125	5.0%	5.0%
Other markets	45,485	88,779	-43,294	2,907	5,674	-2,767	5.1%	7.1%
Total	898,099	1,243,748	-345,649	57,399	79,490	-22,091	100.0%	100.0%

The majority of lingerie sales revenue in 9M 2009 in the amount of EEK 519,639 thousand (EUR 33,211 thousand) was generated in the Russian market accounting for 57.9% of all lingerie sales in 9M 2009 as compared to EEK 728,333 thousand (EUR 46,549 thousand) in the respective period in 2008. Sales in Russia comprise both retail sales and wholesale. The second largest region for lingerie sales was Belarus where sales reached EEK 240,066 thousand (EUR 15,343 thousand), contributing 26.7% of lingerie sales (both retail and wholesale) as compared to EEK 266,806 thousand (EUR 17,052 thousand) in 9M 2008.

Sales in the major markets, including Russia and Ukraine, although still affected by the economic situation and devaluation of the local currencies, demonstrated a positive trend compared to the first and to the second quarters mainly due management actions supported by seasonal increase in customer demand. As the result, sales in Q3

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2009 improved significantly as compared to Q1 2009; however, were still lower as compared to the respective period in prior year. Wholesale operations started improving as many of the Group's Russian and Ukrainian wholesales partners realized their excess stock levels reducing them to the normal operational levels after being overstocked in Q4 2008 after a sharp decrease in demand caused by the overall economic crisis.

Sales decrease in Belarus was lower compared to the reduction in sales in Russia, Ukraine and the Baltic countries leading to the growing share of the Belarusian market in the total sales in the 9M 2009, compared to respecting period of previous year. This is an effect of more stable economic situation in Belarus compared to the neighboring countries as well as the tight control over distribution that the Group has developed in the country.

A number of actions have been introduced to the market including additional marketing activities in Belarus, Ukraine and Russia and supportive measures in the opening of the franchised stores. Dealers and distributors were motivated to increase their sales activities in the exchange for favorable pricing opportunities.

A new order processing and reservation system introduced by Milavitsa at the end of Q2 allowed trading partners a broader access to its stock and speeded up packing and delivery. As the result Milavitsa managed to reach 2008 sales in terms of units sold during the summer months.

Changes in the top management of the Group's Russian operations took place in June-August 2009 in order to execute a new sales strategy in that core market and improve corporate governance of the Russian subsidiaries of the Group. Changes in the sales strategy were introduced to the trading partners in late September. The Group's targets to increase control over distribution and to adjust the organizational structure accordingly.

In terms of lingerie brands, the sales of "Milavitsa" core brand accounted for 74.6% of total lingerie sales revenue in 9M 2009 (9M 2008: 76.2%) and amounted to EEK 665,857 thousand (EUR 42,556 thousand). The sales of "Lauma" core brand accounted for 5.2% of total lingerie sales (9M 2008: 7.0%) and amounted to EEK 46,408 thousand (EUR 2,966 thousand). Other brands such as "Alisee", "Aveline", "Hidalgo" and "Laumelle" comprised 20.2% of total lingerie sales in 9M 2009 (9M 2008: 16.8%), amounting to EEK 180,311 thousand (EUR 11,524 thousand) mainly due to growth of sales of lower priced goods under "Aveline" brand.

Wholesale

In 9M 2009, wholesale amounted to EEK 671,161 thousand (EUR 42,895 thousand), representing 74.7% of the Group's total revenue (9M 2008: 77.2%). The main wholesale regions were Russia, Belarus, Ukraine and the Baltic States. Gradual improvements were observed in Q3 2009 with an increase in lingerie wholesales of 37.3% as compared to Q1 2009 as many of the Milavitsa's Russian and Ukrainian wholesales partners had adjusted their working capital levels to the new market and trading circumstances caused by crisis at the end of 2008. Most of the lingerie wholesale partners are located in Russia, a key market for the Group.

A new channel of distribution was introduced in Ukraine by Milavitsa in late 2008 and early 2009. The channel allowed the Group to offset sharp decrease in sales caused by the economic crisis and the inability of the old distribution to address it. Although still below the 2008 level, sales in the Ukrainian market demonstrated positive trends in Q2 and Q3.

Lauma Lingerie experienced a sharp reduction in sales in their major markets being affected by the crisis to a greater extent due to its higher pricing positioning and inability of the distribution partners to meet the current market conditions. Certain changes in the management of the company were made to address the market realities. Lauma Lingerie is in process of implementation of the revised sales strategy in respect of the core markets, including Russia, Ukraine and Baltics.

Retail operations

Total lingerie retail sales of the Group in 9M 2009 amounted to EEK 221,415 thousand (EUR 14,151 thousand), representing a 16.8% decrease as compared to the respective period in 2008.

Lingerie retail operations were conducted in Latvia, Russia, Belarus, and Lithuania. At the end of 9M 2009 the Group operated 82 own retail outlets with a total area of 6,697 square meters.

In 9M 2009 14 new stores in the lingerie business were opened, including 9 under Milavitsa name in Belarus, 1 under Yamamay and 2 under Jockey brand names in Lithuania and 2 stores under Lauma Lingerie brand name in Latvia. 31 underperforming stores were closed: 13 PTA stores in Russia, 13 Oblicie stores in Russia, 2 Milavitsa stores in Belarus, 3 Amadea line stores in Lithuania. 18 Oblicie stores in Russia were rebranded to Milavitsa.

Number of stores as at:

	30.09.2009	31.12.2008
Latvia	5	3
Poland	0	7
Belarus	35	28
Russia	26	52
Lithuania	16	16
Total stores	82	106
Total sales area, sq m	6,697	9,549

In Belarus, two ineffective stores were closed and 9 new “Milavitsa” stores were opened, adding to the growth of the retail sales in the country. A number of sales promotions were conducted in the Milavitsa retail chain.

In the Baltics, retail sales decreased by 21.7% as compared to 9M 2008, amounting to EEK 17,086 thousand (EUR 1,092 thousand). Altogether, 5 new lingerie shops were opened in the Baltics (3 in Lithuania, and 2 in Latvia).

In respect to lingerie retail in Russia, in Q2 and Q3 2009 the Group’s main focus was on rebranding Oblicie stores to Milavitsa stores, closing poor-performing stores, and improving sales performance. As a result, 11 lingerie stores were closed, 18 stores were rebranded. Due to a number of marketing and sales activities the Group achieved a like-for-like increase in sales in June-August as compared to the respective period in 2008. The Group will continue closing inefficient stores or relocating them to better locations.

In the Baltics, the overall consumer market demand continued to deteriorate which affected practically all retail segments. Lingerie retail sales sharply decreased as compared to Q3 2008. The Group closed 3 inefficient stores in Lithuania within 9M 2009, and entered into a share purchase agreement for the sale of all its shares in UAB „Linret LT“ in November 2009. The closing of the transaction will take place within the month of November.

Stores by concept

Market	Milavitsa stores	Oblicie stores	Other stores	Total	Sales area, sq m
Russia	22	4	0	26	2,184
Latvia	0	0	5	5	330
Lithuania	0	0	16	16	941
Belarus	35	0	0	35	3,242
Total	57	4	21	82	6,697

Discontinued operations

Discontinued operations results include operations of PTA (apparel business line) for 6 months period ended 30 June 2009. Operational results of PTA operations are presented in the consolidated income statement as a single line item under ‘Loss from discontinued operations’.

Production, sourcing, purchasing and logistics

Due to increased uncertainty in the marketplace and sharply falling demand in Q4 2008 and Q1 2009 the Group’s manufacturing companies reduced their production and purchasing volumes in 9M 2009. In addition, adjustments in the production planning process were made to adjust for changing circumstances, for example the Group’s largest production subsidiary SP ZAO Milavitsa switched from quarterly production planning to monthly planning. As the result of the adjustments in production and sourcing volumes as well as in the production planning process the Group was able to decrease inventories to normal levels. Consequently, the Group’s working capital position was improved significantly and timely deliveries to the customers are now secured.

In respect of production outsourcing, the number of cooperation partners remained at the level of Q2 2009. The total volume of production in SP ZAO Milavitsa amounted to 10,548 thousand pieces in 9M 2009, representing a 28.2% decrease as compared to the respective period in previous year. The total production volumes in Lauma Lingerie amounted to 436 thousand pieces in the 9 months’ period ended 30 September 2009, showing a decrease of 69.9% as compared to previous year. In broad terms, the utilisation of own production capacities in SP ZAO Milavitsa remained at the level of 2008, while outsourced production capacities with cooperation partners were the major source for the production output decrease.

In respect of logistics, a new warehouse complex Machuliszhi in Belarus with total storage capacity of 1,032 thousand pieces of garments was put into operation in Q1 2009. Furthermore, SP ZAO Milavitsa has started to implement a supply chain management system on the basis of IFS software application and the planned date of finalising the project is February 2010.

Investment

In 9M 2009 the Group's investments in continuing operations totalled EEK 27,821 thousand (EUR 1,778 thousand) with investments into retail amounting to EEK 14,191 thousand (EUR 907 thousand), including EEK 1,815 thousand (EUR 116 thousand) in Q3 2009. Other investments were made in equipment and facilities to maintain effective production.

Personnel

At the end of September 2009, the Group employed 3,197 employees including 522 in retail and 2,005 in production. The rest were employed in wholesale, administration and support operations. The average number of employees in 9M 2009 was 3,135.

