

■ Silvano Fashion Group ■



Consolidated interim report for Q4 and 12 months of 2009



■ Silvano Fashion Group ■

COMPANY PROFILE

| | |
|---------------------|----------------------------------------------------------------------|
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| Website | www.silvanofashion.com |
| Core activities | Design, manufacturing and distribution of women's lingerie |
| Auditor | KPMG Baltics AS |

Contents

| | |
|--------------------------------------------------------------------------------------------------------------------------------------|----|
| Management Report..... | 4 |
| General information and approval of the management board for the consolidated interim report for Q4 2009 and 12 months of 2009 | 13 |
| Consolidated statement of financial position | 15 |
| Consolidated statement of comprehensive income for 2009..... | 16 |
| Consolidated statement of comprehensive income for Q4 2009..... | 18 |
| Consolidated statement of cash flows | 20 |
| Consolidated statement of changes in equity | 21 |
| Accounting methods and valuation principles used for preparing the consolidated interim report | 23 |
| Notes on the consolidated interim report | 24 |
| Note 1. Property, plant and equipment..... | 24 |
| Note 2. Intangible assets | 27 |
| Note 3. Inventories..... | 29 |
| Note 4. Trade receivables..... | 29 |
| Note 5. Other receivables..... | 29 |
| Note 6. Prepayments | 30 |
| Note 7. Cash and cash equivalents | 30 |
| Note 8. Loans and borrowings | 30 |
| Note 9. Other payables | 31 |
| Note 10. Earnings per share | 32 |
| Note 11. Owners' equity | 32 |
| Note 12. Sales revenue..... | 34 |
| Note 13. Transactions with related parties | 34 |
| Note 14. Operating segments | 36 |
| Note 15. Discontinued operations | 41 |

Management Report

Business results

Q4 followed after the high season in Q2 and Q3 and the business results were in line with the management expectations. Q4 2009 sales from continuing operations demonstrated a 20.8% seasonal decrease as compared to Q3 2009 and 22.6% decrease as compared to the respective period in the previous year.

Major markets showed signs of stabilization although signs of growth are still lacking. Local currencies, including Ukrainian Hryvnia, have stabilized against EUR and USD. Russian rouble strengthened against EUR and USD. The opinion of the management of the Group is that after a significant drop in 2008 the markets have entered into the stabilization phase and that consumers have adjusted their purchasing patterns to the new market conditions; however, based on Q4 2009 sales level the management does not foresee significant growth of sales in 2010 limiting the expectation to 5-8% growth for 2010.

In Q4 2009 retail operations in Belarus demonstrated an increase of 44.0% in local currency terms and a decrease of 0.6% in EUR terms as compared to Q4 2008. The Group saw a like-for-like increase in retail sales in Russia of 5.8% in local currency terms and a decrease of 12.4% in EUR terms as compared to the respective period in 2008. Lauma Lingerie's sales in the Baltic countries decreased by 50.5 % as compared to Q4 2008.

At the end of the reporting period the Group and its franchising partners operated over 310 Milavitsa and other lingerie outlets, including 64 stores operated directly by the Group and the rest by franchising partners. The Group's retail focus has been shifted towards the promotion and support of franchising in cooperation with existing and new partners. In Q4 2009, the Group continued restructuring its own retail business in Russia and the Baltics.

Financial performance

The Group's sales from continuing operations amounted to EEK 1,158,537 thousand (EUR 74,044 thousand) in 2009, representing a 26.7% decline as compared to the previous year. Overall wholesale sales from continuing operations decreased by 26.8% and retail sales from continuing operations presented a decrease of 24.4%. The proportion of retail sales in total sales increased by 0.7% and reached 23.3% of total sales in 2009. The Group's sales from continuing operations in Q4 2009 amounted to EEK 260,438 thousand (EUR 16,645 thousand), a decrease of 22.6% as compared to the previous year.

The Group's gross margin from continuing operations in 2009 increased and was 43.5%, as compared to 41.0% in the previous year. One-off adjustments related to restructuring of Russian operations increased cost of goods sold in 2009 and amounted to EEK 6,572 thousand (EUR 420 thousand). As the result, normalized gross margin amounted to 44.0% demonstrating a slight increase in profitability as compared to 2008. 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 Belarusian Rouble on production costs.

The consolidated operating profit from continuing operations amounted to EEK 60,443 thousand (EUR 3,863 thousand), representing a 17.0% increase compared to the year 2008. The consolidated operating margin from continuing operations was 5.2% (3.3% in 2008). The operating profit and the operating margin were adversely influenced by one-off expenses in 2009 and 2008.

In 2009, the Group continued with the restructuring of Russian retail operations. One-off expenses related to the restructuring of Russian operations in 2009 amounted to EEK 53,167 thousand (EUR 3,398 thousand), including EEK 13,863 thousand (EUR 886 thousand) in Q1 2009, EEK 18,353 thousand (EUR 1,173 thousand) in Q2 2009, EEK 7,072 thousand (EUR 452 thousand) in Q3 2009 and EEK 13,879 thousand (EUR 887 thousand) in Q4 2009 and partially related to initiatives started in prior periods. The Group will finalize closing or transfer of inefficient stores to franchise partners in H1 2010. Restructuring provisions to cover future restructuring losses related to Russian retail chain amounted to EEK 2,425 thousand (EUR 155 thousand) as at 31 December 2009. The operating loss of the Russian retail operations in 2009 was EEK 103,440 thousand (EUR 6,611 thousand), including one-off expenses amounting to EEK 53,167 thousand (EUR 3,398 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 2009. The management will continue actions to recover the loan balance.

In total one-off continuing operating losses related to the restructuring of Russian operations and the provisioning of a loan amounted to EEK 73,523 thousand (EUR 4,699 thousand) in 2009 (total normalization adjustments amounted to EEK 83,130 thousand (EUR 5,313 thousand) in 2008). As the result, consolidated normalised operating profit from continuing operations amounted to EEK 133,966 thousand (EUR 8,562 thousand) for the

year 2009, representing a 0.6% decline as compared to 2008. The consolidated normalised operating margin from continuing operations reached 11.6% (8.5% in 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 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 15,208 thousand (EUR 972 thousand) in 2009. SP ZAO Milavitsa accrued a foreign exchange gain in the amount of EEK 37,356 thousand (EUR 2,388 thousand) that was caused partially 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 54,888 thousand (EUR 3,508 thousand) against EEK 87,777 (EUR 5,610 thousand) in the previous year and effective tax rate for the Group decreased significantly, though still remaining high. In Q4 2009 the Group recognized a deferred tax asset in its largest subsidiary in the amount of EEK 18,119 thousand (EUR 1,158 thousand) and fully provided a deferred tax asset in a Russian retail company in the amount of EEK 8,574 thousand (EUR 548 thousand). Income tax expense in 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).

For the year 2009, consolidated net loss from continuing operations attributable to equity holders amounted to EEK 2,582 thousand (EUR 165 thousand), compared to net loss of EEK 111,091 thousand (EUR 7,100 thousand) in 2008 (Note 10); net margin from continuing operations attributable to equity holders was -0.2% (up from a negative margin of 7.0% in 2008). In Q4 2009, consolidated net profit from continuing operations attributable to equity holders amounted to EEK 5,100 thousand (EUR 326 thousand) and demonstrated a considerable growth compared to the loss of EEK 157,984 (EUR 10,097 thousand) in the previous year; net margin from continuing operations attributable to equity holders was 2.0% against negative margin of 46.9% in Q4 2008.

Consolidated normalised net profit from continuing operations attributable to equity holders (excluding one-off expenses in the amount of EEK 73,523 thousand (EUR 4,699 thousand)) amounted to EEK 64,387 thousand (EUR 4,115 thousand), compared to net loss of EEK 31,415 thousand (EUR 2,008 thousand) in 2008 (one-off expenses in 2008 amounted to EEK 83,130 thousand (EUR 5,313 thousand)); normalised net margin from continuing operations was 5.6% (-2.0% in 2008).

In 2009, the Group’s return on equity was negative and amounted to -6.8% (-17.3% in 2008) and return on assets was -3.8% (-10.4% in 2008).

Financial position

As of 31 December 2009 consolidated assets amounted to EEK 850,423 thousand (EUR 54,352 thousand) representing a decrease of 29.6% 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 33.4% in 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 and UAB “Linret LT” in November 2009, the financial position of PTA and UAB “Linret LT” are not consolidated as of 31 December 2009, causing a further decrease in the assets of the Group.

Property, plant and intangibles balances decreased by EEK 132,448 thousand (EUR 8,465 thousand) as compared to 31 December 2008, the key reason being the impact of the foreign exchange rate in the amount of EEK 60,102 thousand (EUR 3,841 thousand) and the sale of PTA and UAB “Linret LT” in the amount of EEK 25,674 thousand (EUR 1,641 thousand).

Trade receivables decreased by EEK 36,395 thousand (EUR 2,326 thousand) as compared to 31 December 2008 and amounted to EEK 131,618 thousand (EUR 8,412 thousand) as of 31 December 2009. Payment discipline of

AS Silvano Fashion Group Consolidated Interim Report for Q4 and 12 months of 2009

key customers in Russia improved during 2009. Inventory balance decreased by EEK 168,123 thousand (EUR 10,745 thousand) and amounted to EEK 266,289 thousand (EUR 17,019 thousand) as of 31 December 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 33.4% in 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 128,453 thousand (EUR 8,209 thousand) for the year. On the overall basis, equity attributable to equity holders decreased by EEK 151,391 thousand (EUR 9,675 thousand) and amounted to EEK 489,856 thousand (EUR 31,308 thousand) as of 31 December 2009.

Current liabilities decreased by EEK 186,532 thousand (EUR 11,922 thousand) in 2009, in line with management expectations.

The liquidity position of the Group improved in 2009 with respect to the total balance of borrowings and related maturities. Current and non-current loans and borrowings decreased by EEK 106,209 thousand (EUR 6,788 thousand) to EEK 28,242 thousand (EUR 1,805 thousand) as of 31 December 2009. Loans received and loans repaid in 2009 amounted to EEK 102,609 thousand (EUR 6,558 thousand) and EEK 177,338 thousand (EUR 11,334 thousand) respectively, including finance lease liabilities repaid in the amount of EEK 13,722 thousand (EUR 877 thousand). PTA loan balance in the amount of EEK 31,606 thousand (EUR 2,020 thousand) was eliminated from the consolidated financial position as the result of the PTA sales transaction. However, as at the date of disposal PTA had two loans and an overdraft from Danske Bank A/S Estonian branch outstanding which were secured by a surety provided by SFG. The surety agreement was not terminated after the PTA sales transaction and the balance of loans and credit line amounted to EEK 23,423 thousand (EUR 1,497 thousand) as of 31 December 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. In January 2010 a credit line facility of Lauma Lingerie with Unicredit Bank in Latvia was prolonged, decreasing the available facility's limit with the bank from EEK 21,905 thousand (EUR 1,400 thousand) to EEK 17,211 thousand (EUR 1,100 thousand) until 31 March 2010 and to EEK 15,647 thousand (EUR 1,000 thousand) until 30 April 2010. 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 45,461 thousand (EUR 2,905 thousand). Provisions amounted to EEK 26,724 thousand (EUR 1,708 thousand) as of 31 December 2009 and included provisions for the restructuring of Russian retail operations in the amount of EEK 2,425 thousand (EUR 155 thousand).

