AS SILVANO FASHION GROUP
(incorporated in Estonia with limited liability, register number 10175491)

COMBINED OFFERING OF UP TO 6,221,338 ORDINARY SHARES

AS Silvano Fashion Group (current registered name: PTA Grupp AS; change of name pending) (the "**Company**") is a limited liability company incorporated in Estonia. Alta Capital Partners S.C.A., SICAR (the "**Selling Shareholder**" and the "**Principal Shareholder**") is offering up to 6,221,338 (six million, two hundred and twenty-one thousand, three hundred and thirty-eight) ordinary shares (the "**Offer Shares**") for sale in: (i) a public offering directed to institutional investors in Poland (the "**Public Offering**"); and (ii) a private placement to selected institutional investors outside of the United States in certain EU member states other than Poland in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**Private Placement**" and jointly with the Public Offering, the "**Offering**"). In connection with and immediately after the Offering, the Company will issue up to 2,052,802 (two million, fifty-two thousand, eight hundred and two) new shares (the "**New Shares**") to the Principal Shareholder at an issue price equal to the price per share at which the Offer Shares will be sold in the Offering. The issue price of the New Shares will be paid by the Selling Shareholder from the proceeds of the Offering.

The price of the Offer Shares (the "**Offer Price**") will be determined by the Principal Shareholder and the Company with the agreement of the Lead Manager (as defined hereinafter) on or about 11 July 2007. The Principal Shareholder may, in agreement with the Lead Manager, change the terms and conditions of the Offering, including the total number of the Offer Shares that will ultimately be subject to the Offering.

All shares in the Company are currently listed on the Main List of the Tallinn Stock Exchange (TSE:PTAAT). Shares in the Company were listed on the Investor List of the Tallinn Stock Exchange (the secondary list of the Tallinn Stock Exchange) from May 1997 until 17 November 2006 and on the Main List of the Tallinn Stock Exchange since that date. On 25 June 2007 the closing price of shares in the Company on the Tallinn Stock Exchange was EUR 5.65. No securities issued by the Company are currently admitted to trading on any other regulated market. In connection with the Offering and the issuance of New Shares, based on this prospectus the Company will apply for listing of: (i) all its shares, including the New Shares (i.e. a total of up to 40,000,000 Shares), on the main market of the Warsaw Stock Exchange (the "**WSE**"); (ii) the New Shares on the Main List of the Tallinn Stock Exchange.

This prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, the Offer Shares to any person in any jurisdiction in which it is unlawful to make any such offer to such person. The public offering of the Offer Shares is being conducted only within the territory of Poland. Neither the prospectus nor the Offer Shares have been registered or approved in or notified to any regulatory authority other than in Estonia and Poland. For a description of certain restrictions on transfer please see "*Selling Restrictions*".

By participating in the Offering or investing or trading in the Shares you acknowledge that such activities involve risks. While every care was taken to ensure that this prospectus presents a fair and accurate overview of the risks related to the Shares and the operations of the Company, the value of your investment may be adversely affected by circumstances that are either not evident at the date hereof or not reflected in this prospectus. For a discussion of certain consideration which should be taken into account in deciding whether to purchase the Offer Shares please see "*Risk Factors*".

The shares are registered in the Estonian Central Register of Securities under ISIN number EE3100001751. The delivery of the Offer Shares will be made through the book-entry facilities of Krajowy Depozyt Papierów Wartościowych S.A. (the "**KDPW**").

UNICREDIT CA IB POLSKA S.A.
Lead Manager and Book runner

AS SUPREMA SECURITIES
Co-Manager

26 June 2007

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INTRODUCTORY INFORMATION

Before reading this Prospectus please take notice of the following important introductory information:

Governing Law

The Offering and the listing of the Shares on the WSE are (and the subsequent trading in the Shares on the WSE will be) conducted in accordance with and governed by Polish law. The Company is organised and exists under Estonian law.

Liability in Connection with the Prospectus

The Persons Responsible

The persons responsible for the information presented in this prospectus (the "Prospectus") are: (i) AS Silvano Fashion Group (registered address Akadeemia tee 33, Tallinn 12618, Estonia, operating under the current registered business name of PTA Grupp AS, change of name pending); and (ii) Alta Capital Partners S.C.A, SICAR (registered address 69, route d'Esch, L-1470 Luxembourg, the Grand Duchy of Luxembourg). AS Silvano Fashion Group and Alta Capital Partners S.C.A., SICAR accept responsibility for the completeness and correctness as of the date hereof of the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, such persons believe that the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Alta Capital Partners S.C.A., SICAR
Management Board:

Indrek Rahumaa

AS Silvano Fashion Group

Management Board:

Sergei Kuronski

Peeter Lurin

Dace Markevica

Remigiusz Pilat

Dmitry Ditchkovsky

Dmitri Podolinksi

Limitations of Liability

Without prejudice to the above, no responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of the Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Furthermore, the Managers (as defined hereafter) expressly disclaim any liability based on the information contained in this Prospectus, the summary of this Prospectus or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Prospectus or disseminated by the Company in connection with the Offering may be construed as constituting a warranty or representation, whether express or implied, made by the Managers to any third parties.

The Company and the Managers will not accept any responsibility for information pertaining to the Offering, the listing of the Shares on the WSE, the Company or its operations if such information is disseminated or otherwise made public by third parties either in connection with the Offering, the listing of the Shares on the WSE or otherwise.

By purchasing any Shares in the Company or trading in the same, you agree that you are relying on your own examination and analysis of this Prospectus (including the financial statements of the Company which form an indispensable part of this Prospectus) and any information on the Company that is available in the public domain (including any information published by the Company through the information systems of the Tallinn Stock

Exchange or the WSE). You also acknowledge that the outcome of an investment decision can be affected by certain risk factors (such as those presented in the section of this Prospectus titled "*Risk Factors*").

Please note that in the case of a dispute related to this Prospectus the plaintiff may have to resort to the jurisdiction of an Estonian court and consequently a need may arise for the plaintiff to cover relevant state fees and translation costs in respect to this Prospectus or other relevant documents.

Presentation of Information

Financial Information

With effect from 16 October 2006 the Company became a parent company of the Silvano Group, a group of companies which manufacture and retail women's lingerie. The shares in Silvano were exchanged for Shares in the Company, as a result of which the shareholders of Silvano acquired close to 95% of the Shares in the Company. Therefore, the financial results of the Group for the year ended 31 December 2006 were affected to a considerable degree by the consolidation of the results of the Silvano Group. The consolidated revenues of the Silvano Group comprised around 91% of the total consolidated pro forma revenues of the Group for the year ended 31 December 2006.

In connection with the above, the Company has prepared an unaudited aggregation of the income statements and balance sheets for the entities comprising the Group as of and for the period ended 31 December 2005 (the "**Unaudited Aggregated Financial Information**"), as well as a consolidated pro forma income statement for the Group for the financial year ended 31 December 2006 (combined with the actual balance sheet as of that date) upon which the auditors of the Company have performed work (the "**Unaudited Pro Forma Financial Information**"). Such financial information is contained in "*Pro Forma and Aggregated Financial Information*". The Unaudited Pro Forma Financial Information and the Unaudited Aggregated Financial Information have been prepared to illustrate the effect that the acquisition of Silvano Group would have had on the consolidated financial statements of the Group if such transaction had occurred at the beginning of the period of the pro forma and aggregated income statements, respectively. The Unaudited Pro Forma Financial Information and the Unaudited Aggregated Financial Information have been prepared solely for illustration purposes and there can be no assurance what the actual results would have been as at the specified date if the acquisition of Silvano Group had actually occurred on the dates assumed and neither of the Unaudited Pro Forma Financial Information or the Unaudited Aggregated Financial Information provide any indication of the consolidated financial results and position of the Group for any future period.

In addition, as well as the consolidated financial statements of the Group for the year ended 31 December 2006 (including comparable data for the year ended 31 December 2005) prepared in accordance with IFRS as adopted by the EU and audited by the independent auditors to the Company, KPMG Baltics AS (the "**Audited Financial Statements of the Company**"), this Prospectus includes the consolidated financial statements for Milavitsa for the year ended 31 December 2006 (including comparable data the year ended 31 December 2005) prepared in accordance with IFRS and audited by KPMG Baltics SIA (the "**Audited Financial Statements of Milavitsa**"). The consolidated revenues of Milavitsa comprised around 75% of the total consolidated pro forma revenues of the Group for the year ended 31 December 2006.

The Prospectus also includes the interim consolidated financial statements of the Group for the three months ended 31 March 2007 prepared in accordance with IFRS as adopted by the EU, which were published through the information system of the Tallinn Stock Exchange and prepared in accordance with IAS 34 "Interim Financial Reporting" (the "**Unaudited Interim Financial Statements**"). This information has neither been audited nor reviewed by an independent auditor.

The Audited Financial Statements of the Company for the years ended 31 December 2005 and 31 December 2004 prepared in accordance with IFRS as adopted by the EU were published through the information system of the Tallinn Stock Exchange and is incorporated in this Prospectus by reference with the exception of the discussion relating on the results of the operations of the Group for the year ended 31 December 2004 compared to the year ended 31 December 2005, which is presented in "*Results of Operation and Outlook*". The consolidated financial statements of the Company for the years ended 31 December 2005 and 31 December 2004 have been audited by AS PricewaterhouseCoopers.

In 2005, the accounting principles applied by the Company were revised and certain information concerning the financial year ended 31 December 2004 that is reflected in the Company's financial statements for the year ended 31 December 2005 is restated accordingly. The changes in the accounting principles applied by the Company are

reflected in the Company's financial statements for the financial year ended 31 December 2005, which are incorporated in this Prospectus by reference. Certain changes occurred in the accounting policies of the Company between 2005 and 2006, which are summarised in the Company's financial statements for the financial year ended 31 December 2006.

To the extent possible, the information contained in this Prospectus is taken or derived from the aforementioned audited statutory consolidated financial statements or from the aforementioned unaudited consolidated pro forma and interim financial statements of the Company. In particular, such information may be found under the Sections entitled "Summary", "Capitalisation", "Selected Financial Information", "Results of Operations and Outlook" and "Operations of the Group". All other information included in this Prospectus (including certain information presented under the aforementioned Sections) is based on unaudited sources.

Unless specifically indicated otherwise, the consolidated financial information of the Group set forth in this Prospectus is based on the Unaudited Aggregated Financial Information and on the Unaudited Pro Forma Financial Information, and not on the actual results of the Company.

Certain financial and operational indicators that are not reflected in the interim financial statements are not available at the date of this Prospectus for the period extending beyond 31 December 2006, and therefore in some cases information has been presented for the financial year ended 31 December 2006 only.

No Significant Change

Since the end of the last period for which audited financial information of the Company exists (i.e. 1 January 2006 – 31 December 2006), there has been no significant change in the Company's financial or trading position (without prejudice to any information presented in this Prospectus) and the business of the Company has been carried out in the ordinary course.

Information on the Silvano Group

The Silvano Group became a part of the Group on 16 October 2006. While every effort has been made to present a fair and accurate account of all affairs of the Silvano Group prior to such time (and in particular for the period covered by historical financial information), such account is based on information provided to the Company by the management of Silvano and has not been independently verified by the Company. The Company has assumed for the purposes of this Prospectus that all information received from the management of Silvano is true and correct and does not contain any omission that is likely to affect its import.

Information presented in certain sections of this Prospectus and pertaining to the operations of Silvano, Lauma Lingerie and Linret, has not been audited. In the case of Lauma Lingerie, such information is to a certain extent presented on the basis of the unaudited pro forma financial statements of Lauma Lingerie which are, in turn, based on the results of the operations of the lingerie unit of AS Lauma (see "Operations of the Group – History and Development of the Group – Lauma Lingerie" for more information).

Such unaudited information on Lauma Lingerie, Linret and Silvano may, in particular, be found under the Sections entitled "Summary", "Capitalisation", "Selected Financial Information", "Results of Operations and Outlook" and "Operations of the Group".

With regard to financial information presented with respect to Milavitsa, such information is based primarily on audited financial statements of the same. It must be noted, however, that such statements have not been consolidated to include the results of operations of any subsidiaries of Milavitsa in the period before the financial year ended 31 December 2005.

Approximation of Numbers

Numerical and quantitative values in this Prospectus (e.g. monetary values, percentage values, etc.) are presented with the precision which is deemed by the Company to be sufficient in order to convey adequate and appropriate information on the relevant matter. Quantitative values have sometimes been rounded to the nearest reasonable decimal or integer value in order to avoid an excessive level of detail. As a result, certain values presented as percentages do not necessarily add up to 100 percent due to the effects of approximation. Exact numbers may be derived from the financial statements of the Company, to the extent that the relevant information is reflected therein.

Currencies and Exchange Rates

In this Prospectus financial information is presented either in the original currency or in Euros ("**EUR**"), the official currency of the EU member states participating in the European Economic and Monetary Union. The Company prepares its financial statements in EUR and in Estonian Kroons ("**EEK**"), the official currency of the Republic of Estonia. The exchange rate between the EUR and the EEK is pegged at the following rate: EEK 15.6466 = EUR 1. Any data that was originally available in EEK and is presented in this Prospectus in EUR has been exchanged into EUR at the aforementioned exchange rate. Information that was originally available in other currencies has been converted to EUR or EEK using the exchange rate as of the date for which such information is expressed to be valid or based on the average exchange rate for the relevant period. With respect to state fees, taxes and similar country-specific values, information may at times be expressed in currencies other than EEK or EUR. Such currencies may include the United States Dollar ("**USD**"), the Latvian Lat ("**LVL**"), the Lithuanian Litas ("**LTL**"), the Russian Ruble ("**RUB**"), the Belarussian Rubble ("**BYR**"), the Polish Zloty ("**PLN**") or other currencies. The exchange rates between the aforementioned currencies and the EUR may change from time to time. The exchange rates between the EUR and the currencies relevant to this Prospectus are presented below. Note that these exchange rates are included for illustrative purposes only and do not necessarily coincide with the exchange rates used in the preparation of the financial information reflected in this Prospectus or the exchange rate valid at the time for which a monetary value is expressed to be valid.

Exchange rates against EUR

	2004		2005		2006		2007 (to 31 March)	
	Average	Year-end	Average	Year-end	Average	Year-end	Average	31 March
EEK[1]	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466	15.6466
LVL[2]	0.6708	0.7030	0.7028	0.7028	0.7028	0.7028	0.7028	0.7028
LTL[3]	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528
PLN[4]	4.5268	4.0845	4.0230	3.8600	3.8959	3.8310	n/a	3.8668
RUB[4]	35.8192	37.7879	35.1884	33.9200	34.1117	34.6800	n/a	34.6580
USD[4]	1.2439	1.3621	1.2441	1.1797	1.2556	1.3170	n/a	1.3318
BYR[5]	2,683.75	2,955.65	2,681.49	2,546.35	2,692.07	2,817.31	2,805.60	2,855.01

[1)] Source: Central Bank of Estonia
[2)] Source: Central Bank of Latvia
[3)] Source: Central Bank of Lithuania
[4)] Source: Central Bank of Germany
[5)] Source: Central Bank of Belarus

Dating of Information

This Prospectus is drawn up based on information which was valid as of 31 March 2007. Where not expressly indicated otherwise, all information presented in this Prospectus (including the consolidated financial information of the Company, the facts concerning its operations, and any information on the markets in which the Group operates) must be understood to refer to the state of affairs as of the aforementioned date. Where information is presented as of a date other than 31 March 2007 this is indicated by either specifying the relevant date or by the use of expressions such as "the date of this Prospectus", "to date", "until the date hereof", and other similar expressions, which must all be construed to mean the date of this Prospectus (2 July 2007), or by specifying a particular date as of which such information must be taken to be valid.

Documents on Display

From the date of this Prospectus and for as long as this Prospectus remains valid, the following documents (or copies thereof), where applicable (and subject to certain restrictions mentioned below), may be inspected: (a) the corporate documents of the Company; (b) all reports, letters and other documents, historical financial information of which any part is included or referred to in this Prospectus; and (c) the historical financial information of the Company for each of the two full financial years preceding the date of this Prospectus. To the extent that such documents are not

reflected in this Prospectus with reasonable fullness and do not in the sole judgement of the Company constitute commercial secrets of the Company or third parties, physical inspection of the documents will be arranged at the offices of the Company or by electronic mail at the request of any interested party and subject to an agreement between the Company and such interested party regarding the means of inspection of the relevant documents. The above does not apply to the Articles of Association of the Company and the quarterly financial reports of the Company: those documents are publicly available at all times on the website of the Tallinn Stock Exchange (http://market.ee.omxgroup.com).

Third-Party Information and Market Information

Certain information contained in this Prospectus has been sourced from third parties. Such information is accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Certain information with respect to the markets in which the Company and its subsidiaries operate is based on best assessments made by the Management. With respect to the industries in which the Company and its subsidiaries are active, and certain jurisdictions in which they conduct their operations, reliable market information is often not available or often is incomplete. While every reasonable care was taken to provide the best possible assessments of the relevant market situation and the information about the relevant industry, such information may not be relied upon as final and conclusive. Investors are encouraged to conduct their own investigations of the relevant markets or employ a professional consultant. Information on market share is presented based on the overall revenue from principle activities, unless specifically indicated otherwise. Furthermore, in presenting the overview of the competitive position of the Group in the relevant markets, the Management has relied principally on its own assessment and analysis of such competitive position. In making such assessment and analysis the Management has used market information collected by its own staff and advisors for such purpose, either available on the basis of public information or derivable from the same.

Updates and Supplements

The Company will update the information contained in this Prospectus only to such extent, at such intervals and by such means as required by applicable law or stock exchange regulations, or as considered necessary and appropriate. Under Estonian law the Company is obliged to publish a supplement to the Prospectus if any material new circumstances occur or if any mistake or inaccuracy related to the information contained in the Prospectus which can affect the assessment of the Shares becomes apparent after the registration of the Prospectus but before the end of the Subscription Period. Such supplement must be registered with the Estonian Financial Supervision Authority. The Company is under no obligation to update or modify forward-looking statements included in this Prospectus.

If applicable law requires the publication of a supplement to this Prospectus, such supplement is published after the commencement of the Subscription Period and relates to events or circumstances which occurred prior to the allotment of Offer Shares to investors, investors who placed subscription orders before the publication of such supplement will have the right to withdraw their subscription orders within two business days from the publication of the supplement.

Ongoing reporting obligations of the Company

Since the date of its initial listing on the Investor List of the Tallinn Stock Exchange the Company has continually published, through the information system of the Tallinn Stock Exchange, information with respect to its operations, financial performance, important developments of its business and other information required to be published by the rules of the Tallinn Stock Exchange and applicable Estonian law. In accordance with the rules of the Tallinn Stock Exchange any information published by the Company must be published in Estonian and in English. The English language information releases published by the Company through the information system of the Tallinn Stock Exchange may be found on the website of the Tallinn Stock Exchange (http://market.ee.omxgroup.com).

Information Incorporated by Reference

The following information available to investors through the information system of the Tallinn Stock Exchange is incorporated in this Prospectus by reference in accordance with Art. 28 of the Prospectus Regulation:

- the current version of the Articles of Association of the Company;
- the consolidated financial statements of the Group for the year ended 31 December 2004 and prepared in accordance with IFRS.

Table of Definitions

Capitalized terms used in this Prospectus have the meanings ascribed to them hereunder, with the exception of such cases where the context evidently requires the contrary. Terms are listed in alphabetical order and the list is limited to the terms which are considered to be of most importance. Other terms are defined elsewhere in this Prospectus.

"Articles of Association"	The articles of association of the Company.
"Company"	AS Silvano Fashion Group (current registered name PTA Grupp AS, change of name pending).
"Council"	The council of the Company.
"Current Report"	Information disclosed in Poland in the manner set forth in accordance with Art. 56, sec. 1, of the Polish Act on Public Offerings.
"ECRS"	The Estonian Central Register of Securities operated by AS Eesti Väärtpaberikeskus.
"ECSD"	AS Eesti Väärtpaberikeskus (Estonian Central Securities Depository), the legal entity operating the ECRS.
"General Meeting"	The general meeting of the shareholders of the Company.
"Group"	The Company and any of its subsidiaries.
"IFRS"	International Financial Reporting Standards as adopted by the European Union.
"Institutional Investors"	Corporate entities, non-corporate entities and private individuals represented by asset managers.
"Klementi"	AS Klementi (Estonia).
"Lead Manager"	UniCredit CA IB Polska S.A., the Lead Manager and Book runner of the Offering.
"Co-Manager"	AS Suprema Securities.
"Management or Management Board"	The management board of the Company.
"Managers"	The Lead Manager and the Co-Manager.
"MTCB"	SOOO Torgovaja Kompanija Milavitsa (Belarus).
"MTCU"	OOO Torgovaja Kompanija Milavitsa (Ukraine).
"New Shares"	Up to 2,052,802 newly-issued shares in the Company to be issued to the Principal Shareholder in connection with the Offering.
"KDPW"	Krajowy Depozyt Papierów Wartościowych S.A., the operator of the Polish central securities depository and the clearing house, and, as the case may be, the Polish securities depository itself.
"Offering"	A public offering of Shares to Institutional Investors in Poland.
"Offer Price"	The price for the Offer Shares payable by investors participating in the Offering.
"Offer Shares"	6,221,338 existing Shares in the Company offered for sale by the Principal Shareholder in the course of the Offering.
"Polish Shareholders"	The shareholders of the Company who hold Shares in securities accounts opened in Poland.
"Principal Shareholder"	Alta Capital Partners S.C.A. (Luxemburg), SICAR (under foundation).
"Private Placement"	A private offering of Shares; a part of the Offering made to selected institutional investors in EU member states other than Poland.
"Prospectus"	This prospectus prepared in accordance with the Prospectus Regulation.
"Prospectus Directive"	Directive 2003/71/EC of the European Parliament and of the Council regarding information contained in prospectuses, as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

"Prospectus Regulation"	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing the Prospectus Directive.
"PTA2"	PTA Group AS (under foundation), a new Estonian subsidiary of the Company to which activities related to the "PTA" brand will be transferred in connection with the corporate re-organisation of the Group.
"PTA Group"	The Company and any and all of its subsidiaries other than those which have been acquired as a part of the Silvano Group and also excluding Splendo Polska.
"Section"	A section of this Prospectus.
"Shares"	Any existing or future shares in the Company.
"Silvano"	AS Silvano Fashion Group (registration code 11127815, in the process of being merged with the Company).
"Silvano Group"	Silvano and any and all of its subsidiaries.
"Splendo Polska"	Splendo Polska Sp. z o.o. (Poland).
"STK"	ZAO Stolichnaja Torgovaja Kompanija Milavitsa (Russia).
"Subscription Period"	The period during which Institutional Investors participating in the Offering may subscribe for the Offer Shares, i.e. 12 July 2007 to 13 July 2007.
"Summary"	The summary of this Prospectus.
"TSE Prospectus"	The prospectus prepared and published by the Company on 9 October 2006 in connection with the listing of its Shares on the Main List of the Tallinn Stock Exchange.
"WSE"	The Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*).

Forward-Looking Statements

This Prospectus may include forward-looking statements (notably the Sections titled "*Summary*", "*Risk Factors*", "*Dividend Policy*", "*Operations*" and "*Results of Operations and Outlook*"). Such forward-looking statements are based on current expectations and projections of future events, which are in turn made on the basis of the best judgment of the Management. Certain statements are based on the beliefs of the Management as well as assumptions made by and information currently available to the Management. Any forward-looking statements included in this Prospectus are subject to risks, uncertainties and assumptions about the future operations of the Group, the future macro-economic environment and other similar factors.

In particular, such forward-looking statements may be identified by use of words such as "strategy", "expect", "plan", "anticipate", "believe", "will", "continue", "estimate", "intend", "project", "goals", "targets" and other words and expressions of similar meaning. Forward-looking statements can also be identified by the fact that they do not relate strictly to historical or current facts. As with any projection or forecast, those in this Prospectus are inherently susceptible to uncertainty and changes in circumstances, and the Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements contained in this Prospectus whether as a result of such changes, new information, subsequent events or otherwise.

The business in which the Group is engaged may be affected by changes in domestic and/or foreign laws and/or regulations (including those of the European Union), taxes, development of competition, economic, strategic, political and social conditions, consumer response to new and existing products and services, technological developments, and other factors. The Group's actual results may differ materially from the Management's expectations because of the changes in such. Other factors and risks could adversely affect the operations, business or financial results of the Group (please see "*Risk Factors*" for a discussion of the risks which are identifiable and deemed material at the date hereof).

Use of this Prospectus

This Prospectus is prepared solely for the purposes of the Offering and the listing of the Shares on the WSE; it may not be construed as a warranty or a representation to any person not intending to participate in the Offering or trade in the Shares. No public offering of the Shares is conducted in any jurisdiction other than the Republic of Poland and consequently the dissemination of this Prospectus in certain countries may be restricted or prohibited by law. You

may not use this Prospectus for any other purpose than making the decision of whether or not to participate in the Offering or to conduct any trading activities with the Shares on the WSE. It is forbidden to copy, reproduce (other than for private and non-commercial use) or disseminate this Prospectus without the express written prior permission of the Company.

SUMMARY

This Summary should be read as an introduction to the Prospectus and summarizes the facts and circumstances that the Company, in its absolute discretion, considers important with respect to its business. Any decision to participate in the Offering, to invest in the Shares or to engage in any trading activities involving the Shares should be based by each investor on the Prospectus as a whole and not merely on this Summary.

Prospective investors are cautioned that should a claim relating to the information contained in the Prospectus (or this Summary) be brought before a court, the plaintiff investor might, under the national legislation of the relevant state, have to bear the costs of translating the entire Prospectus or the Summary before court proceedings are initiated. The Company accepts civil liability in respect of this Summary solely in cases where this Summary is found to be misleading, inaccurate or inconsistent when read together with the Prospectus as a whole.