Total salaries and wages in 9M 2009 amounted to EEK 179,560 thousand (EUR 11,476 thousand). The remuneration paid to members of the Management Board totalled EEK 6,384 thousand (EUR 408 thousand). Four members of the Management Board also serve as executives for the Group's subsidiaries.

Key Events in 9M 2009

Changes in the top management of the Group's Russian operations

Within the third quarter of 2009 the Supervisory Boards of ZAO STK Milavitsa, wholesale operator of the Group in Russia, and ZAO Linret, retail operator of the Group in Russia, appointed Mr. Evgeny Prigodich the new General Director of both companies. Mr. Prigodich used to head OOO Trading Company Milavitsa, the wholesale operator of the Group in Ukraine.

Changes in the general management of the Group's Russian operations constitute a part of a set of measures aimed at adjusting the Group's organizational structure to the changing market conditions.

Sale of shares in PTA Grupp AS

On 30 June 2009 the Group entered into an agreement for the sale of all shares in PTA held by the Group to PTA Holding OÜ for a total consideration of EEK 15,224 thousand (EUR 973 thousand). The transaction was performed immediately upon signing. EEK 7,401 thousand (EUR 473 thousand) was paid on the date of the closing of the transaction by way of taking over certain liabilities of the Group and EEK 7,823 thousand (EUR 500 thousand) will be paid in cash by 31 December 2011 at the latest, carrying interest until full payment. The obligation to pay the purchase price is secured by a share pledge over 100% of all shares in PTA in favour of the Group.

PTA operates in the field of manufacture, retail and wholesale of women's apparel under the „PTA“ trademark. With the sale of the apparel business, the Group will focus on its core business - manufacturing and sale of lingerie. The sale will enable the Group to reallocate financial and managerial resources to its core operations and improve the efficiency of management. Furthermore, in the long term the effect on the Group's net profit is expected to be positive, as PTA made a net loss of EEK 12,189 thousand (EUR 779 thousand) in 6 months period ended 30 June 2009.

As at the date of disposal PTA had two loans and an overdraft from Danske Bank A/S Estonian branch outstanding which are secured by a surety provided by SFG. The surety agreement was not terminated after PTA sales transaction and balance of loans and credit line amounted to EEK 26,427 thousand (EUR 1,689 thousand) as of 30 September 2009; however, the liability of the Group to Danske Bank A/S Estonian branch is in turn secured by a commercial pledge over PTA's assets.

PTA Holding OÜ is related to Peeter Larin (a member of the management board in PTA), who was a member of the management board and is a shareholder in PTA Holding OÜ. Therefore, the transaction was made with a related party within the meaning of the Tallinn Stock Exchange rules. The transaction was not a material transaction with a related party within the meaning of the Tallinn Stock Exchange rules.

Changes in the composition of the Management Board

On 29 May 2009, the Supervisory Board of the Group resolved to recall the current members of the Management Board Mr. Dmitry Podolinski and Mr. Peeter Larin and to appoint Mr. Norberto Rodriguez as the new member of the Management Board of the Group. Mr. Rodriguez joined the Group's management team as a Chief Logistics Officer in October 2007. His main responsibilities include the development and implementation of the corporate strategy in logistics. Currently Mr. Rodriguez also serves as a Deputy General Director at Milavitsa being responsible for logistics, IT, quality management and other business processes.

Changes in the Management Board form a part of a complex of measures aimed at adjusting the Group's organizational structure to the changing market conditions.

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Splendo Polska Sp. z o.o. disposal

The closing of the agreement for the sale of the Company's shares (90% of the share capital) in Splendo Polska Sp. z o.o., a Polish retail subsidiary operating 6 retail outlets, was completed in October 2009. The operating results of Splendo Polska Sp. z o.o. were not consolidated in the Group's financial results in 2009 and a loss related to the transaction was fully provided as of 31 December 2008.

Selected financial data

The Group's operating results are summarised in the following figures and ratios:

Key figures and ratios	30.09.2009	30.09.2008	Change
Net sales from continuing operations (EEK thousand)	898,099	1,243,748	-345,649
Net profit from continuing operations, attributable to shareholders (EEK thousand)	-7,683	47,112	-54,795
Earnings before interest, taxes and depreciation (EBITDA) from continuing operations (EEK thousand)	89,874	197,038	-107,164
Earnings before interest and taxes (EBIT) from continuing operations (EEK thousand)	63,181	164,775	-101,594
Net sales from continuing operations (EUR thousand)	57,399	79,490	-22,091
Net profit from continuing operations, attributable to shareholders (EUR thousand)	-491	3,011	-3,502
Earnings before interest, taxes and depreciation (EBITDA) from continuing operations (EUR thousand)	5,744	12,593	-6,849
Earnings before interest and taxes (EBIT) from continuing operations (EUR thousand)	4,038	10,531	-6,493
Operating margin from continuing operations, %	7.0%	13.2%	-
Net margin from continuing operations, %	-0.9%	3.8%	-
ROA, %	-4.3%	3.5%	-
ROE, %	-7.7%	5.3%	-
Earnings per share (EPS), in EEK	-1.10	1.01	-
Earnings per share (EPS), in EUR	-0.07	0.07	-
Current ratio	2.9	3.2	-
Quick ratio	1.7	1.8	-

Underlying formulas:

Operating margin from continuing operations = operating profit from continuing operations / sales revenue

Net margin from continuing operations = net profit from continuing operations attributable to equity holders of the parent / sales revenue

ROA (return on assets) = net profit attributable to equity holders of the parent / average total assets

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

EPS (earnings per share) = net profit attributable to equity holders of the parent / weighted average number of ordinary shares

Current ratio = current assets / current liabilities

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

General information and approval of the management board for the consolidated interim report for Q3 2009 and 9 months of 2009

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

The parent company of the Group is AS Silvano Fashion Group, a company domiciled in Estonia and headquartered at Akadeemia tee 33, 12618 Tallinn.

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

As of 30 September 2009, the Group employed 3,197 people (as of 31 December 2008: 3,901 people).

The Group comprises the following companies:

At 30 September 2009	Location	Main activity	Ownership interest 30.09.2009	Ownership interest 31.12.2008
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
<u>Subsidiaries of SFG</u>				
AS Lauma Lingerie	Latvia	Manufacturing, wholesale and retail	100%	100%
SP ZAO Milavitsa	Belarus	Manufacturing	78.35%	78.35%
ZAO Linret	Russia	Wholesale and retail	49%	49%
Splendo Polska Sp. z o.o.	Poland	Retail	90% ¹	90%
PTA Grupp AS, including subsidiaries	Estonia	Retail	0%	100%
UAB Linret LT	Lithuania	Retail	100%	100%
France Style Lingerie s.a.r.l.	France	Holding	100%	100%
OÜ Linret EST	Estonia	Retail	100% ²	100%
<u>Subsidiaries of SP ZAO Milavitsa</u>				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Retail	51%	51%
SP Gimil OOO	Belarus	Manufacturing	52%	52%
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	Russia	Wholesale	100%	100%
OAO Junona	Belarus	Manufacturing	58.33%	58.33%
<u>Subsidiary of ZAO Stolichnaja Torgovaja Kompanija Milavitsa</u>				
ZAO Linret	Russia	Retail	51%	51%
<u>Associate of France Style Lingerie S.A.R.L.</u>				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Retail	49%	49%

¹ The closing of the transacting for the sale of the Company's shares (90% of the share capital) in Splendo Polska Sp. z o.o., a Polish retail subsidiary operating 6 retail outlets, was completed in October 2009.

² The Group has entered into a share purchase agreement for the sale of all its shares in UAB „Linret LT“ in November 2009. The closing of the transaction will take place within the month of November

Management declaration regarding the consolidated interim report for Q3 and 9 months of 2009

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

The management board of AS Silvano Fashion Group also confirms that the consolidated interim report for Q3 and 9 months of 2009 set out on pages 12-41 is true and complete, and:

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

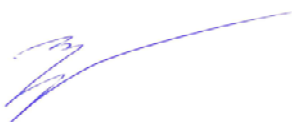
The interim report has not been audited or otherwise reviewed by auditors.