Sales from continuing operations

Women's apparel operations were fully divested as of 31 December 2009 after the sale of PTA at the end of H1 2009 and are no longer part of continuing operations of the Group. Continuing operations include design, production and sale of women lingerie.

Sales by business segments

| | 2009 | 2008 | Change | 2009 | 2008 | Change | 2009 | 2008 |
|------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|
| | EEK | EEK | EEK | EUR | EUR | EUR | percentage | percentage |
| | thousand | thousand | thousand | thousand | thousand | thousand | from sales | from sales |
| Wholesale | 869,685 | 1,188,139 | -318,454 | 55,583 | 75,936 | -20,353 | 75.1% | 75.2% |
| Retail | 270,295 | 357,384 | -87,089 | 17,275 | 22,841 | -5,566 | 23.3% | 22.6% |
| Other operations | 18,557 | 34,860 | -16,303 | 1,186 | 2,228 | -1,042 | 1.6% | 2.2% |
| Total | 1,158,537 | 1,580,383 | -421,846 | 74,044 | 101,005 | -26,961 | 100.0% | 100.0% |

Sales by markets

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

Total sales by markets

| | 2009 EEK thousand | 2008 EEK thousand | Change EEK thousand | 2009 EUR thousand | 2008 EUR thousand | Change EUR thousand | 2009 percentage from sales | 2008 percentage from sales |
|---------------|----------------------------------|----------------------------------|------------------------------------|----------------------------------|----------------------------------|------------------------------------|-------------------------------------------|-------------------------------------------|
| Russia | 677,420 | 898,521 | -221,101 | 43,295 | 57,426 | -14,131 | 58.5% | 56.9% |
| Belarus | 306,016 | 361,169 | -55,153 | 19,558 | 23,083 | -3,525 | 26.4% | 22.9% |
| Ukraine | 61,741 | 100,279 | -38,538 | 3,946 | 6,409 | -2,463 | 5.3% | 6.3% |
| Baltics | 54,654 | 114,627 | -59,973 | 3,493 | 7,326 | -3,833 | 4.7% | 7.3% |
| Other markets | 58,706 | 105,787 | -47,081 | 3,752 | 6,761 | -3,009 | 5.1% | 6.6% |
| Total | 1,158,537 | 1,580,383 | -421,846 | 74,044 | 101,005 | -26,961 | 100.0% | 100.0% |

The majority of lingerie sales revenue in 2009 in the amount of EEK 677,420 thousand (EUR 43,295 thousand) was generated in the Russian market, accounting for 58.5% of all lingerie sales in 2009 as compared to EEK 898,521 thousand (EUR 57,426 thousand) in 2008. Sales in Russia comprise both retail sales and wholesale. The second largest region for lingerie sales was Belarus, where sales reached EEK 306,016 thousand (EUR 19,558 thousand), contributing 26.4% of lingerie sales (both retail and wholesale) as compared to EEK 361,169 thousand (EUR 23,083 thousand) in 2008.

Although still affected by the economic situation and the devaluation of the local currencies, sales in the major markets demonstrated positive trend in terms of pieces sold in Q4 2009 as compared to the respective period in 2008. As the result, in the Group's largest subsidiary SP ZAO Milavitsa, sales in Q4 2009 improved in volume terms as compared to Q4 2008; however, sales decreased in monetary terms due to increased proportion of cheaper products in the sales and additional discounts introduced in H2 2009. In Q4 2009 the Group suffered from customer traffic slowdown attributable in part to swine flue worries and a relatively cold winter.

Wholesale operations improved during the year as many of the Group's Russian and Ukrainian wholesale partners realized their excess stock levels reducing them to the normal operational levels after being overstocked in 2008 after a sharp decrease in demand caused by the overall economic crisis.

Decrease in sales in Belarus was lower as compared to sales trends in Russia, Ukraine and the Baltic countries, leading to the growing share of the Belarusian market in the total sales in 2009 as compared to the previous year. This is an effect of the 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 new 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 broader access to the Group's stock, speedier packing and delivery. As the result Milavitsa managed to reach 2008 sales level in terms of units sold during summer months and exceed last year's level in Q4 2009.

Changes in the top management of the Group's Russian operations took place in the second half of 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 and later developed and presented to the trading partners in December. The Group targets increased control over its distribution and intends to adjust its organizational structure accordingly.

In terms of lingerie brands, the sales of "Milavitsa" core brand accounted for 74.4% of total lingerie sales revenue in 2009 (2008: 76.1%) and amounted to EEK 848,139 thousand (EUR 54,206 thousand). The sales of "Lauma Lingerie" core brand accounted for 5.3% of total lingerie sales (2008: 5.7%) and amounted to EEK 60,412 thousand (EUR 3,861 thousand). Other brands such as "Alisee", "Aveline", "Hidalgo" and "Laumelle" comprised 20.3% of total lingerie sales in 2009 (2008: 18.2%), amounting to EEK 231,429 thousand (EUR 14,791 thousand) mainly due to the growth of sales of lower priced goods under "Aveline" brand.

Wholesale

In 2009, wholesale revenue amounted to EEK 869,685 thousand (EUR 55,583 thousand), representing 75.1% of the Group's total revenue (2008: 75.2%). The main wholesale regions were Russia, Belarus, Ukraine and the Baltic States. Gradual improvements in sales were observed already in Q2 2009. Furthermore, the second half of 2009 demonstrated an increase in lingerie wholesale revenue of 5.6% as compared to the first half of 2009 as many of the Milavitsa's Russian and Ukrainian wholesale partners had adjusted their working capital levels to the new market and trading circumstances caused by the crisis at the end of 2008. Most of the lingerie wholesale partners are located in Russia, a key market for the Group.

AS Silvano Fashion Group Consolidated Interim Report for Q4 and 12 months of 2009

A new channel of distribution was introduced in Ukraine by Milavitsa in late 2008 and early 2009. The channel allowed the Group to offset the sharp decrease in sales caused by the economic crisis and the inability of the old distribution network to address the new circumstances. Although still below the 2008 level, sales in the Ukrainian market demonstrated positive trends in Q2 and Q3 2009. Q4 2009, however, saw a slowdown in Ukrainian sales caused by the difficult economic situation in the country, flue quarantine in some shopping centres and pre-election uncertainty.

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 current market conditions. Certain changes in the management of the company were made to address the market realities. Lauma Lingerie is in the process of implementing a revised sales strategy for its core markets including Russia, Ukraine and the Baltics.

Retail operations

Total lingerie retail sales of the Group in 2009 amounted to EEK 270,295 thousand (EUR 17,275 thousand), representing a 24.4% decrease as compared to 2008.

Lingerie retail operations were conducted in Latvia, Russia, Belarus, and Lithuania. At the end of 2009 the Group operated 64 own retail outlets with a total area of 5,523 square meters. Additionally as of 31 December 2009 there were more than 250 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Belarus, Ukraine, Moldavia, Kazakhstan, Uzbekistan, Kirgizstan, Latvia, Romania, Azerbaijan, Armenia, Portugal and Cyprus, of which 10 shops were opened in Q4.

In 2009 17 new own lingerie stores were opened, including 12 under Milavitsa name in Belarus, 2 stores under Lauma Lingerie brand name in Latvia, 1 under Yamamay and 2 under Jockey brand names in Lithuania. Yamamay and Jockey shops along with other shops in Lithuania were subsequently sold as a result of the disposal by the Group of all its shares in UAB "Linert LT" in November 2009. Further details of the transaction are provided in section 'Key events'. Additionally, 33 underperforming stores were closed: 13 PTA stores, 15 Oblicie stores and 3 Milavitsa stores in Russia, 2 Milavitsa stores in Belarus. 18 Oblicie stores in Russia were rebranded to Milavitsa.

Number of own stores as at:

| | 31.12.2009 | 31.12.2008 |
|-------------------------------|-------------------|-------------------|
| Latvia | 5 | 3 |
| Poland | 0 | 7 |
| Belarus | 38 | 28 |
| Russia | 21 | 52 |
| Lithuania | 0 | 16 |
| Total stores | 64 | 106 |
| Total sales area, sq m | 5,523 | 9,549 |

In Belarus, two ineffective stores were closed and 12 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. Own retail operations in Belarus remain one of the key priorities for the Group's further sales development in Belarus.

In the Baltics, retail sales decreased by 31.4% as compared to 2008, amounting to EEK 19,214 thousand (EUR 1,228 thousand). The decision to divest the Group's retail subsidiary in Lithuania was taken in H2 2009 due to adverse current market situation and its prospects.

In respect of lingerie retail in Russia the strategic decision to shift focus from own retail chain towards the development of Milavitsa franchise network was made in H2 2009 to terminate the loss making own retail operations in Russia. As the result, the Group's own Oblicie stores were rebranded to Milavitsa and a transfer of stores to Milavitsa trading partners was commenced while non-performing stores are being closed. Certain structural and management changes have been made in the Group's Russian operations (including the establishment of a separate franchise department and the recruitment of the new experienced general manager) to implement the selected strategy.

Own stores by concept

| Market | Milavitsa stores | Oblicie stores | Lauma Lingerie stores | Total | Sales area, sq m |
|--------------|------------------|----------------|-----------------------|-----------|------------------|
| Belarus | 38 | 0 | 0 | 38 | 3,411 |
| Russia | 19 | 2 | 0 | 21 | 1,754 |
| Latvia | 0 | 0 | 5 | 5 | 358 |
| Total | 57 | 2 | 5 | 64 | 5,523 |

Discontinued operations

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

Production, sourcing, purchasing and logistics

Due to 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 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 has improved significantly.

The total volume of production in SP ZAO Milavitsa amounted to 14,303 thousand pieces in 2009, representing a 24.3% decrease as compared to the previous year. The total production volumes in Lauma Lingerie amounted to 660 thousand pieces in 2009, showing a decrease of 65.3% as compared to the 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 were the major source for the production output decrease. However, at the end of 2009 the number of cooperation partners for outsourced production in Q4 2009 increased by 30% compared to Q3 2009 with majority of new contracts concluded in late December 2009 in order to prepare for the increased production volumes in 2010.

In respect of logistics, the implementation of a supply chain management system on the basis of IFS software application is in process is planned to be finalised in H1 2010.

Investment

In 2009, the Group's investments in continuing operations totalled EEK 22,750 thousand (EUR 1,454 thousand) with investments into retail amounting to EEK 6,478 thousand (EUR 414 thousand). Other investments were made in equipment and facilities to maintain effective production.

Personnel

At the end of December 2009, the Group employed 3,164 employees including 472 in retail and 1,992 in production. The rest were employed in wholesale, administration and support operations. The average number of employees in 2009 was 3,085.

Total salaries and wages in 2009 amounted to EEK 262,597 thousand (EUR 16,783 thousand). The remuneration of the members of the Management Board totalled EEK 10,092 thousand (EUR 645 thousand). The members of the Management Board also serve as executives for the Group's subsidiaries.

Key Events in 2009

Changes in significant shareholdings

The shareholders' register of SFG includes all legal owners of the shares but does not necessarily reflect the allocation of voting rights among shareholders. However, shareholders must notify SFG of changes in allocation of voting rights where a shareholder increases or reduces its participation above or below 5, 10, 15, 20, 25 or 50 per cent, 1/3 or 2/3 of all votes represented by shares. Based on such notifications, SFG identifies the persons holding significant shareholdings.