Business of the Group

The Group is a vertically-integrated fashion group which manages several brands of women's apparel and lingerie with manufacturing facilities and a developing retail network. The Group in its current form was created in October 2006 as a result of the acquisition by the Company of Silvano and its subsidiaries (including Milavitsa, Lauma Lingerie and Linret).

Brands

The range of brands operated by the Group includes lingerie brands (including, primarily, "Milavitsa", "Alisee", "Aveline", "Lauma" and "Laumelle") and women's apparel brands (primarily "PTA" and "MasterCoat").

Milavitsa: One of the best-known lingerie brands in the CIS and a market-leader in Russia, it is aimed at the middle-market segment with classic models and fashion collections of lingerie carried from season to season. The "Milavitsa" brand is the sales leader of the Group.

Alisee: A new brand introduced in 2004 and developed in co-operation with French designers. Alisee is focused on the upper-market segment and customers with more demanding tastes.

Aveline: A new brand introduced in 2005 and aimed at a lower market segment with sales primarily in clothing markets and hypermarkets. The brand has been introduced as a quality substitute for cheaper Asian and Eastern European products that currently hold a significant market share in Russia and Belarus.

The main geographic markets for the "Milavitsa", "Alisee" and "Aveline" brands are Russia, Belarus and the rest of the CIS.

Lauma and Laumelle: Market leaders in Latvia and the other Baltic states. "Lauma" is a classic brand of lingerie aimed at the middle-market segment. It enjoys substantial reputation in the Baltic states and is also well-known in the CIS market. "Laumelle" is a recently-launched sub-brand of "Lauma" which is aimed at younger customers. The main geographic markets for these two brands are the Baltic states and Russia.

PTA and MasterCoat: "PTA" is a modern brand of ladies' business wear and casual wear which is aimed at professional women in their thirties and forties; it has an established reputation in the Baltics. "MasterCoat" is a brand of ladies' outdoor business wear which is sold through wholesale channels primarily in Scandinavia.

In the first quarter 2007, 87% of the Group's revenues come from sales of lingerie, 10% from sales of women's apparel and 3% from sewing subcontracting services.

Distribution Network

The Group distributes its products through wholesalers and its own retail outlets. In the first quarter of 2007, 88% of consolidated revenues was generated by wholesaling and 9% of the revenues by retail sales, while the remaining 3% of the revenues came from sewing subcontracting services.

Through the wholesale network, which includes the Company's affiliates: STK (Russia), MTCB (Belarus) and MTCU (Ukraine), the Group's products are present in Russia and the other CIS countries, Belarus, Ukraine, the U.K., Germany, Scandinavia and other countries.

As of the date of this Prospectus the Group operates 48 lingerie retail outlets under various brand names (including 19 under the "Oblicie" brand, 20 under the "Milavitsa" brand, 2 under the "Lauma Lingerie" brand and 7 under the

"Splendo Intime" brand) and a total of 19 women's apparel retail outlets under the "PTA" brand. The Group's retail outlets are located in Russia (24), Belarus (20), Estonia (8), Poland (7), Latvia (6) and Lithuania (2). In addition, wholesale partners of Milavitsa operate 105 shops under "Milavitsa" brand in Russia (including 27 in Moscow), Ukraine, Moldova, Kazakhstan and other countries. These shops are currently being standardized under a new franchising program which has been launched by the Group.

Manufacturing Facilities

The manufacturing capacity of the Group is comprised of:

- A women's apparel factory located in Tallinn, Estonia, operated by Klementi, a subsidiary of the Company; engaged in the manufacturing of "PTA" and "MasterCoat" branded women's apparel.
- A lingerie factory located in Liepaja, Latvia, operated by the Company's subsidiary, Lauma Lingerie; engaged in the manufacturing of lingerie, mainly the "Lauma" and "Laumelle" brands. Lauma Lingerie is the largest manufacturer of lingerie in the Baltic states and produced 2.4 million pieces in 2006.
- A lingerie factory situated in Minsk, Belarus, operated by the Company's subsidiary, Milavitsa; engaged in the manufacturing of lingerie, mainly the "Milavitsa", "Aveline" and "Alisee" brands. Milavitsa is the largest manufacturer of lingerie in Belarus and produced approximately 15 million pieces in 2006.

Multiple production facilities in different countries and a diversified multi-brand retail chain add versatility and flexibility to the operations of the Group. Synergies are sought through the optimal allocation of manufacturing and retail capacities between the Group's entities and products.

Strategic Objectives of the Group

Overall Strategy

The Group's strategy is focused on the implementation of the proven business model of a vertically-integrated fashion group with brand management, strong retail operations, its own flexible production facilities and outsourcing expertise, differentiated independent sources of raw materials, and integral logistics. The Group aims to create value by offering a wide variety of apparel (lingerie and women's clothes) in an attractive environment with good service, excellent quality and reasonable prices.

The strategic goal of the Group is to become one of the leading retailers of lingerie, women's apparel and accessories (with its own flexible production facilities) in the markets of the Baltic states, Russia, the rest of the CIS, and, in the longer-term, in Central and Eastern Europe. The Group is planning to develop and fine-tune its business model based on vertical integration of retailing and manufacturing functions across a variety of brands and sectors (such as lingerie, apparel and related merchandise). The Group intends to ensure that most of its products are exclusively available at and sold through the Group's retail network with differentiated mark-ups reflecting the positioning of each product. Such strategy should eventually increase the overall revenues and profits of the Group and create additional value for the shareholders of the Company.

The Group intends to achieve these objectives by rapidly expanding and strengthening the existing retail network in existing markets, entering new geographical regions, developing intra-group synergies, and pooling resources and know-how between the various Group companies.

Retail

As of the date of this Prospectus the Group operates a total of 67 retail outlets. In addition, 105 shops are operated under the "Milavitsa" brand in Russia, Ukraine, Moldavia, Kazakhstan and other countries by the Group's wholesale partners. The Group is developing a franchise policy which will standardise requirements in respect of these shops and allow for more effective supervision of their activities. As the first step in this standardization process in 2005 the Group launched the "Mi2B" (Milavitsa to Business) project, an Internet-based resource which helps partners to achieve and maintain the new standards.

The development strategy in retail is based on the roll-out of three concepts: in the lingerie segment, "Oblicie" multi-brand shops (which sell the products of Lauma Lingerie and Milavitsa) and "Milavitsa" mono-brand shops; and in the apparel segment, "PTA" mono-brand shops.

Further rollout of retail outlets in Russia will be carried out through Linret ("PTA" and "Oblicie" shops) and STK ("Milavitsa" franchised shops), in Belarus by MTCB and in Ukraine by MTCU and PTA Ukraine. With the launch

of Linret's operations in 2006, a solid and stable platform of administrative, logistical and IT solutions was created in the Group's initial principal target market which will be used for the opening and administration of new outlets. The management team of Linret has an in-depth knowledge of the respective markets and extensive past experience in the industry, both factors which are expected to enhance the Group's prospects in the market and give a good grounding for expansion into new markets.

The Group plans to build its retail network by opening new shops and possibly acquiring existing retailers. The Group plans that, by the end of 2010, its retail network will consist of 300 to 400 of retail outlets under the "Oblicie", "Milavitsa" and "PTA" brands with a combined sales area of approximately 40,000 m^2. The expansion is expected to be based on the Group's own retail outlets and franchising contracts. The ratio of Company-operated/franchised shops will be dependent on the particular region and will be determined at a later stage.

The Management sees great potential in the development of a retail network in Russia and the rest of the CIS, due to factors such as the increasing disposable income of the local population and the rising popularity of shopping centres in the region. Furthermore, the lingerie retail markets in Russia and the rest of the CIS are still characterized by relatively weak competition and the trademarks of Milavitsa and Lauma Lingerie already have the advantage of being among the best-known brands.

During the second stage of expansion program (starting from 2010) the Group will consider expanding Group's retail network in Central and Eastern Europe (at present the Group has seven lingerie shops in Poland, operated by Splendo Polska). The geographical expansion strategy is based on entering new markets with a chain of shops operating under a proven retail concept rather than on offering particular merchandise to existing retailers.

By 2010 the Group plans to direct the sales of all new collections manufactured under the "PTA" brand to the Group's own retail network and to distribute between 50% and 70% of all new collections manufactured under the "Milavitsa" and "Lauma" brands through the Group's own retail network and franchise partners. Therefore, a considerable majority of fashion collections produced by the Group's manufacturing entities will only be available in the Group's own retail network and the outlets of partners.

Manufacturing

The manufacturing entities within the Group currently are operated by three subsidiaries of the Company: Klementi, Lauma Lingerie and Milavitsa (including a subsidiary of Milavitsa, Gimil). The Group is aiming to improve the flexibility of its manufacturing facilities so as to make new collections available for sale on a frequent periodical basis according to market demand. The Group plans to increase both the number of collections per year and the efficiency of product replenishment. Efforts towards the implementation of this objective are currently scheduled primarily for 2008.

Moreover, in order to make production more efficient, the Group plans to gradually increase the production capacity in regions where production costs are lower, mainly through entering into new outsourcing arrangements in Belarus. Currently around 60% of the Group's total output is partially or fully outsourced to lower-wage regions (including primarily Belarus, but also other countries such as Ukraine, Turkey and China). The Group intends to outsource up to 80% of its total output by 2010 and to make use of Milavitsa's extensive experience in the outsourcing certain manufacturing functions. When diligently organized and properly monitored, outsourcing should increase production efficiency and decrease lead-times.

Competitive Advantages

The competitive advantages of the Group are briefly summarized below:

Well-known and reputable trademarks

The trademarks "Milavitsa" and "Lauma Lingerie" are among the best-known lingerie brands in Russia and other CIS countries. **"**PTA" products are highly regarded in the Baltic states and Scandinavia. Historically, products of Belarussian and Baltic origin have been associated with high quality by the majority of Russian and CIS consumers. Such well-known and reputable brands can be used to facilitate the introduction of new or lesser-known brands by the Group to its centrally-operated retail network. With integrated media sourcing for the whole Group, "PTA" trademark products are promoted by use of the high levels of brand-awareness "Milavitsa" and "Lauma Lingerie" have in Eastern European countries. Vice versa, in the Baltic and Scandinavian markets customer awareness of the "PTA" and "Lauma" brands can be used to increase knowledge of "Milavitsa" brands.

Flexible vertically-integrated Group structure

The Group consists of production units and entities which specialize in marketing, distribution, and retail. This vertical structure is a platform for the Group to utilize production capacities and distribution resources to satisfy the demand for the different products and brands which are produced and marketed by the Group. Moreover, as the entities engaged in retail sale of the Group's products are located in different markets, marketing solutions can be developed, planned and, where necessary, re-organized to adapt to the individual structure and particularities of the relevant market. The vertical integration of the Group allows it to capture the overwhelming share of value from product development to retail.

Strong management team

The management of the Group is comprised of highly-qualified and professional executives who have long-term experience in the women's apparel and lingerie industries in various markets. New executives are continually hired in order that the Group can meet the growing demands of its structure and business. The Group pays careful attention to the development of all levels of management and to the training of subcontractors (who must meet common Group requirements and perform in line with the overall strategy of the Group).

Flexibility in manufacturing and logistics

Owning manufacturing facilities in the region allows the Group to have a flexible production supply. The proximity of the Group's manufacturing capacity to the target markets serves as a material competitive advantage over many rivals. The short distance between the production units and the retail outlets engaged in the actual sale of the products simplifies logistics, creating opportunities for cost-savings in transportation and warehousing. Thus, there is ample opportunity to perform short-term periodic restocking of the shops and to introduce new collections more often. Furthermore, the largest of the Group's manufacturing facilities (Milavitsa's factory in Minsk) is located in Belarus and is thus able to export goods to Russia without facing the customs duties currently imposed on exports from the European Union.

Access to affordable labour resources

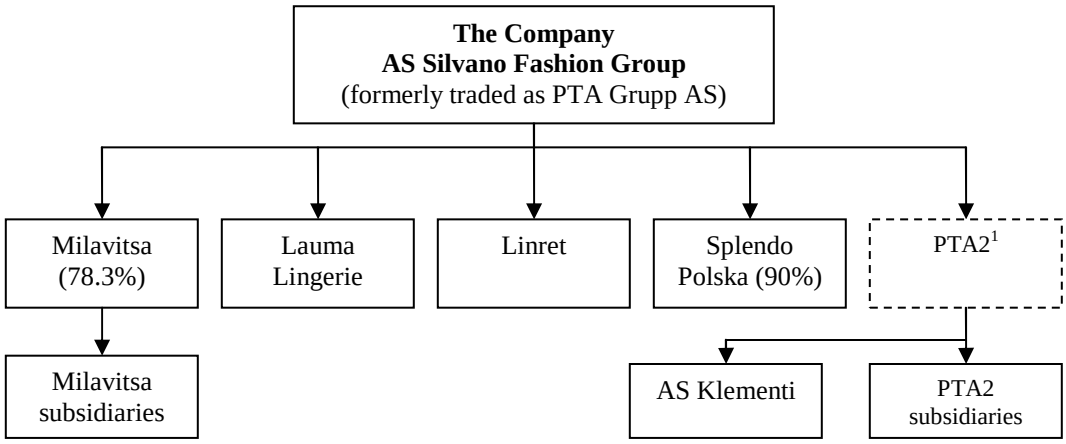
A large proportion of the Group's products is manufactured in the Milavitsa factory in Minsk, Belarus. Compared to the other Group companies Milavitsa employs a considerably larger number of employees (close to 2,000) and outsources a large share of its production to other Belarussian manufacturers. Compared to the countries where the other entities of the Group operate the costs of labour are relatively modest due to the overall lower cost of living and the lower level of salaries in Belarus. The less expensive but well-qualified Belarussian labour enables the Group to optimize its production costs while at the same time maintaining highest standards of quality. The Group intends to continue capitalizing on its proximity to the labour markets in Belarus, Ukraine and other CIS markets.

Committed principal shareholder

The Principal Shareholder of the Company is Alta Capital Partners S.C.A., SICAR, an investment firm managed by one of the most experienced investment teams in its region and holding more than 50% of the Shares in the Company. The Principal Shareholder is actively involved in the management of the Group and contributes its investment and management expertise towards the successful fulfilment of the strategic objectives of the Group.

Structure of the Group

As a result of the recent acquisition of the Silvano Group and the pending corporate re-organisation process, which is expected to be completed in the third quarter of 2007, the Company will become a holding company with no active operations. The structural chart of the Group following the completion of the corporate re-organisation is as shown below (all shareholdings are 100% except where indicated otherwise):



[1)] PTA Group AS (under foundation), a new subsidiary of the Company to which all activities related to ladies' apparel will be transferred.

History and Development

The Company

The Company is a formerly state-owned producer of women's apparel; it was fully privatised in 1995 and was first listed on the Tallinn Stock Exchange in 1997.

The Group

From a corporate standpoint the Group in its current form was created as a result of a concentration of two groups of companies: the PTA Group (including the Company as the former main operating entity of the PTA Group and its subsidiaries); and the Silvano Group (including Silvano, Lauma Lingerie, Milavitsa and Linret). The Company acquired the Silvano Group on 16 October 2006 in a reverse-takeover transaction whereby the shareholders of Silvano exchanged their shares in Silvano for a majority stake in the Company.

In connection with the acquisition of the Silvano Group, the Company (the scope and size of its operations had grown significantly on account of the acquisition) successfully applied for transfer of its Shares from the Investor List of the Tallinn Stock Exchange to the Main List of the Tallinn Stock Exchange.

Following the acquisition the Company proceeded to integrate the operations of all Group entities and initiated a corporate re-organisation process aimed at creating a transparent and efficient corporate structure for the Group.

As a result of the pending re-organisation, the Company will remain a listed holding-entity with five principal subsidiaries: PTA2 (the wholesaler, retailer and manufacturer of the "PTA" brand of women's apparel); Lauma Lingerie and Milavitsa (both are wholesalers, retailers and manufacturers of lingerie); Linret (a retailer of women's apparel and lingerie); and Splendo Polska (a retailer of lingerie).

The PTA Group

The predecessor of the women's apparel operations of the Company (such operations are currently in the process of being transferred to a newly-established subsidiary: PTA2) was established in 1944. Following the collapse of the Soviet Union the enterprise was transformed into RAS Klementi, a "state limited company" (a form of limited liability company and one which no longer exists in Estonia) and remained in state ownership until 1994. In 1994 80% of the shares in RAS Klementi were privatized by their sale to its employees. The remaining 20% of the shares were privatised through a public offering in 1995 and the Company was re-organised into a public limited liability company (*aktsiaselts*). From 1997 the Company was listed on the Investor List of the Tallinn Stock Exchange. A Finnish garment manufacturer, P.T.A. Group Oy, acquired control over the Company in 1999 but went bankrupt in 2000. The Company's export operations were hit hard and it started making losses. The majority stake in the Company was acquired by AS Alta Capital (an Estonian investment company) in 2002 and a re-organisation process started. The "PTA" trademark was developed in 2004 and the Company has decided to discontinue use of the trademark "Klementi" and focus on the "PTA" concept. In the second half of 2004 the Company changed the

branding of its shops to "PTA" and decided to expand and develop retail operations. In 2006 the PTA Group reported its first annual profit since 2000.

The Silvano Group

Silvano was established in 2005. In March 2006 Silvano acquired 100% of the shares in Linret. In July 2006 Silvano acquired approximately 60% of the shares in Milavitsa and 100% of the shares in Lauma Lingerie. Silvano does not have a history of active operations and is currently being merged with the Company.

Lauma Lingerie's predecessor (AS Lauma) was established in the 1960s in Liepaja, Latvia. By the end of the 1980s Lauma products were popular throughout the Soviet Union and Lauma had started exporting to Europe. The state enterprise Lauma was privatised in 1994 and reorganised into a joint-stock company: AS Lauma. In October 2005 AS Lauma decided to separate fabrics operations from its lingerie business. As a part of this process Lauma Lingerie was established by way of a carve-out of the lingerie activities of AS Lauma. Lauma Lingerie acquired the lingerie operations, as well as the related inventory and other non-current assets, from AS Lauma on 16 December 2005 and started independent operations.

Milavitsa's predecessor was established in Belarus in 1908. Since 1964 the factory has specialized in lingerie products and exports of its products started in 1968. In 1991 the factory stepped up its branding efforts and was renamed to "Milavitsa". This marked the start of a turbulent decade of changes, privatisation, re-organisation and investments. The re-organisation was completed by registering Milavitsa under its current legal form and name in 2000, following the acquisition of Milavitsa's shares by foreign investors, the Iluna Group SPA from Italy and the European Bank for Reconstruction and Development. From 2003 to 2005 Milavitsa invested in modernizing its manufacturing line and in 2004 to 2005 it began streamlining its distribution network. As part of this process Milavitsa transferred its wholesale operations in Russia to its newly-established subsidiary, STK, and its wholesale and retail activities in Belarus to another newly-established subsidiary, MTCB. In June 2005 STK acquired a 26% stake in MTCU in Ukraine in order to enhance the distribution of Milavitsa's goods in Ukraine.

Linret was established in 2005 and serves as the base for the roll-out of the lingerie and women's apparel retail network in Russia. As of the end of the first quarter of 2007 Linret has opened 14 "Oblicie" shops and five "PTA" stores in various shopping malls in different cities in Russia.

Management of the Company

In accordance with Estonian law the day-to-day operations of the Company are managed by the Management Board. The Management Board of the Company currently consists of six members, who are each appointed for a three-year term. According to the Articles of Association of the Company the Management Board may have between one and seven members. The Management Board reports to the Council, which is responsible for the strategic management of the Company's operations. According to the Articles of Association of the Company the Council consists of between three and five members who are appointed by the General Meeting for a period of five years. The highest governing body of the Company is the General Meeting.

The Management Board of the Company is responsible for the strategic management of the whole Group and responsibilities are divided as follows:

- Dmitry Ditchkovsky, the president of the Company and chairman of the board, responsible for co-ordinating the work of the Management Board, strategy of the Group, and its business model;
- Sergei Kusonski, chief executive officer, responsible for co-ordination and management of key functions (including logistics, IT, HR, and legal matters) and supervision of areas entrusted to other members of the Management Board;
- Peeter Larin, member of the Management Board, responsible for management of the "PTA" concept, including design, procurement and marketing;
- Dmitri Podolinski, member of the Management Board, responsible for marketing and sales of lingerie, including design and procurement, and management of the retail concepts;
- Dace Markevica, member of the Management Board, responsible for corporate accounting, investor relations, and financial planning;

- Remigiusz Pilat, member of the Management Board, responsible for Polish retail operations and business relations in Western Europe.

The Management Board of the Company was appointed by the Council on 6 June 2007, for a term of three years. The members of the Council of the Company are: Mr. Indrek Rahumaa, Mr. Jaak Raid and Ms. Zinaida Valeha.

Articles of Association and Share Capital

The current version of the Articles of Association was adopted by a resolution of the General Meeting on 31 May 2007. The current registered share capital of the Company is EEK 379,471,980 (approximately EUR 24,252,680). It is divided into 37,947,198 Shares with a nominal value each of EEK 10 (approximately 0.6391 EUR). Following the registration of all New Shares in the Estonian Commercial Register, the share capital of the Company will be EEK 400,000,000 (approximately EUR 25,564,659), divided into 40,000,000 Shares with a nominal value each of EEK 10.

The Shares are registered in the ECRS with International Securities Identification Number (ISIN) EE3100001751. In addition to being registered in the ECRS, all Shares of the Company will be registered in the KDPW. The Shares will be registered in the KDPW under the same ISIN code assigned to them in the ECRS.

Capitalisation and Indebtedness

As of 31 March 2007 the consolidated unaudited total assets of the Group were EUR 54.6 million, with current assets of EUR 40.6 million and the remaining EUR 13.9 million in non-current assets. As of 31 March 2007 the total consolidated unaudited liabilities of the Company were EUR 12.3 million, resulting in total net assets of EUR 42.3 million. As of 31 March 2007 the financial indebtedness of the Group amounted to EUR 1,6 million and comprised primarily of several secured loans from AS Hansapank in the total amount of EUR 1.2 million.

Summary of Selected Financial Information

The tables below present certain selected unaudited consolidated financial information of the Group for the financial years ended 31 December 2006 and 31 December 2005 and for the three months ended 31 March 2007. The data as of and for the interim period ended 31 March 2007 is not comparable with the results of the same period in 2006 due to the fact that the Silvano acquisition was not completed as of 31 March 2006. The financial information concerning financial years ended 31 December 2006 and 31 December 2005 was derived from the Unaudited Pro Forma Financial Information and the Unaudited Aggregated Financial Information and should not be considered indicative of actual results that would have been achieved had the acquisition been consummated on the date or for the period indicated and do not purport to indicate results of operations as of any future date or period. There can be no assurance that the actual results will not differ significantly from the financial information derived from the Pro Forma Financial Information and the Aggregated Financial Information. Results for the three months ended 31 March 2007 are not necessarily indicative of results that may be expected for the entire year.

The ratios and indicators set forth in the table below are provided to illustrate certain aspects of the business of the Group and its financial performance. Some of these ratios and indicators are used by the Management to evaluate the performance of the Group, while others are provided for the benefit of investors considering an investment in Shares or trading activities with the same. Although some of these ratios and indicators are not calculated in accordance with IFRS, the ratios and indicators used below are customary and often used by public companies to illustrate their business and financial performance.

This summary should be read in conjunction with and its qualified in its entirety by the information included in "Pro Forma and Aggregated Financial Information", "Financial Statements" and "Results of Operations and Outlook".