Dmitry Ditchkovsky
Chairman of the Management Board
23 November 2009



Sergei Kusonski
Member of the Management Board
23 November 2009



Baiba Gegere
Member of the Management Board
23 November 2009



Norberto Rodriguez
Member of the Management Board
23 November 2009

Consolidated statement of financial position

Unaudited

	Notes	30.09.2009 EEK thousand	30.09.2008 EEK thousand	31.12.2008 EEK thousand	30.09.2009 EUR thousand	30.09.2008 EUR thousand	31.12.2008 EUR thousand
ASSETS							
Non-current assets							
Property, plant and equipment	1	182,205	290,745	293,530	11,645	18,582	18,760
Intangible assets	2	8,981	47,613	16,085	574	3,043	1,028
Investment property		19,809	23,626	23,141	1,266	1,510	1,479
Investments in equity accounted investees		2,206	3,317	2,879	141	212	184
Available-for-sale financial assets		6,681	8,856	8,716	427	566	557
Other long term receivables	5	29,588	673	26,051	1,891	43	1,665
Total non-current assets		249,470	374,830	370,402	15,944	23,956	23,673
Current assets							
Inventories	3	236,107	378,757	434,412	15,090	24,207	27,764
Prepaid taxes		22,343	45,735	62,070	1,428	2,923	3,967
Trade receivables	4	130,399	202,780	168,013	8,334	12,960	10,738
Other receivables	5	21,890	66,389	42,277	1,399	4,243	2,702
Prepayments	6	9,591	66,811	49,209	613	4,270	3,145
Cash and cash equivalents	7	166,495	128,177	82,129	10,641	8,192	5,249
Assets classified as held for sale		7,197	0	0	460	0	0
Total current assets		594,022	888,649	838,110	37,965	56,795	53,565
TOTAL ASSETS		843,492	1,263,479	1,208,512	53,909	80,751	77,238
LIABILITIES AND EQUITY							
Equity							
Share capital		400,000	400,000	400,000	25,565	25,565	25,565
Share premium		223,293	223,293	223,293	14,271	14,271	14,271
Own shares		-7,041	0	-7,041	-450	0	-450
Statutory capital reserve		1,046	1,046	1,046	67	67	67
Translation reserve		-172,848	-52,823	-58,086	-11,047	-3,376	-3,713
Retained earnings		53,996	226,499	82,035	3,451	14,476	5,243
Total equity attributable to equity holders of the parent	11	498,446	798,015	641,247	31,857	51,003	40,983
Non-controlling interest		132,166	176,634	141,977	8,447	11,289	9,074
Total equity		630,612	974,649	783,224	40,304	62,292	50,057
Non-current liabilities							
Loans and borrowings	8	11,047	8,089	18,197	706	517	1,163
Deferred tax liabilities		266	201	201	17	13	13
Other liabilities		485	56	1,314	31	3	84
Provisions		0	125	125	0	8	8
Total non-current liabilities		11,798	8,471	19,837	754	541	1,268
Current liabilities							
Loans and borrowings	8	31,340	62,117	116,254	2,003	3,970	7,430
Trade payables		111,733	130,790	167,951	7,141	8,359	10,734
Corporate income tax liability		3,380	3,583	4,006	216	229	256
Other tax liabilities		18,526	19,887	18,150	1,184	1,271	1,160
Deferred tax liability		0	0	0	0	0	0
Other payables	9	15,866	39,652	27,584	1,014	2,534	1,763
Provisions		19,684	24,299	70,817	1,258	1,553	4,526
Accrued expenses		240	0	689	15	0	44
Deferred income		313	31	0	20	2	0
Total current liabilities		201,082	280,359	405,451	12,851	17,918	25,913
Total liabilities		212,880	288,830	425,288	13,605	18,459	27,181
TOTAL LIABILITIES AND EQUITY		843,492	1,263,479	1,208,512	53,909	80,751	77,238

Consolidated statement of comprehensive income - 9 months

Unaudited

		2009	2008	2009	2008
		9 months	9 months	9 months	9 months
		EEK	EEK	EUR	EUR
		thousand	thousand	thousand	thousand
			(restated)		(restated)
Continuing operations					
Net sales	12	898,099	1,243,748	57,399	79,490
Costs of goods sold		-511,253	-714,533	-32,675	-45,667
Gross Profit		386,846	529,215	24,724	33,823
Other operating income		19,543	13,879	1,249	887
Distribution costs		-133,137	-184,614	-8,509	-11,799
Administrative expenses		-118,789	-142,118	-7,592	-9,083
Other operating expenses		-91,282	-51,587	-5,834	-3,297
Operating profit		63,181	164,775	4,038	10,531
Interest expenses		-7,338	-1,392	-469	-89
Gains/losses on conversion of foreign currencies		9,576	-15,803	612	-1,010
Other financial income / expenses		7,291	8,715	466	557
Total financial income / expenses		9,529	-8,480	609	-542
Share of profit of equity accounted investees		-298	2,378	-19	152
Profit before corporate income tax		72,412	158,673	4,628	10,141
Corporate income tax		-61,695	-74,603	-3,943	-4,768
Profit from continuing operations		10,717	84,070	685	5,373
Discontinued operations					
Profit / (loss) of discontinued operation (net of income tax)		-36,034	-6,540	-2,303	-418
Profit/ (loss) for the period		-25,317	77,530	-1,618	4,955
Profit attributable to:					
Owners of the Company		-43,717	40,572	-2,794	2,593
Non-controlling interest		18,400	36,958	1,176	2,362
Profit for the period		-25,317	77,530	-1,618	4,955
Earnings per share					
Basic earnings per share (EEK/EUR)	10	-1.10	1.01	-0.07	0.07
Diluted earnings per share (EEK/EUR)	10	-1.10	1.01	-0.07	0.07
Continuing operations					
Basic earnings per share (EEK/EUR)	10	-0.19	1.18	-0.01	0.08
Diluted earnings per share (EEK/EUR)	10	-0.19	1.18	-0.01	0.08

Consolidated statement of comprehensive income - 9 months

Unaudited

	2009	2008	2009	2008
	9 months	9 months	9 months	9 months
	EEK	EEK	EUR	EUR
	thousand	thousand	thousand	thousand
Profit for the period	-25,317	77,530	-1,618	4,955
Other comprehensive income				
Foreign currency translation differences for foreign operations	-142,863	30,433	-9,130	1,945
Disposal of subsidiary	16,820	0	1,075	0
Non-controlling interest from business combination	0	94	0	6
Other comprehensive income for the period	-126,043	30,527	-8,055	1,951
Total comprehensive income	-151,360	108,057	-9,673	6,906
Total comprehensive income attributable to:				
Owners of the Company	-142,801	64,261	-9,126	4,107
Non-controlling interest	-8,559	43,796	-547	2,799
Total comprehensive income	-151,360	108,057	-9,673	6,906

Consolidated statement of comprehensive income - Q3

Unaudited

	2009	2008	2009	2008
	Q3	Q3	Q3	Q3
	EEK	EEK	EUR	EUR
	thousand	thousand	thousand	thousand
		(restated)		(restated)
Continuing operations				
Net sales	329,032	429,405	21,029	27,444
Costs of goods sold	-196,302	-255,603	-12,546	-16,336
Gross Profit	132,730	173,802	8,483	11,108
Other operating income	2,253	3,943	144	252
Distribution costs	-40,415	-68,250	-2,583	-4,362
Administrative expenses	-38,757	-49,913	-2,477	-3,190
Other operating expenses	-23,407	-18,306	-1,496	-1,170
Operating profit	32,404	41,276	2,071	2,638
Interest expenses	-1,330	-751	-85	-48
Gains/losses on conversion of foreign currencies	-2,378	-14,411	-152	-921
Other financial income / expenses	719	3,474	46	222
Total financial income / expenses	-2,989	-11,688	-191	-747
Share of profit of equity accounted investees	125	1,064	8	68
Profit before corporate income tax	29,540	30,652	1,888	1,959
Corporate income tax	-15,991	-17,978	-1,022	-1,149
Profit from continuing operations	13,549	12,674	866	810
Discontinued operations				
Profit / (loss) of discontinued operation (net of income tax)	0	2,691	0	172
Profit for the period	13,549	15,365	866	982
Profit attributable to:				
Owners of the Company	8,089	8,434	517	539
Non-controlling interest	5,460	6,931	349	443
Profit for the period	13,549	15,365	866	982
Earnings per share				
Basic earnings per share (EEK/EUR)	0.20	0.21	0.01	0.01
Diluted earnings per share (EEK/EUR)	0.20	0.21	0.01	0.01
Continuing operations				
Basic earnings per share (EEK/EUR)	0.20	0.14	0.01	0.01
Diluted earnings per share (EEK/EUR)	0.20	0.14	0.01	0.01

Consolidated statement of comprehensive income - Q3

Unaudited

	2009	2008	2009	2008
	Q3	Q3	Q3	Q3
	EEK	EEK	EUR	EUR
	thousand	thousand	thousand	thousand
Profit for the period	13,549	15,365	866	982
Other comprehensive income				
Foreign currency translation differences for foreign operations	-5,148	59,948	-329	3,832
Disposal of subsidiary	0	0	0	0
Other comprehensive income for the period	-5,148	59,948	-329	3,832
Total comprehensive income	8,401	75,313	537	4,814
Total comprehensive income attributable to:				
Owners of the Company	4,068	54,768	260	3,501
Non-controlling interest	4,333	20,545	277	1,313
Total comprehensive income	8,401	75,313	537	4,814