Based on the aforementioned notifications received up to date, the following persons held significant shareholdings in SFG based on notifications up to date:

AS Silvano Fashion Group Consolidated Interim Report for Q4 and 12 months of 2009

- Mr. Toomas Tool held 9,810,983 shares (24.52% of all votes) as of 28 December 2009;
- Mr. Stephan David Balkin held 8,000,000 shares (20% of all votes) as of 23 December 2009;
- Funds managed by Pioneer Pekao Investment Management SA held 2,065,529 shares (10.16% of all votes) as of 14 August 2009.

During Q4 2010, the shareholding of SIA Alta Capital Partners reduced below 5% of all votes to 1,864,286 shares (4.66% of all votes based on notification from 3 February 2010) and shareholdings of Mr. Toomas Tool and Mr. Stephan David Balkin increased as indicated above.

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

Within the fourth quarter of 2009 Nikolay Dolgiy was appointed the general manager for both of the Group's largest Russian subsidiaries - ZAO "STK Milavitsa" and ZAO "Linret". Mr. Dolgiy (33) is a skilled manager with over 10 years' experience in managerial positions, primarily in the field of retail. From August 2009, Mr. Dolgiy worked as the first deputy general manager of STK responsible for sales. This appointment marked the completion of the restructuring of the Group's Russian operations.

Restructuring of Russian Retail Operations

In December 2009 an action plan was approved for the restructuring of the Group's loss-making retail operations in Russia. The plan included the transfer of Milavitsa retail outlets to franchise partners and the closing of inefficient stores. Other cost-cutting measures under the action plan included the optimisation of the office and warehouse lease expenses and a reduction in the number of employees. The decision to switch to the franchise business model in Russia followed similar reorganization measures in Poland and Lithuania.

Sale of UAB "Linret LT"

In November 2009 the Group closed the sale of all its shares in UAB Linret LT. Linret LT was a Lithuanian retail subsidiary, operating 14 retail outlets.

Linret LT was engaged primarily in the distribution of Lauma Lingerie and Milavitsa goods in Lithuania through retail chain under Amadea Line brand and also operated franchised stores under Jockey and Yamamay brands. Linret LT made a loss of EEK 9,278 thousand (EUR 593 thousand) in the first ten months of 2009. Taking into account the decrease in consumer demand in Lithuania, and the overall state of the Lithuanian economy, the management was of the opinion that it was unlikely that Linret LT will become profitable in 2010 or will generate positive cash flows in the observable future.

Taking into account the total investment of SFG in Linret LT, the transaction generated an accounting profit of approximately EEK 782 thousand (EUR 50 thousand). The transaction is also expected to have a positive contribution to the Group's financial performance in the future as the result of discontinuing of loss-making operations. The Group intends to continue the shift to franchise operations in Baltics under Lauma Lingerie brand.

Sale of 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 focused on its core business – design, manufacturing and sale of lingerie. The sale enabled the Group to reallocate financial and managerial resources to its core operations and improve the efficiency of management. PTA made a net loss of EEK 12,189 thousand (EUR 779 thousand) in 6 months period ended 30 June 2009.

PTA Holding OÜ, the acquirer, 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

In Q1 2009 the Group named Ms. Baiba Gegere as the new Chief Financial Officer of the Group and was appointed to the Management Board of SFG by the Supervisory Board decision adopted on 4 March 2009.

In addition, in Q1 2009 SFG's Supervisory Board removed Mr. Remigiusz Pilat from the Management Board with immediate effect in connection with the previously disclosed changes in the structure of SFG's Polish operations.

In Q2 the Supervisory Board of the Group resolved to recall the 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 the 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.

Sale of Splendo Polska Sp. z o.o.

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 | 31.12.2009 | 31.12.2008 | Change |
|-----------------------------------------------------------------------------------------------------|-------------------|-------------------|---------------|
| Net sales from continuing operations (EEK thousand) | 1,158,537 | 1,580,383 | -421,846 |
| Net profit from continuing operations, attributable to shareholders (EEK thousand) | -2,582 | -111,091 | 108,509 |
| Earnings before interest, taxes and depreciation (EBITDA) from continuing operations (EEK thousand) | 94,693 | 93,175 | 1,518 |
| Earnings before interest and taxes (EBIT) from continuing operations (EEK thousand) | 60,443 | 51,649 | 8,794 |
| Net sales from continuing operations (EUR thousand) | 74,044 | 101,005 | -26,961 |
| Net profit from continuing operations, attributable to shareholders (EUR thousand) | -165 | -7,100 | 6,935 |
| Earnings before interest, taxes and depreciation (EBITDA) from continuing operations (EUR thousand) | 6,052 | 5,955 | 97 |
| Earnings before interest and taxes (EBIT) from continuing operations (EUR thousand) | 3,863 | 3,301 | 562 |
| Operating margin from continuing operations, % | 5.2% | 3.3% | - |
| Net margin from continuing operations attributable to equity holders, % | -0.2% | -7.0% | - |
| ROA, % | -3.8% | -10.4% | - |
| ROE, % | -6.8% | -17.3% | - |
| Earnings per share (EPS), in EEK | -0.97 | -2.97 | - |
| Earnings per share (EPS), in EUR | -0.06 | -0.19 | - |
| Current ratio | 2.8 | 2.1 | - |
| Quick ratio | 1.6 | 1.1 | - |

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 attributable to equity holders of the parent

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 Q4 2009 and 12 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 Lingerie", "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. The Group's headquarters are based at Novovilenskaya 28, 220053 Minsk, Belarus. AS Silvano Fashion Group registered address is Akadeemia tee 33, 12618 Tallinn, Estonia.

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

As of 31 December 2009, the Group employed 3,164 people (as of 31 December 2008: 3,901 people).

The Group comprises the following companies:

| At 31 December 2009 | Location | Main activity | Ownership interest 31.12.2009 | 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 | 0% | 90% |
| PTA Grupp AS, including subsidiaries | Estonia | Retail | 0% | 100% |
| UAB Linret LT | Lithuania | Retail | 0% | 100% |
| France Style Lingerie s.a.r.l. | France | Holding | 100% | 100% |
| OÜ Linret EST | Estonia | No operations | 100% | 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% |
| OA O 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% |

Management declaration regarding the consolidated interim report for Q4 and 12 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 known risks and uncertainties influencing the subsequent reporting periods, and reflects the significant transactions with related parties.

The management board of AS Silvano Fashion Group also confirms that the consolidated interim report for Q4 and 12 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 (except those identified in the report as dormant) are going concerns.

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



Dmitry Ditchkovsky
Chairman of the Management Board
26 February 2010



Sergei Kusonski
Member of the Management Board
26 February 2010



Baiba Gegere
Member of the Management Board
26 February 2010



Norberto Rodriguez
Member of the Management Board
26 February 2010

Consolidated statement of financial position

Unaudited

| | Notes | 31.12.2009 EEK thousand | 31.12.2008 EEK thousand | 31.12.2009 EUR thousand | 31.12.2008 EUR thousand |
|------------------------------------------------------------------|-------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 1 | 168,248 | 293,530 | 10,753 | 18,760 |
| Intangible assets | 2 | 8,919 | 16,085 | 570 | 1,028 |
| Investment property | | 20,090 | 23,141 | 1,284 | 1,479 |
| Investments in equity accounted investees | | 2,175 | 2,879 | 139 | 184 |
| Available-for-sale financial assets | | 5,664 | 8,716 | 362 | 557 |
| Other long term receivables | 5 | 28,039 | 26,051 | 1,792 | 1,665 |
| Total non-current assets | | 233,135 | 370,402 | 14,900 | 23,673 |
| Current assets | | | | | |
| Inventories | 3 | 266,289 | 434,412 | 17,019 | 27,764 |
| Prepaid taxes | | 30,135 | 57,689 | 1,926 | 3,687 |
| Trade receivables | 4 | 131,618 | 168,013 | 8,412 | 10,738 |
| Other receivables | 5 | 18,260 | 46,658 | 1,167 | 2,982 |
| Prepayments | 6 | 9,529 | 49,209 | 609 | 3,145 |
| Cash and cash equivalents | 7 | 153,931 | 82,129 | 9,838 | 5,249 |
| Assets classified as held for sale | | 7,526 | 0 | 481 | 0 |
| Total current assets | | 617,288 | 838,110 | 39,452 | 53,565 |
| TOTAL ASSETS | | 850,423 | 1,208,512 | 54,352 | 77,238 |
| LIABILITIES AND EQUITY | | | | | |
| Equity | | | | | |
| Share capital | | 400,000 | 400,000 | 25,565 | 25,565 |
| Share premium | | 223,293 | 223,293 | 14,271 | 14,271 |
| Own shares | | -7,041 | -7,041 | -450 | -450 |
| Statutory capital reserve | | 1,046 | 1,046 | 67 | 67 |
| Translation reserve | | -186,539 | -58,086 | -11,922 | -3,713 |
| Retained earnings | | 59,097 | 82,035 | 3,777 | 5,243 |
| Total equity attributable to equity holders of the parent | 11 | 489,856 | 641,247 | 31,308 | 40,983 |
| Non-controlling interest | | 136,141 | 141,977 | 8,701 | 9,074 |
| Total equity | | 625,997 | 783,224 | 40,009 | 50,057 |
| Non-current liabilities | | | | | |
| Loans and borrowings | 8 | 4,052 | 18,197 | 259 | 1,163 |
| Deferred tax liabilities | | 0 | 201 | 0 | 13 |
| Other liabilities | | 1,455 | 1,314 | 93 | 84 |
| Provisions | | 0 | 125 | 0 | 8 |
| Total non-current liabilities | | 5,507 | 19,837 | 352 | 1,268 |
| Current liabilities | | | | | |
| Loans and borrowings | 8 | 24,190 | 116,254 | 1,546 | 7,430 |
| Trade payables | | 123,999 | 167,951 | 7,925 | 10,734 |
| Corporate income tax liability | | 3,552 | 4,006 | 227 | 256 |
| Other tax liabilities | | 24,831 | 18,150 | 1,587 | 1,160 |
| Deferred tax liability | | 0 | 0 | 0 | 0 |
| Other payables | 9 | 14,270 | 27,584 | 912 | 1,763 |
| Provisions | | 26,724 | 70,817 | 1,708 | 4,526 |
| Accrued expenses | | 704 | 689 | 45 | 44 |
| Deferred income | | 649 | 0 | 41 | 0 |
| Total current liabilities | | 218,919 | 405,451 | 13,991 | 25,913 |
| Total liabilities | | 224,426 | 425,288 | 14,343 | 27,181 |
| TOTAL LIABILITIES AND EQUITY | | 850,423 | 1,208,512 | 54,352 | 77,238 |