Income Statement (thousand EUR)	**2007 Q1** ***(unaudited)***	**2006 Pro Forma** ***(unaudited)***	**2005 Aggregated** ***(unaudited)***
Revenue	**23,745**	**81,034**	**72,010**
Goods, raw materials and services	-9,362	-37,151	-37,915
Other operating expenses	-6,344	-9,292	-6,497
Staff costs	-3,341	-12,482	-14,905
Other operating charges	-34	-4,206	0

Income Statement (thousand EUR)	**2007 Q1** *(unaudited)*	**2006 Pro Forma** *(unaudited)*	**2005 Aggregated** *(unaudited)*
Total operating expenses	**-19,081**	**-63,131**	**-59,317**
EBITDA	**4,664**	**17,903**	**12,693**
Depreciation	-630	-1,958	-2,338
Operating profit/loss	**4,034**	**15,945**	**10,355**
Total financial incomes and expenses	**181**	**-9**	**-1,456**
Corporate income tax	-1,523	-5,029	-3,139
Net profit	**2,692**	**10,907**	**5,760**
Attributable to :			
Equity holder of parent	2,139	7,893	4,045
Minority interests	553	3,014	1,715

Balance Sheet (thousand EUR)	**2007 Q1** *(unaudited)*	**2006** *(audited)*	**2005 Aggregated** *(unaudited)*
Cash and cash equivalents	6,978	12,812	7,105
Trade receivables	14,883	7,141	5,129
Non-trade receivables	4,131	4,899	2,228
Inventories	14,643	14,716	12,392
Current assets	**40,635**	**39,568**	**26,854**
Long-term investments	413	268	1,050
Total non-current assets	12,469	11,011	9,545
Intangible assets	1,057	1,058	743
Total non-current assets	**13,939**	**12,337**	**11,338**
Total assets	**54,574**	**51,905**	**38,192**
Borrowing	1,642	1,911	1,232
Trade creditors	6,620	5,594	3,777
Other short-term payables	3,502	3,398	2,010
Short-term provisions	1	1	994
Total current liabilities	**11,765**	**10,904**	**8,013**
Total non-current liabilities	**537**	**632**	**533**
Total liabilities	**12,302**	**11,536**	**8,546**
Share capital	24,252	24,252	n/a
Share premium	5,305	5,305	n/a
Reserves	67	67	n/a
Retained earnings	3,225	-63	n/a
Translation reserve	-1,473	-684	n/a
Total equity attributable to equity holders of the parent company	**31,376**	**28,877**	**21,254**
Minority interest	10,896	11,492	8,392
Total equity	**42,272**	**40,369**	**29,646**
Total liabilities and equity	**54,574**	**51,905**	**38,192**

Cash flow data (thousand EUR)	**2007 Q1** *(unaudited)*	**2006 Pro Forma** *(unaudited)*	**2005 Aggregated** *(unaudited)*
Cash flow from operating activities	-2,903	n/a	n/a
Cash flow used in investing activities	-2,104	n/a	n/a
Cash flow from financing activities	-835	n/a	n/a

Key ratios and indicators	**2007 Q1** *(unaudited)*	**2006 Pro Forma** *(unaudited)*	**2005 Aggregated** *(unaudited)*
Weighted average number of shares	37,947,198	n/a	n/a
Earnings per share (EPS) in EUR	0.06	n/a	n/a
Number of employees at the end of reporting period	2,929	2,909	n/a
EBITDA margin %	19.6%	22.1%	17.6%
Operating profit margin %	17.0%	19.7%	14.4%
Return on assets (ROA) %	4.9%	n/a	n/a
Return on equity (ROE) %	6.4%	n/a	n/a
Equity ratio %	77.5%	n/a	n/a

Utilised Ratios

EBITDA	=	Earnings before net financial items, share of profit of associates, taxes, depreciation and amortization. EBITDA is included as a supplemental item since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not a measure of operating performance calculated in accordance with IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit or loss or cash flow data determined in accordance with IFRS.
EBITDA margin	=	EBITDA / Revenue. The EBITDA margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of the company's financing and tax position as well as depreciation-related estimates.
Operating profit margin	=	Operating profit / Revenue. The operating profit margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of both the company's financing and tax position.
Return on investment (ROI)	=	(Profit after net financial cost + Interest expense) / (Average total assets – average interest free liabilities). Return on investment measures the relationship between profits and the investment required to generate them.
Return on assets (ROA)	=	Net profit / Average total assets. Return on assets compares income with total assets: measuring the management's ability and efficiency in using the firm's assets to generate (net) profits.
Return on equity (ROE)	=	Net profit / Average equity. Return on equity excludes debt in the denominator and compares net income with total shareholder equity. It measures the rate of return on shareholder investment and is, therefore, useful for comparing the profitability of a company with its competitors.
Equity ratio	=	Equity / Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholder equity to total assets. An analysis of a company's financial leverage (or capital structure) is essential to evaluate its long-term risk and return prospects.

Risk Factors

The business of the Group involves risks which may be related to the industry in which the Group operates, to certain specific features of its operations or to the environment in which it conducts its business. In addition, trading in Shares in the Company involves certain risks and dangers. Please refer to the Section of the Prospectus titled "*Risk Factors*" for an overview of such risks that the Company is aware of and considers material.

Major Shareholders

The principal shareholder of the Company, holding approximately 54.12% of all Shares, is Alta Capital Partners S.C.A., SICAR, an investment fund registered in Luxemburg (currently under foundation). A further 19% of all Shares are owned by SIA Alta Capital Partners, a company related to the Principal Shareholder (including such shares which are currently in the ownership of third parties but can be repurchased by SIA Alta Capital Partners). The Company is under the ultimate control of Indrek Rahumaa, who is the majority shareholder of the Principal Shareholder and of SIA Alta Capital Partners through OÜ Investeerimisvabrik. In total, companies controlled by Indrek Rahumaa (including the Principal Shareholder, SIA Alta Capital Partners and OÜ Investeerimisvabrik) hold 73.48% of all Shares. Approximately 9.43% of all Shares are currently set aside to cover the management option programme agreed between the Principal Shareholder and the members of the Company's management, which is to be satisfied by the Principal Shareholder and/or SIA Alta Capital Partners.

Related Party Transactions

The Group normally does not engage in material transactions with related parties with the exception of day-to-day intra-group financing transactions. By way of exception, Lauma Lingerie leases its factory, office and warehouse premises from AS Lauma (a company belonging to the same group as the Principal Shareholder) and purchases certain administrative services from the same. The total amount of rent and services paid by Lauma Lingerie to AS Lauma in 2006 was approximately EUR 585,000.

In addition to the above, SIA Lauma Fabrics (a company belonging to the same group as the Principal Shareholder) is a supplier of materials for corset products to Lauma Lingerie and Milavitsa. Materials are supplied on arm's length basis and the volume of the relevant transactions between SIA Lauma Fabrics and Lauma Lingerie in 2006 was approximately EUR 2.9 million and between SIA Lauma Fabrics and Milavitsa, in the same period, EUR 7 million.

Auditors and Legal Advisors

The auditors of the Company for financial year 2007 are KPMG Baltics AS (Narva mnt 5, 10117 Tallinn, Estonia). The principal legal advisors to the Company in Estonia are AS Advokaadibüroo Lepik & Luhaäär LAWIN (Dunkri 7, Tallinn 10123, Estonia).

Offering

Reasons for the Offering and Use of Proceeds

The main purpose of the Offering and the listing of the Shares on the WSE is to increase the liquidity of the Shares, as well as to facilitate the Group's access to the capital markets of Eastern Europe and to improve opportunities for further growth by enhancing the Group's reputation as a regional manufacturer and retailer of apparel and lingerie.

The Company will not obtain any proceeds directly from the Offering. The proceeds obtained by the Company in connection with the issuance of the New Shares to the Principal Shareholder (total proceeds cannot be precisely estimated at this time) are expected to be used in connection with the expansion of the Group's retail capacity in the markets where the Group currently operates, as well as for possible further corporate acquisitions in existing and new markets. The Principal Shareholder has agreed to utilise the proceeds of the sale of the Offer Shares to subscribe and pay for the New Shares. The fees and expenses to be incurred by the Company in connection with the Offering and the placement of the New Shares are estimated to reach approximately EUR 1 million, including applicable taxes (subject, however, to the final Offer Price and the determination of such costs which can not be fully assessed at this time).

Eligible Investors

The Offering is addressed to Institutional Investors in Poland and to selected Institutional Investors in certain other EU member states.

Expected Timetable of the Offering

The Offering will be conducted pursuant to the following indicative timetable:

6 July – 11 July 2007	Book-building process among Institutional Investors
11 July 2007	Determination of the Offer Price and the final number of Offer Shares
12 July – 13 July 2007	Subscription Period
16 July 2007	Allotment Date
By 31 July 2007	Listing of the Offer Shares on the WSE

Book-Building

The book-building process will take place amongst selected Institutional Investors invited by the Managers. During the process such Institutional Investors who are interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the offer price at which they will be willing to subscribe for the Offer Shares.

Determination of the Offer Price

The Offer Price will be determined by the Company and the Principal Shareholder, with the agreement of the Lead Manager, following the completion of the book-building process among the Institutional Investors.

Placing of Subscription Orders

Subscription orders from Institutional Investors will be accepted at the registered office of the Lead Manager (UniCredit CA IB Polska S.A., ul. Emilii Plater 53, Warsaw, Poland).

By placing subscription orders each of the prospective investors will be deemed to have read the Prospectus, accepted the terms of the Offering, consented to being allotted a lower number of Offer Shares than the number specified in such investor's subscription order or not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

Payment for Shares

Institutional Investors placing subscription orders should pay for Offer Shares no later than by the end of the Subscription Period.

Allotment of Shares

The allocation of Offer Shares to particular Institutional Investors participating in the Offering will be determined by the Lead Manager, at its discretion, subject to the consent of the Principal Shareholder.

Dilution

Assuming that all of the Offer Shares are sold as a result of the Offering and all of the New Shares are subscribed for by the Principal Shareholder, following the Offering companies controlled by Indrek Rahumaa (including the Principal Shareholder, SIA Alta Capital Partners and OÜ Investeerimisvabrik) will hold approximately 59.29% of the share capital of the Company and the overall number of votes at the General Meeting (including the Shares set aside to satisfy the above-mentioned management option).

The shareholding of such shareholders of the Company who held Shares in the Company immediately prior to the Offering will be diluted as a result of the issuance of the New Shares to not more than 94.87% of their original shareholding.

Listing of Shares

At the date hereof the Shares in the Company (except the New Shares) are listed on the Main List of the Tallinn Stock Exchange. In connection with the Offering, and the issuance of the New Shares, the Company will apply for the listing of the New Shares on the Main List of the Tallinn Stock Exchange and for the listing of all Shares (including the New Shares) on the main market of the WSE. The Company will take all necessary measures in order to comply with the rules of the Tallinn Stock Exchange and the WSE so that its applications will be approved. Trading in Shares on the WSE is expected to commence by 31 July 2007. The listing of New Shares on the Main List of the Tallinn Stock Exchange is expected in parallel with the listing of such New Shares on the WSE. Trading in the New Shares is expected to commence in the middle of August 2007.

Lock-Up Agreement

The Company and the Principal Shareholder have each undertaken that for a period of 180 days after the Settlement Date they will not conduct certain transactions with Shares that amount to a disposal of the same without the consent of the Lead Manager. See “Underwriting – Lock-Up Agreements”.

RISK FACTORS

Prospective investors should carefully review and consider the following risk factors and the other information contained in this Prospectus prior to making any investment decision with respect to the Offer Shares. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the Group's business, cash flows, financial condition, results of operations, or prospects. Even though the following risk factors cover all risks the Group currently believes to be material, the risks discussed below may, in retrospect, turn out not to be complete or prove not to be exhaustive and therefore may not be the only risks the Group is exposed to.

The order in which the risks are presented below does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks. Additional risks and uncertainties of which the Group is not currently aware, or which it does not consider significant at present, could likewise have a material adverse effect on the Group's business, cash flows, financial condition, results of operations, or prospects. The market price of the Shares could fall if any of these risks were to materialise, in which case investors could lose all or part of their investment.

Investors should only purchase Shares for inclusion in a broadly-diversified portfolio. Those investors who have any reservations regarding the content of this Prospectus should contact their stockbroker, bank, lawyer, tax advisor or financial advisor. The information in this Prospectus is not equivalent to the professional advice from the persons mentioned above.

Industry-Specific Risks

Substantial competition in the market for women's apparel

Competition in the market for women's apparel is already intense in all of the Group's markets. There are several traditional domestic brands in each of the Group's markets and from time to time new international fashion brands may enter the market, while competition is already substantial between several international and domestic manufacturers of clothing. Therefore, even though the PTA Group is among the largest Estonian apparel manufacturers, its market share in its home market (i.e. Estonia) is estimated to be around 4%. In other geographic markets the PTA Group's market share is lower. In such a competitive environment smaller manufacturers may easily fail to find and maintain their niches and lose market share to large international apparel manufacturers.

Competition in the lingerie market is increasingly intense

Though still considerably less intense than the women's apparel market the lingerie market within the Baltic states and Eastern Europe (including Russia) is increasingly competitive. On one hand, international brands such as "Triumph", "Incanto", "Felina" and "DIM" are expanding their activities in these geographical areas, in particular in the upper market segments. On the other hand, low-cost Eastern European and Asian producers are exerting competitive pressure in the lower market segments. Furthermore, there are a number of local competitors who are active in the same geographical markets (such as the Russian lingerie manufacturer "Palmetta", the Estonian "Linette", and the Latvian manufacturers "Rosme" and "V.O.V.A."). Therefore, in order to be competitive, all members of the Group will have to be able to consistently produce high-quality fashionable items and adjust their branding efforts to the specific expectations of consumers in their target markets. Failure to keep pace with the latest fashion trends, incorrect placement of products, or inability to accurately assess market expectations may have an adverse effect on the revenue and profitability of the Group.

Competition for new retail premises

Competition for suitable retail space and warehouses in most of the Group's target markets has intensified considerably over the past few years. A deficit of new shopping centre developments and a lack of retail space are particularly evident in the Eastern European markets, including Russia. The Group's prospects depend to a certain extent on the possibility to roll-out two retail networks ("Oblicie" and "PTA") based in newly-developed state-of-the-art shopping malls in Russia and possibly in other markets. Thus far the Group's Russian retail arm (Linret) has been successful in securing a substantial amount of retail space in such new shopping malls (see the Section titled "*Operations of the Group: Real Estate and Leased Premises*"). However, there is no assurance that this success will continue in the future.

Securing suitable premises for expanding retail activities may also be an obstacle in the Baltic markets. Although many new shopping centres and other suitable facilities have been built in the Baltic states in recent years, a significant number of the most favourable locations are already occupied by competitors who are currently present in the relevant markets.

The future performance of the Group may also be adversely affected by the constantly rising prices of land and construction costs (due to increasing costs of construction materials and labour), which may result in considerable increases in rental costs for tenants and reduced interest from investors for building new shopping malls. These circumstances may affect the ability of the Group to expand its retail operations, in particular in the Baltic states, which mainly may adversely affect the future sales of "PTA" branded women's apparel.

Delays in the construction of shopping malls

The expansion of the retail network constitutes a significant part of the Group's development strategy. Most of the new stores which are to be opened in the next few years by the Group will be located in shopping malls and the majority of those malls are currently under construction. Due to possible delays in the construction of those malls there is no assurance that the Group will be able to open the anticipated number of stores.

Demand for the Group's products

Due to the intense competition in all relevant markets, the Group's success is highly dependent on efficient marketing policy which should aim at ensuring continuous demand for the Group's products through maximum consumer satisfaction both in terms of product quality and shopping assistance. While demand for clothing and lingerie is generally relatively stable, demand for particular products may fluctuate considerably within the relevant sectors as consumer preferences change and evolve. Therefore, appropriate branding and pricing, correct timing of discounts and promotional/advertising campaigns, as well as quality in-store service, are of the utmost strategic importance to the Group. Even minor errors in assessing consumer behaviour and/or taste may adversely affect the demand for the Group's products and thus have a negative effect on sales. As an example: in 2005 the Company experienced considerable decrease in the sales of "PTA" branded apparel to the Scandinavian countries due to improper positioning of products within the relevant apparel market.

Cost of raw materials

For lingerie and women's apparel manufacturing the costs of raw materials, such as high quality fabrics and lace, may comprise over 50% of the total cost of goods sold. The Group is not itself engaged in the manufacturing of raw materials and must therefore rely on external suppliers in order to maintain and increase levels of production. Therefore, the Group is unable to fully control its supplies of raw materials. Temporary or permanent disruptions in supply and/or significant fluctuations in costs of raw materials will have an almost immediate effect on the output of the Group's manufacturing entities and the cost of its products. Depending on the type and extent of supply disruptions and/or price fluctuations, the Group's ability to compete with prices offered by competitors with better access to raw materials may suffer.

Rising cost of personnel

The production of both lingerie and women's apparel is highly labour-intensive and involves delicate handling and sewing operations which are not suited to full automation. Therefore, labour costs represent a significant share of the Group's manufacturing expenses and have a direct effect on its competitiveness and profitability. The supply of skilled workforce at the present salary levels is already limited in the Baltic states and over the long term also in Eastern Europe. Rising costs of labour pose risks for maintaining product price competitiveness and may hinder the expansion of the Group's production capacity in the future. A significant manufacturing capacity in Belarus which has been acquired by the Group provides solid protection against labour shortages and personnel costs in the short and medium term but may lose part of its appeal in the long term as the Belarussian economy catches up with that of

the rest of Eastern and Central Europe. Therefore the Group may in the future have to outsource its manufacturing to a greater extent than thus far and start relying in part on sewing services purchased from third countries. Such increased outsourcing may create greater risks of delays, and lead to quality and communication issues, as well as having the effect of increasing the administration costs of the Group.

Rising rental costs

With the full roll-out of the Group's retail market, the Group will incur significant fixed or semi-fixed rental costs on a monthly basis. Considering the substantial competition for suitable rental premises in the larger cities in the relevant markets, the Group may be forced to increase spending on rent in order to maintain its trading locations. As a result the profitability of the Group operations may suffer. Moreover, each of the Company, Klementi and Lauma Lingerie operate from leased premises and do not fully control the amount of rent that is being charged for the use of such premises. Therefore, such entities are also to a certain extent exposed to the risk of increases in rental costs. Furthermore, all rented premises are prone to a certain degree to the risk of termination of the relevant lease, subject to the conditions of contract. Although the Group attempts to negotiate the best possible terms at all times, no assurance can be given that larger and more popular shopping malls will always be unsuccessful in imposing their own conditions of lease. Such conditions may not be in the Group's interests and may, for example, include the landlord's right to terminate the lease prior to its expiry date. Should one or more agreements be prematurely terminated the Group (or any other entity that is prone to termination risk) may suffer at least temporary setbacks in terms of revenue and profit.

Upcoming income tax reform in Estonia

Since 2000 Estonia has run a system of corporate income tax which is favourable for investment and growth-oriented undertakings. Retained earnings are fully exempt from corporate income tax and only profit distributions, in their various forms, are taxed. Therefore, corporations can re-invest profits without triggering income taxation. The European Commission considers this system to be contrary to EU law. EU rules require that dividends paid to shareholders who hold at least 15% of the shares in a company are not taxed at the source (i.e. in the home country of the company paying the dividends) and Estonia must comply with these rules by 1 January 2009. It is currently possible that starting from 2009 Estonian companies will have to pay corporate income tax on earnings. It is not presently known precisely what the features of the new income tax system would be (including the proposed level of the tax rate) and it is therefore conceivable that the upcoming changes could have an adverse effect on the financial results of the Group and its ability to sustain current rates of investment and growth.

Changing fashion trends and customer preferences

The Group's business consists of the sale of products in a market where customers' decisions are driven mainly by current fashion trends and prevailing tastes. As for other businesses operating in the same industry, any failure by the Group to adapt its product range to customer expectations creates a risk of being left with slow-moving stocks or the need to sell goods at significantly reduced prices, both of which may have an adverse effect on the Group's operating results and financial standing.

Seasonality

The vast majority of the Group's revenues is generated by lingerie sales. The seasonal collections of the Group's lingerie products represent approximately 15% of the whole output and the release of lingerie collections is planned by the Group to occur evenly throughout the whole year and therefore seasonal changes in the Group's sales revenues do not currently have a material effect on the Group's sales revenues in the individual quarters. The effects of seasonality are prominent in the Groups' apparel business. With two major collections per year (Spring-Summer and Autumn-Winter), the seasons reach their peak in April-May and in September-November. However, as apparel revenues currently represent approximately 10% of the Group's sales, the effects of seasonality in apparel sales do not have a material impact on the Group's total sales revenues generated in individual quarters. Due to the expansion of the Group's retail operations in the coming years, seasonal fluctuations will have greater impact on the demand for the Group's products, thus affecting the financial results of the Group in individual quarters.

Business Risks

Expansion of retail operations may lead to administrative and/or structural difficulties and such operations may not begin to generate expected profits in the future

The strategy of the Group involves the opening of a significant number retail shops, operating under the "Oblicie", "PTA" and "Milavitsa" names, within both existing and new geographic markets before the end of 2010. The roll-out of a new retail chain in Russia has been carried out since 2006 through Linret, a specialized retail entity within the Group. Prior to the launch of Linret operations the Group had no significant experience in running a large-scale retail network. Linret has been generating losses since its incorporation. The rapid expansion of the international operations of the Group and limited experience of the Group in running large-scale retail operations may lead to administrative and/or structural difficulties and ultimately result in higher than expected costs of such operations and/or a slower rate of expansion. There is also no assurance that the Group's retail operations will begin to generate expected profits in the future. The inability of the Group to successfully expand its retail operations may adversely affect the business activities, results, financial position or prospects of the Group.

Re-organisation of the Group

In 2006 a re-organisation of the Company took place as a result of which AS Klementi was divided into two companies by the way of the separation of a new subsidiary from AS Klementi. The Company was renamed PTA Grupp AS and is the legal successor of AS Klementi. The new subsidiary received all the production-related assets of the Company and was registered under the name of AS Klementi. The division was deemed completed and all the rights and obligations transferred as of the making of the relevant entry in the commercial register, i.e. on 15 August 2006. In addition, following the acquisition of the Silvano Group by the Company, a redundant holding company (Silvano) became a part of the Group and the Company became the ultimate parent of the larger Group while at the same time also remaining responsible for the management of the retail operations with respect to the "PTA" trademark. On 13 April 2007 the Company announced restructuring plans under which Silvano will be merged with the Company and subsequently eliminated, while the Company (listed on the Tallinn Stock Exchange and in the future on the WSE) will concentrate exclusively on the strategic management of the Group. In order to separate the current business activities of the Company (retail sales of the "PTA" brand products) from the strategic management of the Group, the Company is establishing a new subsidiary (PTA2), which is currently in the process of being founded. As a result of the restructuring, PTA Grupp AS (i.e. the Company) will be renamed AS Silvano Fashion Group. The Company expects to complete the re-organisation in the third quarter of 2007 and will publish information on such completion in due course. In connection with this re-organisation the Company may need to take steps to integrate its business operations, centralize asset and liability management, and converge information systems. Such a process may be lengthy and expensive and may not be completed within the planed time-frame or manner, or at all. The integration of certain companies may also result in inconsistent implementation of the established policies and procedures of the Group or the loss of its existing clients or business partners. Therefore, the Company can not guarantee that the above-mentioned the re-organisation processes will not have negative influence on the business, results of operation and/or financial condition of the Group.

Lack of historical financial information presenting Group in its current form

The Group in its present composition and scope was formed through the acquisition of Silvano by the Company in 2006. Silvano in turn is a recently-established holding which acquired its current subsidiaries (Milavitsa, Linret and Lauma Lingerie) during 2006. Of these subsidiaries, Linret is a recently-established entity which commenced operations in 2006 and Lauma Lingerie was established as a result of the division of its predecessor, AS Lauma, in October 2005.

Due to the specific nature of the Silvano Group (Silvano Group itself is a product of recent consolidation) full and reliable financial information of the Silvano Group is not available for financial years preceding financial year 2006. For financial year 2006 the Company has prepared Unaudited Pro Forma Financial Information in accordance with Annex II of the Prospectus Regulation, which is presented in the Section titled "*Unaudited Pro Forma Financial Information*". In addition to the Unaudited Pro Forma Financial Information, the Company has prepared aggregated financial information for financial year 2005 illustrating the consolidated financial results of the PTA Group combined with those of the Silvano Group for that financial year, which is presented in Section titled "*Unaudited Aggregated Financial Information*". Due to the limited access that the Company has to the financial results of the Silvano Group prior to financial year 2006, and taking into account the complex history of the Silvano Group itself, the Company was not in a position to prepare consolidated information for financial year 2005 in accordance with Annex II of the Prospectus Regulation and no procedures were performed on such aggregated consolidated information by the auditors of the Company.

The financial information presented in the Prospectus derived from the Unaudited Pro forma Financial Information and the Unaudited Aggregated Financial Information should not be considered indicative of actual results that would

have been achieved had the acquisition been consummated on the date or for the period indicated and do not purport to indicate the results of operations as of any future date or period. There can be no assurance that the actual results will not differ significantly from the financial information derived from the Unaudited Pro Forma Financial Information and the Unaudited Aggregated Financial Information.

Top and middle-level human resources are limited

Until now both the PTA Group and the Silvano Group (including the individual entities belonging to them) have been successful in attracting and retaining qualified and experienced top and middle-level management personnel. The combined management of the Group, as well as the local management of each Group entity, is comprised of top professionals in the relevant areas with significant experience in their respective fields. However, the expansion of the Group will lead to a growing demand for skilled management personnel to fill new, emerging positions in the central management and elsewhere. It cannot be guaranteed that suitable personnel will always be easily available where and when required. Failure to attract in due time and retain qualified and experienced human resources may have the effect of slowing down the expansion of the Group and ultimately entail higher hiring and personnel expenses.

Dependence on essential supplies

The manufacturing of high quality lingerie products and apparel is greatly dependent on the quality of fabrics (and, in the case of lingerie, lace). The manufacturing entities of the Group depend on certain key suppliers whose supplies have historically been used in manufacturing the products of the PTA Group, Lauma Lingerie and Milavitsa. Therefore, the loss of certain key suppliers could have noticeable negative effects on the business of the Group. Substitutes for the products of the established suppliers (including matching colours and textures) would be hard to secure. For this reason, the Group might have to re-develop certain products based on alternative fabrics and other material in the event of the loss of a key supplier. The market success of such new products cannot be guaranteed and supply prices of alternatives could be higher. Therefore the loss of key suppliers or temporary supply problems may have considerable negative effects on the Group's output and/or sales.

Dependence on major distributors

Certain brands of the Group are distributed through a limited number of significant distributors who generate a notable proportion of the sales revenues from such brands. For Lauma Lingerie 34% of the sales revenue in 2006 was generated by the three largest distributors, while for the PTA Group the respective figure was 12.8% (whereas the distribution of Milavitsa's products is handled by its affiliates). Some distributors act simultaneously as wholesalers and retailers of the Group's products, as well as intermediaries between the Group and other wholesalers. Such distributors may have substantial bargaining power in their discussions with the Group, as the termination of the contractual relationships with such distributors or the involvement of competing distributors or even temporary difficulties in business relations with them may have a material adverse effect on the sales of the Group.