Consolidated statement of cash flows

Unaudited

	Notes	2009 9 months thousand EEK	2008 9 months thousand EEK	2009 9 months thousand EUR	2008 9 months thousand EUR
Cash flows from operating activities					
Profit for the period		-25,317	77,530	-1,618	4,955
Adjustments for:					
Depreciation fixed assets	1	27,867	34,657	1,781	2,215
Amortization of intangible assets	2	2,441	2,362	156	151
(Reversal of) impairment losses on property, plant and equipment	1	15,052	2,957	962	189
(Reversal of) impairment losses on intangible assets	2	3,239	0	207	0
Share of profit of equity accounted investees		298	31	19	2
Gains/losses on the sale of property, plant and equipment		-250	-2,441	-16	-156
Impairment losses on goodwill(+) and negative goodwill gain(-)		0	-642	0	-41
Gain on sale of discontinued operations, net of income tax (-)	15	23,845	-2,237	1,524	-143
Income tax expense		61,695	74,603	3,943	4,768
Change in inventories		76,324	-29,603	4,878	-1,892
Change in trade and other receivables		80,094	-93,817	5,119	-5,996
Change in trade and other payables		-7,417	19,840	-474	1,268
Interests paid (-)		-7,291	-2,144	-466	-137
Income tax paid (-)		-48,739	-74,227	-3,115	-4,744
Total cash flow from operating activities		201,841	6,869	12,900	439
Cash flow from investing activities					
Interest received		500	5,664	32	362
Proceeds from sale of property, plant and equipment		2,661	642	170	41
Proceeds from sale of investments	15	-2,441	0	-156	0
Loans granted		0	-36,707	0	-2,346
Proceeds from repayments of loans granted		0	24,096	0	1,540
Acquisition of property, plant and equipment	1	-23,079	-50,695	-1,475	-3,240
Acquisition of intangible non-current assets	2	-5,617	-939	-359	-60
Acquisition of other non-current assets		-2,066	-78	-132	-5
Acquisition of subsidiary net of cash acquired		0	-29,181	0	-1,865
Total cash flow from investing activities		-30,042	-87,198	-1,920	-5,573
Cash flow from financing activities					
Proceeds from borrowings		87,824	52,321	5,613	3,344
Repayment of borrowings		-148,846	-16,961	-9,513	-1,084
Repayment of finance lease		-5,319	-3,614	-340	-231
Dividends paid		-1,252	-2,863	-80	-183
Factoring paid		0	-610	0	-39
Repayment of other liabilities		0	0	0	0
Total cash flow from financing activities		-67,593	28,273	-4,320	1,807
Net increase in cash and cash equivalents		104,206	-52,056	6,660	-3,327
Cash and cash equivalents at the beginning of the period	7	82,129	180,233	5,249	11,519
Effect of exchange rate fluctuations on cash		-19,840	0	-1,268	0
Cash and cash equivalents at the end of the period	7	166,495	128,177	10,641	8,192

Consolidated statement of changes in equity

Unaudited

<i>In thousand EUR</i>	Note	Equity attributable to equity holders of the parent						Total	Non-controlling interest	Total equity
		Share capital	Share premium	Own shares	Capital reserve	Translation reserve	Accumulated profit (losses)			
Balance at 31 December 2007		25,565	14,271	0	67	-4,890	11,883	46,896	8,712	55,608
Profit for the period		0	0	0	0	0	2,593	2,593	2,362	4,955
Other comprehensive income										
Effect on consolidation of foreign subsidiaries		0	0	0	0	1,514	0	1,514	431	1,945
Non-controlling interest from business combination		0	0	0	0	0	0	0	6	6
Total other comprehensive income		0	0	0	0	1,514	0	1,514	437	1,951
Total comprehensive income		0	0	0	0	1,514	2,593	4,107	2,799	6,906
Transactions with owners recorded directly in equity										
Dividends paid		0	0	0	0	0	0	0	-222	-222
Total transactions with owners		0	0	0	0	0	0	0	-222	-222
Balance at 30 September 2008		25,565	14,271		67	-3,376	14,476	51,003	11,289	62,292
Balance at 31 December 2008		25,565	14,271	-450	67	-3,713	5,243	40,983	9,074	50,057
Profit for the period		0	0	0	0	0	-2,794	-2,794	1,176	-1,618
Other comprehensive income										
Effect on consolidation of foreign subsidiaries		0	0	0	0	-7,334	0	-7,334	-1,796	-9,130
Disposal of subsidiary		0	0	0	0	0	1,002	1,002	73	1,075
Total other comprehensive income		0	0	0	0	-7,334	1,002	-6,332	-1,723	-8,055
Total comprehensive income		0	0	0	0	-7,334	-1,792	-9,126	-547	-9,673
Transactions with owners recorded directly in equity										
Dividends paid		0	0	0	0	0	0	0	-80	-80
Total transactions with owners		0	0	0	0	0	0	0	-80	-80
Balance at 30 September 2009	11	25,565	14,271	-450	67	-11,047	3,451	31,857	8,447	40,304

Consolidated statement of changes in equity

Unaudited

<i>In thousand EEK</i>	Note	Equity attributable to equity holders of the parent						Total	Non-controlling interest	Total equity
		Share capital	Share premium	Own shares	Capital reserve	Translation reserve	Accumulated profit (losses)			
Balance at 31 December 2007		400,000	223,293	0	1,046	-76,512	185,927	733,754	136,313	870,067
Profit for the period		0	0	0	0	0	40,572	40,572	36,958	77,530
Other comprehensive income										
Effect on consolidation of foreign subsidiaries		0	0	0	0	23,689	0	23,689	6,744	30,433
Non-controlling interest from business combination		0	0	0	0	0	0	0	94	94
Total other comprehensive income		0	0	0	0	23,689	0	23,689	6,838	30,527
Total comprehensive income		0	0	0	0	23,689	40,572	64,261	43,796	108,057
Transactions with owners recorded directly in equity										
Dividends paid		0	0	0	0	0	0	0	-3,475	-3,475
Total transactions with owners		0	0	0	0	0	0	0	-3,475	-3,475
Balance at 30 September 2008		400,000	223,293	0	1,046	-52,823	226,499	798,015	176,634	974,649
Balance at 31 December 2008		400,000	223,293	-7,041	1,046	-58,086	82,035	641,247	141,977	783,224
Profit for the period		0	0	0	0	0	-43,717	-43,717	18,400	-25,317
Other comprehensive income										
Effect on consolidation of foreign subsidiaries		0	0	0	0	-114,762	0	-114,762	-28,101	-142,863
Disposal of subsidiary		0	0	0	0	0	15,678	15,678	1,142	16,820
Total other comprehensive income		0	0	0	0	-114,762	15,678	-99,084	-26,959	-126,043
Total comprehensive income		0	0	0	0	-114,762	-28,039	-142,801	-8,559	-151,360
Transactions with owners recorded directly in equity										
Dividends paid		0	0	0	0	0	0	0	-1,252	-1,252
Total transactions with owners		0	0	0	0	0	0	0	-1,252	-1,252
Balance at 30 September 2009	11	400,000	223,293	-7,041	1,046	-172,848	53,996	498,446	132,166	630,612

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

Basis for preparation

This Interim Report has been made pursuant to the requirements of IAS 34 “Interim Financial Reporting” of the International Accounting Standards and the International Financial Reporting Standards (IFRS) adopted by the European Union. The same accounting methods were used in the preparation of interim reports as in the Annual Report for the financial year which ended on 31 December 2008.

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 of AS Silvano Fashion Group for 2008.

This Interim Report has not been audited.

Changes in applicable standards

Pursuant to changes in IAS 1, “Presentation of Financial Statements (2007)”, which came into force as of 1 January 2009, the consolidated balance sheet has been replaced by the consolidated statement of financial position, the consolidated cash flow statement has been replaced by the consolidated statement of cash flows, and the consolidated income statement has been replaced by the statement of comprehensive income starting from 01.01.2009 in the current reporting period. The Group has selected presentation of the income statement under IAS 1.81 as follows:

- a statement displaying components of profit or loss (separate income statement); and
- a second statement beginning with the profit or loss and displaying the components of other comprehensive income (statement of comprehensive income).

Comparative information has been re-presented so that it also is in conformity with the revised standards. Since the change in the standards is limited to aspects of presentation, there is no impact on earnings per share.

As from 30 September 2009, the Group determines and presents its operating segments based on the information that is internally provided to the Management Board, that is the Group’s chief operating decision maker. This is in line with IFRS 8 – “Operating Segments”. Previously, operating segments were determined and presented in accordance with IAS 14, “Segments Reporting”.

Comparative segment information has been re-presented in conformity with the transitional requirements of such new standard. Since the change relates only to aspects of presentation and disclosure, there is no impact on earnings per share.

Notes on the consolidated interim report

Note 1. Property, plant and equipment

<i>In thousand of EUR</i>	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost at 31 December 2007	3,962	15,218	7,059	1,353	27,592
Movements in 2008					
Acquisition	133	481	1,428	1,963	4,005
Acquired through business combination	1,343	458	80	0	1,881
Transfers and reclassifications	851	1,029	187	-2,067	0
Disposals	0	-202	-138	-160	-500
Effect of movements in foreign exchange on cost	344	667	79	12	1,102
Cost at 30 September 2008	6,633	17,651	8,695	1,101	34,080
Cost at 31 December 2008	7,188	17,393	8,430	1,323	34,334
Movements in 2009					
Acquisition	0	0	895	685	1,580
Acquired through business combination	0	0	0	0	0
Transfers and reclassifications	96	627	-257	-1,238	-772
Disposals	0	-303	-1,015	-73	-1,391
Eliminated on disposal of subsidiary	0	-1,485	-2,078	-5	-3,568
Effect of movements in foreign exchange on cost	-1,712	-3,583	-860	-252	-6,407
Cost at 30 September 2009	5,572	12,649	5,115	440	23,776
Accumulated depreciation at 31 December 2007	1,349	8,108	2,378	0	11,835
Movements in 2008					
Acquired through business combination	729	383	73	0	1,185
Depreciation	91	1,169	932	0	2,192
Transfers and reclassification	0	-25	25	0	0
Disposals	0	-196	-75	0	-271
Effect of movements in foreign exchange on accumulated depreciation	120	377	60	0	557
Accumulated depreciation at 30 September 2008	2,289	9,816	3,393	0	15,498
Accumulated depreciation at 31 December 2008	2,297	9,834	3,443	0	15,574
Movements in 2009					
Acquired through business combination	0	0	0	0	0
Depreciation	111	827	823	0	1,761
Transfers and reclassification	0	-12	-243	0	-255
Impairment loss	0	0	962	0	962
Disposals	0	-256	-466	0	-722
Eliminated on disposal of subsidiary	0	-1,297	-1,033	0	-2,330
Effect of movements in foreign exchange on accumulated depreciation	-551	-1,916	-392	0	-2,859
Accumulated depreciation at 30 September 2009	1,857	7,180	3,094	0	12,131
Carrying amounts					
At 31 December 2007	2,613	7,110	4,681	1,353	15,757
At 30 September 2008	4,344	7,835	5,302	1,101	18,582
At 31 December 2008	4,891	7,559	4,987	1,323	18,760
At 30 September 2009	3,715	5,469	2,021	440	11,645