Consolidated statement of comprehensive income for 2009

Unaudited

| | | 2009 | 2008 | 2009 | 2008 |
|------------------------------------------------------|----|-----------------|-------------------|-----------------|-------------------|
| | | EEK | EEK | EUR | EUR |
| | | thousand | thousand | thousand | thousand |
| | | | (restated) | | (restated) |
| Continuing operations | | | | | |
| Net sales | 12 | 1,158,537 | 1,580,383 | 74,044 | 101,005 |
| Costs of goods sold | | -654,998 | -932,052 | -41,862 | -59,569 |
| Gross Profit | | 503,539 | 648,331 | 32,182 | 41,436 |
| Other operating income | | 18,995 | 33,625 | 1,214 | 2,149 |
| Distribution costs | | -179,373 | -262,221 | -11,464 | -16,759 |
| Administrative expenses | | -160,002 | -196,255 | -10,226 | -12,543 |
| Other operating expenses | | -122,716 | -171,831 | -7,843 | -10,982 |
| Operating profit | | 60,443 | 51,649 | 3,863 | 3,301 |
| Interest expenses | | -8,246 | -2,832 | -527 | -181 |
| Gains/losses on conversion of foreign currencies | | 15,208 | -61,851 | 972 | -3,953 |
| Other financial income / expenses | | 9,560 | 6,681 | 611 | 427 |
| Total financial income / expenses | | 16,522 | -58,002 | 1,056 | -3,707 |
| Share of profit of equity accounted investees | | -313 | 1,752 | -20 | 112 |
| Profit before corporate income tax | | 76,652 | -4,601 | 4,899 | -294 |
| Corporate income tax | | -54,888 | -87,777 | -3,508 | -5,610 |
| Profit from continuing operations | | 21,764 | -92,378 | 1,391 | -5,904 |
| Discontinued operations | | | | | |
| Loss from discontinued operation (net of income tax) | | -36,034 | -7,870 | -2,303 | -503 |
| Profit/ (loss) for the period | | -14,270 | -100,248 | -912 | -6,407 |
| Profit attributable to: | | | | | |
| Owners of the Company | | -38,616 | -118,961 | -2,468 | -7,603 |
| Non-controlling interest | | 24,346 | 18,713 | 1,556 | 1,196 |
| Profit for the period | | -14,270 | -100,248 | -912 | -6,407 |
| Earnings per share | | | | | |
| Basic earnings per share (EEK/EUR) | 10 | -0.97 | -2.97 | -0.06 | -0.19 |
| Diluted earnings per share (EEK/EUR) | 10 | -0.97 | -2.97 | -0.06 | -0.19 |
| Continuing operations | | | | | |
| Basic earnings per share (EEK/EUR) | 10 | -0.07 | -2.78 | -0.004 | -0.18 |
| Diluted earnings per share (EEK/EUR) | 10 | -0.07 | -2.78 | -0.004 | -0.18 |

Consolidated statement of comprehensive income for 2009

Unaudited

| | 2009 | 2008 | 2009 | 2008 |
|-----------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | EEK | EEK | EUR | EUR |
| | thousand | thousand | thousand | thousand |
| Profit for the period | -14,270 | -100,248 | -912 | -6,407 |
| Other comprehensive income | | | | |
| Foreign currency translation differences for foreign operations | -158,525 | 23,840 | -10,131 | 1,523 |
| 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 | -141,705 | 23,934 | -9,056 | 1,529 |
| Total comprehensive income | -155,975 | -76,314 | -9,968 | -4,878 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | -151,391 | -85,467 | -9,675 | -5,463 |
| Non-controlling interest | -4,584 | 9,153 | (293) | 585 |
| Total comprehensive income | -155,975 | -76,314 | -9,968 | -4,878 |

Consolidated statement of comprehensive income for Q4 2009

Unaudited

| | | 2009 | 2008 | 2009 | 2008 |
|---------------------------------------------------------------|----|-----------------|-------------------|-----------------|-------------------|
| | | Q4 | Q4 | Q4 | Q4 |
| | | EEK | EEK | EUR | EUR |
| | | thousand | thousand | thousand | thousand |
| | | | (restated) | | (restated) |
| Continuing operations | | | | | |
| Net sales | 12 | 260,438 | 336,637 | 16,645 | 21,515 |
| Costs of goods sold | | -143,745 | -217,519 | -9,187 | -13,902 |
| Gross Profit | | 116,693 | 119,118 | 7,458 | 7,613 |
| Other operating income | | -548 | 19,823 | -35 | 1,267 |
| Distribution costs | | -46,236 | -77,608 | -2,955 | -4,960 |
| Administrative expenses | | -41,213 | -54,137 | -2,634 | -3,460 |
| Other operating expenses | | -31,434 | -120,322 | -2,009 | -7,690 |
| Operating profit | | -2,738 | -113,126 | -175 | -7,230 |
| Interest expenses | | -908 | -219 | -58 | -14 |
| Gains/losses on conversion of foreign currencies | | 5,633 | -47,879 | 360 | -3,060 |
| Other financial income / expenses | | 2,269 | -1,205 | 145 | -77 |
| Total financial income / expenses | | 6,994 | -49,303 | 447 | -3,151 |
| Share of profit of equity accounted investees | | -16 | -626 | -1 | -39 |
| Profit before corporate income tax | | 4,240 | -163,055 | 271 | -10,420 |
| Corporate income tax | | 6,806 | -13,174 | 435 | -843 |
| Profit from continuing operations | | 11,046 | -176,229 | 706 | -11,263 |
| Discontinued operations | | | | | |
| Profit / (loss) of discontinued operation (net of income tax) | | 0 | -1,549 | 0 | -99 |
| Profit for the period | | 11,046 | -177,778 | 706 | -11,362 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 5,100 | -159,533 | 326 | -10,196 |
| Non-controlling interest | | 5,946 | -18,245 | 380 | -1,166 |
| Profit for the period | | 11,046 | -177,778 | 706 | -11,362 |
| Earnings per share | | | | | |
| Basic earnings per share (EEK/EUR) | 10 | 0.13 | -4.00 | 0.01 | -0.26 |
| Diluted earnings per share (EEK/EUR) | 10 | 0.13 | -4.00 | 0.01 | -0.26 |
| Continuing operations | | | | | |
| Basic earnings per share (EEK/EUR) | 10 | 0.13 | -3.96 | 0.01 | -0.25 |
| Diluted earnings per share (EEK/EUR) | 10 | 0.13 | -3.96 | 0.01 | -0.25 |

Consolidated statement of comprehensive income for Q4 2009

Unaudited

| | 2009 | 2008 | 2009 | 2008 |
|-----------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Q4 | Q4 | Q4 | Q4 |
| | EEK | EEK | EUR | EUR |
| | thousand | thousand | thousand | thousand |
| Profit for the period | 11,046 | -177,778 | 706 | -11,362 |
| Other comprehensive income | | | | |
| Foreign currency translation differences for foreign operations | -15,662 | -6,602 | -1,001 | -422 |
| Disposal of subsidiary | 0 | 0 | 0 | 0 |
| Other comprehensive income for the period | -15,662 | -6,602 | -1,001 | -422 |
| Total comprehensive income | -4,616 | -184,380 | -295 | -11,784 |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | -8,590 | -164,806 | -549 | -10,533 |
| Non-controlling interest | 3,974 | -19,574 | 254 | -1,251 |
| Total comprehensive income | -4,616 | -184,380 | -295 | -11,784 |

Consolidated statement of cash flows

Unaudited

| | Notes | 2009 thousand EEK | 2008 thousand EEK | 2009 thousand EUR | 2008 thousand EUR |
|-----------------------------------------------------------------|-------|-------------------------|-------------------------|-------------------------|-------------------------|
| Cash flows from operating activities | | | | | |
| Loss for the period | | -14,270 | -100,248 | -912 | -6,407 |
| Adjustments for: | | | | | |
| Depreciation of fixed assets | 1 | 34,939 | 41,745 | 2,233 | 2,668 |
| Amortization of intangible assets | 2 | 2,926 | 3,020 | 187 | 193 |
| Impairment losses on property, plant and equipment | 1 | 18,635 | 970 | 1,191 | 62 |
| Impairment losses on intangible assets | 2 | 3,176 | 0 | 203 | 0 |
| Impairment losses on other assets | | 36,956 | 0 | 2,362 | 0 |
| Net finance (income)/ expenses | | -16,522 | 58,002 | -1,056 | 3,707 |
| Share of profit of equity accounted investees | | 313 | -1,580 | 20 | -101 |
| Losses on the sale of property, plant and equipment | | 1,549 | 125 | 99 | 8 |
| Impairment losses on goodwill(+) and negative goodwill gain(-) | | 0 | 31,387 | 0 | 2,006 |
| Losses on sale of subsidiaries | | 23,063 | 0 | 1,474 | 0 |
| Income tax expense | | 54,888 | 87,777 | 3,508 | 5,610 |
| Change in inventories | | 37,317 | -43,560 | 2,385 | -2,784 |
| Change in trade and other receivables | | 62,572 | -81,425 | 3,999 | -5,204 |
| Change in trade and other payables | | 12,736 | 27,225 | 814 | 1,740 |
| Interests paid (-) | | -8,214 | -4,991 | -525 | -319 |
| Income tax paid (-) | | -66,154 | -106,475 | -4,228 | -6,805 |
| Total cash flow from operating activities | | 183,910 | -88,028 | 11,754 | -5,626 |
| Cash flow from investing activities | | | | | |
| Interest received | | 7,041 | 7,307 | 450 | 467 |
| Dividends received | | 219 | 188 | 14 | 12 |
| Proceeds from sale of property, plant and equipment | | 4,006 | 7,182 | 256 | 459 |
| Disposal of subsidiaries, net of cash disposed of | | -2,550 | 0 | -163 | 0 |
| Loans granted | | -1,330 | -44,593 | -85 | -2,850 |
| Proceeds from repayments of loans granted | | 2,926 | 29,885 | 187 | 1,910 |
| Acquisition of property, plant and equipment | 1 | -18,729 | -80,971 | -1,197 | -5,175 |
| Acquisition of intangible non-current assets | 2 | -5,617 | -2,550 | -359 | -163 |
| Acquisition of other non-current assets | | -2,034 | -986 | -130 | -63 |
| Acquisition of subsidiary net of cash acquired | | 0 | -14,457 | 0 | -924 |
| Total cash flow from investing activities | | -16,069 | -98,995 | -1,027 | -6,327 |
| Cash flow from financing activities | | | | | |
| Proceeds from borrowings | | 102,609 | 126,267 | 6,558 | 8,070 |
| Repayment of borrowings | | -163,616 | -21,107 | -10,457 | -1,349 |
| Repayment of finance lease | | -13,722 | -5,711 | -877 | -365 |
| Dividends paid | | -1,252 | -3,489 | -80 | -223 |
| Factoring paid | | 0 | -7,041 | 0 | -450 |
| Total cash flow from financing activities | | -75,981 | 88,919 | -4,856 | 5,683 |
| Net increase in cash and cash equivalents | | 91,861 | -98,104 | 5,871 | -6,270 |
| 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 | | -20,059 | 0 | -1,282 | 0 |
| Cash and cash equivalents at the end of the period | 7 | 153,931 | 82,129 | 9,838 | 5,249 |

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 | -7,603 | -7,603 | 1,196 | -6,407 |
| Other comprehensive income | | | | | | | | | | |
| Effect on consolidation of foreign subsidiaries | | 0 | 0 | 0 | 0 | 1,177 | 0 | 1,177 | 346 | 1,523 |
| Non-controlling interest from business combination | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 6 |
| Disposal of subsidiary | | 0 | 0 | 0 | 0 | 0 | 963 | 963 | -963 | 0 |
| Total other comprehensive income | | 0 | 0 | 0 | 0 | 1,177 | 963 | 2,140 | -611 | 1,529 |
| Total comprehensive income | | 0 | 0 | 0 | 0 | 1,177 | -6,640 | -5,463 | 585 | -4,878 |
| Transactions with owners recorded directly in equity | | | | | | | | | | |
| Own shares acquired | | | | -450 | | | | -450 | | -450 |
| Dividends paid | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -223 | -223 |
| Total transactions with owners | | 0 | 0 | -450 | 0 | 0 | 0 | 0 | -223 | -223 |
| Balance at 31 December 2008 | | 25,565 | 14,271 | -450 | 67 | -3,713 | 5,243 | 40,983 | 9,074 | 50,057 |
| 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 | -2,468 | -2,468 | 1,556 | -912 |
| Other comprehensive income | | | | | | | | | | |
| Effect on consolidation of foreign subsidiaries | | 0 | 0 | 0 | 0 | -8,209 | 0 | -8,209 | -1,922 | -10,131 |
| Disposal of subsidiary | | 0 | 0 | 0 | 0 | 0 | 1,002 | 1,002 | 73 | 1,075 |
| Total other comprehensive income | | 0 | 0 | 0 | 0 | -8,209 | 1,002 | -7,207 | -1,849 | -9,056 |
| Total comprehensive income | | 0 | 0 | 0 | 0 | -8,209 | -1,466 | -9,675 | -293 | -9,968 |
| 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 31 December 2009 | 11 | 25,565 | 14,271 | -450 | 67 | -11,922 | 3,777 | 31,308 | 8,701 | 40,009 |