Interest rates

Some of the interest-bearing obligations of the Company (see further details in the Section titled "*Capitalisation and Indebtedness*") are tied to the EURIBOR base rate. Therefore increases in European Central Bank interest rates (and, consequently, increases of the EURIBOR base rate) will lead to a corresponding increase in the financial costs of the Group. However, such increases are not likely to have a significant effect on the overall results of the operations of the Group on account of the currently negligible amount of EURIBOR-dependent financial obligations of the Group relative to total capitalisation. Nevertheless, an increase in the cost of borrowing may hinder the ability of the Group to raise additional debt capital that may be required for the implementation of its expansion plans.

Currency exchange

Estonia and Lithuania joined the Exchange Rate Mechanism (ERM II) in June 2004 and Latvia joined the ERM II in May 2005. As a result the central exchange rates for the three national currencies against the EUR were fixed. Under ERM II the three countries' currencies must not deviate by more than 15% from the agreed exchange rates to the EUR. Furthermore, the central banks of Estonia and Lithuania allow 0% fluctuation and the Central Bank of Latvia allows a ± 1% fluctuation.

However, expectations that Estonia, Latvia and Lithuania would start using EUR notes and coins from 1 January 2007 proved unrealistic. The possible date for the introduction of the EUR in all three Baltic states is likely to be

further away (perhaps 2010 or 2011) in light of relatively high inflation and sizeable current account deficits. A delay in the transition to the EUR may ultimately lead to a drop in investor confidence and an overall decline in the growth rates of the Baltic economies due to a remote but still possible risk of devaluation of the national currencies against the EUR.

The effect of currency exchange rates on costs and profitability is more probable with respect to Russia, Ukraine and Belarus (and, in the future, possibly with respect to other Eastern European markets) where the national currencies are not tied to the EUR. Presently, however, the Group does not consider it necessary to hedge against the currency risk in Russia, Ukraine and Belarus as future exchange rate trends are difficult to predict and the pricing of the relevant financial instruments is currently not seen as favourable.

Dependency on key personnel

Conducting successful operations in Russia and other neighbouring countries requires a notorious amount of local know-how and experience which takes years to develop. Furthermore, the largest of the Group's production facilities (the Milavitsa factory in Minsk) is located in the controversial and complicated legal, political and economic environment of Belarus. For navigating in the aforementioned markets, the Group intends to rely on the experience of management personnel with a proven track-record in retail lingerie and clothing. The loss of any such key employees by the Group would have a material adverse effect on the Russian and CIS operations of the Group, while recruiting equivalent replacements may take considerable time to accomplish and may not always be practically feasible.

Risks Related to Operations in Foreign Markets

Local connections take time to develop

Certain Eastern European markets are to a significant extent based on personal relations between the various market participants. As an example, securing suitable premises for new retail outlets in Russia, Ukraine and Belarus normally requires a noticeable degree of personal approach to the contractual partners which would be unfamiliar to companies operating exclusively in the Baltic states. To this end, the Russian, Ukrainian and Belarussian entities of the Group are somewhat at a disadvantage when compared to local operators with well-established local connections. However, the Group expects such disadvantage to diminish and disappear over time as the local management becomes more accustomed to the local market and as the Group hires a larger number of local professionals to assist in everyday operations. At the same time, the contemplated central management of the Group as well as the local management in Russia and Belarus already have considerable experience in the relevant markets and will be able to successfully lead local operations.

Lack of reliable market information

The majority of markets in which the Group intends to operate, or which it may consider in terms of future expansion, are characterised by a lack of reliable information on the condition of the textile and clothing industry in general and the lingerie and women's apparel markets in particular. Such information often needs to be collected from unverifiable or unreliable sources or through own research. Strategic management decisions in relation to such markets may therefore have to be made in the absence of adequate data which may in other markets be considered to be essential.

Legal and political uncertainty in non-EU states

The legal system and the administrative bodies of certain non-EU states in which the Group intends to operate (including Russia, Belarus and Ukraine) are to various degrees less developed than the Baltic states or Western Europe. While the situation is especially acute in Belarus (see below), the legal and administrative systems of other non-EU countries may also from time to time create considerable difficulties for the management of local operations. Ambiguities in applicable legislation and the practical implementation of the same may often lead to situations where simultaneous compliance with all applicable norms may prove extremely difficult. Such ambiguities may have the end effect of increasing compliance costs and decreasing the rate of expansion.

At the same time, the political systems of the aforementioned countries may pose additional risks to the Group through overall negative macro-economic and/or legal developments. Such risks may materialise in the form of stricter compliance requirements, higher tax burdens, lower demand and other similar negative circumstances which cannot be reliably predicted or alleviated by the actions of the Management.

Political relationship between Russia and its neighbouring countries

Several recent examples illustrate the degree of risk involved in trading with Russia. The Russian government is known to exercise economic means to achieve political ends or try to protect its own production businesses by imposing expensive trade barriers which, in turn, might have an adverse effect on the business of the Group.

The aforementioned tendencies became recently apparent through a number of incidents, including the implicit economic sanctions against Estonia initiated in the end of April 2007 in connection with the removal of a Soviet-era monument in Tallinn. Russia responded with the cessation of several large investment projects involving Russian state-owned enterprises and a number of large private companies (e.g. Severstal and Acron) followed. Additionally, Estonian businesses are facing increasing bureaucratic pressure and are suffering from interruptions in railway transport. Other examples include the Russian prohibition on the importing of Polish meat products which started in 2006 and the selective enforcement of sanitary requirements effectively barring imports by most Georgian and some Belarussian producers.

Imminent uncertainties in Belarus

The vast majority of the Group's revenues (75% for the year ended on 31 December 2006) was generated by the Group's operations in Belarus. Milavitsa, the main Belarussian subsidiary of the Group, also holds the trademark to the strongest lingerie brand of the Group – "Milavitsa".

At the moment, no clear body of case law exists in Belarus in the areas of regulation which may prove crucial to the operations of the Group. Likewise, there is no effective system, official or otherwise, under which various decrees, ministerial decisions, court rulings or internal department circulars having the force of law are indexed and made publicly available on a regular basis. As a consequence the outcome of most court cases cannot be reliably predicted. Furthermore, the Group may from time to time lack full and adequate information about the actions and measures that need to be taken in order to comply with all applicable rules and procedures. This may eventually result in material adverse consequences for the Belarussian operations of the Group through increased compliance costs as well as through possible administrative sanctions and disputes which may have a material adverse effect on the operations, financial position or results of the Group.

Moreover, Belarussian legislation and administrative policy may from time to time be influenced by changes in the political agenda. State intervention is possible beyond what is expressly permitted by current law, and administrative discretion may be exercised in a manner that is detrimental to a particular market participant or a whole industry. Partially in view of the above, in 2006 Milavitsa signed an agreement with the Belarussian Antimonopoly Committee. Pursuant to this agreement Milavitsa agreed not to conduct any actions which can be classified as monopolistic or restrictive of competition. Such agreement may impose certain restrictions with respect to Milavitsa's domestic sales. There can be no assurance that the state intervention into the Group's operations in Belarus will not have a material adverse effect on the operations, financial position or results of the Group.

Certain legal restrictions in Belarus

Certain legal restrictions applicable to the activities of the Belarussian entities of the Group are seen as particularly unusual in comparison with the other markets in which the Group intends to operate. In particular, relatively strict regulations are in place with the respect to the remuneration of employees in Belarus. The state imposes ratios that are applied to determine salaries for each class of employee: a base salary is multiplied by the respective ratio reflecting the seniority of an employee to arrive at the final salary. As a company with a foreign shareholding Milavitsa is permitted to establish its own base salary. The ratios, however, remain in place, thus effectively limiting the amount of executive remuneration that may be paid to the top management. However, certain additional payments may be made to employees and management to introduce further diversification of salaries. The limitations of flexibility in establishing the remuneration structures by the Group for its employees and management in Belarus may have an adverse effect on the Group's business and prospects.

In addition, each year Milavitsa receives certain performance targets from the Republic of Belarus and local authorities that must be met. These are developed based on the overall trends in the Belarussian economy and distributed between various companies, whether state or privately owned. These performance targets may concern primarily the following key areas: (i) production volume (an increase of production volume may be required compared to the production volume of the previous year); (ii) gross margin; (iii) caps on domestic price increases for existing products (e.g. a maximum of 0.6% per month for existing products, while at the same time there are no regulations for the pricing of new products). Under the Belarussian law, the inability to meet such performance targets would not result in sanctions unless the company in question is either partially state-owned or is benefiting from state aid (the Group's Belarussian entities do not satisfy either of these criteria), however, it may have a

negative effect on the perception of the Group's operations by the Belarussian authorities, which in turn might have a material adverse effect on the operations, financial position or results of the Group.

Additionally, privatised Belarussian companies such as Milavitsa are subject to "golden share" legislation, effectively granting the state the right to exercise a majority vote in any company by introducing a preferential share. The "golden share" is a form of state participation in the ownership of a company with a single share which grants a majority vote in all circumstances. Theoretically, Milavitsa could be subject to the "golden share" regulation (see the Section titled "Operations of the Group - Licensing and Compliance"). As Milavitsa and its subsidiaries generate the vast majority of the Group's revenues (75% for the year ended 31 December 2006) and, in addition, Milavitsa holds the trademark to the strongest lingerie brand of the Group - "Milavitsa", the introduction of such a "golden share" resulting in the Group ceasing (at least for a limited period of time) to control Milavitsa, would have a material adverse effect on the operations, financial position or results of the Group.

Risks Related to Shares, Listing and Trading

General Risks

Substantial sales of existing Shares or offerings of new Shares

In connection with the Offering, certain "lock-up" agreements will be executed in respect of the issue and sale of Shares by the Company and the Selling Shareholder. See the Section titled "*Terms and Conditions of the Offering*" for further details regarding the entities entering into such lock-up agreements and the terms thereof, including the period for which such restrictions will be binding on such persons. After these lock-ups expire, or are terminated, the respective Shares will be available for sale without any restrictions and there can be no assurance as to whether or not they will be sold on the market.

The Company cannot predict what effect such future sales or offerings of Shares, if any, may have on the market price of the Shares. However, such transactions may have a material adverse effect, even if temporary, on the market price of the Shares. Therefore, there can be no assurance that the market price of the Shares will not decrease due to subsequent sales of the Shares held by the existing shareholders of the Company or a new Share issue by the Company.

Payment of dividends

The Company is under no lasting and definite obligation to pay regular dividends to its shareholders and no representation can be made with respect to the payment and amount of future dividends, if any. The Management's recommendations for the distribution of profit will be based on financial performance, working capital requirements, reinvestment needs and strategic considerations which may not necessarily coincide with the short-term interests of all shareholders. The payment of dividends and the amount thereof will be subject to the ultimate discretion of the majority of the Company's shareholders.

Analysts may stop publishing research or reports on the Company

There is no guarantee of continued analyst research coverage for the Company. Over time the amount of third-party research available in respect of the Company may increase or decrease with little or no correlation to the actual results of its operations because the Company has no influence on the analysts who prepare such reports. Negative or insufficient third-party reports would be likely to have an adverse effect on the market price and the trading volume of the Shares.

Ownership structure

The Company is and will remain under the control of the Principal Shareholder and under the ultimate control of Indrek Rahumaa (see the section titled "*Ownership Structure*" for more details). With an ownership stake in the Company exceeding 50% the Principal Shareholder will be able to adopt the majority of the corporate decisions which are under the competence of the General Meeting of the shareholders of the Company or block such decisions (see more the section titled "*General Corporate Information and Shares: Rights of Shareholders*"). In addition, the Principal Shareholder may be able to prevent or cause change of control and discourage bids for the Shares at a premium over the market price. The interests of the Principal Shareholder could conflict with the interests of other shareholders including the holders of the Offer Shares and may lead to the making of decisions that will have a materially adverse effect on any investment in the Shares.

Tallinn Stock Exchange

An active market for the Shares may not be sustained on the Tallinn Stock Exchange

From 20 May 1997 until 21 November 2006 the Shares were listed on the Investor List of the Tallinn Stock Exchange. On 21 November 2006 the Shares were transferred from the Investor List to the Main List of the Tallinn Stock Exchange and the Shares have been listed on the Main List of the Tallinn Stock Exchange since that date. In 2007 trading in the Shares has been rather active considering the size of the Tallinn Stock Exchange but has remained very modest when compared to market capitalisation. In the period between 1 January 2007 and 15 May 2007 the average daily turnover of trading in the Shares on the Tallinn Stock Exchange was approximately EUR 260,000.

The Company cannot provide any assurance that an active trading market for the Shares will be sustained on the Tallinn Stock Exchange after the completion of the listing of the Shares on the WSE. If you purchase any Shares, you may not be able to resell those Shares on the Tallinn Stock Exchange at or above the purchase price you paid.

The price of the Shares may be volatile and may change significantly in response to numerous factors including: actual or anticipated fluctuations in the quarterly and annual results of the Company and those of its publicly-held competitors; industry and market conditions; mergers and strategic alliances in the industry; changes in laws and regulations; shortfalls in the operating results of the Company or its competitors compared to levels forecast by investment analysts; public announcements concerning the Company or its competitors; global and regional economic conditions; and the general state of securities markets. Many of these factors may be beyond the control of the Company and are difficult or impossible to predict.

Volatility and limited liquidity of shares listed on the Tallinn Stock Exchange

The average daily trading turnover of the Tallinn Stock Exchange from 1 January 2006 to 31 December 2006 was 2.93 million EUR. From 1 January 2007 to 31 March 2007 the average daily turnover was EUR 3.86 million. A total of 16 companies were listed on the Tallinn Stock Exchange as of 31 March 2007. As of 31 December 2006 the three largest companies in terms of market capitalization, AS Eesti Telekom, AS Tallink Grupp and Olympic Entertainment Group AS, represented 56% of the Tallinn Stock Exchange's aggregate market capitalization of approximately EUR 4.35 billion. Consequently the Tallinn Stock Exchange is substantially less liquid and more volatile than established markets such as those in other countries with highly-developed securities markets. The relatively small market capitalization and low liquidity of the Tallinn Stock Exchange may impair the ability of shareholders to sell the Shares on the Tallinn Stock Exchange, which could increase the volatility of the price of the Shares. The delisting of any of the large companies listed on the Tallinn Stock Exchange would be likely to have a negative effect on the market capitalization and liquidity of the Tallinn Stock Exchange as a whole.

As the Tallinn Stock Exchange is characterised by relatively low investor activity the impact of individual transactions on the market price of securities may be significant. Lower investor activity may lead to wider spreads between bid and ask prices and a correspondingly lower liquidity of traded securities.

Harmonisation of the Tallinn Stock Exchange with other OMX Exchanges

The Tallinn Stock Exchange, where the Shares are listed, is a part of the OMX Exchanges. Currently the Tallinn Stock Exchange is in the process of harmonizing its standards with those of OMX. While the implementation of the related changes might cause some disruption in trading in the Shares, the Company expects that in the longer term it will benefit from relying on a uniform trading system in the Northern Europe region. The OMX group also intends to create a pan-Nordic and Baltic stock exchange list, the details of which have not yet been released. Should the Company fail to meet the criteria for such a combined list, such failure may affect the liquidity of the Shares.

Warsaw Stock Exchange

Limited liquidity and share price fluctuations

Prior to the Offering the Shares have not been listed on the WSE. No assurance can be made that following the Offering the Offer Shares will be actively traded on the WSE and that the market price for the Shares will not drop below the Offer Price or that the price of the Shares will not be subject to material fluctuations. This may be due to several factors, including foreign exchange fluctuations, periodical changes in the Group's operational results, trading volume and liquidity, and conditions on stock exchanges around the world.

Significant price and trade volume fluctuations are characteristic of the Polish capital market, and investors intending to trade in large blocks of Shares should take into consideration the risk of temporary decreases in stock liquidity as well as significant price fluctuations. Therefore, an investor assessing an acquisition of the Offer Shares should take into consideration the risk of temporary decreases in the liquidity of the Shares.

Listing the Shares on the Warsaw Stock Exchange is tied to contingencies

The admission of Shares to trading on the WSE is dependant on: the Polish Financial Supervision Commission receiving a certificate from the Estonian Financial Supervision Authority confirming that this Prospectus has been approved in Estonia; the KDPW registering the Shares and allocating a securities identification code to the Shares; and the WSE's management board agreeing to the Shares being listed and traded on the WSE. The Company intends to take all necessary steps to ensure that the Shares are admitted to trading on the WSE as soon as possible. However, there is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading on the WSE at the expected date.

Trading in the Shares may be suspended or the Shares might be delisted

Under Polish securities regulations if a public company fails to comply with certain obligations under the Polish Act on Public Offerings, the Polish Financial Supervision Commission may impose on the entity which failed to comply with such duty a cash penalty of up to PLN 1,000,000 and may issue a decision to suspend trading in such shares on the regulated market or delisting such shares or it may impose both of these penalties. Moreover, pursuant to the Trading in Financial Instruments Act if trading in specific securities of an issuer may impose a possible threat to the proper operation of the regulated market or the safety of trading on that market, or may harm investors' interests, the WSE, at the request of the Polish Financial Supervision Commission, may suspend trading in such securities for up to one month. The Company cannot assure you that any such circumstances will not arise with respect to the Shares in the future.

Under the rules of the WSE the management board of the WSE may suspend trading in financial instruments for up to three months at the issuer's request or if such suspension is necessary to protect the interest of trading participants, or if the issuer is in breach of the regulations of the WSE. In addition, the management board of the WSE may delist securities if: (i) the transferability of the securities has become restricted; (ii) the Polish Financial Supervision Commission requests such delisting; (iii) the securities are no longer in book-entry form; or (iv) the securities have been delisted from another regulated market by a competent supervisory authority.

In addition, the management board of the WSE may also delist securities from trading if: (i) the securities no longer meet the requirements for admission to trading on the WSE; (ii) the issuer is persistently in breach of the regulations of the WSE; (iii) the issuer has so requested; (iv) the issuer has declared bankruptcy or a petition for bankruptcy is dismissed by a court because the issuer's assets are insufficient to cover the costs of the bankruptcy proceeding; (v) the WSE considers it necessary to protect the interest of trading participants; (vii) no trading was effected in the financial instruments within the three previous months; (viii) the issuer is involved in a business that is illegal under applicable law; or (ix) the issuer is in liquidation proceedings. The Company cannot assure any investor that any such circumstances will not arise with respect to the Shares in the future.

Differences in availability of public information and reporting and rights of shareholders

The disclosure requirements applicable to public companies in Estonia differ in certain respects from those applicable to public companies in other countries, including Poland. As a result, public companies in Estonia, such as the Company, may disclose less information or at different dates than public companies in certain other countries, including Poland. In particular, the following differences in publication standards exist under Estonian law: (i) the Company is not required to publish separate half year results, which would be reviewed by an independent auditor; (ii) quarterly results are published within 60 days following the end of each quarter; (iii) the Company is under the obligation to publish annual financial statements within six months from the end of the financial year.

The rights of holders of the Shares are governed by Estonian law and the Company's organization documents. These rights differ in certain respects from the rights of shareholders in corporations organized under the laws of Poland.

Moreover, to exercise certain of their shareholder rights, the Shareholders will have to comply with certain requirements of Estonian law. Therefore, there can be no assurance that shareholders intending to exercise their corporate rights, including voting rights and pre-emptive rights, will be able to do so in a timely manner, if at all, and without incurring additional costs. Please see "*General corporate information and shares: Rights of Shareholders*" for further information.

Judgments of Polish courts against the Company may be more difficult to enforce than if the Company and its management were located in Poland

The Company was formed in accordance with Estonian law and its registered office is in Estonia. The majority of the assets of the Company are located in Eastern European markets outside of Poland and the majority of the management personnel working for the Company are resident in countries other than Poland. For this reason Polish investors may encounter difficulties in serving summons and other documents relating to court proceedings on any of the entities within the Company and/or the management personnel working for Company. For the same reason it may be more difficult for Polish investors to enforce a judgment of the Polish courts issued against any entities within the Group and/or the management personnel working for Company than if those entities and/or the management personnel were located in Poland.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

Reasons for the Offering

Currently, the Shares are listed on the Tallinn Stock Exchange and are traded with limited liquidity and at relatively low volumes. The Management's evaluation is that the Offering and the listing of the Shares of the Company on the WSE would increase the liquidity of the Shares, facilitate the Group's access to the capital markets of Eastern Europe and improve opportunities for further growth.

In connection with the acquisition of the Silvano Group in the fourth quarter of 2006 and the subsequent further steps aimed at streamlining and widening the Group's operations (including the acquisition of Splendo Polska in November 2006, the increase of the ownership stake in Milavitsa in December 2006 and March 2007, and the corporate re-organisation plan that is being implemented at this time), the scope of Group's activities and the investors' interest towards the Group increased considerably.

Listing on the WSE would have a significant increase in the investor base, which would result in the increased liquidity of the Shares. Among other things, the listing would open up possibilities for investment in the Company's shares by Polish pension funds, whose ability to transact in securities listed outside Poland is limited due to the peculiarities of local legislation.

The status of being listed on the WSE would also increase the ability of the Company to raise additional capital in Poland and other Eastern European countries if necessary, partially due to the improved liquidity of the Shares and as a result of overcoming the aforementioned legislative hurdles.

In addition to the above, the Group's reputation as a regional producer and retailer of apparel and lingerie would grow significantly, creating better conditions for the formation of long-term relationships with strong regional suppliers and clients, as well as for the further expansion through mergers and acquisitions.

The Offering will also provide the Company with additional capital for further expansion of the retail network and increase the investor base, contributing to the efficiency of the secondary market in Shares.

Use of Proceeds

The Company will not obtain any proceeds directly from the Offering. The Principal Shareholder has agreed to utilise the net proceeds of the sale of the Offer Shares to subscribe and pay for the New Shares. In connection with and immediately after the Offering, the Company will issue the New Shares to the Principal Shareholder at an issue price equal to the price per share at which the Offer Shares will be sold in the Offering.

The aggregate net proceeds to the Company from the issuance of the New Shares after deduction of the fees and expenses payable by the Company in connection with the Offering cannot be accurately estimated before the final determination of the Offer Price. The fees and expenses to be incurred by the Company in connection with Offering and the placement of the New Shares are estimated to reach approximately EUR 1 million, including applicable taxes (subject, however, to the final Offer Price and the determination of such costs which can not be fully assessed at this time).

The proceeds obtained by the Company in connection with the issuance of the New Shares to the Principal Shareholder are expected to be used in connection with the expansion of the Group's retail network and further corporate acquisitions in existing and new markets (including the increase of the Group's current shareholdings in its existing affiliates, such as Milavitsa and MTCB).

CAPITALISATION AND INDEBTEDNESS

The total assets of the Company (based on the Audited Financial Statements of the Company) as of the end of financial year ended 31 December 2006 were EUR 51.9 million). As of 31 December 2006 current assets were EUR 39.6 million, with the remaining EUR 12.3 million in non-current assets. As of 31 March 2007 the total assets of the Company (on the basis of Unaudited Interim Financial Statements) stood at approximately EUR 54.6 million. Current assets were EUR 40.6 million, with the remaining EUR 13.9 million in non-current assets.

The total liabilities of the Company (based on the Audited Financial Statements of the Company) at the end of financial year ended 31 December 2006 were EUR 11.5 million, resulting in total net assets of EUR 40.4 million. As of 31 March 2007 (on the basis of Unaudited Interim Financial Statements) total liabilities were EUR 12.3 million, resulting in total net assets of EUR 42.3 million.

The capitalization of the Company as of 31 March 2007 is shown in the following table:

Million EUR	**31 March 2007** ***(unaudited)***
Short-term interest bearing liabilities……	**……..1.6**
Secured	1.2
Unsecured	0.4
Long-term interest bearing liabilities……	**……..0.5**
Secured	0
Unsecured	0.5
Shareholder's equity……..……..……	**…….29.7**
Share capital	24.3
Share premium	5.3
Legal reserve	0.1
Total capitalization and indebtedness……..……..……	**…….31.8**

Working Capital Statement

In the opinion of the Company, the working capital of the Company is sufficient for its present requirements and no external financing is currently required to satisfy the working capital needs.

Outstanding Financial Indebtedness

The Company

The Company has a number of secured loans and an overdraft facility from AS Hansapank outstanding as of 31 March 2007 with a total amount of EUR 1,172,630:

- An overdraft facility with a credit limit of EUR 703,028 and an interest rate of 5.75% p.a., valid until 19 September 2007. As of 31 March 2007 the Company had used EUR 572,718 of the credit limit.
- A revolving credit facility with a limit of EUR 319,558 and an interest rate of 5.5% p.a. for the credit in use and 2% p.a. for the remainder of the limit, valid until 21 June 2007. As of 31 March 2007 the Company had outstanding obligations of EUR 255,646 under the revolving credit facility.
- A term loan facility with an interest rate equal to the 6-month EURIBOR + 2.5%, maturing on 19 October 2007. As of 31 March 2007 the outstanding amount was EUR 344,265.

All agreements are concluded on the ordinary standard terms of AS Hansapank. Such standard terms require that the Company informs AS Hansapank of certain important developments and also set forth certain restrictions with respect to the Company's business, such as the obligation to receive the written consent of the bank for any transactions exceeding in value 10% of the amount outstanding under the relevant loan agreements. In addition,

consent is normally required for the conclusion of any rent or similar agreements regarding the collateral, as well as for certain corporate action. The Company is negotiating with AS Hansapank to amend the aforementioned agreements so that the borrower will be PTA2 instead of the Company, reflecting the outcome of the re-organisation.

Loans granted to the Company by AS Hansapank are secured by a commercial pledge on the assets of the Company. Under Estonian law a commercial pledge is a universal floating encumbrance that covers all the assets of the pledgor with certain exceptions (e.g. real estate and registered movables such as motor vehicles). All of the aforementioned loans from AS Hansapank are guaranteed by AS Alta Capital, an affiliate of the Principal Shareholder. The Company is negotiating with AS Hansapank to re-register the aforementioned commercial pledge to cover the assets of PTA2 instead of the assets of the Company, reflecting the outcome of the re-organisation.