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<i>In thousand of EEK</i>	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost at 31 December 2007	61,989	238,125	110,439	21,170	431,723
Movements in 2008					
Acquisition	2,081	7,526	22,343	30,714	62,664
Acquired through business combination	21,013	7,166	1,258	0	29,437
Transfers and reclassifications	13,315	16,100	2,926	-32,341	0
Disposals	0	-3,161	-2,159	-2,503	-7,823
Effect of movements in foreign exchange on cost	5,382	10,434	1,236	188	17,240
Cost at 30 September 2008	103,780	276,190	136,043	17,228	533,241
Cost at 31 December 2008	112,468	272,141	131,901	20,700	537,210
Movements in 2009					
Acquisition	0	0	14,004	10,718	24,722
Acquired through business combination	0	0	0	0	0
Transfers and reclassifications	1,502	9,810	-4,021	-19,370	-12,079
Disposals	0	-4,741	-15,881	-1,142	-21,764
Eliminated on disposal of subsidiary	0	-23,235	-32,514	-78	-55,827
Effect of movements in foreign exchange on cost	-26,787	-56,062	-13,456	-3,943	-100,248
Cost at 30 September 2009	87,183	197,913	80,033	6,885	372,014
Accumulated depreciation at 31 December 2007	21,105	126,878	37,199	0	185,182
Movements in 2008					
Acquired through business combination	11,406	5,993	1,142	0	18,541
Depreciation	1,424	18,291	14,583	0	34,298
Transfers and reclassification	0	-391	391	0	0
Disposals	0	-3,067	-1,174	0	-4,241
Effect of movements in foreign exchange on accumulated depreciation	1,878	5,899	939	0	8,716
Accumulated depreciation at 30 September 2008	35,813	153,603	53,080	0	242,496
Accumulated depreciation at 31 December 2008	35,940	153,869	53,871	0	243,680
Movements in 2009					
Acquired through business combination	0	0	0	0	0
Depreciation	1,737	12,940	12,877	0	27,554
Transfers and reclassification	0	-188	-3,802	0	-3,990
Impairment loss	0	0	15,052	0	15,052
Disposals	0	-4,006	-7,291	0	-11,297
Eliminated on disposal of subsidiary	0	-20,294	-16,163	0	-36,457
Effect of movements in foreign exchange on accumulated depreciation	-8,621	-29,979	-6,133	0	-44,733
Accumulated depreciation at 30 September 2009	29,056	112,342	48,411	0	189,809
Carrying amounts					
At 31 December 2007	40,884	111,247	73,240	21,170	246,541
At 30 September 2008	67,967	122,587	82,963	17,228	290,745
At 31 December 2008	76,528	118,272	78,030	20,700	293,530
At 30 September 2009	58,127	85,571	31,622	6,885	182,205

During 9 months 2009 fixed assets in the amount of EEK 1,642 thousand (EUR 105 thousand) were acquired under finance lease.

As of 30 September 2009 a building with a carrying amount of EEK 532 thousand (EUR 34 thousand) was reclassified to investment property, since the building was no longer used by the Group and was leased to the third party. Depreciation charge of investment property for 9 months 2009 amounted to EEK 313 thousand (EUR 20 thousand), for 9 months 2008 amounted to EEK 359 thousand (EUR 23 thousand).

Part of the other equipment and fixtures with a carrying amount of EEK 7,557 thousand (EUR 483 thousand) was presented as a disposal group held for sale, following the commitment of the Group's management to sell these assets. Impairment loss of EEK 360 thousand (EUR 23 thousand) from the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognized in other expenses.

Depreciation charge for 9 months 2009 related to discontinued operations amounted to EEK 2,895 thousand (EUR 185 thousand), for 9 months 2008 amounted to EEK 3,693 thousand (EUR 236 thousand).

Note 2. Intangible assets

<i>In thousand of EUR</i>	Software	Trademarks	Goodwill	Projects in progress	Total
Cost at 31 December 2007	882	443	852	163	2,340
Movements in 2008					
Acquisition	60	3	0	10	73
Acquired through business combination	1	0	1,318	0	1,319
Transfers and reclassification	34	2	0	-36	0
Disposal	-3	-1	0	0	-4
Effect of movements in foreign exchange on cost	19	1	0	7	27
Cost at 30 September 2008	993	448	2,170	144	3,755
Cost at 31 December 2008	1,062	444	120	159	1,785
Movements in 2009					
Acquisition	64	46	0	249	359
Transfers and reclassification	0	5	0	-5	0
Eliminated on disposal of subsidiary	-413	-368	-120	-25	-926
Effect of movements in foreign exchange on cost	-122	-10	0	-46	-178
Cost at 30 September 2009	591	117	0	332	1,040
Accumulated amortization at 31 December 2007	325	227	0	0	552
Movements in 2008					
Amortisation	120	31	0	0	151
Acquired through business combination	1	0	0	0	1
Disposal	-1	0	0	0	-1
Effect of movements in foreign exchange on amortisation	8	1	0	0	9
Accumulated amortisation at 30 September 2008	453	259	0	0	712
Accumulated amortisation at 31 December 2008	489	268	0	0	757
Movements in 2009					
Amortisation	115	41	0	0	156
Impairment loss	97	0	0	110	207
Eliminated on disposal of subsidiary	-335	-264	0	0	-599
Effect of movements in foreign exchange on amortisation	-46	-3	0	-6	-55
Accumulated amortisation at 30 September 2009	320	42	0	104	466
Carrying amounts					
At 31 December 2007	557	216	852	163	1,788
At 30 September 2008	540	189	2,170	144	3,043
At 31 December 2008	573	176	120	159	1,028
At 30 September 2009	271	75	0	228	574

<i>In thousand of EEK</i>	Software	Trademarks	Goodwill	Projects in progress	Total
Cost at 31 December 2007	13,799	6,941	13,324	2,559	36,623
Movements in 2008					
Acquisition	939	47	0	156	1,142
Acquired through business combination	15	0	20,624	0	20,639
Transfers and reclassification	532	31	0	-563	0
Disposal	-47	-16	0	0	-63
Effect of movements in foreign exchange on cost	297	16	0	109	422
Cost at 30 September 2008	15,535	7,019	33,948	2,261	58,763
Cost at 31 December 2008	16,616	6,947	1,878	2,488	27,929
Movements in 2009					
Acquisition	1,001	720	0	3,896	5,617
Transfers and reclassification	0	78	0	-78	0
Eliminated on disposal of subsidiary	-6,462	-5,758	-1,878	-391	-14,489
Effect of movements in foreign exchange on cost	-1,909	-156	0	-720	-2,785
Cost at 30 September 2009	9,246	1,831	0	5,195	16,272
Accumulated amortization at 31 December 2007	5,085	3,562	0	0	8,647
Movements in 2008					
Amortisation	1,878	485	0	0	2,363
Acquired through business combination	15	0	0	0	15
Disposal	-16	0	0	0	-16
Effect of movements in foreign exchange on amortisation	125	16	0	0	141
Accumulated amortisation at 30 September 2008	7,087	4,063	0	0	11,150
Accumulated amortisation at 31 December 2008	7,651	4,193	0	0	11,844
Movements in 2009					
Amortisation	1,799	642	0	0	2,441
Impairment loss	1,518	0	0	1,721	3,239
Eliminated on disposal of subsidiary	-5,242	-4,131	0	0	-9,373
Effect of movements in foreign exchange on amortisation	-720	-46	0	-94	-860
Accumulated amortisation at 30 September 2009	5,006	658	0	1,627	7,291
Carrying amounts					
At 31 December 2007	8,714	3,379	13,324	2,559	27,976
At 30 september 2008	8,448	2,956	33,948	2,261	47,613
At 31 December 2008	8,965	2,754	1,878	2,488	16,085
At 30 September 2009	4,240	1,173	0	3,568	8,981

Amortisation charge for 9 months 2009 related to discontinued operations amounted to EEK 720 thousand (EUR 46 thousand), for 9 months 2008 amounted to EEK 1,064 thousand (EUR 68 thousand).

Note 3. Inventories

	30.09.2009	31.12.2008	30.09.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Raw and other materials	55,248	87,480	3,531	5,591
Work in progress	21,420	29,087	1,369	1,859
Finished goods	153,650	270,170	9,820	17,267
Goods purchased for resale	0	44,358	0	2,835
Goods in transit	0	0	0	0
Other inventories	5,789	3,317	370	212
Total	236,107	434,412	15,090	27,764

Inventories are shown at their carrying values (cost value) net of allowance. As of 30 September 2009 allowances for slow-moving raw materials amounted to EEK 9,904 thousand (EUR 633 thousand) as compared to EEK 9,779 thousand (EUR 625 thousand) as of 31 December 2008. Allowance for slow-moving finished goods amounted to EEK 6,290 thousand (EUR 402 thousand) as of 30 September 2009 EEK 16,492 thousand (EUR 1,054 thousand) as of 31 December 2008). In addition, the value of finished goods was decreased by EEK 422 thousand (EUR 27 thousand) based on the assessment of their net realizable value as of 30 September 2009. There were no inventories carried at fair value less cost to sell as of 30 September 2009 (no change from 2008).