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 | -118,961 | -118,961 | 18,713 | -100,248 |
| Other comprehensive income | | | | | | | | | | |
| Effect on consolidation of foreign subsidiaries | | 0 | 0 | 0 | 0 | 18,426 | 0 | 18,426 | 5,414 | 23,840 |
| Disposal of subsidiary | | 0 | 0 | 0 | 0 | 0 | 15,069 | 15,069 | -15,069 | 0 |
| Non-controlling interest from business combination | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 94 | 94 |
| Total other comprehensive income | | 0 | 0 | 0 | 0 | 18,426 | 15,069 | 33,495 | -9,561 | 23,934 |
| Total comprehensive income | | 0 | 0 | 0 | 0 | 18,426 | -103,982 | -85,466 | 9,152 | -76,314 |
| Transactions with owners recorded directly in equity | | | | | | | | | | |
| Own shares acquired | | 0 | 0 | -7,041 | 0 | 0 | 0 | -7,041 | 0 | -7,041 |
| Dividends paid | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -3,488 | -3,488 |
| Total transactions with owners | | 0 | 0 | -7,041 | 0 | 0 | 0 | -7,041 | -3,488 | -10,529 |
| Balance at 31 December 2008 | | 400,000 | 223,293 | -7,041 | 1,046 | -58,086 | 82,035 | 641,247 | 141,977 | 783,224 |
| 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 | -38,616 | -38,616 | 24,346 | -14,270 |
| Other comprehensive income | | | | | | | | | | |
| Effect on consolidation of foreign subsidiaries | | 0 | 0 | 0 | 0 | -128,453 | 0 | -128,453 | -30,072 | -158,525 |
| Disposal of subsidiary | | 0 | 0 | 0 | 0 | 0 | 15,678 | 15,678 | 1,142 | 16,820 |
| Total other comprehensive income | | 0 | 0 | 0 | 0 | -128,453 | 15,678 | -99,084 | -26,959 | -141,705 |
| Total comprehensive income | | 0 | 0 | 0 | 0 | -128,453 | -22,938 | -151,391 | -4,584 | -155,975 |
| 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 31 December 2009 | 11 | 400,000 | 223,293 | -7,041 | 1,046 | -186,539 | 59,097 | 489,856 | 136,141 | 625,997 |

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).

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”.

Presentation of financial statements

The Group applies revised IAS 1 Presentation of financial statements, which became effective as of 1 January 2009.

Comparative information has been re-presented. There is no impact on earnings per share due to re-presented comparative information.

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 | 198 | 315 | 2,247 | 3,230 | 5,990 |
| Acquired through business combination | 1,390 | 475 | 82 | 31 | 1,978 |
| Transfers and reclassifications | 1,465 | 1,346 | 336 | -3,147 | 0 |
| Disposals | 0 | -251 | -725 | -154 | -1,130 |
| Effect of movements in foreign exchange on cost | 173 | 290 | -569 | 10 | -96 |
| Cost at 31 December 2008 | 7,188 | 17,393 | 8,430 | 1,323 | 34,334 |
| Cost at 31 December 2008 | 7,188 | 17,393 | 8,430 | 1,323 | 34,334 |
| Movements in 2009 | | | | | |
| Acquisition | 0 | 0 | 382 | 877 | 1,259 |
| Acquired through business combination | 0 | 0 | 0 | 0 | 0 |
| Transfers and reclassifications | 63 | 645 | 438 | -1,503 | -357 |
| Disposals | -2 | -362 | -1,246 | -73 | -1,683 |
| Eliminated on disposal of subsidiary | 0 | -1,485 | -2,228 | -5 | -3,718 |
| Effect of movements in foreign exchange on cost | -1,804 | -3,779 | -875 | -270 | -6,728 |
| Cost at 31 December 2009 | 5,445 | 12,412 | 4,901 | 349 | 23,107 |
| Accumulated depreciation at 31 December 2007 | 1,349 | 8,108 | 2,378 | 0 | 11,835 |
| Movements in 2008 | | | | | |
| Acquired through business combination | 755 | 396 | 75 | 0 | 1,226 |
| Depreciation | 137 | 1,326 | 1,413 | 0 | 2,876 |
| Transfers and reclassification | 0 | -24 | 24 | 0 | 0 |
| Disposals | 0 | -236 | -321 | 0 | -557 |
| Impairment | 0 | 62 | 0 | 0 | 62 |
| Effect of movements in foreign exchange on accumulated depreciation | 56 | 202 | -126 | 0 | 132 |
| Accumulated depreciation at 31 December 2008 | 2,297 | 9,834 | 3,443 | 0 | 15,574 |
| 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 | 154 | 1,073 | 979 | 0 | 2,206 |
| Transfers and reclassification | -7 | -17 | -240 | 0 | -264 |
| Impairment | 0 | 0 | 1,191 | 0 | 1,191 |
| Disposals | -1 | -297 | -632 | 0 | -930 |
| Eliminated on disposal of subsidiary | 0 | -1,297 | -1,108 | 0 | -2,405 |
| Effect of movements in foreign exchange on accumulated depreciation | -582 | -2,032 | -404 | 0 | -3,018 |
| Accumulated depreciation at 31 December 2009 | 1,861 | 7,264 | 3,229 | 0 | 12,354 |
| Carrying amounts | | | | | |
| At 31 December 2007 | 2,613 | 7,110 | 4,681 | 1,353 | 15,757 |
| At 31 December 2008 | 4,891 | 7,559 | 4,987 | 1,323 | 18,760 |
| At 31 December 2009 | 3,584 | 5,148 | 1,672 | 349 | 10,753 |

Silvano Fashion Group AS Consolidated Interim Report for Q4 and 12 months of 2009

| <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 | 3,098 | 4,928 | 35,158 | 50,539 | 93,723 |
| Acquired through business combination | 21,749 | 7,432 | 1,283 | 485 | 30,949 |
| Transfers and reclassifications | 22,922 | 21,060 | 5,257 | -49,239 | 0 |
| Disposals | 0 | -3,927 | -11,344 | -2,410 | -17,681 |
| Effect of movements in foreign exchange on cost | 2,707 | 4,538 | -8,903 | 158 | -1,500 |
| Cost at 31 December 2008 | 112,465 | 272,156 | 131,890 | 20,703 | 537,214 |
| Cost at 31 December 2008 | 112,465 | 272,156 | 131,890 | 20,703 | 537,214 |
| Movements in 2009 | | | | | |
| Acquisition | 0 | 0 | 5,977 | 13,722 | 19,699 |
| Acquired through business combination | 0 | 0 | 0 | 0 | 0 |
| Transfers and reclassifications | 986 | 10,092 | 6,854 | -23,517 | -5,585 |
| Disposals | -31 | -5,664 | -19,496 | -1,142 | -26,333 |
| Eliminated on disposal of subsidiary | 0 | -23,235 | -34,861 | -78 | -58,174 |
| Effect of movements in foreign exchange on cost | -28,223 | -59,144 | -13,680 | -4,228 | -105,275 |
| Cost at 31 December 2009 | 85,197 | 194,205 | 76,684 | 5,460 | 361,546 |
| Accumulated depreciation at 31 December 2007 | 21,105 | 126,878 | 37,199 | 0 | 185,182 |
| Movements in 2008 | | | | | |
| Acquired through business combination | 11,813 | 6,196 | 1,173 | 0 | 19,182 |
| Depreciation | 2,144 | 20,747 | 22,109 | 0 | 45,000 |
| Transfers and reclassification | 0 | -376 | 376 | 0 | 0 |
| Disposals | 0 | -3,693 | -5,023 | 0 | -8,716 |
| Impairment | 0 | 970 | 0 | 0 | 970 |
| Effect of movements in foreign exchange on accumulated depreciation | 876 | 3,161 | -1,971 | 0 | 2,066 |
| Accumulated depreciation at 31 December 2008 | 35,938 | 153,883 | 53,863 | 0 | 243,684 |
| Accumulated depreciation at 31 December 2008 | 35,938 | 153,883 | 53,863 | 0 | 243,684 |
| Movements in 2009 | | | | | |
| Acquired through business combination | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 2,410 | 16,789 | 15,318 | 0 | 34,517 |
| Transfers and reclassification | -110 | -266 | -3,755 | 0 | -4,131 |
| Impairment loss | 0 | 0 | 18,635 | 0 | 18,635 |
| Disposals | -16 | -4,647 | -9,889 | 0 | -14,552 |
| Eliminated on disposal of subsidiary | 0 | -20,294 | -17,336 | 0 | -37,630 |
| Effect of movements in foreign exchange on accumulated depreciation | -9,104 | -31,808 | -6,313 | 0 | -47,225 |
| Accumulated depreciation at 31 December 2009 | 29,118 | 113,657 | 50,523 | 0 | 193,298 |
| Carrying amounts | | | | | |
| At 31 December 2007 | 40,884 | 111,247 | 73,240 | 21,170 | 246,541 |
| At 31 December 2008 | 76,527 | 118,273 | 78,027 | 20,703 | 293,530 |
| At 31 December 2009 | 56,079 | 80,548 | 26,161 | 5,460 | 168,248 |

In 2009, fixed assets in the amount of EEK 970 thousand (EUR 62 thousand) were acquired under finance lease.

As of 31 December 2009 buildings with a carrying amount of EEK 1,283 thousand (EUR 82 thousand) were reclassified to investment property, since the buildings were no longer used by the Group and were leased to a third party. Depreciation charge of investment property for 2009 amounted to EEK 422 thousand (EUR 27 thousand) and EEK 469 thousand (EUR 30 thousand) for 2008. During 2009 investment property was acquired in the amount EEK 2,034 thousand (EUR 130 thousand).

Part of the other equipment and fixtures with a carrying amount of EEK 8,277 thousand (EUR 529 thousand) was presented as a disposal group held for sale in line with the Group's plan and signed agreement to dispose these assets. Impairment loss of EEK 751 thousand (EUR 48 thousand) from the remeasurement of the disposal group to the lower of carrying value and fair value less costs to sell was recognized in Other expenses.

Depreciation charge for 2009 related to discontinued operations amounted to EEK 2,895 thousand (EUR 185 thousand) and EEK 5,742 thousand (EUR 367 thousand) for 2008.