The Company also had certain obligations under financial lease agreements in the amount of EUR 38,879 and under factoring agreements in the amount of EUR 26,479 as of 31 March 2007. The obligations of the Company under such agreements are not secured. The Company is negotiating with its counterparties under such agreements to amend the aforementioned agreements so that the borrower will be PTA2 instead of the Company, reflecting the outcome of the re-organisation.

The Company has received an unsecured loan from its subsidiary Silvano in the total amount of approximately EUR 590,000, with an interest rate of 5%. Such loan will be eliminated in connection with the completion of the merger between the Company and Silvano.

Lauma Lingerie

With the exception of one car lease, Lauma Lingerie did not have any interest-bearing liabilities as of 31 March 2007 (inter alia, Lauma Lingerie did not have any other financial leases). Lauma Lingerie generates sufficient cash flows to fulfil its working capital and investment needs and does not intend to resort to external financing in the short term. Lauma Lingerie has also taken an unsecured loan from Silvano with an interest rate of 5%, of which approximately EUR 1.74 million remained outstanding as of 31 March 2007.

Milavitsa

Milavitsa did not have any bank loans as of 31 March 2007 but had certain finance lease obligations in the amount of some EUR 918,000. The company generates strong cash flows that enable it to support its operations and satisfy investment needs without external financing.

Linret

Further operations of Linret are expected to be financed from own cash flows and by shareholder loans according to necessity. Linret has taken an unsecured loan from Silvano with an interest rate of 5%, of which approximately EUR 2.92 million remained outstanding as of 31 March 2007.

Splendo Polska

Splendo Polska did not have any interest-bearing liabilities as of 31 March 2007 with the exception of an intra-group loan from Silvano in the amount of approximately EUR 195,000 (with an interest rate of 5%).

Other Entities

Other entities of the Group do not have any outstanding liabilities towards third parties.

DIVIDEND AND DIVIDEND POLICY

Rights to Dividends

Shares give rights to dividends declared by the Company. A shareholder is entitled to dividends if such shareholder is registered in the register of shareholders of a listed company on a reference date specified by the relevant company (see below for more information). Please note that the Company cannot guarantee that dividends will be declared on a regular basis (see further details in the Section titled "Dividend Policy"). Furthermore, dividends and redemptions of shares are subject to income taxation: please see the Section titled "Taxation" for more information. The following general rules apply with respect to any dividends declared by the Company.

Dividends under Estonian Law

Under the Estonian Commercial Code a company may only make payments to shareholders from net profit or from undistributed profit earned during previous financial years from which any losses accrued but not covered in previous financial years have been deducted. The amount of dividend is proposed by the management board and is subject to the approval of the general meeting of shareholders. Before the presentation of the management board's profit distribution proposal to the shareholders, such proposal must be approved by the council of the company. Recommendations of the Management Board and the Council concerning the payment of dividends in a company listed on the Tallinn Stock Exchange are immediately made public through the information system of the Tallinn Stock Exchange.

Dividends may be paid on the basis of the approved annual accounts. The procedure for the payment of dividends may be specified in the articles of association or by a resolution of the general meeting. By way of exception, the articles of association may set forth that the management board of a company may be entitled to make advance payments to its shareholders after the end of a financial year and before the approval the annual accounts on account of expected net profits up to the amount equalling to the half of amount that may be otherwise be divided between the shareholders. As of the date hereof, the Articles of Association of the Company do not provide for such a right.

The amount of dividends that is paid to each shareholder is in accordance with the nominal value of the Shares of the Company that are in such shareholder's ownership. Dividends are to be paid in cash, or, upon the consent of the shareholder, in other property.

Dividends under TSE Rules

Dividends of companies listed on the Tallinn Stock Exchange are paid only to those shareholders (or their nominees) who were entered into the list of shareholders (which is maintained by the ECRS) as of 23:59 on the record date chosen by the relevant company (the "**Record Date**"). The Record Date must be at least ten trading days from the date of the decision of the general meeting concerning the payment of dividends, and such date must be announced at least nine trading days in advance.

There are no specific restrictions on the payment of dividends to non-resident shareholders. Such dividends may, however, be subject to withholding taxation in Estonia: please see more in the Section titled "Taxation" below.

Should the Company for any reason fail to pay out a dividend required by a resolution of the General Meeting, the shareholder whose dividend was not paid out may demand the payment thereof during the period of three years from the date of the resolution. After the expiry of such period any unpaid dividends remain with the Company.

Dividends under WSE Rules

Pursuant to the WSE's Detailed Rules of Stock-Exchange Trading and the Detailed Rules of KDPW, the Company must immediately notify the WSE and KDPW of the adoption of a resolution on the allocation of profit to dividend payment, the total amount of dividend to be paid, the Record Date and the dividend payment date. As stipulated in Paragraph 91.2 of the Detailed Rules of the KDPW, a period of no less than ten days must elapse between the dividend record date and the dividend payment date. However, this rule usually does not apply to foreign issuers where the agreements entered into by KDPW with foreign depositaries provide that payment of dividend can be made on the third business day after the Record Date.

Additional Requirements on Transfer of Dividends to Polish Shareholders

For those shareholders of the Company who hold Shares in securities accounts opened in Poland (the "**Polish Shareholders**"), any dividends declared by the Company will be paid through the KDPW and the Polish securities houses which are members of the KDPW. The Company will distribute dividends through the ECSD which will in turn transfer to the KDPW such share of the dividends which is attributable to the total number of Shares held by the KDPW on behalf of the Polish Shareholders. The KDPW will in turn distribute such dividends to the securities houses which are members of KDPW for further transfer to the ultimate shareholders on the basis of the lists of shareholders submitted by the securities houses to the KDPW for such purpose.

The dividends payable by the ECSD to the KDPW for further distribution to the ultimate Polish Shareholders being legal persons and holding less than 15% of share capital of the Company will be subject to a withholding tax at the general income tax rate applicable in Estonia (currently 22%, to be reduced to 21% from 1 January 2007) with the exception of dividends attributable to such Shares whose beneficial owners have provided to the KDPW (through the administrators of their securities accounts) proof of tax residency in a country qualifying for a more favourable treatment in Estonia. Such proof must be presented no later than by the first day of the calendar month following the date of payment of the dividends. Such proof of payment must be presented at such times and in such a manner as provided for in the procedures established by the KDPW from time to time, whereas otherwise favourable tax treatment will not be guaranteed. For more information on the taxation of dividends payable by Estonian companies to Polish tax residents (legal and natural persons), please see the Section titled "Taxation".

Dividend Policy

The Company did not distribute any dividends during the period covered by the historical financial information (i.e. for or during financial years ended 31 December 2004, 31 December 2005 or 31 December 2006 or the interim period ended 31 March 2007). Until the date hereof the Company has not adopted any decision not to distribute profits in the future. No other restrictions exist on distributing profit.

Despite the lack of restrictions on the distribution of profit, the Company can not guarantee that in the observable future the Company will distribute any dividends to its shareholders. The current strategy of the Group is focused on expansion which would be likely to require a significant rate of re-investment.

The decision on the payment of dividends is at the ultimate discretion of the General Meeting of shareholders of the Company, whereas the Management Board of the Company must, in consultation with the Council, submit to the General Meeting its recommendation with respect to the payment of dividends for each financial year. The Management will be likely to propose not to distribute any profit and not to pay dividends if, in the opinion of the Management, the best long-term interests of the Company and the Group require that profits are re-invested.

When declaring and distributing dividends, in cases where different rules would apply stemming from the Company's listing on the Tallinn Stock Exchange and its prospective listing on the WSE, the Company will apply the rules which are more beneficial to the shareholders of the Company.

PRO FORMA AND AGGREGATED FINANCIAL INFORMATION

Unaudited Pro Forma Financial Information

Introduction to Unaudited Pro Forma Financial Information

Description of the transaction

The Company acquired 100% of the shares in Silvano on 16 October 2006. The transaction constituted the acquisition of a significant holding within the meaning of the Rules of the Tallinn Stock Exchange and a significant gross change within the meaning of the Prospectus Regulation. The Company is consolidating the financial results of the Silvano Group, starting from the fourth quarter of 2006.

Purpose of the Unaudited Consolidated Pro-forma information

The Company has prepared pro forma financial information to illustrate how the acquisition of the Silvano Group might have affected the earnings of the Company, had the transaction been undertaken at 1 January 2006. Due to the fact that the consolidated balance sheet of the Company as of 31 December 2006 published by the Company already includes assets and liabilities of the Silvano Group, the pro forma financial information presents only the income statement for the financial year 2006, which is the most recently-completed financial period of the Company.

The pro forma financial information has been prepared for illustrative purposes only and because of its nature the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual results in 2006, nor does it represent the basis to forecast results for any future periods, comparison and budgets.

Basis and Principles of Preparation of the Unaudited Pro Forma Financial information

The unaudited consolidated pro forma income statement for the year ended 31 December 2006, included in the prospectus, has been prepared on the basis of:

a) The consolidated income statement of the Company derived from audited consolidated financial statements of the Company, prepared in accordance with IFRS as adopted by the EU that were issued on 25 May 2007 and are included in the prospectus. The consolidated income statement includes results of operations of the Silvano Group from 16 October 2006 to 31 December 2006.

b) The combined unaudited income statement of Silvano's subsidiaries Milavitsa, Lauma Lingerie and Linret for the period from 1 January 2006 to 15 October 2006. The unaudited combined income statement of Silvano's subsidiaries has been compiled on the basis of unaudited income statement of each of the subsidiaries for the period 1 January to 15 October 2006 prepared in accordance with accounting policies of the PTA Group applied in its consolidated financial statements to ensure consistent presentation. The combined unaudited income statement has been prepared for illustration purposes only and does not give a true picture of the results of the Silvano Group.

c) The elimination of inter-company transactions within the Silvano Group and between the entities belonging to the Silvano Group and those belonging to the PTA Group during the period from 1 January 2006 to 15 October 2006.

Pro Forma Group Consolidated Income Statement 2006

Income Statement (thousand EUR)	PTA Group 1 January – 31 December 2006 [1]	Silvano Group Subsidiaries 1 January – 15 October 2006 (*unaudited*) [2]	Total (*unaudited*)
Operating revenue			
Sales revenue	27,014	52,977	79,991
Other operating revenue	817	226	1,043
Total operating revenue	**27,831**	**53,203**	**81,034**
Operating charges			
Goods, raw materials and services	-11,658	-25,493	-37,151
Other operating expenses	-4,384	-4,908	-9,292
Staff costs	-5,871	-6,611	-12,482
Other operating charges	-124	-4,082	-4,206
Total operating expenses	**-22,037**	**-41,094**	**-63,131**
EBITDA	**5,794**	**12,109**	**17,903**
Depreciation	-745	-1,213	-1,958
Operating profit	**5,049**	**10,896**	**15,945**
Financial income and expenses			
Interest expense	-87	-53	-140
Gains (losses) on forex	41	-10	31
Other financial income and expenses	208	-108	100
Total financial income and expenses	**162**	**-171**	**-9**
Corporate income tax	-1,237	-3,792	-5,029
Net profit (loss)	**3,974**	**6,933**	**10,907**
Attributable to:			
Equity holders of the parent	2,876	5,017	7,893
Minority interest	1,098	1,916	3,014

[1)] Audited consolidated IFRS financial statements of PTA Group AS for the financial year ended 31 December 2006.

[2)] The unaudited consolidated income statement of Silvano Group for the period from 1 January 2006 to 15 October 2006. The source of information for the adjustments is the Management of the Company. The adjustments are made in a manner consistent with the accounting policies adopted by the Company in its last published financial statements.

[3)] The hypothetical consolidated income statements of the PTA Group and the Silvano Group for the financial year ended 31 December 2006.

Auditors' Report on the Pro Forma Information

Independent assurance report on pro forma financial information

To the Directors of PTA Grupp AS

We report on the pro forma income statement (the "pro forma financial information"), which has been compiled on the basis described on Page 37, for illustrative purposes only, to provide information about how the acquisition of 100% of the shares in Silvano might have affected the financial information presented on the basis of the accounting policies adopted by PTA Grupp AS (the Company) in preparing the financial statements for the period 31 December 2006. Because of its nature, the pro forma financial information addresses a hypothetical situation and therefore does not represent the Company's actual financial position or results had the transaction or event occurred at the beginning of the reporting period. Management is responsible for the compilation of the pro forma financial information in accordance with the requirements of the Commission Regulation (EC) No 809/2004. Our responsibility is to express an opinion as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the pro forma financial information. In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

We conducted our work in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, including their adjustment to the Company's accounting policies nor of the pro forma assumptions stated in the pro forma notes, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the Company management. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

In our opinion, the pro forma financial information has been properly compiled on the basis stated on Page 37 and such basis is consistent with the accounting policies of the Company as described in the notes to the financial statements of the Company for period ended 31 December 2006.

This report is required by the Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that Regulation and for no other purpose.

Tallinn, 26 June 2007

Taivo Epner

KPMG Baltics AS

Unaudited Aggregated Financial Information

The Group in its present composition and scope was formed through the acquisition of Silvano by the Company in 2006. Silvano in turn is a newly-established holding which acquired its current subsidiaries (Milavitsa, Linret, and Lauma Lingerie) during 2006. Of these subsidiaries, Linret is a recently-established entity which commenced operations in 2006 and Lauma Lingerie was established as a result of the division of its predecessor, AS Lauma, in October 2005.

Various subsidiaries of Silvano, taken as a whole, accounted for 91% of the Group's consolidated revenue in the first quarter of 2007 and for 90% of consolidated revenue in 2006 (disregarding Splendo Polska, which was acquired after Silvano). Therefore, when acquiring Silvano, the Company made a significant acquisition resulting in a complex financial history within the meaning of Commission Regulation (EC) No 211/2007 amending the Prospectus Regulation as regards financial information in prospectuses where the issuer has a complex financial history or has made a significant financial commitment.

Due to the specific nature of the Silvano Group (Silvano Group itself is a product of recent consolidation) full and reliable financial information of the Silvano Group is not available for financial years preceding financial year 2006. For financial year 2006 the Company has prepared pro forma financial information in accordance with Annex II of the Prospectus Regulation, which is presented in the Section titled "Unaudited Pro Forma Financial Information". The auditors of the Company have issued their report on the pro forma financial information, which can be found in the Section titled "Auditors' Report on the Pro Forma Information". In addition, the Company has prepared Unaudited Aggregated Financial Information illustrating the consolidated financial results of the PTA Group combined with those of the Silvano Group for financial year 2005. Due to the limited access that the Company has to the financial results of the Silvano Group prior to financial year 2006, and taking into account the complex history of the Silvano Group itself, the Company was not in the position to prepare consolidated information for financial year 2005 in accordance with Annex II of the Prospectus Regulation and no procedures were performed on such aggregated consolidated information by the auditors of the Company.

The financial information presented in the following tables derived from the Unaudited Pro Forma Financial Information and the Unaudited Aggregated Financial Information should not be considered indicative of actual results that would have been achieved had the acquisition been consummated on the date or for the period indicated and do not purport to indicate results of operations as of any future date or period. There can be no assurance that the actual results will not differ significantly from the financial information derived from the Unaudited Pro Forma Financial Information and the Unaudited Aggregated Financial Information.

The Company has prepared a comparison between the hypothetical aggregated consolidation of the Group's results based on the limited financial information available for the various Group entities in 2005 and the pro forma consolidated financial information prepared by the Company to illustrate the performance of the Group in 2006 (see above).

Note that the financial information for 2005 is presented for illustrative purposes only and can not be relied on as definitive. With respect to the consolidated balance sheet of the Company as of 31 December 2006, the information presented below is based on the audited consolidated financial statements of the Company for the relevant financial year.

Income Statement (thousand EUR)	**2006 Pro Forma** *(unaudited)*	**2005 Aggregated** *(unaudited)*
Operating revenue		
Sales revenue	79,991	70,644
Other operating revenue	1,043	1,366
Total operating revenue	**81,034**	**72,010**
Operating charges		
Goods, raw materials and services	-37,151	-37,915
Other operating expenses	-9,292	-6,497
Staff costs	-12,482	-14,905
Other operating charges	-4,206	0
Total operating expenses	**-63,131**	**-59,317**
EBITDA	**17,903**	**12,693**
Depreciation	-1,958	-2,338
Operating profit	**15,945**	**10,355**
Financial income and expenses		
Interest expense	-140	-377
Gains (losses) on conversion of foreign currencies	31	11
Hyperinflation adjustment	0	-1,226
Other financial income and expenses	100	136
Total financial income and expenses	**-9**	**-1,456**
Withholding tax	0	-23
Corporate income tax	-5,029	-3,116
Net profit (loss)	**10,907**	**5,760**
attributable to:		
Equity holder of the parent	7,893	4,045
Minority interest	3,014	1,715

Balance Sheet (thousand EUR)	**As at 31 December 2006 (actual)** *(audited)*	**As at 31 December 2005 Aggregated** *(unaudited)*
ASSETS		
Current assets		
Cash and cash equivalents	12,812	7,105
Trade accounts receivables	7,141	5,129
Other short-term receivables and prepaid expenses	2,882	2,227
Prepaid taxes	2,017	2
Inventories	14,716	12,391
Total current assets	**39,568**	**26,854**
Non-current assets		
Other non-current assets	268	1,050
Tangible non-current assets	11,011	9,545
Intangible non-current assets	1,058	743
Total non-current assets	**12,337**	**11,338**
Total assets	**51,905**	**38,192**
LIABILITIES AND OWNER EQUITY		
Current liabilities		
Short-term interest bearing borrowing	1,911	1,232
Trade accounts payable	5,594	3,777
Other accounts payable	3,398	2,010
Provisions	1	994
Total current liabilities	**10,904**	**8,013**

Long-term liabilities		
Long-term interest-bearing borrowing	610	513
Other long term payables	22	20
Total long-term liabilities	**632**	**533**
Total liabilities	**11,536**	**8,546**
Equity		
Equity attributable to parent	28,877	21,254
Minority interest	11,492	8,392
Total equity	**40,369**	**29,646**
TOTAL LIABILITIES AND EQUITY	**51,905**	**38,192**

SELECTED FINANCIAL INFORMATION

The tables below present certain selected unaudited consolidated financial information of the Group for the financial years ended 31 December 2006 and 31 December 2005 and for the three months ended 31 March 2007. The data as of and for the interim period ended 31 March 2007 is not comparable with the results of the same period in 2006 due to the fact that the Silvano acquisition was not completed as of 31 March 2006. The financial information concerning the financial years ended 31 December 2006 and 31 December 2005 was derived from the Unaudited Pro Forma Financial Information and the Unaudited Aggregated Financial Information and should not be considered indicative of actual results that would have been achieved had the acquisition been consummated on the date or for the period indicated and do not purport to indicate results of operations as of any future date or period. There can be no assurance that the actual results will not differ significantly from the financial information derived from the Pro Forma Financial Information and the Aggregated Financial Information. Results for the three months ended 31 March 2007 are not necessarily indicative of results that may be expected for the entire year.

The ratios and indicators set forth in the table below are provided to illustrate certain aspects of the business of the Group and its financial performance. Some of these ratios and indicators are used by the Management to evaluate the performance of the Group, while others are provided for the benefit of investors considering an investment in Shares or trading activities with the same. Although some of these ratios and indicators are not calculated in accordance with the IFRS, the ratios and indicators used below are customary and often used by public companies to illustrate their business and financial performance.

The selected financial information presented below should be read in conjunction with and its qualified in its entirety by the information included in "Pro forma and Aggregated Financial Information", "Financial Statements" and "Results of Operations and Outlook".

Financial Information

Income Statement (thousand EUR)	**2007 Q1** ***(unaudited)***	**2006 Pro Forma** ***(unaudited)***	**2005 Aggregated** ***(unaudited)***
Revenue	**23,745**	**81,034**	**72,010**
Goods, raw materials and services	-9,362	-37,151	-37,915
Other operating expenses	-6,344	-9,292	-6,497
Staff costs	-3,341	-12,482	-14,905
Other operating charges	-34	-4,206	n/a
Total operating expenses	**-19,081**	**-63,131**	**-59,317**
EBITDA	**4,664**	**17,903**	**12,693**
Depreciation	-630	-1,958	-2,338
Operating profit/loss	**4,034**	**15,945**	**10,355**
Total financial incomes and expenses	**181**	**-9**	**-1,456**
Corporate income tax	-1,523	-5,029	-3,139
Net profit	**2,692**	**10,907**	**5,760**
Attributable to :			
Equity holder of parent	2,139	7,893	4,045
Minority interests	553	3,014	1,715

Balance Sheet (thousand EUR)	**2007 Q1** *(unaudited)*	**2006 Actual** *(audited)*	**2005 Aggregated** *(unaudited)*
Cash and cash equivalents	6,978	12,812	7,105
Trade receivables	14,883	7,141	5,129
Non-trade receivables	4,131	4,899	2,228
Inventories	14,643	14,716	12,392
Current assets	**40,635**	**39,568**	**26,854**
Long-term investments	413	268	1,050
Total non-current assets	12,469	11,011	9,545
Intangible assets	1,057	1,058	743
Total non-current assets	**13,939**	**12,337**	**11,338**
Total assets	**54,574**	**51,905**	**38,192**
Borrowing	1,642	1,911	1,232
Trade creditors	6,620	5,594	3,777
Other short-term payables	3,502	3,398	2,010
Short-term provisions	1	1	994
Total current liabilities	**11,765**	**10,904**	**8,013**
Total non-current liabilities	**537**	**632**	**533**
Total liabilities	**12,302**	**11,536**	**8,546**
Share capital	24,252	24,252	n/a
Share premium	5,305	5,305	n/a
Reserves	67	67	n/a
Retained earnings	3,225	-63	n/a
Translation reserve	-1,473	-684	n/a
Total equity attributable to equity holders of the parent company	**31,376**	**28,877**	**21,254**
Minority interest	10,896	11,492	8,392
Total equity	**42,272**	**40,369**	**29,646**
Total liabilities and equity	**54,574**	**51,905**	**38,192**

Cash flow data (thousand EUR)	**2007 Q1** *(unaudited)*	**2006 Pro Forma** *(unaudited)*	**2005 Aggregated** *(unaudited)*
Cash flow from operating activities	-2,903	n/a	n/a
Cash flow used in investing activities	-2,104	n/a	n/a
Cash flow from financing activities	-835	n/a	n/a

Key ratios and indicators	**2007 Q1** *(unaudited)*	**2006 Pro Forma** *(unaudited)*	**2005 Aggregated** *(unaudited)*
Weighted average number of shares	37,947,198	n/a	n/a
Earnings per share (EPS) in EUR	0.06	n/a	n/a
Number of employees at the end of reporting period	2,929	2,909	n/a
EBITDA margin %	19.6%	22.1%	17.6%
Operating profit margin %	17.0%	19.7%	14.4%
Return on assets (ROA) %	4.9%	n/a	n/a
Return on equity (ROE) %	6.4%	n/a	n/a
Equity ratio %	77.5%	n/a	n/a

Utilised Ratios

EBITDA	=	Earnings before net financial items, share of profit of associates, taxes, depreciation and amortization. EBITDA is included as a supplemental item since the Management believes that EBITDA, when considered in conjunction with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not a measure of operating performance calculated in accordance with IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit or loss or cash flow data determined in accordance with IFRS.
EBITDA margin	=	EBITDA / Revenue. The EBITDA margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of the company's financing and tax position as well as depreciation-related estimates.
Operating profit margin	=	Operating profit / Revenue. The operating profit margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and is independent of both the company's financing and tax position.
Return on investment (ROI)	=	(Profit after net financial cost + Interest expense) / (Average total assets – average interest free liabilities). Return on investment measures the relationship between profits and the investment required to generate them.
Return on assets (ROA)	=	Net profit / Average total assets. Return on assets compares income with total assets measuring the management's ability and efficiency in using the firm's assets to generate (net) profits.
Return on equity (ROE)	=	Net profit / Average equity. Return on equity excludes debt in the denominator and compares net income with total shareholder equity. It measures the rate of return on shareholder investment and is, therefore, useful for comparing the profitability of a company with its competitors.
Equity ratio	=	Equity / Total assets. Equity ratio is a measure of financial leverage which highlights the ratio of shareholder equity to total assets. Analysis of a company's financial leverage (or capital structure) is essential to evaluate its long-term risk and return prospects.

RESULTS OF OPERATIONS AND OUTLOOK

This discussion of the results of the Group's operations is based on: (i) the actual unaudited interim financial statements of the Group for three months ended 31 March 2007; (ii) the unaudited pro forma consolidated financial information of the Group for financial year ended 31 December 2006; and (iii) the unaudited aggregated consolidated financial information the Group for financial year ended 31 December 2005. For a discussion of the actual results of the Company for the same period, please see the audited financial statements of the Company published through the information system of the Tallinn Stock Exchange. This information presented in this section should be read in conjunction with and its qualified in its entirety by the information included in "Pro forma and Aggregated Financial Information" and "Financial Statements".

Major Developments

The Group was formed in 2006 with the acquisition of the Silvano Group by the Company. The acquisition of the Silvano Group was completed in October 2006 (See "Operations of the Group: Recent M&A and Capital Markets Activities" for more information). With the completion of the acquisition, the relative weight of the PTA Group's results in the consolidated results of the Group fell sharply to slightly more than 10% of revenue, while the scope of the Group's activities broadened to include manufacturing and retail of lingerie.