Note 4. Trade receivables

	30.09.2009	31.12.2008	30.09.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Trade receivables	134,921	172,128	8,623	11,001
Allowance for uncollectible accounts	-4,522	-4,115	-289	-263
Total	130,399	168,013	8,334	10,738

Trade and other accounts receivable are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition trade and other receivables are measured at amortized cost using the effective interest method. Short-term accounts receivable, which are non-interest bearing, are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss, when there is objective evidence that the asset is impaired.

Note 5. Other receivables

Other short term receivables

	30.09.2009	31.12.2008	30.09.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Due from customers for contract work	188	532	12	34
Loans to companies	1,643	2,002	105	128
Employees receivables	548	2,034	35	130
VAT on unpaid invoices	14,488	14,098	926	901
Guarantee sums withhold	7,229	11,782	462	753
Other receivables	3,818	11,829	244	756
Allowance for impaired receivables	-6,024	0	-385	0
Total	21,890	42,277	1,399	2,702

Other long term receivables

	30.09.2009	31.12.2008	30.09.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Deferred tax asset	16,867	8,574	1,078	548
PTA Holding OÜ receivable	7,949	0	508	0
PTA Grupp AS	1,518	0	97	0
Loan to shareholders	20,356	15,333	1,301	980
Other long term receivables	3,254	2,144	208	137
Allowance for impaired receivables	-20,356	0	-1,301	0
Total	29,588	26,051	1,891	1,665

Note 6. Prepayments

	30.09.2009	31.12.2008	30.09.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Prepayments to suppliers	9,591	49,209	613	3,145
Total	9,591	49,209	613	3,145

Prepayments include prepaid insurance premiums, rent expenses, lease charges, newspaper and magazine subscriptions, IT service charges, prepayments to suppliers and other prepayments.

Note 7. Cash and cash equivalents

	30.09.2009	31.12.2008	30.09.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Cash on hand	892	1,831	57	117
Bank accounts, kroons	16	720	4	46
Bank accounts, foreign currencies	23,391	38,584	1,492	2,466
Cash in transit	138,441	8,246	240	527
Short-term deposits	3,755	32,748	8,848	2,093
Total	166,495	82,129	10,641	5,249

Note 8. Loans and borrowings

The Group has the following debts as of 30 September 2009:

	Short-term EEK thousand	Long-term EEK thousand	Short-term EUR thousand	Long-term EUR thousand	Currency	Interest rate	Year of maturity
OAo Belarusbank	250	0	16	0	BYR	25%	2009
OAo Belarusbank	986	0	63	0	BYR	25%	2010
OAo Belvnesheconombank	360	0	23	0	BYR	23%	2010
Minsk Transit Bank	1,752	0	112	0	BYR	23%	2010
Minsk Transit Bank	798	0	51	0	EUR	19%	2010
Swedbank Lt	610	0	39	0	LTL	11.78%	2009
Nordea bank	1,001	4,319	64	276	EUR	Euribor 3m +4%	2013
AS UniCredit bank	22,500	0	1,438	0	EUR	+1.65%	2010
Financial lease payables	892	0	57	0	EUR	13%	2010
Financial lease payables	1,988	6,399	127	409	EUR	13%	2013
Financial lease payables	125	156	8	10	USD	14.5%	2012
Financial lease payables	78	173	5	11	EUR	14%	2010
Total	31,340	11,047	2,003	706			

Loan Collateral

The credit line provided to AS Lauma Lingerie by AS Unicredit Bank in Latvia is secured with movable assets of AS Lauma Lingerie for the book value of EEK 58,675 thousand (EUR 3,750 thousand) and a guarantee from AS Silvano Fashion Group. The loans provided to OAO Junona by OAO Belarusbank are secured by fixed assets of OAO Junona for the book value of EEK 8,199 thousand (EUR 524 thousand) and the loans provided to SP Gimil OOO by OAO Belvnesheconombank and Minsk Transit Bank are secured by finished goods for the book value of EEK 3,082 thousand (EUR 197 thousand).

The Group had the following debts as of 31 December 2008:

	Short-term EEK thousand	Long-term EEK thousand	Short-term EUR thousand	Long-term EUR thousand	Currency	Interest rate	Year of maturity
AKB Belrosbank	8,136	0	520	0	BYR	25%	2009
AKB Belrosbank	7,635	0	488	0	BYR	17-24.56%	2009
						Libor 6m	
OAO Priorbank	21,905	0	1,400	0	EUR	+7.63%	2009
Milavitsa ZAO MTB	10,170	0	650	0	EUR	13%	2009
Minsk Transit Bank	2,300	0	147	0	BYR	17%	2010
Hansabankas	908	0	58	0	EUR	7.94-8.67%	2009
						6 months	
Sampo Pank AS	7,792	11,093	498	709	EUR	Euribor+1.1%	2010
Sampo Pank AS	13,409	0	857	0	EUR	6%	2009
						3 months	
AS Unicredit bank	36,550	0	2,336	0	EUR	Euribor+1.65%	2009
Financial lease payables	438	0	28	0	EUR	10.5%	2009
Financial lease payables	1,220	516	78	33	EUR	13%	2010
Financial lease payables	798	0	51	0	EUR	10.5%	2009
Financial lease payables	1,628	5,696	104	364	EUR	13%	2013
Financial lease payables	360	266	23	17	EUR	14%	2010
						6 months	
Financial lease payables	141	250	9	16	EEK	Euribor+2.5%	2011
Financial lease payables	78	282	5	18	EEK	5.62%	2013
					EEK		2010-
Financial lease payables	78	94	5	6		8-9%	2011
Other borrowings	2,708	0	173	0	BYR	6-13%	2009
Total	116,254	18,197	7,430	1,163			

Note 9. Other payables

Other short term payables

	30.09.2009 EEK thousand	31.12.2008 EEK thousand	30.09.2009 EUR thousand	31.12.2008 EUR thousand
Customers prepayments for goods and services	3,708	5,633	237	360
Payables to employees	10,483	15,021	670	960
Interest and other accruals	0	203	0	13
Other payables	1,675	6,727	107	430
Total	15,866	27,584	1,014	1,763

Note 10. Earnings per share

	2009	2008
	9 months	9 months
Number of ordinary shares as of January 1 (Qty)	40,000,000	40,000,000
Own shares as of January 1	393,000	0
Number of ordinary shares as of September 30 (Qty)	40,000,000	40,000,000
Own shares as of September 30	393,000	0
Weighted average number of ordinary shares (Qty)	39,607,000	40,000,000

	2009	2009	2009	2008	2008	2008
	9 months	9 months	9 months	9 months	9 months	9 months
	Contin-	Discontin-	Total	Contin-	Discontin-	Total
	uing	ued		uing	ued	
	operations	operations		operations	operations	
Profit for the period, EEK thousands	-7,683	-36,034	-43,717	47,112	-6,540	40,572
Profit for the period, EUR thousands	-491	-2,303	-2,794	3,011	-418	2,593
Basic earnings per share (EEK)	-0.19		-1.10	1.18		1.01
Basic earnings per share (EUR)	-0.01		-0.07	0.08		0.07
Diluted earnings per share (EEK)	-0.19		-1.10	1.18		1.01
Diluted earnings per share (EUR)	-0.01		-0.07	0.08		0.07

The diluted earnings per share in the 9 months of 2009 per share do not differ from the basic earnings per share, because Silvano Fashion Group AS does not have the financial instruments to allow for diluting the earnings per share in the future.

Note 11. Owners' equity

Shares

As of 30 September 2009 share capital of AS Silvano Fashion Group amounted to EEK 400,000 thousand (EUR 25,565 thousand), which is divided into 40,000,000 shares with a nominal value of EEK 10 (EUR 0.64) each. All the shares of AS Silvano Fashion Group are ordinary shares and all are registered. Each ordinary share gives the shareholder one vote at the general meeting. No share certificates are issued for registered shares. The share register is electronic and maintained at the Estonian Central Depository for Securities.

The extraordinary general meeting of shareholders of Silvano Fashion Group held on 6 October 2008 authorized the buyback of AS Silvano Fashion Group's own shares under the following conditions: SFG is entitled to buy back its own shares within one year as of the resolution of the general meeting of the shareholders, the total nominal value of own shares to be bought back by SFG may not exceed 10% of total share capital of SFG, the maximum price payable by SFG for one share will be EEK 54.77 (EUR 3.50), the maximum amount payable by SFG for its own shares is EEK 46,940 thousand (EUR 3,000 thousand), own shares will be paid for with assets exceeding the share capital, compulsory reserves and share premium.

The buyback programme ended on 6 October 2009, and the final amount of shares bought back was 393,000. The average price per share was 1.15 EUR and the total cost was 450,106 EUR.

The minimum share capital and maximum share capital of AS Silvano Fashion Group amount to EEK 250,000 thousand (EUR 15,978 thousand) and EEK 1,000,000 thousand (EUR 63,912 thousand) respectively (the maximum number of shares is 100,000 thousand). All issued shares have been paid for.

As of 30 September 2009 AS Silvano Fashion Group had 1,070 shareholders.