Note 2. Intangible assets

| <i>In thousand of EUR</i> | Software | Trademarks | Goodwill | Projects in progress | Total |
|---------------------------------------------------------|-----------------|-------------------|-----------------|-----------------------------|--------------|
| Cost at 31 December 2007 | 882 | 443 | 967 | 163 | 2,455 |
| Movements in 2008 | | | | | |
| Acquisition | 144 | 2 | 0 | 31 | 177 |
| Acquired through business combination | 1 | 0 | 1,417 | 0 | 1,418 |
| Transfers and reclassification | 34 | 4 | 0 | -38 | 0 |
| Disposal | -4 | 0 | 0 | -1 | -5 |
| Effect of movements in foreign exchange on cost | 12 | -6 | 0 | 4 | 10 |
| Cost at 31 December 2008 | 1,069 | 443 | 2,384 | 159 | 4,055 |
| Cost at 31 December 2008 | 1,069 | 443 | 2,384 | 159 | 4,055 |
| Movements in 2009 | | | | | |
| Acquisition | 77 | | 0 | 282 | 359 |
| Transfers and reclassification | 0 | 42 | 0 | -10 | 32 |
| Eliminated on disposal of subsidiary | -414 | -368 | -2,384 | -25 | -3,191 |
| Effect of movements in foreign exchange on cost | -136 | -9 | 0 | -50 | -195 |
| Cost at 31 December 2009 | 596 | 108 | 0 | 356 | 1,060 |
| Accumulated amortization at 31 December 2007 | 325 | 227 | 115 | 0 | 667 |
| Movements in 2008 | | | | | |
| Amortisation | 169 | 41 | 0 | 0 | 210 |
| Acquired through business combination | 1 | 0 | 0 | 0 | 1 |
| Disposal | -1 | 0 | 0 | 0 | -1 |
| Impairment | 0 | 0 | 2,149 | 0 | 2,149 |
| Effect of movements in foreign exchange on amortisation | 2 | -1 | 0 | 0 | 1 |
| Accumulated amortisation at 31 December 2008 | 496 | 267 | 2,264 | 0 | 3,027 |
| Accumulated amortisation at 31 December 2008 | 496 | 267 | 2,264 | 0 | 3,027 |
| Movements in 2009 | | | | | |
| Amortisation | 148 | 39 | 0 | 0 | 187 |
| Impairment loss | 95 | 0 | 0 | 108 | 203 |
| Eliminated on disposal of subsidiary | -335 | -264 | -2,264 | 0 | -2,863 |
| Effect of movements in foreign exchange on amortisation | -56 | -2 | 0 | -6 | -64 |
| Accumulated amortisation at 31 December 2009 | 348 | 40 | 0 | 102 | 490 |
| Carrying amounts | | | | | |
| At 31 December 2007 | 557 | 216 | 852 | 163 | 1,788 |
| At 31 December 2008 | 573 | 176 | 120 | 159 | 1,028 |
| At 31 December 2009 | 248 | 68 | 0 | 254 | 570 |

Silvano Fashion Group AS Consolidated Interim Report for Q4 and 12 months of 2009

| <i>In thousand of EEK</i> | Software | Trademarks | Goodwill | Projects in progress | Total |
|---------------------------------------------------------|-----------------|-------------------|-----------------|-----------------------------|---------------|
| Cost at 31 December 2007 | 13,799 | 6,941 | 15,118 | 2,559 | 38,417 |
| Movements in 2008 | | | | | |
| Acquisition | 2,253 | 31 | 0 | 485 | 2,769 |
| Acquired through business combination | 16 | 0 | 22,171 | 0 | 22,187 |
| Transfers and reclassification | 532 | 63 | 0 | -595 | 0 |
| Disposal | -69 | | 0 | -16 | -85 |
| Effect of movements in foreign exchange on cost | 189 | -94 | 0 | 63 | 158 |
| Cost at 31 December 2008 | 16,720 | 6,941 | 37,289 | 2,496 | 63,446 |
| Cost at 31 December 2008 | 16,720 | 6,941 | 37,289 | 2,496 | 63,446 |
| Movements in 2009 | | | | | |
| Acquisition | 1,205 | 0 | 0 | 4,412 | 5,617 |
| Transfers and reclassification | 0 | 657 | 0 | -156 | 501 |
| Eliminated on disposal of subsidiary | -6,478 | -5,758 | -37,289 | -391 | -49,916 |
| Effect of movements in foreign exchange on cost | -2,107 | -151 | 0 | -790 | -3,048 |
| Cost at 31 December 2009 | 9,340 | 1,689 | 0 | 5,571 | 16,600 |
| Accumulated amortization at 31 December 2007 | 5,085 | 3,562 | 1,794 | 0 | 10,441 |
| Movements in 2008 | | | | | |
| Amortisation | 2,644 | 642 | 0 | 0 | 3,286 |
| Acquired through business combination | 16 | 0 | 0 | 0 | 16 |
| Disposal | -16 | 0 | 0 | 0 | -16 |
| Impairment | 0 | 0 | 33,619 | 0 | 33,619 |
| Effect of movements in foreign exchange on amortisation | 31 | -16 | 0 | 0 | 15 |
| Accumulated amortisation at 31 December 2008 | 7,760 | 4,188 | 35,413 | 0 | 47,361 |
| Accumulated amortisation at 31 December 2008 | 7,760 | 4,188 | 35,413 | 0 | 47,361 |
| Movements in 2009 | | | | | |
| Amortisation | 2,316 | 610 | 0 | 0 | 2,926 |
| Impairment loss | 1,486 | 0 | 0 | 1,690 | 3,176 |
| Eliminated on disposal of subsidiary | -5,242 | -4,131 | -35,413 | 0 | -44,786 |
| Effect of movements in foreign exchange on amortisation | -860 | -42 | 0 | -94 | -996 |
| Accumulated amortisation at 31 December 2009 | 5,460 | 625 | 0 | 1,596 | 7,681 |
| Carrying amounts | | | | | |
| At 31 December 2007 | 8,714 | 3,379 | 13,324 | 2,559 | 27,976 |
| At 31 December 2008 | 8,960 | 2,753 | 1,876 | 2,496 | 16,085 |
| At 31 December 2009 | 3,880 | 1,064 | 0 | 3,975 | 8,919 |

Amortisation charge for 2009 related to discontinued operations amounted to EEK 720 thousand (EUR 46 thousand), for 2008 it amounted to EEK 1,439 thousand (EUR 92 thousand).

Note 3. Inventories

| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
|----------------------------|----------------|----------------|---------------|---------------|
| | EEK thousand | EEK thousand | EUR thousand | EUR thousand |
| Raw and other materials | 61,474 | 87,480 | 3,929 | 5,591 |
| Work in progress | 23,141 | 29,087 | 1,479 | 1,859 |
| Finished goods | 177,120 | 270,170 | 11,320 | 17,267 |
| Goods purchased for resale | 0 | 44,358 | 0 | 2,835 |
| Goods in transit | 0 | 0 | 0 | 0 |
| Other inventories | 4,554 | 3,317 | 291 | 212 |
| Total | 266,289 | 434,412 | 17,019 | 27,764 |

Inventories are shown at their carrying values (cost value) net of allowance. As of 31 December 2009 allowances for slow-moving raw materials amounted to EEK 8,606 thousand (EUR 550 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 10,749 thousand (EUR 687 thousand) as of 31 December 2009 and EEK 19,339 thousand (EUR 1,236 thousand) as of 31 December 2008. There were no inventories carried at fair value less cost to sell as of 31 December 2009 (no change from 2008).

Note 4. Trade receivables

| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
|--------------------------------------|----------------|----------------|--------------|---------------|
| | EEK thousand | EEK thousand | EUR thousand | EUR thousand |
| Trade receivables | 141,616 | 172,128 | 9,051 | 11,001 |
| Allowance for uncollectible accounts | -9,998 | -4,115 | -639 | -263 |
| Total | 131,618 | 168,013 | 8,412 | 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

| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
|--------------------------------------|---------------|---------------|--------------|--------------|
| | EEK thousand | EEK thousand | EUR thousand | EUR thousand |
| Due from customers for contract work | 203 | 532 | 13 | 34 |
| Loans to companies | 1,565 | 2,002 | 100 | 128 |
| Employees receivables | 736 | 2,034 | 47 | 130 |
| VAT on unpaid invoices | 9,826 | 14,098 | 628 | 901 |
| Guarantee deposits | 4,084 | 11,782 | 261 | 753 |
| Other receivables | 4,616 | 16,210 | 295 | 1,036 |
| Allowance for impaired receivables | -2,770 | 0 | -177 | 0 |
| Total | 18,260 | 46,658 | 1,167 | 2,982 |

Other long term receivables

| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
|-------------------------------------------|---------------|---------------|--------------|--------------|
| | EEK thousand | EEK thousand | EUR thousand | EUR thousand |
| Deferred tax asset | 18,119 | 8,574 | 1,158 | 548 |
| Receivable from PTA Holding OÜ | 8,058 | 0 | 515 | 0 |
| Receivable from PTA Grupp AS | 1,549 | 0 | 99 | 0 |
| Loan receivable from previous shareholder | 20,356 | 15,333 | 1,301 | 980 |
| Other long term receivables | 313 | 2,144 | 20 | 137 |
| Allowance for impaired receivables | -20,356 | 0 | -1,301 | 0 |
| Total | 28,039 | 26,051 | 1,792 | 1,665 |

Note 6. Prepayments

| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
|--------------------------|--------------|---------------|--------------|--------------|
| | EEK thousand | EEK thousand | EUR thousand | EUR thousand |
| Prepayments to suppliers | 9,529 | 49,209 | 609 | 3,145 |
| Total | 9,529 | 49,209 | 609 | 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

| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
|-----------------------------------|----------------|---------------|--------------|--------------|
| | EEK thousand | EEK thousand | EUR thousand | EUR thousand |
| Cash on hand | 720 | 1,831 | 46 | 117 |
| Bank accounts, kroons | 63 | 720 | 4 | 46 |
| Bank accounts, foreign currencies | 19,119 | 38,584 | 1,222 | 2,466 |
| Cash in transit | 8,997 | 8,246 | 575 | 527 |
| Short-term deposits | 125,032 | 32,748 | 7,991 | 2,093 |
| Total | 153,931 | 82,129 | 9,838 | 5,249 |

Short-term deposits mainly include EUR denominated deposits with commercial banks in Belarus with maturity up to 6 months and 9% annual interest rate.