The most important developments in the operations of the Group (on a consolidated basis) in 2005 to 2007 are the following:

- *Expansion of retail operations.* Prior to the launch in 2006 of Linret operations in Russia the Group had no significant retail network. Since its incorporation, due to significant expenses relating to the opening of new retail outlets, Linret has been generating losses, which negatively impacted the financial results of the Group in 2006 and in the first quarter of 2007. In 2006 Linret operations generated a net loss of EUR 1.12 million and in the three months ended 31 March 2006, a net loss of EUR 0.64 million.

- *New women's apparel brand "PTA"*. This period brought significant changes in the branding strategy of the Group in the segment of women's apparel. All relevant brand development and marketing resources in the segment were consolidated under one single brand: "PTA". The target customer of this brand was defined as a successful woman between the ages of 30 and 50. The design and production activities focused on classic apparel combined with leisure clothing. Comfort and style became the keywords of the "PTA" brand. In addition to apparel, the Group launched a line of accessories bearing the "PTA" trademark. Bearing in mind the target consumer, the price level was judged to be suitable for women with average earnings. Distribution efforts focused on "PTA" brand outlets.

- *Discontinuation of loss-making operations*. By the end of financial year 2005 loss-making operations of the Group in Sweden and Finland were terminated. The loss-making activities of the Company's Swedish and Finnish subsidiaries were substituted with direct distribution, bringing about savings in respect of the Group's fixed costs. Moreover, Avenue, a fashion house providing designing and tailoring services to individual customers, was closed due to the market niche for individually designed clothes being too condensed.

- *Sale of the Group's Estonian real estate and decrease of loan burden.* In December 2005 the Company sold its office building located at Akadeemia tee 33, Tallinn, Estonia, as well as production facilities and warehouse premises, located respectively at Kadaka tee 179, Tallinn, and Kadaka tee 179A, Tallinn, in a sale and lease-back transaction. The proceeds of the sale were directed towards the repayment of existing credit obligations. As a result of the above, the majority of the Company's debts were repaid.

- *New ERP and accounting software.* New accounting and ERP software was implemented in Estonia and Belarus.

- *Launch of new lingerie brands*. 2006 saw significant developments in the lingerie brand portfolio of the Group with the addition of two new lingerie brands: a fashion brand for younger clients "Laumelle", developed by Lauma Lingerie; and a lower-range brand "Aveline", developed by Milavitsa. The launch of "Laumelle" and "Aveline" have met with considerable success from the outset.

- *Lauma Lingerie swimwear*. In 2007 Lauma Lingerie launched a number of swimwear collections under the brand names of "Lauma Aqua" and "Laumelle Aqua", with the intention of expanding into a new product sector with the aid of already established trademarks.
- *Milavitsa trading companies*. Over the past few years, Milavitsa has established a number of trading companies, notably in Belarus (MTCB), Russia (STK) and Ukraine (MTCU). Such trading companies now account for a significant share of Milavitsa's sales (approximately 84.5% of total sales in 2006) and are better positioned to handle local distribution of Milavitsa's output.

Factors with Constant Effect on Results of Operations

Following the acquisition of the Silvano Group the main sources of the Group's revenue are sales of lingerie and women's apparel (with the relative weight of sewing services in the total revenue of the Group constantly decreasing). Therefore, the primary factors with noticeable effect on the Group's revenue and profitability are those related to production and distribution of its output. In addition to general macro-economic trends, the most important of such primary factors are briefly summarised below.

- *Seasonality*. The vast majority of the Group's revenues is generated by lingerie sales. The seasonal collections of the Group's lingerie products represent approximately 15% of the whole output and the release of lingerie collections is planned by the Group to occur evenly throughout the whole year and therefore seasonal changes in the Group's sales revenues do not currently have a material effect on the Group's sales revenues in the individual quarters. The effects of seasonality are prominent in the Groups' apparel business. With two major collections per year (Spring-Summer and Autumn-Winter), the seasons reach their peak in April-May and in September-November. However, as apparel revenues currently represent approximately 10% of the Group's sales, the effects of seasonality in apparel sales do not have a material impact on the Group's total sales revenues generated in individual quarters. Due to the expansion of the Group's retail operations in the coming years, seasonal fluctuations will have greater impact on the demand for the Group's products, thus affecting the financial results of the Group in individual quarters.
- *Disposable income*. The impact of macro-economic conditions on the Company's revenues, though by no means linear, cannot be underestimated. The overall economic growth of the regions in which the Company operates translates into higher disposable income for the population, which in turn has a beneficial effect on spending. Though the exact correlation between consumer spending and the Company's revenues is not known, such correlation is positive.
- *Raw material*. The results of any lingerie and women's apparel manufacturing business are strongly dependant on costs of raw material. Materials used in manufacturing (such as high quality lace, elastic materials, fabrics, embroidery, and accessories) are of great importance and may comprise over 50% of the total costs of goods sold. Raw materials are mainly delivered by European suppliers. Prices of raw materials are growing steadily year by year, thus requiring the Company to improve production efficiency so as not to lose the ability to compete with prices offered by competitors.
- *Costs of labour*. In addition to the costs of raw material, labour costs represent a significant share of the Group's manufacturing expenses and have a direct impact on the Group's competitiveness and profitability. Production of both lingerie and apparel is highly labour-intensive and due to certain specific features cannot be fully automated. Hiring and retaining qualified workforce at present salary levels may also be a problem in the Baltic states and Eastern Europe. Therefore, the Group may in the future have to focus to a greater extent on the outsourcing of sewing services and purchase services from third countries in addition to the use of its own manufacturing capacity.

Interim Period Ended 31 March 2007

Introduction

The discussion of the results for the first quarter of 2007 is based on the Unaudited Interim Financial statements. For all individual members of the Group, with the exception of the PTA Group and Lauma Lingerie, comparable data for the first quarter of 2006 is not available. For the PTA Group and Lauma Lingerie comparable data for the first quarter of 2006 is presented in the Sections discussing the performance of such entities in the first quarter of 2007. Comparable data is not available for other entities due to the fact that Milavitsa was acquired by Silvano in August 2006 and Splendo Polska in November 2006, while Linret started operating in the second quarter of 2006. Prior to

the acquisition of Milavitsa and Splendo Polska, those companies did not prepare quarterly financial information in the manner consistent with the current reporting standards of the Group.

Retail Network

At the end of first quarter 2007 the Group had in total 61 retail shops, with a total area of approximately 7,800 m^2, operating in Estonia, Latvia, Lithuania, Russia, Belarus and Poland. Of these, Lauma Lingerie had two shops (both located in Latvia), the PTA Group had 13 shops in the Baltic states (eight in Estonia, four in Latvia, and one in Lithuania,). Linret operated five "PTA" shops and 14 "Oblicie" shops. Splendo Polska operated seven retail outlets in Poland and Milavitsa had 20 retail shops. In the first quarter of 2007, six new stores were opened: five "PTA" branded shops, including three in Russia, one in Estonia and one in Lithuania (being the first retail store operated by the Group in Lithuania), as well as one "Oblicie" store in Russia.

Revenues

In the first quarter of 2007 the consolidated revenue of the Group reached EUR 23.75 million. 87% of the Group's revenue came from the lingerie business, 10% from sales of women's apparel and 3% from subcontracting services.

Wholesale sales amounted to EUR 21.05 million. The total retail sales from shops operated by Linret and the PTA Group amounted to EUR 2 million in the first quarter of 2007 not including the "Milavitsa" mono-brand shops operated by MTCB (a subsidiary of Milavitsa which was not consolidated by Milavitsa in the first quarter of 2007, and sales to MTCB were included in wholesale revenues for the first quarter of 2007).

Only 3% of the Group's total revenue came from subcontracting services to companies outside the Group. All of these services were provided by PTA Group, Lauma Lingerie and Milavitsa.

In the first quarter of 2007 69% of the total revenues of the Group came from Milavitsa, 16% from Lauma Lingerie, 13% from PTA and 2% from Linret. Splendo Polska contributed 0.2% of the total Group revenue.

Operating expenses

The operating expenses of the Group in the first quarter of 2007 were approximately EUR 19 million and comprised primarily raw material costs (49.1%), staff costs (wages and salaries) (17.5%) and other operating expenses (33.2%). Other operating expenses incurred by the Group mainly included administrative costs, rental expenses, marketing costs etc.

EBITDA

In the first quarter of 2007 the consolidated EBITDA of the Group amounted to approximately EUR 4.7 million. The consolidated EBITDA margin was 19.64%, which is by 2.45 percentage points lower than the value for the full year 2006 (based on the pro forma results of the Group for financial year 2006). The reduction in the EBITDA margin in the first quarter of 2007 compared to full year 2006 is attributable primarily to the opening of new retail outlets and the effects of retail seasonality.

Depreciation

Depreciation in the first quarter of 2007 amounted to approximately EUR 0.6 million and came mainly (approximately 70%) from the depreciation of production machinery and equipment. As new investments are made on machinery the Management expects a gradual increase in depreciation over the coming years.

Financial income/expenses

Financial income in the first quarter of 2007 amounted to approximately EUR 0.2 million and comprised primarily of interest income on cash deposits, which in turn were partially offset by interest expenses on financial leases and other interest-bearing obligations.

Corporate income tax

The Group paid a total of approximately EUR 1.5 million of corporate income tax in the first quarter of 2007, of which 80% was paid by Milavitsa in Belarus.

Net profit

The consolidated net profit of the Group in the first quarter of 2007 was approximately EUR 2.7 million. The net margin was 11.33%, which is 2.13 percentage points less than the respective indicator for the full year 2006.

Results by main operating entities

The table below illustrates the main parameters of the performance of the Group entities in the first quarter of 2007 (the results of the separate entities are shown after consolidation adjustments):

Q1 2007, million EUR	Group	PTA Group	Milavitsa[1]	Linret	Lauma L.	Splendo	Intercompany eliminations
Revenue	23.75	2.92	17.38	0.53	3.65	0.11	-0.84
EBITDA	4.66	0.30	4.19	-0.54	0.83	-0.04	-0.08
Net profit	2.69	0.19	2.48	-0.64	0.64	-0.05	0.07
EBITDA margin (%)	19.64%	10.27%	24.11%	-101.71%	22.81%	-32.73%	-
Net margin (%)	11.33%	6.51%	14.44%	-120.75%	17.64%	-40.91%	-

[1)] Consolidated with subsidiaries

Results of the PTA Group

The total revenue of the PTA Group in the first quarter of 2007 was EUR 2.9 million, which is 46% more than in the same period of 2006 (EUR 1.99 million). The PTA Group continues to exhibit healthy growth after breaking into profit in 2006 for the first time since 2000. The PTA Group is evidently benefiting from the development of its own retail chain (partially operated by Linret in Russia), which supports revenue growth and allows PTA Group to capture a larger share of the value cycle.

The EBITDA for the first quarter of 2007 was EUR 0.3 million (compared to EUR 0.1 million in the same period in 2006), while the EBITDA margin was 10.27%, which represents a growth of 3.37 percentage points in comparison to the margin in the same period in 2006. The net profit of the PTA Group was EUR 0.2 million (for the same period in 2006: EUR 0.03 million) and the net margin was 6.51% (1.5% for the same period of 2006).

In the first quarter of 2007 Estonia accounted for 44% of total revenue, Finland for 24%, Latvia for 18%, Russia for 11% and Lithuania for 3%.

17% of the total revenue in the first quarter of 2007 came from subcontracting services PTA offered to companies outside the Group.

Total investment in the first quarter 2007 was EUR 0.1 million, which was spent on the acquisition of equipment.

Results of Milavitsa

The total revenue of Milavitsa in the first quarter of 2007 was EUR 17.38 million, which is 18% more than in the respective period of 2006. The growth in revenue was mainly due to the growth in sales volume.

EBITDA in the first quarter of 2007 was EUR 4.19 million. The EBITDA margin for the period was 24.11%, which is by 2.1 percentage points less than the margin for the whole year 2006. Net profit was EUR 2.5 million; net margin was 14.44% (2.28 percentage points less than the full year 2006).

The largest markets were Russia (generating 61.4% of total revenue) and Belarus (generating 21.7% of total revenue). It is notable that in addition to growth in Russia and Belarus, sales in other countries are also growing steadily, the share of revenue from such countries increased to 16.9% in the first quarter of 2007 compared to 13.8% in the full year 2006.

Subcontracting services generated only 1% of Milavitsa's total revenue. Such services were provided exclusively to Lauma Lingerie.

Total investments in the first quarter of 2007 were approximately EUR 1.9 million, most of which, approximately EUR 1.3 million, was invested in the acquisition of machinery and equipment.

Results of Linret

The total revenue of Linret in the first quarter of 2007 was approximately EUR 0.5 million, which is equal to the company's revenue in the whole of 2006. Such significant increase in revenue was due to the opening of new shops in the first quarter of 2007 (one new "Oblicie" shop and three new "PTA" shops) and to the fact that most of the shops which were opened in 2006 were opened in the last quarter of that year.

Nevertheless, irrespective to the positive development in revenue, Linret is still in the phase where the fixed costs per square metre of retail area are too high. EBITDA and net profit were still negative at approximately EUR -0.5 and -0.6 million, respectively.

Investments totalled approximately EUR 0.6 million, all of which was on opening new stores.

Results of Lauma Lingerie

The total revenue of Lauma Lingerie in the first quarter of 2007 was EUR 3.65 million, which is 21% more than in the respective period of 2006. The growth in revenue was due to the 18% growth in the average price of products and the 2% growth in sales volume. The largest price increases were in Eastern Europe and the : Latvia (34%), Lithuania (20%), Russia (15%), Ukraine (17%) and Belarus (18%), lower price increases were experienced in Western Europe (7.5%).

In the West, Lauma Lingerie mostly works as a subcontractor for larger western wholesale and/or retail chains. As in the aforementioned market segment there is a fierce competition with much cheaper South-East Asian producers, Lauma Lingerie was not and is not able to increase the price to the same extent as in the Eastern Europe or the Baltics where it can capitalize on Oblicie, Milavitsa and Lauma Lingerie retail outlets, which give direct access to end-customers as well as brand recognition.

The EBITDA for the period was EUR 0.8 million and net profit totalled EUR 0.6 million. The EBITDA margin was 22.81% (3.43 percentage points higher than in the whole year 2006), net margin was 17.64% (2.74 percentage points more than the whole year 2006 figure).

In the first quarter of 2007 subcontracting services to companies not related to the group accounted for 14% of total revenue. In the first quarter of 2007 Lauma Lingerie outsourced manufacturing to Milavitsa, one other company in Belarus (Gracia) and two other companies in Ukraine (Angela and Aura), and Hong Kong. This outsourcing accounted for around 36.4% of total production.

The largest markets were Russia (59%), the UK (9%), Ukraine (9%) and Latvia (6%). Investments totalled EUR 0.05 million and were made on renewal of machinery and equipment.

Results of Splendo

The Group acquired the Polish operator of a lingerie retail chain, Splendo Polska, in November 2006. Before the acquisition the company had both managerial and strategic problems. As a result the company is still undergoing restructuring and the results for the first quarter 2007 are negative with total revenues of EUR 0.1 million, and a negative EBITDA of EUR -0.04 million (net profit EUR -0.05 million). After implementing short-term restructuring measures which include cutting off some weaker-performing stores and brands, opening new shops in more financially advantageous locations, the Group expects Splendo Polska to break into profit. No notable investments were made by Splendo Polska over the period.

Assets and liabilities

As of 31 March 2007 the total assets of the Group were at approximately EUR 54.6 million. Current assets were EUR 40.6 million, with the remaining EUR 13.9 million in non-current assets. Compared to 31 December 2006 the total assets increased by EUR 2.7 million, with an increase of EUR 1 million in current assets and an increase of EUR 1.7 million in non-current assets (of which EUR 1.3 million is attributable to new machinery and equipment acquired by Milavitsa). At the end of first quarter of 2007 the trade receivables of the Group increased by approximately EUR 7.7 million compared to the end of financial year 2006. The increase in the volume of trade receivables correlates with the decrease in the cash and cash equivalents of the Group and is attributable to the seasonal increase in wholesale volumes and extension of payment terms on several major agreements with wholesale customers of Milavitsa (by up to 30 days).

In addition to the increase in trade receivables discussed above, the non-trade receivables of the Group are influenced by the necessity to deposit one to three months' rental payment in connection with most new lease agreements concluded in Russia (some EUR 1 million has already been deposited with various landlords).

As of 31 March 2007 (on the same basis) total liabilities were EUR 12.3 million, resulting in total net assets of EUR 42.3 million. The liabilities increased by EUR 0.8 million compared to the end of financial year 2006.

Cashflow

The cash flow of the Group in the first quarter of 2007 was negative due to ongoing investments on the opening of new shops, the purchase of equipment by Milavitsa and the change in payment terms for several major wholesale customers of Milavitsa (resulting in an increase in the trade receivables and a corresponding decrease in the cash position).

Year Ended 31 December 2006 (Pro Forma) Compared to Year Ended 31 December 2005 (Aggregated)

Introduction

The following discussion on the consolidated results of the Group for financial year 2006 as compared with the consolidated results for financial year 2005 is based on the Unaudited Pro Forma Financial Information and the Unaudited Aggregated Financial Information (which can be found under Section titled "*Pro Forma and Aggregated Financial Information*"). Any reference to specific items of the income statement or the balance sheet of the Group made in this Section should be read as being respectively on a "pro forma" or "aggregated" basis (with the exception of the balance sheet of the Group as of 31 December 2006 which is based on the actual audited financial statements of the Company). Financial information on the individual Group companies was derived primarily from unaudited information provided by the managements of the relevant companies.

Retail Network

At the end of 2006 the Group had in total 55 retail shops, with a total area of approximately 7,000 m^2, operating in Estonia, Latvia, Russia, Belarus and Poland. Of these, Lauma Lingerie had two shops (both located in Latvia), the PTA Group had 11 shops in the Baltic states (seven in Estonia and four in Latvia). Linret operated two "PTA" shops and 13 "Oblicie" shops. Splendo Polska operated seven retail outlets in Poland and Milavitsa had 20 retail shops.

In 2006 18 new stores were opened: two "PTA" branded shops, three "Milavitsa" branded shops, and 13 "Oblicie" stores in Russia. In November 2006 the Group expanded its retail activities to Poland, acquiring the "Splendo Intime" lingerie retail chain with seven lingerie stores which have a total area of 345 m^2. From the date of its acquisition until the end of 2006 Splendo Polska has generated EUR 0.08 million in sales. The "Splendo Intime" lingerie outlets sell quality lingerie from various suppliers and it is planned to gradually re-focus "Splendo Intime" shops on the sale of the output of other Company subsidiaries, such as the Lauma, Milavitsa, and Alisee brands.

Revenues

Consolidated sales revenue of the Group for financial year 2006 amounted to EUR 81 million. Sales revenue increased by EUR 9 million compared to financial year 2005, attributable primarily to the increased volume of sale due to rising demand in the target markets and the opening of new shops, and to lesser extent on account of increasing prices of the Group's products.

The lingerie segment formed the majority of consolidated sales revenue (approximately 88% in 2006, almost unchanged from 2005). Revenue in this segment increased by EUR 7.9 million in 2006 which constituted 87.9% of the total increase in sales revenue. Revenue from sales of apparel was approximately EUR 8.7 million (approximately 10.8% of the total sales in 2006 compared to 10.2% in 2005). The apparel segment revenue increased by EUR 1.4 million which constituted 15.7% of the total increase in sales revenue. The remaining revenue was generated by subcontracting services in both 2005 and 2006, decreasing from EUR 1.4 million in 2005 to EUR 1 million in 2006.

In 2006 93% of consolidated revenue was generated by wholesales and 7% by retail sales (in 2005 93.4% and 6.6%, respectively).

The "Oblicie" chain commenced active operations in the second half of 2006 and reached retail sales of EUR 0.5 million by the end of 2006. Turnover for the "PTA" retail chain amounted to EUR 5.18 million in 2006, an increase of 22.4% compared to the financial year 2005. The increase in sales in two "PTA" branded stores which were operating in both full-year 2005 and 2006 was 28%. The increase in retail sales of "PTA" branded apparel was supported by the launch of a new renewed collection, the successful launch of a customer loyalty programme and a general growth in consumer demand.

Operating expenses

The operating expenses of the Group in 2006 were approximately EUR 63.1 million (an increase of EUR 3.8 million compared with 2005) and were comprised primarily of raw material costs (58.8% compared to 63.9% in 2005), staff costs (19.8% compared to 25.1% in 2005) and other operating expenses (21.4% compared to 11% in 2005). Other

operating expenses incurred by the Group mainly included administrative costs, rental expenses, marketing, etc. As the Group's retail network expands the composition of operating expenses is expected to shift further away from raw material costs and towards other operating expenses, primarily rental expenses.

EBITDA

In 2006 the consolidated EBITDA of the Group were approximately EUR 17.9 million (compared to EUR 12.7 million in 2005). The consolidated EBITDA margin was 22.1%, which is by 4.5 percentage points higher than the value for the full year 2005. The increase in the EBITDA margin in 2006 compared to full year 2005 is mainly due to the restructuring processes in Milavista (which resulted in significant cost savings and increased efficiency) and price increases of the Group's products (including the introduction of more expensive collections).

Depreciation

Depreciation in 2006 amounted to approximately EUR 2 million, compared to EUR 2.3 million in 2005, and came mainly from the depreciation of production machinery and equipment in both years.

Financial income/expenses

Financial expenses in 2006 amounted to approximately EUR -9,000 (compared to EUR -1.5 million in 2005). The financial expenses in 2005 were primarily on account of the hyper-inflation adjustment in the amount of EUR 1.2 million which was no longer applied in 2006.

Corporate income tax

The Group paid a total of approximately EUR 5 million of corporate income tax in 2006, compared to EUR 3.1 million in 2005, paid mainly by Milavitsa in Belarus. The increase in the income tax is attributable purely to the increase in income, with applicable tax rates remaining the same as in the previous period.

Net profit

The net consolidated profit of Group for the financial year 2006 amounted to EUR 10.9 million compared to a net profit of EUR 5.8 million in 2005. The net margin was 13.5%, which is 5.5 percentage points more than the respective indicator for the full year 2005, mainly resulting from restructuring processes in Milavista (which resulted in significant cost savings and increased efficiency) and price increases of the Group's products (including the introduction of more expensive collections).

Results by main operating entities

Summary

The tables below illustrate the performance of the various entities of the Group in 2006 compared with 2005:

2005 vs. 2006, %	Consolidated	PTA Group	Lauma L.	Milavitsa	Linret
Increase in revenue 2005 vs. 2006	12.53%	3.8%	26.07%	13.09%	n/a[2]
EBITDA margin 2006	22.09%	11.17%	19.38%	26.28%	-203.99%
EBITDA margin 2005	17.63%	7.46%	22.07%	18.42%	n/a[2]
Net margin 2006	13.46%	5.88%	14.89%	16.45%	-213.30%
Net margin 2005	8.00%	-2.42%	14.17%	8.52%	n/a[2]

2005 vs. 2006, thousand EUR	Consolidated	PTA Group	Lauma L.	Milavitsa	Linret	Intercompany eliminations
Revenue 2006	81,034	8,791	12,366	60,769	0,526	-1,418
Revenue 2005	72,010	8,467[3]	9,809	53,734	n/a[2]	
EBITDA 2006	17,903	0,982	2,396	15,973	-1,073	-375
EBITDA 2005	12,693	0,632	2,165	9,896	n/a[2]	
Net profit 2006	10,907[1]	0,517	1,842	9,997	-1,122	-327
Net profit 2005	5,760[1]	-0,205	1,390	4,575	n/a[2]	

[1] Before minority interest
[2] Linret did not operate in 2005
[3] Includes sale of real estate, total sales revenue in 2005 was EUR 7.3 million

In 2006, 73% of the total revenues of the Group came from Milavitsa, 15% from Lauma Lingerie, 11% from PTA and 1% from Linret.

Results of the PTA Group

The total revenue of the PTA Group in 2006 was EUR 8.8 million, up 3.8% on the 2005 results (including the effects of the sale of real estate in 2005). The reason for growth was primarily the opening of new stores as part of the process of refocusing business away from manufacturing and towards retail.

The EBITDA margin increased in 2006 compared to the 2005 by 3.71 percentage points to 11.17% in 2005 and the net margin increased by 8.3 percentage points to 5.88%.

Subcontracting services provided to third parties amounted to 16% of the total revenue in 2006. The remaining 84% of total revenue came from sales of the company's own branded goods.

The most important geographical markets for the PTA Group in 2006 were Estonia, Latvia and Finland with their respective share in total sales amounting to 54%, 24% and 20%. The relative importance of the Russian market is expected to grow in the near future with the development of the "PTA" Russian retail chain operated by Linret.

During 2006 approximately 36% of PTA Group products were manufactured in Estonia; the remaining 64% were outsourced to various foreign suppliers. Of the Estonian production, approximately 66% was manufactured by the PTA Group itself while 34% was outsourced to other Estonian sewing enterprises.

Total investments reached EUR 1.9 million in 2006, most of which went on opening new stores. In total 11 stores were opened: seven in Estonia and four in Latvia.

Results of Lauma Lingerie

During 2006 Lauma Lingerie succeeded in significantly increasing its revenues and profits. The total revenues reached EUR 12.4 million (up 26% compared to 2005 results) and net profit for the same period was approximately EUR 1.8 million (up 32% on 2005 results). Such a considerable rise was partially due to the effects of rebranding, started in 2005, in the course of which a new brand "Laumelle" was introduced with positioning as lingerie for younger women between 16 and 25, and the "Lauma" brand underwent changes in design, completely new lingerie collections were developed in co-operation with French designer Eric Leroy.

In 2006 subcontracting services generated 25.8% of Lauma Lingerie's total revenue with the production of own branded lines generated the remaining 74.2%.