As of 30 September 2009 shareholders whose interest in AS Silvano Fashion Group exceeded 1% included:

Name	Number of shares	Shareholding
Major shareholders	36,389,662	90.97%
SEB PANK AS CLIENTS	19,773,859	49.43%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	7,535,676	18.84%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	4,295,456	10.74%
ALTA CAPITAL PARTNERS S.C.A, SICAR	1,864,286	4.66%
SIA ALTA CAPITAL PARTNERS	1,300,000	3.25%
UNICREDIT BANK AUSTRIA AG	1,064,185	2.66%
TRIGON UUS EUROOPA VÄIKEETTEVÕTETE FOND	556,200	1.39%
Other shareholders	3,610,338	9.03%
Total number of shares	40 000 000	100.0%

As of 31 December 2008 AS Silvano Fashion Group had 1,021 shareholders.

As of 31 December 2008 shareholders whose interest in AS Silvano Fashion Group exceeded 1% included:

Name	Number of shares	Shareholding
Major shareholders	36,053,934	90.1%
NORDEA BANK FINLAND PLC / NON RESIDENT LEGAL ENTITIES	14,086,573	35.2%
Krajowy Depozyt Papierow Wartoosciowych S.A.[J]	6,453,884	16.1%
SEB PANK AS NON-RESIDENT RETAIL CLIENTS	5,127,682	12.8%
Skandinaviska Enskilda Banken Ab Clients	4,151,726	10.4%
ALTA CAPITAL PARTNERS S.C.A, SICAR	1,864,286	4.7%
SIA ALTA CAPITAL PARTNERS	1,775,000	4.4%
UNICREDIT BANK AUSTRIA AG	1,354,520	3.4%
AS HANSAPANK	784,063	2.0%
TRIGON UUS EUROOPA VÄIKEETTEVÕTETE FOND	456,200	1.1%
Other shareholders	3,946,066	9.9%
Total number of shares	40,000,000	100.0%

Under § 185 of the Estonian Securities Market Act (SMA), any person acquiring, directly or indirectly, alone or together with other persons acting in concert, acquires or increases participation in a share issuer to 5, 10, 15, 20, 25 or 50 per cent, or 1/3 or 2/3 of all votes represented by shares, he must notify the issuer of the number of votes belonging to it immediately, but not later than within four trading days. The same applies to the reduction of participation below the aforementioned thresholds. Under § 186 of the SMA, the issuer must publish the above information immediately, but not later than within three trading days of receipt.

Because under the SMA, the allocation of voting rights does not necessarily coincide with legal ownership, the shareholders' register of the Company may not include all persons who hold over 5% of voting rights represented by its shares. In particular:

- Pioneer Pekao Investment Management SA notified the Company that it controls 10.16% of votes represented by its shares and no notification is received from Pioneer Pekao Investment Management SA on the reduction of its participation in the votes represented by the Company's shares;
- No notification is received from SIA Alta Capital Partners on the reduction of its participation in the votes represented by the Company's shares.

Based on the above, the Company deems Pioneer Pekao Investment Management SA to hold over 10% of the Company's shares, and SIA Alta Capital Partners to hold (directly and indirectly) over 50% of the Company's shares.

Information about Shares

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

During the 9 months of 2009, the highest and lowest prices of the Company's on the Tallinn Stock Exchange were EEK 13.30 (EUR 0.85) and EEK 3.13 (EUR 0.20), respectively. During the 9 months of 2008, the highest and lowest prices of the Company's share on the Tallinn Stock Exchange were EEK 68.06 (EUR 4.35) and EEK 21.59 (EUR 1.38), respectively.

The average price (arithmetic average based on daily closing prices) of the Company's share on the Tallinn Stock Exchange in 9 months 2009 was 6.57 EEK (0.42 EUR), compared to 44.46 EEK (2.84 EUR) in 9 months 2008.

Share price development and turnover on the Tallinn Stock Exchange in 9 months 2009 (EEK)



Legal Reserve

The Company has established a legal reserve pursuant to the Estonian 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 amount of the legal reserve is 1/10 of the share capital.

Note 12. Sales revenue

	9 months 2009	9 months 2008	9 months 2009	9 months 2008
	EEK	EEK	EUR	EUR
	thousand	thousand	thousand	thousand
		(restated)		(restated)
Sales revenue from continuing operations				
Income from retail sale	221,415	266,211	14,151	17,014
Income from wholesale	671,161	960,357	42,895	61,378
Subcontracting and services	4,522	3,536	289	226
Other sales	1,001	13,644	64	872
Total sales revenue	898,099	1,243,748	57,399	79,490

Sales revenue by countries is presented in Note 14.

Note 13. 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:

- SIA Alta Capital Partners and individuals with a shareholding that provides them with control or significant influence;
- members of the governing bodies (management and supervisory boards) of shareholders that have control or significant influence;
- 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.

	9 months 2009 EEK thousand	9 months 2008 EEK thousand	9 months 2009 EUR thousand	9 months 2008 EUR thousand
Sales of goods and services				
Companies related to the shareholders	2,347	0	150	0
Associated companies	129,757	260,145	8,293	17,343
Total purchases	132,104	260,145	8,443	17,343

	9 months 2009 EEK thousand	9 months 2008 EEK thousand	9 months 2009 EUR thousand	9 months 2008 EUR thousand
Purchase of goods and services				
Companies related to the shareholders	88,544	140,319	5,659	8,968
Total purchases	88,544	140,319	5,659	8,968

	9 months 2009 EEK thousand	9 months 2008 EEK thousand	9 months 2009 EUR thousand	9 months 2008 EUR thousand
Loans to shareholders				
Opening balance, including accrued interest	15,772	626	1,008	40
Given	0	44,593	0	2,850
Repaid	0	-29,885	0	-1,910
Calculated interest	4,584	438	293	28
Provision	-20,356	0	-1,301	0
Closing balance, including accrued interest	0	15,772	0	1,008

In the period January – April 2008 the Group issued a loan in the amount of EEK 44,593 thousand (EUR 2,850 thousand) to investment fund Alta Capital Partners. Based on the management's view of the likelihood of the recovery of the loan balance a provision for principal balance and accrued interest was created as at 31 March 2009 in the amount of EEK 15,772 thousand (EUR 1,008 thousand). Additional interest and delayed penalties income related to the loan was recognized as interest income in the amount of EEK 4,584 thousand (EUR 293 thousand) in 9M 2009 and were immediately fully provided. The expenses related to the provision have been recognized in "other operating expenses" in 9 months 2009.

	30.09.2009 EEK thousand	31.12.2008 EEK thousand	30.09.2009 EUR thousand	31.12.2008 EUR thousand
Balances with related parties				
Companies related to the shareholders	24,722	-28,602	1,580	-1,828
Total current liabilities	24,722	-28,602	1,580	-1,828

	30.09.2009 EEK thousand	31.12.2008 EEK thousand	30.09.2009 EUR thousand	31.12.2008 EUR thousand
Balances with related parties				
Companies related to the shareholders	469	0	30	0
Associated companies	46,925	22,860	2,999	1,461
Total trade and other receivables	47,394	22,860	3,029	1,461

	9 months 2009 EEK thousand	9 months 2008 EEK thousand	9 months 2009 EUR thousand	9 months 2008 EUR thousand
Benefits to members of the management board				
Remuneration and benefits	6,384	4,350	408	278
Total	6,384	4,350	408	278

Note 14. Operating segments

The Group has two reportable segments – lingerie wholesale and retail. Both segments are managed separately since each requires different business models. For each of the segments the management board reviews internal management reports on at least a quarterly basis.

The following summary describes the operations of the Group's reportable segments:

- Women's lingerie wholesale. Includes purchasing, production and distribution of women's lingerie through external wholesale customers whose ultimate sales are made to their regional retail customers or own franchise network.
- Women's lingerie retail. Includes purchasing of women's lingerie from companies within the Group and subsequent sale through own retail network.
- Other operating segments. Include rental services, subcontracting and other services, sales of merchandise. In addition, the financial results of the Group's parent company (AS Silvano Fashion Group) are included in "other operating segments" (mainly investment operations). None of these segments meet any of the quantitative thresholds for determining reportable segments in 2009 or 2008.

There is a strong integration between wholesale and retail segments mainly through sales of goods from wholesale segment for subsequent resale in own retail. The accounting policies of reportable segments are the same. Information regarding the results of each reportable segment is included below. Performance is measured based on segment earnings before interest, tax, depreciation and amortisation (EBITDA), as included in the internal management reports that are reviewed by the management board. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segment relative to other entities that operate within the industry.