Note 8. Loans and borrowings

The Group has the following debts as of 31 December 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 | 1,722 | 0 | 110 | 0 | BYR | 24% | 2010 |
| OAo Belvnesheconombank | 584 | 0 | 37 | 0 | BYR | 23% | 2010 |
| Minsk Transit Bank | 1,646 | 0 | 105 | 0 | BYR | 22% | 2010 |
| Minsk Transit Bank | 816 | 0 | 52 | 0 | EUR | 19% | 2010 |
| Nordea bank | 1,401 | 3,924 | 89 | 251 | EUR | Euribor 3m +4% | 2013 |
| AS UniCredit bank | 17,216 | 0 | 1,101 | 0 | EUR | +6.25% | 2010 |
| Financial lease payables | 563 | 0 | 37 | 0 | EUR | 13% | 2010 |
| Financial lease payables | 128 | 128 | 8 | 8 | USD | 14.5% | 2012 |
| Financial lease payables | 114 | 0 | 7 | 0 | EUR | 14% | 2010 |
| Total | 24,190 | 4,052 | 1,546 | 259 | | | |

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). The loans provided to SP Gimil OOO by Minsk Transit Bank are secured by finished goods for the book value of EEK 3,082 thousand (EUR 197 thousand) and the loan provided by OAO Belvnesheconombank is secured by SP ZAO Milavitsa guarantee and finished goods for the book value of EEK 1,502 thousand (EUR 96 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% Libor 6m | 2009 |
| 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% 6 months | 2009 |
| Sampo Pank AS | 7,792 | 11,093 | 498 | 709 | EUR | Euribor+1.1% | 2010 |
| Sampo Pank AS | 13,409 | 0 | 857 | 0 | EUR | 6% 3 months | 2009 |
| AS Unicredit bank | 36,550 | 0 | 2,336 | 0 | EUR | Euribor+6.25% | 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% 6 months | 2010 |
| Financial lease payables | 141 | 250 | 9 | 16 | EEK | Euribor+2.5% | 2011 |
| Financial lease payables | 78 | 282 | 5 | 18 | EEK | 5.62% | 2013 |
| Financial lease payables | 78 | 94 | 5 | 6 | EEK | | 2010- |
| Other borrowings | 2,708 | 0 | 173 | 0 | BYR | 8-9% 6-13% | 2011 2009 |
| Total | 116,254 | 18,197 | 7,430 | 1,163 | | | |

Note 9. Other payables

Other short term payables

| | 31.12.2009 EEK thousand | 31.12.2008 EEK thousand | 31.12.2009 EUR thousand | 31.12.2008 EUR thousand |
|---------------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Customer prepayments for goods and services | 2,316 | 5,633 | 148 | 360 |
| Payables to employees | 8,042 | 15,021 | 514 | 960 |
| Interest and other accruals | 2,754 | 203 | 176 | 13 |
| Other payables | 1,158 | 6,727 | 74 | 430 |
| Total | 14,270 | 27,584 | 912 | 1,763 |

Note 10. Earnings per share

| | 2009 | 2008 |
|--------------------------------------------------|-------------|-------------|
| Number of ordinary shares as of January 1 (Qty) | 40,000,000 | 40,000,000 |
| Effect of own shares held | 393,000 | 85,000 |
| Weighted average number of ordinary shares (Qty) | 39,607,000 | 39,915,000 |

| | 2009 | 2009 | 2009 | 2008 | 2008 | 2008 |
|--------------------------------------------------------------|-------------------|-------------------|--------------|-------------------|-------------------|--------------|
| | Contin- | Discontin- | Total | Contin- | Discontin- | Total |
| | uing | ued | | uing | ued | |
| | operations | operations | | operations | operations | |
| Profit for the period, attributable to owners, EEK thousands | -2,582 | -36,034 | -38,616 | -111,091 | -7,870 | -118,961 |
| Profit for the period, attributable to owners, EUR thousands | -165 | -2,303 | -2,468 | -7,100 | -503 | -7,603 |
| Basic earnings per share (EEK) | -0.07 | | -0.97 | -2.78 | | -2.97 |
| Basic earnings per share (EUR) | -0.004 | | -0.06 | -0.18 | | -0.19 |
| Diluted earnings per share (EEK) | -0.07 | | -0.97 | -2.78 | | -2.97 |
| Diluted earnings per share (EUR) | -0.004 | | -0.06 | -0.18 | | -0.19 |

The diluted earnings per share in 2009 are the same as basic earnings per share since there are no financial instruments issued that could potentially have a dilutive effect on earnings.

Note 11. Owners' equity

Shares

As of 31 December 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 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 shares. The share register is electronic and maintained at the Estonian Central Register of Securities.

The minimum share capital and maximum share capital of AS Silvano Fashion Group (i.e. the limits within which capital can be increased or decreased without amending the articles of association) 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.

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 was 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 could not exceed 10% of total share capital of SFG, the maximum price payable by SFG for one share could have been EEK 54.77 (EUR 3.50), the maximum amount payable by SFG for its own shares was set at EEK 46,940 thousand (EUR 3,000 thousand), own shares could have been 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.

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

As of 31 December 2009 shareholders whose interest in AS Silvano Fashion Group exceeded 1% included:

| Name | Number of shares | Shareholding |
|-------------------------------------------------|-------------------------|---------------------|
| Major shareholders | 36,023,659 | 90.06% |
| SEB PANK AS_NON-RESIDENT RETAIL CLIENTS | 19,783,870 | 49.46% |
| KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J] | 7,359,662 | 18.40% |
| SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS | 4,095,456 | 10.24% |
| SIA ALTA CAPITAL PARTNERS | 1,300,000 | 3.25% |
| ALTA CAPITAL PARTNERS S.C.A, SICAR | 1,150,000 | 2.87% |
| UNICREDIT BANK AUSTRIA AG | 1,064,185 | 2.66% |
| ALTA CAPITAL PARTNERS S.C.A., SICAR | 714,286 | 1.79% |
| TRIGON UUS EUROOPA VÄIKEETTEVÕTETE FOND | 556,200 | 1.39% |
| Other shareholders | 3,976,341 | 9.94% |
| Total number of shares | 40,000,000 | 100.00% |

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. Key changes in the shareholders that took place in Q4 2009 and subsequent to the year-end until the date of this report are described in the Key events section of the Management report.

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. Based on notifications up to date, the following persons have notified SFG of a significant participation notifiable pursuant to the SMA:

- Mr. Toomas Tool, holding 9,810,983 shares (24.52% of all votes);
- Mr. Stephan David Balkin, holding 8,000,000 shares (20% of all votes);
- Funds managed by Pioneer Pekao Investment Management SA, holding 2,065,529 shares (10.16% of all votes).

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 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 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 6.26 (EUR 0.40), respectively.

The average price (arithmetic average based on daily closing prices) of the Company's share on the Tallinn Stock Exchange in 2009 was 7.87 EEK (0.5 EUR), compared to 36.45 EEK (2.33 EUR) in 2008.

Silvano Fashion Group AS Consolidated Interim Report for Q4 and 12 months of 2009

On 19 July 2007, the Management Board of the Warsaw Stock Exchange resolved to introduce AS Silvano Fashion Group shares to trading on the main market of the Warsaw Stock Exchange. The first trading date was 23 July 2007.

During the 12 months of 2009, the highest and lowest prices of the AS Silvano Fashion Group share on the Warsaw Stock Exchange were PLN 3.7 and PLN 1.11 respectively. During the 12 months of 2008, the highest and lowest prices of the AS Silvano Fashion Group share on the Warsaw Stock Exchange were PLN 17.2 and PLN 1.52 respectively.

Share price development and turnover on the Tallinn Stock Exchange in 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

| | 2009 EEK thousand | 2008 EEK thousand (restated) | 2009 EUR thousand | 2008 EUR thousand (restated) |
|-------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------|
| Sales revenue from continuing operations | | | | |
| Income from retail sale | 270,295 | 357,384 | 17,275 | 22,841 |
| Income from wholesale | 869,685 | 1,188,139 | 55,583 | 75,936 |
| Subcontracting and services | 16,977 | 13,894 | 1,085 | 888 |
| Other sales | 1,580 | 20,966 | 101 | 1,340 |
| Total sales revenue | 1,158,537 | 1,580,383 | 74,044 | 101,005 |

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:

Silvano Fashion Group AS Consolidated Interim Report for Q4 and 12 months of 2009

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

| | 2009 | 2008 | 2009 | 2008 |
|------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | EEK | EEK | EUR | EUR |
| Sales of goods and services | thousand | thousand | thousand | thousand |
| Associated companies | 179,264 | 270,555 | 11,457 | 18,037 |
| Total sales of goods and services | 179,264 | 270,555 | 11,457 | 18,037 |

| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | EEK | EEK | EUR | EUR |
| Balances with related parties | thousand | thousand | thousand | thousand |
| Receivable from associated companies | 40,853 | 57,986 | 2,611 | 3,706 |
| Total current liabilities | 40,853 | 57,986 | 2,611 | 3,706 |

| | 2009 | 2008 | 2009 | 2008 |
|----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | EEK | EEK | EUR | EUR |
| Benefits to members of the management board | thousand | thousand | thousand | thousand |
| Remuneration and benefits | 10,092 | 5,069 | 645 | 324 |
| Total | 10,092 | 5,069 | 645 | 324 |

SIA Alta Capital Partners and its affiliates were related parties during 2009 but ceased to be related at the end of the year (please see Key Events section of the Management report). The table below discloses transactions with SIA Alta Capital Partners and its affiliates for 2009 and related balances as of 31 December 2009.

| | 2009 | 2008 | 2009 | 2008 |
|------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | EEK | EEK | EUR | EUR |
| Sales of goods and services | thousand | thousand | thousand | thousand |
| Companies related to the previous shareholders | 3,129 | 0 | 200 | 0 |
| Total sales of goods and services | 3,129 | 0 | 200 | 0 |

| | 2009 | 2008 | 2009 | 2008 |
|------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | EEK | EEK | EUR | EUR |
| Purchase of goods and services | thousand | thousand | thousand | thousand |
| Companies related to the previous shareholders | 128,839 | 189,543 | 8,234 | 12,114 |
| Total purchases | 128,839 | 189,543 | 8,234 | 12,114 |

| | 2009 | 2008 | 2009 | 2008 |
|----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | EEK | EEK | EUR | EUR |
| Loans to previous shareholders | thousand | thousand | thousand | thousand |
| 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 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 December 2009 in the amount of EEK 15,772 thousand (EUR 1,008 thousand). Additional interest and delayed penalties income related to the loan were recognized as interest income in the amount of EEK 4,584 thousand (EUR 293 thousand) in 2009 and were immediately fully provided. The expenses related to the provision have been recognized in "other operating expenses" in 2009.

| | 31.12.2009 | 31.12.2008 | 31.12.2009 | 31.12.2008 |
|-----------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Balances with companies related to previous shareholders | EEK thousand | EEK thousand | EUR thousand | EUR thousand |
| Companies related to the previous shareholders | -24,612 | -28,602 | -1,573 | -1,828 |
| Total current liabilities | 24,612 | -28,602 | -1,573 | -1,828 |

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.