The company produced a total of 2.4 million pieces of lingerie, 79% of this was produced in Lauma Lingerie's own production facilities in Liepāja, Latvia, and 21% was outsourced to Belarus and Ukraine (*inter alia* to Milavitsa).

The most important geographical markets for Lauma Lingerie were Russia (49% of total revenue), Latvia (8%), Ukraine (6%) and Estonia (5%).

The total amount of investments in 2006 was EUR 0.16 million, with the largest share of that amount used for purchases of new equipment.

Results of Milavitsa

Milavitsa's revenue in 2006 was EUR 60.8 million (up 13.09% on the 2005 results). The growth in revenue was due to the growth in sales volume. EBITDA in 2006 was EUR 15.97 million, up by EUR 6.1 million comparing to 2005. The growth in EBITDA was attributed to the growth in sales volume (EUR 1.7 million) and reduction of costs (EUR 4.4 million). The net profit for the period was EUR 9.99 million. The EBITDA margin increased by 7.86 percentage points reaching 26.28%. In 2006 a total of 45.2% of all production volume was outsourced, mostly to other Belarussian companies.

In 2006 subcontracting services (which were provided only to Lauma Lingerie) amounted to some 2.7% of Milavitsa's total output.

The most important geographical markets for Milavitsa in 2006 were Russia (62%), Belarus (22.9%) and Ukraine (7.5%).

In total approximately EUR 2 million was invested in 2006, mostly on sewing equipment (EUR 1.4 million).

Results of Linret

Linret, a retailing company currently operating exclusively in Russian market, opened the first "Oblicie" retail store in April 2006. At the end of 2006 there were total of 15 stores under management of Linret: 13 operating under the "Oblicie" name (1,313 m^2) and two under the "PTA" name (432 m^2). Because the company has just started operations on the Russian retail market, it incurred and continues to incur significant one-time investments for fitting-out new shops, as well as relatively high overhead (administrative, marketing, distribution) costs per square metre of its retail area.

As a result to the abovementioned factors Linret's revenue in 2006 was EUR 0.5 million. Linret made a net loss of EUR 1.12 million and generated negative EBITDA of EUR 1.07 million, which was in line with the Group's expectations. As the company keeps growing by opening new stores, its overhead per square metre is going to decrease considerably.

In 2006 a total of some EUR 1.8 million was invested in the development of Linret's retail network

Assets and Liabilities

As of 31 December 2006 the total assets of the Group were at approximately EUR 51.9 million. Current assets were EUR 39.6 million, with the remaining EUR 12.3 million in non-current assets. Compared to 31 December 2005 the total assets increased by EUR 13.7 million, with an increase of EUR 12.7 million in current assets and an increase of EUR 1 million in non-current assets (which is mainly attributable to new machinery and equipment acquired by Milavitsa). At the end of 2006 the trade receivables of the Group increased by approximately EUR 2 million and cash and cash equivalents increased by EUR 5.7 million compared to the end of financial year 2005. The increase in trade receivables and cash and cash equivalents is attributable to the increasing sales of the Group.

Year Ended 31 December 2005 Compared to Year Ended 31 December 2004 (Actual)

Due to the fact that the relative importance of the PTA Group in the results of the whole Group fell significantly in connection with the acquisition of the Silvano Group, the discussion of the consolidated financial results of the Group (not including the results of the Silvano Group) for the financial year ended 31 December 2005 compared with the financial year ended 31 December 2004 is no longer relevant for the purposes of illustrating the performance of the Group as a whole. However, the aforementioned discussion is included in the Prospectus for convenience purposes.

Revenue

In the financial year ended 31 December 2004 the PTA Group was engaged in two primary lines of business: retail and wholesale of women's apparel; and sewing subcontracting services offered to third parties.

The sales revenue of the PTA Group in financial year ended 31 December 2005 was EUR 7.3 million, a decrease of 11% compared to the revenue of EUR 8.2 million earned in financial year 2004. EUR 3.5 million was earned in Estonia (an increase of EUR 70,000 from the 2004 results of EUR 3.4 million), EUR 1.6 million in Latvia (an increase of EUR 0.2 million from the 2004 results of EUR 1.3 million), EUR 1.7 million in Finland (a drop of EUR 0.45 million from the 2004 results of EUR 2.2 million) and EUR 0.45 million from other markets (a drop of EUR 0.78 million from the 2004 results of EUR 1.2 million). The decrease in the overall revenue of the PTA Group in 2005 is attributable primarily to a drop in the wholesale revenue derived from the Scandinavian markets, which is discussed in more detail below.

In 2005, the PTA Group suffered a EUR 0.93 million (36.7%) drop in wholesale revenue compared to the 2004 wholesale revenue. The drop in wholesale revenue was primarily due to the decrease in wholesale to Sweden and Norway where the incorrect positioning of the relevant products led to weaker-than-expected demand. A significant positive development in the wholesale area, however, took place in the end of 2005 when the Company commenced cooperation with Anttila Oy, which operates a wide retail network in Finland. "PTA" branded clothes are sold through the Anttila network in Finland since March 2006.

At the same time, the PTA Group was increasingly expanding its activities into the retail sector in Estonia and abroad. Overall retail revenue rose some 5.3% from EUR 3.8 million in 2004 to EUR 4.1 million in 2005. The fastest growth in retail revenue was achieved in Latvia, where retail revenue grew some 50% compared to the 2004 results. The growth in retail revenue was attributable mostly to the more effective use of existing sales areas, with the average revenue per one square metre of shop area rising 21% compared to the relevant figure in 2004.

With respect to sewing subcontracting services, financial year 2005 was the first financial year in which the new strategy of the PTA Group had full effect on its financial results. In particular, the Management was implementing

the gradual transition from the business which is orientated primarily to technical sewing subcontracting services towards one offering higher-yield full-service sewing, where the whole production cycle of a particular garment is completed by Klementi and the output is a finished product. The strategy yielded positive results in 2005: while total revenue from sewing services decreased 19.8% compared to 2004 results (EUR 1.37 million in 2005 compared to EUR 1.7 million in 2004), profit from sewing services in fact increased 5%.

With the increase of the retail revenue, the relative importance of all sewing subcontracting services in the revenue of the Group decreased from 20% in 2004 to 18% in 2005.

Operating expenses

Total operating expenses comprise: (i) change in inventories of work in-progress and finished goods; (ii) goods, raw materials and services; (iii) other operating expenses; (iv) personnel expenses; (v) depreciations and amortization; and (vi) miscellaneous expenses.

Operating expenses amounted to EUR 8.3 million in 2005 (EUR 8.8 million in 2004). The structure of the operating expenses remained relatively stable compared to financial year 2004. The main driving force behind the overall drop in operating expenses is the decrease of the cost of goods, raw materials and services (EUR 2.6 million in 2005 compared to EUR 3.3 million in 2004).

The PTA Group derives its revenue from sales of own branded apparel and from sewing services. As a result, the principal operating expenses are the costs of goods, raw materials and services used in the production of clothes (primarily fabrics) and labour costs. The raw material costs and the labour costs together comprised over 66% of all operating expenses in 2005, down from 69.4% in 2004. Personnel expenses in 2005 were EUR 2.8 million (EUR 2.85 million in 2004).

Other operating income

Other operating income includes items such as gains on sale of property, plant and equipment and intangibles, changes in the fair value of investment property, foreign exchange gains, etc.

Other operating income increased significantly in 2005 as compared to the results of 2004. The increase in other operating income is due to a one-off sale of the real estate of the PTA Group in a sale and lease-back transaction that yielded proceeds in the amount of approximately EUR 3.4 million. The proceeds of the sale were used to decrease the financial obligations of the PTA Group.

Net financial items

Net financial items amounted to a negative balance of EUR 0.37 million in 2005, almost unchanged from the negative balance in 2004. Interest expenses increased somewhat from EUR 0.34 million in 2004 to EUR 0.38 million in 2005, while the impact from exchange rate fluctuations changed from a loss of EUR 21,670 in 2004 to a gain of EUR 11,180 in 2005.

Corporate income tax

In 2005 the distribution of retained earnings by Estonian companies was subject to the tax rate of 24/76 (from 1 January 2006: 23/77) of the amount paid out as net dividends. In 2005 the income tax rates applicable to the Group companies were as follows: in Latvia and Lithuania, the tax rate was 15%; in Sweden, the tax rate was 28%, and in Finland, the tax rate was 29% in 2004 and 26% in 2005.

In 2005 the Latvian subsidiary of the Company, SIA Vision, had a corporate income tax and deferred income liability. Income tax at the rate of 15% amounted to EUR 23 thousand. Other Group companies did not have any deferred income tax liabilities or assets.

Minority interest

The Company did not hold any shares in any companies that were not 100% subsidiaries of the Company. Therefore, none of the Company's profit was attributable to minority interests in 2005.

Net profit

In 2005 PTA Group's net loss decreased by EUR 0.56 million and was EUR 0.2 million as compared to EUR 0.76 million in 2004.

Results of the Silvano Group

Lauma Lingerie

Lauma Lingerie was established on 22 October 2005 by way of a separation of lingerie operations from AS Lauma (see "Operations of the Silvano Group – History and Development of the Silvano Group" for more details). The results of operations of Lauma Lingerie for financial year 2005 (as compared to the results for financial year 2004) and for financial year 2004 (as compared to the results for financial year 2003) are calculated primarily on a pro forma basis from the financial results of the lingerie operations of AS Lauma for the relevant period. Such results have not been audited.

Based on the aforementioned pro forma information, the revenue of Lauma Lingerie in 2005 was approximately EUR 9.8 million, representing an approximately EUR 1.18 million gain on the 2004 results (an approximately 14% gain). Net profit rose over 27% to EUR 1.39 million from 2004 results. The growth of revenue and profit was stable and was not affected by extraordinary circumstances.

Milavitsa

The total revenue of Milavitsa in financial year 2005 was EUR 53.5 million, up 15.8%. On the 2004 results (EUR 39.8 million). Due to increased efficiency, net profit rose faster than revenue – a 11.3% growth compared to 2004 results (respectively, to EUR 4.58 million from EUR 1.85 million). The increased efficiency of sales was also evident from the higher rate of capital turnover. Financial year 2005 was characterized by steady growth. In March 2005, the Russian subsidiary of Milavitsa (STK) started wholesale operations and shortly after that acquired a stake in a Ukrainian wholesale company MTCU, thus improving the distribution of Milavitsa's output and achieving a positive effect on results of operations.

Linret

Linret was established in October 2005 and did not have active operations in financial year 2005. However, certain investments and expenses were made in the administrative and logistics structures in preparation for the opening of the first "Oblicie" retail outlets, for which reason Linret ended financial year 2005 with a net loss of some EUR 4.5 thousand.

Strategic Objectives of the Group

Overall Strategy

The Group's strategy is focused on the implementation of the proven business model of a vertically-integrated fashion group with brand management, strong retail operations, its own flexible production facilities and outsourcing expertise, differentiated independent sources of raw materials, and integral logistics. The Group aims to create value by offering a wide variety of apparel (lingerie and women's clothes) in an attractive environment with good service, excellent quality and reasonable prices.

The strategic goal of the Group is to become one of the leading retailers of lingerie, women's apparel and accessories (with its own flexible production facilities) in the markets of the Baltic states, Russia, the rest of the CIS, and, in the longer-term, in Central and Eastern Europe. The Group is planning to develop and fine-tune its business model based on vertical integration of retailing and manufacturing functions across a variety of brands and sectors (such as lingerie, apparel and related merchandise). The Group intends to ensure that most of its products are exclusively available at and sold through the Group's retail network with differentiated mark-ups reflecting the positioning of each product. Such strategy should eventually increase the overall revenues and profits of the Group and create additional value for the shareholders of the Company.

The Group intends to achieve these objectives by rapidly expanding and strengthening the existing retail network in existing markets, entering new geographical regions, developing intra-group synergies, and pooling resources and know-how between the various Group companies.

Retail

As of the date of this Prospectus the Group operates a total of 67 retail outlets. In addition, 105 shops are operated under the "Milavitsa" brand in Russia, Ukraine, Moldavia, Kazakhstan and other countries by the Group's wholesale partners. The Group is developing a franchise policy which will standardise requirements in respect of these shops and allow for more effective supervision of their activities. As the first step in this standardization process in 2005 the Group launched the "Mi2B" (Milavitsa to Business) project, an Internet-based resource which helps partners to

achieve and maintain the new standards.

The development strategy in retail is based on the roll-out of three concepts: in the lingerie segment, "Oblicie" multi-brand shops (which sell the products of Lauma Lingerie and Milavitsa) and "Milavitsa" mono-brand shops; and in the apparel segment, "PTA" mono-brand shops.

Further rollout of retail outlets in Russia will be carried out through Linret ("PTA" and "Oblicie" shops) and STK ("Milavitsa" franchised shops), in Belarus by MTCB and in Ukraine by MTCU and PTA Ukraine. With the launch of Linret's operations in 2006, a solid and stable platform of administrative, logistical and IT solutions was created in the Group's initial principal target market which will be used for the opening and administration of new outlets. The management team of Linret has an in-depth knowledge of the respective markets and extensive past experience in the industry, both factors which are expected to enhance the Group's prospects in the market and give a good grounding for expansion into new markets.

The Group plans to build its retail network by opening new shops and possibly acquiring existing retailers. The Group plans that, by the end of 2010, its retail network will consist of 300 to 400 of retail outlets under the "Oblicie", "Milavitsa" and "PTA" brands with a combined sales area of approximately 40,000 m^2. The expansion is expected to be based on the Group's own retail outlets and franchising contracts. The ratio of Company-operated/franchised shops will be dependent on the particular region and will be determined at a later stage.

The Management sees great potential in the development of a retail network in Russia and the rest of the CIS, due to factors such as the increasing disposable income of the local population and the rising popularity of shopping centres in the region. Furthermore, the lingerie retail markets in Russia and the rest of the CIS are still characterized by relatively weak competition and the trademarks of Milavitsa and Lauma Lingerie already have the advantage of being among the best-known brands.

During the second stage of expansion program (starting from 2010) the Group will consider expanding Group's retail network in Central and Eastern Europe (at present the Group has seven lingerie shops in Poland, operated by Splendo Polska). The geographical expansion strategy is based on entering new markets with a chain of shops operating under a proven retail concept rather than on offering particular merchandise to existing retailers.

By 2010 the Group plans to direct the sales of all new collections manufactured under the "PTA" brand to the Group's own retail network and to distribute between 50% and 70% of all new collections manufactured under the "Milavitsa" and "Lauma" brands through the Group's own retail network and franchise partners. Therefore, a considerable majority of fashion collections produced by the Group's manufacturing entities will only be available in the Group's own retail network and the outlets of partners.

Manufacturing

The manufacturing entities within the Group currently are operated by three subsidiaries of the Company: Klementi, Lauma Lingerie and Milavitsa (including a subsidiary of Milavitsa, Gimil). The Group is aiming to improve the flexibility of its manufacturing facilities so as to make new collections available for sale on a frequent periodical basis according to market demand. The Group plans to increase both the number of collections per year and the efficiency of product replenishment. Efforts towards the implementation of this objective are currently scheduled primarily for 2008.

Moreover, in order to make production more efficient, the Group plans to gradually increase the production capacity in regions where production costs are lower, mainly through entering into new outsourcing arrangements in Belarus. Currently around 60% of the Group's total output is partially or fully outsourced to lower-wage regions (including primarily Belarus, but also other countries such as Ukraine, Turkey and China). The Group intends to outsource up to 80% of its total output by 2010 and to make use of Milavitsa's extensive experience in the outsourcing certain manufacturing functions. When diligently organized and properly monitored, outsourcing should increase production efficiency and decrease lead-times.

Short Term Goals for 2007

In 2007 the primary objective for the Group is to expand the chains of both the "Oblicie" and the "PTA" stores in the target region and launch franchising program for the partners. It is planned that 54 new retail outlets (including 32 "Oblicie" and 22 "PTA" outlets) will be opened in 2007, of which 12 (six "Oblicie" and six "PTA" outlets) have already been opened by the date of this Prospectus.

The Group also intends to increase the number of new collections of lingerie through the year compared to 2006.

Moreover, the Group plans to increase the relative weighting of the flash/fashion collections in comparison with the classic lingerie collections.

The Company also plans to expand the range of products within the "PTA" collections in order to increase the popularity of the "PTA" brand and raise brand-awareness among Estonian and foreign consumers (including Russians). The respective plans call for the expansion of casual apparel collections and increasing the range of accessories in the "PTA" stores. As another way towards the same objective, the Company intends to continue the implementation of the customer loyalty program (which gives special cards to loyal customers) in the "PTA" stores.

The Group intends to continue and enhance strategic co-operation with a number of partners both in and outside of its primary target markets. In particular, the Group intends to deepen its ties to a major worldwide yarn producer, InVista International, which supplies materials to the manufacturing entities of the Group (in particular elastic fabrics marketed under the trademark "LYCRA") for the production of lingerie. The Group also intends to co-operate closely with SIA Lauma Fabrics and its French subsidiary, Desseilles Textiles SAS, which both belong to the same group of companies as the Principal Shareholder.

Lastly, the Group intends to complete the legal integration of various holdings consolidated in 2006 (the PTA Group, the Silvano Group and Splendo) and create a transparent and comprehensible corporate structure with a clear management organization.

Competitive Advantages

The competitive advantages of the Group when compared with to competitors are briefly summarized below:

Well-recognized and reputable trademarks

The trademarks of Milavitsa and Lauma Lingerie are among the best-known lingerie brands in Russia and CIS countries. The "PTA" trademark products are highly regarded in the Baltic states and Scandinavia. As the Group includes a centrally-operated retail network, such well-known brands may be used to facilitate the introduction of new or lesser-known brands of the Group. With integrated media sourcing for the whole Group, "PTA" trademark products are promoted by use of the high levels of brand-awareness "Milavitsa" and "Lauma Lingerie" have in Eastern European countries. Vice versa, in the Baltic and Scandinavian markets, customer awareness of the "PTA" and "Lauma" brands can be used to increase knowledge of "Milavitsa" brands. Historically, products of Belarussian and Baltic origin have been associated with high quality by the majority of Russian and CIS consumers. Such association is likely to serve as an additional competitive advantage when marketing and distributing the output of Milavitsa, Lauma Lingerie and the PTA Group in the above-mentioned markets.

Flexible and vertically integrated Group structure

The Group consists of production units and entities which specialize in marketing, distribution, and retail. This increasingly vertically-integrated structure (which the Group is currently implementing and developing) enables the Group companies to utilize their production capacities and distribution resources to satisfy the demand for the different products and brands which are produced and marketed by the Group. Moreover, as the entities engaged in retail sale of the Group's products are located in different markets, marketing solutions can be developed, planned and, where necessary, re-organized to adapt to the individual structure and particularities of the relevant market. The vertical integration of the Group allows it to capture the overwhelming share of value from product development to retail.

Strong management team

The management of the Group is comprised of highly-qualified and professional executives who have long-term experience in the women's apparel and lingerie industries in various markets. New executives are continually hired in order that the Group can meet the growing demands of its structure and business. The Group pays careful attention to the development of all levels of management and to the education of subcontractors (who must meet common Group requirements and perform in line with the overall strategy of the Group).

Flexibility in Manufacturing and Logistics

Owning manufacturing facilities in the region allows the Group to have a flexible production supply. The proximity of the Group's manufacturing capacity to the target markets serves as a material competitive advantage over many rivals. The short distance between the production units and the retail outlets engaged in the actual sale of the products simplifies logistics, creating opportunities for cost-savings in transportation and warehousing. Thus, there is

ample opportunity to perform short-term periodic restocking of the shops and to introduce new collections more often. Furthermore, the largest of the Group's manufacturing facilities (Milavitsa's factory in Minsk) is located in Belarus and thus able to export goods to Russia without facing the customs duties currently imposed on exports from the European Union.

Access to affordable labour resources

A large proportion of the Group's products is manufactured in the Milavitsa factory in Minsk, Belarus. Compared to the other Group companies Milavitsa employs a considerably larger number of employees (close to 2,000) and outsources a large share of its production to other Belarussian manufacturers. Compared to the countries where the other entities of the Group operate the costs of labour are relatively modest due to the overall lower cost of living and the lower level of salaries in Belarus. The less expensive but well-qualified Belarussian labour enables the Group to optimize its production costs while at the same time maintaining highest standards of quality. The Group intends to continue capitalizing on its proximity to the labour markets in Belarus, Ukraine and other CIS markets.

Committed principal shareholder

The Principal Shareholder of the Company is Alta Capital Partners S.C.A., SICAR, an investment firm managed by one of the most experienced investment teams in its region and holding more than 50% of the Shares in the Company. The Principal Shareholder is actively involved in the management of the Group and contributes its investment and management expertise towards the successful fulfilment of the strategic objectives of the Group.

INDUSTRY OVERVIEW AND COMPETITIVE POSITION

None of the countries mentioned below have so far published definitive official statistical information concerning the state of the clothing industry as a whole. The summary which is presented below is therefore based on information collected by the Company from unofficial sources or through own research, and as such it cannot be verified beyond reasonable doubt. Moreover, any forward-looking statements concerning the development of the clothing markets are based exclusively on unverified information and cannot be used as guidance in estimating the financial performance of the Group. The information presented with respect to gross revenues of the relevant markets may not be fully comparable due to the differing components of the relevant data and varying calculation methods that may have been used.

Clothing Industry in General

Broadly, the Group is active in the textiles and clothing industry, which comprises the following sectors: (i) marketing and design; (ii) sourcing fabrics and other raw materials; (iii) manufacturing; (iv) distributing; and (v) retailing. Such diversity in middle and end products corresponds to a multitude of industrial processes, activities and market structures within the industry, for which reason companies active in the textile and clothing industry usually specialize only in some of the abovementioned sectors.

The Group is involved primarily in the manufacturing and distribution of clothes, in particular women's apparel and lingerie. The manufacturing process of both women's apparel and lingerie could be divided into two stages: pre-assembly and assembly. The pre-assembly stage involves designing, grading, marking of patterns and cutting of textiles into individual components. In terms of industrial development, this stage was revolutionized through the application of computer-assisted systems. By contrast, the assembly stage remains highly labour-intensive and involves delicate handling and sewing operations that do not lend themselves to full automation. Aside from productivity gains attributable to better needles and more secure fabric-holding techniques, sewing techniques remain basically similar to those utilized a century ago. At this time, this industry is almost unique in the developed countries in terms of its low ratio of capital equipment to labour input. However, technological progress in telecommunications and transport networks has made it easier for clothing manufacturers to divide the supply chain on an international basis and to perform the assembly stage in lower-wage countries[1]. As the transportation costs of clothes are relatively low, the products of a manufacturer located in one country can be easily marketed in numerous other countries and geographical regions.

Over the years clothing-related marketing activities have changed significantly with the blurring of the traditional boundaries between retailers, brand marketers and manufacturers. On the global scale, retail distribution is increasingly dominated by large retail groups in the main consuming countries, where the trend is towards greater product specialization, brand-name products and market segmentation. These large retail groups collect market information about the latest trends in styles and tastes, and their integration of this information gives them considerable leverage in dealing with suppliers[2].

Macro-Economic Situation on the Relevant Markets

Summary of Relevant Markets

The main target markets of the Group are Russia, Belarus, the Baltic states and Ukraine. The table below summarizes the main macro-economic indicators of these countries:

	Estonia	Latvia	Lithuania	Russia	Belarus	Ukraine
Population (million)	1.34	2.28	3.39	142.80	9.71	46.5
GDP (billion EUR, 2006), current prices	13.07	16.03	23.74	772.23	29.43	84.83
GDP per capita (EUR, 2006), current prices	9,732	7,005	6,993	5,408[1]	3,024	1,813
Real GDP growth (2005-2006)	11.4%	11.9%	7.5%	6.9%	9.9%	7.0%
Retail sales growth (2005-2006)	19.0%	20.1%[2]	9.6%	13.9%	17.0%	24.8%

1) Total GDP divided by population at the end of the year
2) December 2005 vs. December 2006

Much like the economy in general, the retail sector in these countries has undergone rapid development over the past

[1] A New World Map in Textiles and Clothing. Adjusting to Change, OECD 2004, p. 19
[2] A New World Map and Clothing. Adjusting to Change, OECD 2004, p. 12

decade. Joining the EU has considerably facilitated the entry into the Baltic market for companies from EU member states and has raised confidence in the relevant markets. While the Baltic markets are attractive because of their favourable business infrastructure, by contrast the most significant attractive feature of the Russian market is its vast size. Similarly, even though the Ukrainian market is, in terms of population, about three times smaller than the Russian market, it nevertheless represents a large market when compared to the . Taking into account the proximity of these countries to Western European producers, they are becoming increasingly relevant business partners for the EU.

With a remarkably favourable location between Central European countries and Russia, Belarus is benefiting from the growth of the Russian economy, as well as the trade relations between the EU and Russia, even though the size of the Belarussian market is not comparable to that of Russia and Ukraine and despite the increasing rift in EU-Belarussian diplomatic relations.

It is expected that the growth in retail revenue will outpace GDP growth in all target markets in the coming years, driven by changing lifestyles and by strong gains in terms of disposable income. The growing availability of consumer credit products is also expected to help boost consumer demand in these countries.

The market conditions in the Baltic states are rather homogenous and appear to be substantially different from the other target markets of the Group, especially in terms of the size of economy, business environment and consumer purchase patterns. Similarly, the market conditions in Russia, Ukraine and Belarus appear to be alike in material aspects. Therefore, for the purposes of this brief industry overview, two groups of target markets have been identified, namely the Eastern European and the Baltic markets.