a) Operating segments, 9 months 2009, EEK

	Lingerie retail	Lingerie wholesale	Other operating segments	Apparel (discontinued operations)	Total	Less discontinued operations	Eliminations	Continuing operations
	9 months 2009 EEK thousand	9 months 2009 EEK thousand	9 months 2009 EEK thousand	9 months 2009 EEK thousand	9 months 2009 EEK thousand	9 months 2009 EEK thousand	9 months 2009 EEK thousand	9 months 2009 EEK thousand
Revenue from external customers	221,415	671,161	5,523	78,593	976,692	-78,593	0	898,099
Intersegment revenues	0	167,247	7,964	0	175,211	0	-175,211	0
EBITDA	-51,744	170,596	-28,978	-7,464	82,410	7,464	0	89,874
Amortization and depreciation	-8,261	-17,681	-751	-3,614	-30,307	3,614	0	-26,693
Operating income/loss, EBIT	-60,005	152,915	-29,729	-11,078	52,103	11,078	0	63,181
Interest in the profit or loss of equity accounted investees	0	-626	328	0	-298	0	0	-298
Financial items, net	-21,420	30,135	814	-1,314	8,215	1,314	0	9,529
Income tax	-2,942	-56,609	-2,144	203	-61,492	-203	0	-61,695
Loss on sale of discontinued operations	0	0	0	0	-23,845	23,845	0	0
Net income	-84,367	125,815	-30,731	-12,189	-25,317	36,034	0	10,717
Investments in associate and other joint ventures	0	1,471	735	0	2,206	0	0	2,206
Other operating segment assets	123,608	683,224	34,454	0	841,286	0	0	841,286
Reportable segment liabilities	48,679	138,241	25,960	0	212,880	0	0	212,880
Impairment of assets	14,410	3,239	0	642	18,291	-642	0	17,649
Expenditures for reportable segment non-current assets	14,192	11,516	2,113	4,600	32,421	-4,600	0	27,821
Number of employees as at reporting date	522	2,664	11	409	3,606	-409	0	3,197

a) Operating segments, 9 months 2009, EUR

	Lingerie retail	Lingerie wholesale	Other operating segments	Apparel (discontinued operations)	Total	Less discontinued operations	Eliminations	Continuing operations
	9 months 2009 EUR thousand	9 months 2009 EUR thousand	9 months 2009 EUR thousand	9 months 2009 EUR thousand	9 months 2009 EUR Thousand	9 months 2009 EUR thousand	9 months 2009 EUR thousand	9 months 2009 EUR thousand
Revenue from external customers	14,151	42,895	353	5,023	62,422	-5,023	0	57,399
Intersegment revenues	0	10,689	509	0	11,198	0	-11,198	0
EBITDA	-3,307	10,903	-1,852	-477	5,267	477	0	5,744
Amortization and depreciation	-528	-1,130	-48	-231	-1,937	231	0	-1,706
Operating income/loss, EBIT	-3,835	9,773	-1,900	-708	3,330	708	0	4,038
Interest in the profit or loss of equity accounted investees	0	-40	21	0	-19	0	0	-19
Financial items, net	-1,369	1,926	52	-84	525	84	0	609
Income tax	-188	-3,618	-137	13	-3,930	-13	0	-3,943
Loss on sale of discontinued operations	0	0	0	0	-1,524	1,524	0	0
Net income	-5,392	8,041	-1,964	-779	-1,618	2,303	0	685
Investments in associate and other joint ventures	0	94	47	0	141	0	0	141
Other operating segment assets	7,900	43,666	2,202	0	53,768	0	0	53,768
Reportable segment liabilities	3,111	8,835	1,659	0	13,605	0	0	13,605
Impairment of assets	921	207	0	41	1,169	-41	0	1,128
Expenditures for reportable segment non-current assets	907	736	135	294	2,072	-294	0	1,778
Number of employees as at reporting date	522	2,664	11	409	3,606	-409	0	3,197

a) Operating segments, 9 months 2008, EEK

	Lingerie retail	Lingerie wholesale	Other operating segments	Apparel (discontinued operations)	Total	Less discontinued operations	Eliminations	Continuing operations
	9 months 2008 EEK thousand (restated)	9 months 2008 EEK thousand (restated)	9 months 2008 EEK thousand (restated)	9 months 2008 EEK thousand (restated)	9 months 2008 EEK thousand (restated)	9 months 2008 EEK thousand (restated)	9 months 2008 EEK thousand (restated)	9 months 2008 EEK thousand (restated)
Revenue from external customers	266,211	960,357	17,180	133,747	1,377,495	-133,747	0	1,243,748
Intersegment revenues	0	175,570	0	25,097	200,667	-25,097	-175,570	0
EBITDA	-6,697	212,341	-8,606	-1,392	195,646	1,392	0	197,038
Amortization and depreciation	-9,466	-22,140	-657	-4,757	-37,020	4,757	0	-32,263
Operating income/loss, EBIT	-16,163	190,201	-9,263	-6,149	158,626	6,149	0	164,775
Interest in the profit or loss of equity accounted investees	0	2,378	0	0	2,378	0	0	2,378
Financial items, net	-8,903	-11,641	12,064	-391	-8,871	391	0	-8,480
Income tax	-2,706	-70,504	-1,393	0	-74,603	0	0	-74,603
Net income	-27,772	110,434	1,408	-6,540	77,530	6,540	0	84,070
Investments in associate and other joint ventures	0	3,317	0	0	3,317	0	0	3,317
Other operating segment assets	254,492	833,651	85,587	86,432	1,260,162	-86,432	0	1,173,730
Reportable segment liabilities	233,919	141,792	-154,961	68,080	288,830	-68,080	0	220,750
Impairment of assets	0	0	0	47	47	-47	0	0
Expenditures for reportable segment non-current assets	19,667	27,788	861	12,048	60,364	-12,048	0	48,316
Number of employees as at reporting date	885	2,588	21	585	4,079	-585	0	3,494

a) Operating segments, 9 months 2008, EUR

	Lingerie retail	Lingerie wholesale	Other operating segments	Apparel (discontinued operations)	Total	Less discontinued operations	Eliminations	Continuing operations
	9 months 2008 EUR thousand (restated)	9 months 2008 EUR thousand (restated)	9 months 2008 EUR thousand (restated)	9 months 2008 EUR thousand (restated)	9 months 2008 EUR thousand (restated)	9 months 2008 EUR thousand (restated)	9 months 2008 EUR thousand (restated)	9 months 2008 EUR thousand (restated)
Revenue from external customers	17,014	61,378	1,098	8,548	88,038	-8,548	0	79,490
Intersegment revenues	0	11,221	0	1,604	12,825	-1,604	-11,221	0
EBITDA	-428	13,571	-550	-89	12,504	89	0	12,593
Amortization and depreciation	-605	-1,415	-42	-304	-2,366	304	0	-2,062
Operating income/loss, EBIT	-1,033	12,156	-592	-393	10,138	393	0	10,531
Interest in the profit or loss of equity accounted investees	0	152	0	0	152	0	0	152
Financial items, net	-569	-744	771	-25	-567	25	0	-542
Income tax	-173	-4,507	-88	0	-4,768	0	0	-4,768
Net income	-1,775	7,057	91	-418	4,955	418	0	5,373
Investments in associate and other joint ventures	0	212	0	0	212	0	0	212
Other operating segment assets	16,265	53,280	5,470	5,524	80,539	-5,524	0	75,015
Reportable segment liabilities	14,950	9,062	-9,904	4,351	18,459	-4,351	0	14,108
Impairment of assets	0	0	0	3	3	-3	0	0
Expenditures for reportable segment non-current assets	1,257	1,776	55	770	3,858	-770	0	3,088
Number of employees as at reporting date	885	2,588	21	585	4,079	-585	0	3,494

b) Geographical segments

	Sales revenue 9 months 2009 EEK thousand	Sales revenue 9 months 2008 EEK thousand (restated)	Non-current assets 30/09/2009 EEK thousand	Non-current assets 30.09.2008 EEK thousand
Russia	519,639	728,333	32,905	60,646
Belarus	240,066	266,806	197,961	245,605
Baltics	45,062	62,665	11,954	66,748
Ukraine	47,847	97,165	0	0
Other countries	45,485	88,779	6,650	1,831
Total	898,099	1,243,748	249,470	374,830

	Sales revenue 9 months 2009 EUR thousand	Sales revenue 9 months 2008 EUR thousand (restated)	Non-current assets 30/09/2009 EUR thousand	Non-current assets 30.09.2008 EUR thousand
Russia	33,211	46,549	2,103	3,876
Belarus	15,343	17,052	12,652	15,697
Baltics	2,880	4,005	764	4,266
Ukraine	3,058	6,210	0	0
Other countries	2,907	5,674	425	117
Total	57,399	79,490	15,944	23,956

Note 15. Discontinued operations

On 30 September 2009 the Group closed the transaction for the sale of all shares in AS PTA Grupp held by the Group. According to the requirements of the International Financial Reporting Standards, the PTA operations (apparel business line) are regarded as discontinued operations for the purposes of financial reporting. The impact of sale of the PTA on the Group's financial performance and position is disclosed below.

Results from discontinued operations

	9 months 2009 EEK thousand	9 months 2008 EEK thousand (restated)	9 months 2009 EUR thousand	9 months 2008 EUR thousand (restated)
Revenue	78,593	158,844	5,023	10,152
Expenses	-90,985	-165,384	-5,815	-10,570
Results from operating activities	-12,392	-6,540	-792	-418
Income tax	203	0	13	0
Results from operating activities net of tax	-12,189	-6,540	-779	-418
Loss on sale of discontinued operations	-23,845	0	-1,524	0
Loss for the period	-36,034	-6,540	-2,303	-418

Cash flow (used in) discontinued operations

	9 months 2009 EEK thousand	9 months 2008 EEK thousand	9 months 2009 EUR thousand	9 months 2008 EUR thousand
Net cash used in operating activities	1,815	-4,318	116	-276
Net cash from investing activities	-2,112	-11,359	-135	-726
Net cash from financing activities	-1,893	14,098	-121	901
Net cash from (used in) discontinued operations	-2,190	-1,579	-140	-101

Effect of disposal on the financial position of the Group

	30.06.2009	30.06.2009
	EEK thousand	EUR thousand
Property, plant, equipment and intangible assets	23,360	1,493
Inventories	53,402	3,413
Trade and other receivables	22,390	1,431
Cash and cash equivalents	2,441	156
Trade and other payables	-37,724	-2,411
Loans and borrowings	-31,606	-2,020
Net assets and liabilities	32,263	2,062
Consideration received, satisfied in cash	0	0
Cash disposed off	-2,441	-156
Net cash flow	-2,441	-156