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, 12 months 2009, EEK

| | Lingerie retail | Lingerie wholesale | Apparel (discontinued operations) | Total segments | Other | Less discontinued operations | Eliminations | Continuing operations |
|--------------------------------------------------------------|----------------------------|-------------------------------|--------------------------------------------------|---------------------------|-----------------|---------------------------------------------|---------------------|----------------------------------|
| | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 |
| | EEK | EEK | EEK | EEK | EEK | EEK | EEK | EEK |
| | thousand | thousand | thousand | thousand | thousand | thousand | thousand | thousand |
| Revenue from external customers | 270,295 | 869,685 | 78,593 | 1,218,573 | 18,557 | -78,593 | 0 | 1,158,537 |
| Intersegment revenues | 0 | 315,060 | 0 | 315,060 | 7,510 | 0 | -322,570 | 0 |
| EBITDA | -88,967 | 210,447 | -7,463 | 114,017 | -26,787 | 7,463 | 0 | 94,693 |
| Amortization and depreciation | -10,013 | -23,220 | -3,615 | -36,848 | -1,017 | 3,615 | 0 | -34,250 |
| Operating income/loss, EBIT | -98,980 | 187,227 | -11,078 | 77,169 | -27,804 | 11,078 | 0 | 60,443 |
| Interest in the profit or loss of equity accounted investees | 0 | -657 | 0 | -657 | 344 | 0 | 0 | -313 |
| Financial items, net | -19,887 | 22,781 | -1,314 | 1,580 | 13,628 | 1,314 | 0 | 16,522 |
| Income tax | -2,472 | -50,413 | 203 | -52,682 | -2,003 | -203 | 0 | -54,888 |
| Loss on sale of discontinued operations | 0 | 0 | 0 | 0 | -23,845 | 23,845 | 0 | 0 |
| Net income | -121,339 | 158,938 | -12,189 | 25,410 | -39,680 | 36,034 | 0 | 21,764 |
| Investments in associate and other joint ventures | 0 | 1,455 | 0 | 1,455 | 720 | 0 | 0 | 2,175 |
| Other operating segment assets | 91,814 | 719,352 | 0 | 811,166 | 37,098 | 0 | 0 | 848,264 |
| Reportable segment liabilities | 99,395 | 95,757 | 0 | 195,152 | 29,290 | 0 | 0 | 224,442 |
| Impairment of assets | 33,857 | 3,912 | 642 | 38,411 | 20,356 | -642 | 0 | 58,125 |
| Expenditures for reportable segment non-current assets | 6,478 | 14,223 | 4,600 | 25,301 | 2,049 | -4,600 | 0 | 22,750 |
| Number of employees as at reporting date | 472 | 2,683 | 409 | 3,564 | 9 | -409 | 0 | 3,164 |

a) Operating segments, 12 months 2009, EUR

| | Lingerie retail | Lingerie wholesale | Apparel (discontinued operations) | Total segments | Other | Less discontinued operations | Eliminations | Continuing operations |
|--------------------------------------------------------------|----------------------------|-------------------------------|--------------------------------------------------|---------------------------|-----------------|---------------------------------------------|---------------------|----------------------------------|
| | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 | 2009 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| | thousand | thousand | thousand | Thousand | thousand | thousand | thousand | thousand |
| Revenue from external customers | 17,275 | 55,583 | 5,023 | 77,881 | 1,186 | -5,023 | 0 | 74,044 |
| Intersegment revenues | 0 | 20,136 | 0 | 20,136 | 480 | 0 | -20,616 | 0 |
| EBITDA | -5,686 | 13,450 | -477 | 7,287 | -1,712 | 477 | 0 | 6,052 |
| Amortization and depreciation | -640 | -1,484 | -231 | -2,355 | -65 | 231 | 0 | -2,189 |
| Operating income/loss, EBIT | -6,326 | 11,966 | -708 | 4,932 | -1,777 | 708 | 0 | 3,863 |
| Interest in the profit or loss of equity accounted investees | 0 | -42 | 0 | -42 | 22 | 0 | 0 | -20 |
| Financial items, net | -1,271 | 1,456 | -84 | 101 | 871 | 84 | 0 | 1,056 |
| Income tax | -158 | -3,222 | 13 | -3,367 | -128 | -13 | 0 | -3,508 |
| Loss on sale of discontinued operations | 0 | 0 | 0 | 0 | -1,524 | 1,524 | 0 | 0 |
| Net income | -7,755 | 10,158 | -779 | 1,624 | -2,536 | 2,303 | 0 | 1,391 |
| Investments in associate and other joint ventures | 0 | 93 | 0 | 93 | 46 | 0 | 0 | 139 |
| Other operating segment assets | 5,868 | 45,975 | 0 | 51,843 | 2,371 | 0 | 0 | 54,214 |
| Reportable segment liabilities | 6,352 | 6,120 | 0 | 12,472 | 1,872 | 0 | 0 | 14,344 |
| Impairment of assets | 2,164 | 250 | 41 | 2,455 | 1,301 | -41 | 0 | 3,715 |
| Expenditures for reportable segment non-current assets | 414 | 909 | 294 | 1,617 | 131 | -294 | 0 | 1,454 |
| Number of employees as at reporting date | 472 | 2,683 | 409 | 3,564 | 9 | -409 | 0 | 3,164 |

a) Operating segments, 12 months 2008, EEK

| | Lingerie retail | Lingerie wholesale | Apparel (discontinued operations) | Total segments | Other | Less discontinued operations | Eliminations | Continuing operations |
|--------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| | 2008 EEK thousand (restated) | 2008 EEK thousand (restated) | 2008 EEK thousand (restated) | 2008 EEK thousand (restated) | 2008 EEK thousand (restated) | 2008 EEK thousand (restated) | 2008 EEK thousand (restated) | 2008 EEK thousand (restated) |
| Revenue from external customers | 357,384 | 1,188,139 | 207,818 | 1,753,341 | 34,860 | -207,818 | - | 1,580,383 |
| Intersegment revenues | 0 | 351,313 | 0 | 351,313 | 0 | 0 | -351,313 | 0 |
| EBITDA | -73,742 | 232,492 | 1,737 | 160,487 | -65,575 | -1,737 | 0 | 93,175 |
| Amortization and depreciation | -14,238 | -26,365 | -7,182 | -47,785 | -923 | 7,182 | 0 | -41,526 |
| Operating income/loss, EBIT | -87,980 | 206,127 | -5445 | 112,702 | -66,498 | 5,445 | 0 | 51,649 |
| Interest in the profit or loss of equity accounted investees | 0 | 1,768 | 0 | 1,768 | -16 | 0 | 0 | 1,752 |
| Financial items, net | -42,543 | -27,773 | -2,425 | -72,741 | 12,314 | 2,425 | 0 | -58,002 |
| Income tax | -2,801 | -83,161 | 0 | -85,962 | -1,815 | 0 | 0 | -87,777 |
| Net income | -133,324 | 96,961 | -7870 | -44,233 | -5,6015 | 7,870 | 0 | -92,378 |
| Investments in associate and other joint ventures | 0 | 2,488 | 0 | 2,488 | 391 | 0 | 0 | 2,879 |
| Other operating segment assets | 206,316 | 830,052 | 123,389 | 1,159,757 | 45,876 | -123,389 | 0 | 1,082,244 |
| Reportable segment liabilities | 69,346 | 224,057 | 86,275 | 379,678 | 45,610 | -86,275 | 0 | 339,013 |
| Impairment of assets | 0 | 986 | 0 | 986 | 0 | 0 | 0 | 986 |
| Expenditures for reportable segment non-current assets | 25,613 | 54,435 | 15,005 | 95,053 | 23,157 | -15,005 | 0 | 103,205 |
| Number of employees as at reporting date | 690 | 2,803 | 428 | 3,921 | 14 | -428 | 0 | 3,507 |

a) Operating segments, 12 months 2008, EUR

| | Lingerie retail | Lingerie wholesale | Apparel (discontinued operations) | Total segments | Other | Less discontinued operations | Eliminations | Continuing operations |
|--------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------------------------|--------------------------------|--------------------------------|---------------------------------------------|--------------------------------|----------------------------------|
| | 2008 | 2008 | 2008 | 2008 | 2008 | 2008 | 2008 | 2008 |
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| | thousand (restated) | thousand (restated) | thousand (restated) | thousand (restated) | thousand (restated) | thousand (restated) | thousand (restated) | thousand (restated) |
| Revenue from external customers | 22,841 | 75,936 | 13,282 | 112,059 | 2,228 | -13,282 | - | 101,005 |
| Intersegment revenues | 0 | 22,453 | 0 | 22,453 | 0 | 0 | -22,453 | 0 |
| EBITDA | -4,713 | 14,859 | 111 | 10,257 | -4,191 | -111 | 0 | 5,955 |
| Amortization and depreciation | -910 | -1,685 | -459 | -3,054 | -59 | 459 | 0 | -2,654 |
| Operating income/loss, EBIT | -5,623 | 13,174 | -348 | 7,203 | -4250 | 348 | 0 | 3,301 |
| Interest in the profit or loss of equity accounted investees | 0 | 113 | 0 | 113 | -1 | 0 | 0 | 112 |
| Financial items, net | -2,719 | -1,775 | -155 | -4,649 | 787 | 155 | 0 | -3,707 |
| Income tax | -179 | -5,315 | 0 | -5,494 | -116 | 0 | 0 | -5,610 |
| Net income | -8,521 | 6,197 | -503 | -2,827 | -3580 | 503 | 0 | -5,904 |
| Investments in associate and other joint ventures | 0 | 159 | 0 | 159 | 25 | 0 | 0 | 184 |
| Other operating segment assets | 13,186 | 53,050 | 7,886 | 74,122 | 2,932 | -7,886 | 0 | 69,168 |
| Reportable segment liabilities | 4,432 | 14,320 | 5,514 | 24,266 | 2,915 | -5,514 | 0 | 21,667 |
| Impairment of assets | 0 | 63 | 0 | 63 | 0 | 0 | 0 | 63 |
| Expenditures for reportable segment non-current assets | 1,637 | 3,479 | 959 | 6,075 | 1480 | -959 | 0 | 6,596 |
| Number of employees as at reporting date | 690 | 2,803 | 428 | 3,921 | 14 | -428 | 0 | 3,507 |

b) Geographical segments

| | Sales revenue 2009 EEK thousand | Sales revenue 2008 EEK thousand (restated) | Non-current assets 31.12.2009 EEK thousand | Non-current assets 31.12.2008 EEK thousand |
|-----------------|---------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Russia | 677,420 | 898,521 | 9,044 | 56,390 |
| Belarus | 306,016 | 361,169 | 208,022 | 264,115 |
| Baltics | 61,741 | 100,279 | 13,159 | 47,926 |
| Ukraine | 54,654 | 114,627 | 0 | 0 |
| Other countries | 58,706 | 105,787 | 2,910 | 1,971 |
| Total | 1,158,537 | 1,580,383 | 233,135 | 370,402 |

| | Sales revenue 2009 EUR thousand | Sales revenue 2008 EUR thousand (restated) | Non-current assets 31.12.2009 EUR thousand | Non-current assets 31.12.2008 EUR thousand |
|-----------------|---------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Russia | 43,295 | 57,426 | 578 | 3,604 |
| Belarus | 19,558 | 23,083 | 13,295 | 16,880 |
| Baltics | 3,946 | 6,409 | 841 | 3,063 |
| Ukraine | 3,493 | 7,326 | 0 | 0 |
| Other countries | 3,752 | 6,761 | 186 | 126 |
| Total | 74,044 | 101,005 | 14,900 | 23,673 |

Note 15. Discontinued operations

On 30 June 2009 the Group closed the transaction for the sale of all shares in PTA Grupp AS 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

| | 2009 EEK thousand | 2008 EEK thousand (restated) | 2009 EUR thousand | 2008 EUR thousand (restated) |
|-----------------------------------------------------|----------------------|------------------------------------|----------------------|------------------------------------|
| Revenue | 78,593 | 207,818 | 5,023 | 13,282 |
| Expenses | -90,985 | -215,688 | -5,815 | -13,785 |
| Results from operating activities | -12,392 | -7,870 | -792 | -503 |
| Income tax | 203 | 0 | 13 | 0 |
| Results from operating activities net of tax | -12,189 | -7,870 | -779 | -503 |
| Loss on sale of discontinued operations | -23,845 | 0 | -1,524 | 0 |
| Loss for the period | -36,034 | -7,870 | -2,303 | -503 |

Cash flow (used in) discontinued operations

| | 2009 EEK thousand | 2008 EEK thousand | 2009 EUR thousand | 2008 EUR thousand |
|--------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Net cash used in operating activities | 1,815 | -2,768 | 116 | -177 |
| Net cash from investing activities | -2,112 | -14,332 | -135 | -916 |
| Net cash from financing activities | -1,893 | 19,433 | -121 | 1,242 |
| Net cash from (used in) discontinued operations | -2,190 | 2,333 | -140 | 149 |

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 |