Eastern European Markets

Given the total population of Russia, Ukraine and Belarus (which exceeds 200 million people), these countries represent a considerable share of the European clothing market. The capacity of Eastern Europe's own clothing industry is not sufficient to satisfy the demand of the entire area. Given that fashion and quality have an important impact on the demand for apparel items, Eastern European production faces intense competition from foreign products, in particular due to low transportation costs of clothes. Therefore, an increasingly large share of the revenue of the Russian, Ukrainian and Belarussian apparel markets is attributable to imported products.

Lingerie Market

It is estimated that the size of the lingerie market in Russia is in the range of EUR 1.5 billion, in Ukraine EUR 300 million and in Belarus EUR 60 million and sales of lingerie are growing year by year. The gradual development and growth of lingerie sales is mainly driven by the general economic growth and increase in the amount of disposable income, as well as the increasing importance and purchasing power of the emerging middle class.

Some statistics indicate that Russian women each spend an average of EUR 15 on lingerie per year. This is about 5.7 times less than the same average figure for European women, who each spend an average EUR 85 on lingerie per year. However, certain unofficial surveys point to much higher expenditures on lingerie by Russian women, amounting to some EUR 64 per year. The discrepancy in the statistics may be attributable to the fact that there is a significant divergence in the spending habits of higher-income urban women and the rest of Russian women, which may have been ignored in surveys yielding higher annual spending data. Some surveys have revealed that Russian women with higher income spend about 75% more on lingerie than women with lower income.

As the disposable income in Ukraine and Belarus is lower than in Russia, it is estimated that the expenditure on lingerie in these markets is also lower than in Russia.

Substantial differences are observed in the purchasing and shopping habits of Western and Eastern European women. In Russia (but also in other Eastern markets), "bazaar" type open-air markets still remain the most popular places to shop. Based on customer surveys, it is estimated that more than 30% of all lingerie items sold in Russia are purchased from such open-air markets, which are rather uncommon, if present at all, in Western European countries. A significantly smaller proportion of lingerie (about 15% of total sales) is sold through specialized lingerie shops in Russia, whereas in Western countries more than 40% of lingerie revenue is generated by specialized shops.

Over the past few years, sales through open-air markets have started to decrease. It is expected that this tendency will continue and the Eastern European lingerie consumption in specialized lingerie shops will increase as a result of the growth of disposable income, as well as of the overall welfare of the society. Modern Eastern European women are keen to align their consumption habits with those of their Western counterparts, who do not shop at open-air markets.

The emergence of modern shopping centres in major Russian and other Eastern European cities is seen as another driving force behind changing the shopping patterns, which the Group intends to capitalize on through the opening of specialized lingerie shops under the brand name "Milavitsa" in Belarus and under the brand name "Oblicie" in Russia and Ukraine.

Milavitsa's Position on the Lingerie Market

Milavitsa is the largest lingerie manufacturer and distributor in Belarus, producing approximately 14 million pieces in 2006 (the second largest is Rusanova, which produces some 600,000 pieces per year). According to the study conducted within the framework of the Belarussian competition "Brand of the year 2003", Milavitsa's products were acknowledged as the "best-known brand" and the "most-preferred brand" among lingerie products sold in Belarus.

Some Belarussian official statistics have indicated that the market share of Milavitsa in Belarus is over 50%. However, the officially calculated market share does not take into account illegal and unreported trade. Therefore, the actual market share of Milavitsa in Belarus is estimated by its management to reach 20 to 25%.

In 2006 Milavitsa signed an agreement with the Belarussian antitrust authorities. Pursuant to the agreement, Milavitsa agreed not to conduct any actions which could be classified as monopolistic or restrictive of competition. Such agreement may impose certain restrictions with respect to Milavitsa's domestic sales but has no impact on its international operations.

Milavitsa's other primary markets besides the domestic market of Belarus are those of Russia and Ukraine. Milavitsa's market share in Russia is estimated to be around 5% to 7% and in Ukraine around 4% to 6%. In other markets where Milavitsa operates (such as Kazakhstan), Milavitsa's market share is lower.

Milavitsa's principal competitors in its primary target markets are Russian firms Palmetta, as a manufacturer, and Bustier, as a retailer, as well as Triumph and a number of Italian, Polish and Baltic brands. At this time it is not possible to precisely estimate the competitors' market share, but in general, no competitor brand is perceived to hold more than a 3% market share in Milavitsa's main target markets of Russia, Belarus and Ukraine.

The manufacturing and retailing of lingerie requires a significant, qualified workforce and reliable sales channels and retail premises, all those constitute barriers for entry to the relevant markets which is why Milavitsa's competitive position is favourable.

Lingerie Retail Market

There are already a number of lingerie chains operating in the Eastern European markets, such as those operated by the Wild Orchid group, the Catherine group, DIM and Gulfstream. However, most of them aim at the luxury market segment only, while the Group aims to sell a wide variety of reasonably-priced high-quality lingerie in a modern environment. The Group therefore has significant potential for development within this market niche. Linret's market share in the Russian retail market for lingerie is not large, with 19 retail outlets opened to date.

Women's Apparel Market

As with the lingerie market, the majority of Russian apparel sales are highly concentrated around Moscow, St. Petersburg and other major cities with more than one million inhabitants. A significant proportion of the apparel on sale and the sales outlets are not comparable with Western standards. According to unofficial data, as with lingerie sales, around 70% of all apparel is purchased at "bazaar" type open-air clothing markets. This also tends to be the case with Ukrainian and Belarussian apparel sales.

Nevertheless, based on economic factors, as well as the overall development of the consumer society, Eastern European markets have a proven tendency to grow and develop trends and patterns that are similar to those in Western markets. As the market develops, Eastern European consumers become more demanding and start looking for higher quality, fashionable clothes. This has already allowed several well-known international companies' apparel chains to carve their niches in Eastern European markets. It is anticipated that Eastern European markets will continue to rely on imports of clothes, since domestic production does not seem likely to be able to satisfy the demand in terms of quantity, quality and design in the near future. Moreover, the penetration of the market by Western European companies contributes to the development of the whole market, pushing it towards the level of Western consumer expectations, including, primarily, the tradition of purchasing clothes from shopping malls and shopping streets rather than from open-air markets.

The clothes sold in open-air markets are often counterfeits of well-known Western European brands. The share of counterfeit apparel is estimated to be as high as around 50% to 60% of the total revenue of the apparel markets in Eastern Europe, but it is expected to decline gradually as the rising purchasing power contributes to increased brand and quality awareness.

In recent years the development of the Russian retail market has been restricted mainly by low wages, high levels of taxation and the resulting insufficient demand. The impact of these factors is decreasing as the disposable income rate continues to grow. At the same time, the availability of suitable trading and storage premises and increasing rental prices are also gradually starting to have an effect on the expansion of the Russian apparel market which is beginning to emerge.

Nevertheless, the overall economic figures give reasonable grounds to expect that women's apparel sales in Eastern European markets have potential for growth and development.

Women's Apparel Retail Market

In addition to operating the "Oblicie" chain, Linret is engaged in establishing a chain of "PTA" stores in Russia (with five stores opened in Russia to date) and possibly other markets. Taking into consideration the large size of the Russian apparel market, Linret's market share with respect to women's apparel in general will presumably remain small, despite the full roll-out of the "PTA" chain.

Baltic Markets

The three Baltic states of Estonia, Latvia and Lithuania are home to over 7 million people. The growth of the Baltic economies has had a positive impact on the salaries and disposable income of the local population. Given that the average annual growth in gross salary is approximately 10%, more disposable income is created, which allows an increase in consumption at the retail level. Over the past few years the volume of the Baltic retail market has greatly increased and outpaced the overall growth of the economy. The growth has been further boosted by the Baltic states joining the EU and thus becoming part of the European single market. The Group is active in the lingerie and women's apparel markets in the Baltics, which are briefly described below.

Lingerie market

The lingerie market in the Baltic comprises products that are targeted to all income groups. The market has witnessed rapid growth over recent years, which was faster than the growth in the retail sector as a whole.

This lingerie market is characterised by the relatively high popularity of local brands: there are a number of Baltic lingerie manufacturers such as Lauma Lingerie, Rosme, Linette and V.O.V.A. whose products are well-known and popular among Baltic women. Their products could be seen as being targeted mainly to middle and upper-middle class lingerie consumption. The market has also attracted imports, the most successful of the foreign brands in the Baltic markets being Triumph, Incanto and Felina. Simultaneously, a considerable amount of cheaper products from Eastern Europe and Asia without an identifiable brand are also being marketed in the Baltic states.

Specialized lingerie shops are still rare in the Baltic states. Most shopping malls, however, have some lingerie shops, which sell lingerie of different producers, catering to all pockets. Specialized shops normally focus on luxury lingerie.

As a feature inherited from Soviet times, "bazaar" type open-air markets are still a relatively important channel in the Baltics, especially among lower market segments. However, clothes sections in supermarkets (such as RIMI, Maxima etc.) are also becoming increasingly important, and are often used to market cheaper lingerie.

Even though the Baltic lingerie market is characterized by intense competition, there is apparently still room for niche brands with mid price levels.

Lauma Lingerie's Position on the Lingerie Market

Lauma Lingerie is the market leader in terms of lingerie sales in its home market of Latvia, with a market share of 20% to 30%. Lauma Lingerie's main competitor, with a comparable market share, is the international lingerie brand Triumph. According to "Integrated Research of Lingerie Consumers", a market report compiled by InMind Marketing Research in Latvia in February 2005, Lauma is the best-known lingerie brand in Latvia in terms of brand awareness, followed by such competitors as Rosme, V.O.V.A. (both Latvian lingerie manufacturers) and Triumph.

Lauma Lingerie's market share in the Baltic region in general is estimated to be around 15%. On the pan-Baltic

scale, its most notable competitors are Rosme, Linette (an Estonian lingerie manufacturer) and Triumph. The majority of Lauma Lingerie's output is marketed to Russia, where its market share is estimated at 0.5% to 0.6%, due to the size and fragmented nature of the Russian market.

Women's Apparel Market

The women's apparel market in the Baltic states is saturated with a large variety of brands from the lower quality and price segment to middle class apparel and up to luxury clothes to a lesser extent. There are several traditional domestic brands in each of the Baltic markets and occasionally new international fashion brands enter the market, whereas competition is already intense between certain international manufacturers of clothing. Nevertheless, the consumption of fashion in the Baltic markets is moving towards consumption levels in Western European countries.

Similarly to lingerie sales, a noticeable share of the women's apparel sales revenue is generated by street markets, though to a far lesser extent than in the Eastern European markets. Therefore, it is rather difficult to estimate the actual size of the market. It is expected that the market will grow in the future at least in line with the general retail growth rate, as well as with the overall growth of the economy. Furthermore, the industry also has the potential to grow by redirecting customers from open-air markets to shops, as the Baltic people's consumption habits change significantly.

The entry to the market of new apparel brands and the expansion of the existing players' operations has so far been limited, to some extent due to the lack of retail premises and warehouses. Although many new shopping centres and trading facilities have been built in recent years, many of the most favourable sales venues are rapidly occupied by companies already present in the market, thus limiting the opportunities for others to enter and occupy economically suitable positions.

The Group is among the largest Estonian apparel manufacturers; its market share in Estonia, which is currently the Group's main market with respect to women's apparel, is estimated to be around 4%. In other geographic markets the Group's market share is lower.

The main brands competing with the Company's brands in Estonia include Mosaic and Monton (brands of the largest Estonian apparel manufacture: AS Baltika), Bastion (classic apparel with a higher price level), Gerry Weber and other brands.

The brands competing in the Latvian and Lithuanian markets are, to a considerable extent, the same as in Estonia. In the Scandinavian, Russian and Ukrainian markets, the share of Estonian manufacturers (Baltika, Bastion) is marginal, but there are many domestic and international brands competing with similar products and price levels as the "PTA" trademark products.

OPERATIONS OF THE GROUP

Business at a Glance

The Group is a vertically-integrated fashion group which manages several brands of women's apparel and lingerie with manufacturing facilities and a developing retail network. The Group in its current form was created in October 2006 as a result of the acquisition by the Company of Silvano and its subsidiaries (including Milavitsa, Lauma Lingerie and Linret).

Brands

The range of brands operated by the Group includes lingerie brands (including, primarily, "Milavitsa", "Alisee", "Aveline", "Lauma" and "Laumelle") and women's apparel brands (primarily "PTA" and "MasterCoat").

Milavitsa: One of the best-known lingerie brands in the CIS and a market-leader in Russia, it is aimed at the middle-market segment with classic models and fashion collections of lingerie carried from season to season. The "Milavitsa" brand is the sales leader of the Group.

Alisee: A new brand introduced in 2004 and developed in co-operation with French designers. Alisee is focused on the upper-market segment and customers with more demanding tastes.

Aveline: A new brand introduced in 2005 and aimed at a lower market segment with sales primarily in clothing markets and hypermarkets. The brand has been introduced as a quality substitute for cheaper Asian and Eastern European products that currently hold a significant market share in Russia and Belarus.

The main geographic markets for the "Milavitsa", "Alisee" and "Aveline" brands are Russia, Belarus and the rest of the CIS.

Lauma and Laumelle: Market leaders in Latvia and the other Baltic states. "Lauma" is a classic brand of lingerie aimed at the middle-market segment. It enjoys substantial reputation in the Baltic states and is also well-known in the CIS market. "Laumelle" is a recently-launched sub-brand of "Lauma" which is aimed at younger customers. The main geographic markets for these two brands are the Baltic states and Russia.

The positioning of brand lingerie portfolio of the Group is presented in the following table:

Trademark/Type	Average ex-works price (in EUR)	Average retail price in Oblicie stores (in EUR)	Customer segment
Milavitsa Swimwear	12-17	40-47	Classic & Fashion, mid-price
Alisee	9-11	33-39	High Fashion, Upper-mid-price
Milavitsa Fashion	5.5-7.5	12-15	Fashion, mid-price
Lauma	5-6.5	17-20	Classic & Fashion, mid-price
Laumelle	5-6.5	16-19	Young, Fashion, mid-price
Milavitsa Classic Collection	4-5	10-12	Classic, mid-price
Milavitsa Seamless	3-4	5-6	Comfort, Classic, mid-price
Aveline	2-3	not sold in Oblicie shops	Basic, lower-mid-price

PTA and MasterCoat: "PTA" is a modern brand of ladies' business wear and casual wear which is aimed at professional women in their thirties and forties; it has an established reputation in the Baltics. "MasterCoat" is a brand of ladies' outdoor business wear which is sold through wholesale channels primarily in Scandinavia.

In the first quarter 2007, 87% of the Group's revenues come from sales of lingerie, 10% from sales of women's apparel and 3% from sewing subcontracting services.

Distribution Network

The Group distributes its products through wholesalers and its own retail outlets. In the first quarter of 2007 88% of consolidated revenues was generated by wholesaling and 9% of the revenues by retail sales, while the remaining 3% of the revenues came from sewing subcontracting services.

Through the wholesale network, which includes the Company's affiliates: STK (Russia), MTCB (Belarus) and MTCU (Ukraine), the Group's products are present in Russia and the other CIS countries, Belarus, Ukraine, the U.K., Germany, Scandinavia and other countries.

As of the date of this Prospectus the Group operates 48 lingerie retail outlets under various brand names (including 19 under the "Oblicie" brand, 20 under the "Milavitsa" brand, 2 under the "Lauma Lingerie" brand and 7 under the "Splendo Intime" brand) and a total of 19 women's apparel retail outlets under the "PTA" brand. The Group's retail outlets are located in Russia (24), Belarus (20), Estonia (8), Poland (7), Latvia (6) and Lithuania (2). In addition, wholesale partners of Milavitsa operate 105 shops under "Milavitsa" brand in Russia (including 27 in Moscow), Ukraine, Moldova, Kazakhstan and other countries. These shops are currently being standardized under a new franchising program which has been launched by the Group.

Manufacturing Facilities

The manufacturing capacity of the Group is comprised of:

- A women's apparel factory located in Tallinn, Estonia, operated by Klementi, a subsidiary of the Company; engaged in the manufacturing of "PTA" and "MasterCoat" branded women's apparel.
- A lingerie factory located in Liepaja, Latvia, operated by the Company's subsidiary, Lauma Lingerie; engaged in the manufacturing of lingerie, mainly the "Lauma" and "Laumelle" brands. Lauma Lingerie is the largest manufacturer of lingerie in the Baltic states and produced 2.4 million pieces in 2006.
- A lingerie factory situated in Minsk, Belarus, operated by the Company's subsidiary, Milavitsa; engaged in the manufacturing of lingerie, mainly the "Milavitsa", "Aveline" and "Alisee" brands. Milavitsa is the largest manufacturer of lingerie in Belarus and produced approximately 15 million pieces in 2006.

Multiple production facilities in different countries and a diversified multi-brand retail chain add versatility and flexibility to the operations of the Group. Synergies are sought through the optimal allocation of manufacturing and retail capacities between the Group's entities and products.

History and Development of the Group

The Group is comprised primarily of: (i) the Company and its subsidiaries before August 2006 (the PTA Group); and (ii) Silvano and its subsidiaries, which were acquired by the Company in August to October 2006 (see the Section titled "*Recent M&A and Capital Markets Activities: Acquisition of the Silvano Group*"). The Group as it stands today includes various entities with different backgrounds as described below.

The PTA Group and the Company

The history of the Company goes back more than 60 years. The predecessor of the Company began its business operations in 1944 as a sewing operation named "Osta". Six years later, in 1950, the activities of Osta were reformed and a sewing factory named after V. Klementi (in Estonian: "*V. Klementi nimeline õmblusvabrik*") was established. In the beginning of the 1970s the factory was transformed into V. Klementi "sewing manufacturing squad" (in Estonian: "*V. Klementi nimeline Õmblustootmiskoondis*") and the enterprise moved to its current location at Akadeemia tee 33, Tallinn, Estonia. The enterprise continued its operations throughout the Soviet era.

By the beginning of 1990s the enterprise manufactured approximately 1,000,000 garments per year and employed 1,600 people. 1992 saw further expansion and the enterprise was transformed into RAS Klementi, a "state limited company" (a form of limited liability company and one which no longer exists in Estonia). In 1993 RAS Klementi was short-listed as a company to be subject to privatisation, along with other flagships of the Estonian economy. By the end of that year the Estonian Privatisation Agency sold a substantial part of RAS Klementi's assets to a Swedish company, Kurt Kellermann AB. As a result the production capacity of RAS Klementi decreased by some 40%.

The privatisation process of the Company continued throughout the subsequent years. In March 1994 the employees of RAS Klementi established a special purpose vehicle (AS Klementi Kaubandus) which bought 80% of the shares in RAS Klementi (the A-shares). In October 1995 the Estonian Privatisation Agency privatised the remaining 20% of

the shares in the Company (the B-shares) through a public offering and the state no longer held any share in the ownership of the Company, and the Company was re-organised into a public limited liability company (*aktsiaselts*).

1996 saw further restructuring and increases in production volume, revenue and profit. AS Klementi merged with AS Klementi Kaubandus and the Company continued under the name AS Klementi. Subject to the newly-passed Estonian Commercial Code, the Company was registered in the Estonian commercial register on 23 December 1996, under the current registration number of 10175491. All shares in the Company were transformed into one type of shares (A-shares, *i.e.* the Shares).

In May 1997 all the Shares in the Company were listed on the Investor List of the newly-established Tallinn Stock Exchange. At that time the Company's business activities were focused on three areas: manufacturing women's fashion clothing; manufacturing professional clothing; and offering sewing subcontracting services to Finnish and Swedish clients. New investments and a further expansion of the business activities followed in 1998. A new professional clothing trademark "PROFLINE" was launched, and was transferred to a newly-established subsidiary, AS Profline. The Company also established a subsidiary in Finland (Klementi Trading Oy) to enhance the distribution of the Company's products outside Estonia. Investments were also made in the renovation of the Company's office building. By 1998 a large proportion (more than 48%) of the output of the Company was exported from Estonia with the main export destinations being Finland, Sweden, Latvia and Lithuania.

In January 1999 a Finnish garment manufacturer, P.T.A. Group Oy (previously a minority shareholder of the Company), bought an additional 43% of the Shares in the Company and became the majority owner of the Company. In the same year the Company developed its own production retail network (five outlets) in Tallinn. In 2000 the share capital of the Company was increased by EEK 11 million up to EEK 35.25 million and convertible bonds worth EEK 2 million were issued to P.T.A. Group Oy to raise new debt and equity capital. In April 2000 the Company decided to divest the professional clothing business through its sale of AS Profline. 2000 also saw the establishment of a wholly-owned subsidiary in Lithuania (Klementi Vilnius UAB) and the expansion of the retail network. In addition, the Company built a raw material logistics centre for receiving fabrics and ancillary materials and completing customs procedures.

The development of retail outlets gained further importance in the sale of own output in the subsequent years. By 2001 19 Klementi retail shops operated in the three Baltic states and 56% of the turnover of the PTA Group was from exports, mainly to Finland, Sweden, Latvia and Lithuania.

2002 marked the onset of important changes for the PTA Group. In April 2002 the bankruptcy of the main client and the parent company of the Company, P.T.A. Group Oy, was declared. The volume of services provided to P.T.A. Group Oy in 2001 had been EEK 19.8 million, i.e. 17.8% of the Company's turnover. At the time of the declaration of bankruptcy P.T.A. Group Oy owned 79.08% of the Company's Shares. The bankruptcy of the parent company had some short-term repercussions on the economic activities of the Company. In July 2002 the Estonian private equity firm AS Alta Capital and its co-investors acquired the shareholding of P.T.A. Group Oy in the Company. The share capital of the Company was increased by EEK 4,406,250 to EEK 13,218,750 by way of issuing 440,625 new A-shares. Simultaneously the Company acquired the rights to the trademarks of P.T.A. Group Oy ("PTA", "Avenue", "MalliMari", "MasterCoat", "ClubLine" and "Piretta") and benefited from the previous parent's customer relationships, which enabled to increase its exports to the Nordic countries significantly.

With the change in the main shareholder of the Company, the business philosophy and strategy also underwent a revision. To implement the new strategy, a new and highly-motivated management team was assembled and the Company was reorganized. Since the completion of these reforms the business activities of the Company have consisted of two essentially independent business segments aimed at different markets: (i) the design, manufacturing and marketing of women's apparel; and (ii) subcontracting sewing services.

In 2003 575,000 new Shares were issued, increasing the share capital of the Company to EEK 18,968,750 in order to raise additional capital as well as to increase the number of shareholders and improve the liquidity of Shares on the secondary market. In July 2003 the Company purchased Klementi Trading AB in Sweden to enhance the wholesale of the PTA Group's products in Sweden. In August 2003 the Company acquired 100% ownership of the Latvian retail company SIA Vision. In Lithuania co-operation with a leading retail company Apranga was initiated. For that reason, the Company's own shops in Lithuania were closed and the Company resolved to liquidate its own Lithuanian subsidiary.

In 2004 the Company's activities were focused on the development of the "PTA" trademark. In conjunction with this, the product development activities of the Company were reorganised and the chain of stores, which previously

operated under the name "Klementi", was rebranded into the "PTA" retail chain. This change was aimed at leading to better procurement prices, reduction of product development costs, more optimal planning of inventories as well as more efficient usage of the marketing budget to support one brand. On the other hand, the wholesale of apparel decreased by over 30% in 2004. This was primarily related to lower sales in the Scandinavian countries which in the Management's opinion was mostly due to the inappropriate positioning of the apparel marketed under the "PTA" brand. At the same time, the subcontracting sales volume increased by 26% in 2004.

The development of the "PTA" brand had a positive effect on retail sales in 2005, which increased 5.3% compared to 2004. One new store was opened and by the end of financial year 2005 the Company had a total of 11 stores. The wholesale of the Company's apparel production continued to decrease in 2005; however, at the end of 2005, the Company started co-operation with the operator of a Finnish retail chain Anttila and the Company's products have been being marketed under the "PTA" brand in Finland since March 2006. In addition to services provided in previous years (sewing service, preparation and placement of products, increase and decrease of patterns, cutting services), in 2005 the Company started to offer the service of designing patterns to its subcontracting customers, thus offering full-service sewing. The subcontracting sales volume decreased by 19.8% as compared to 2004. Nevertheless, the volume of the full service of subcontracting increased in 2005, as the co-operation partners purchased the full service of making apparel instead of just purchasing the sewing service. As a result, the total profit generated from the provision of subcontracting services increased by 5% in 2005 compared to 2004. The gradual transition from the provision of basic subcontracting sewing service to offering full service of apparel manufacturing has continued in 2006.

At the end of 2005 the Company sold its land and buildings in a sale and lease-back transaction. The revenue from the sales transaction was approximately EEK 53 million. The Company continues to operate as a lessee in the same premises under a long-term lease agreement.

In May 2006 the Company's Swedish subsidiary Klementi Trading AB was declared bankrupt. Estonia's accession to the European Union has made trading with other member states considerably easier and the need for the local administration of operations in European countries such as Finland and Sweden ceased to exist. Therefore, the activities of the subsidiary had already been effectively terminated as of the second half of 2005.

On 15 August 2006 the change of the Company's business name was registered in the commercial register. The new name of the Company was PTA Grupp AS. Simultaneously, the Company went through a division process, whereby its production activities were separated and transferred to its newly-established 100% subsidiary AS Klementi. Two new subsidiaries were established in 2006 (UAB PTA Prekyba in Lithuania and TOV PTA Ukraine in Ukraine), both with the aim of furthering retail activities in these countries.

During August to October 2006 the Company completed the acquisition of Silvano (see "*Recent M&A and Capital Market Activities*") and proceeded to integrate the Silvano Group with the PTA Group. For a period of time between the acquisition of the Silvano Group and the corporate restructuring of the Group (see below), the Company on one hand served as the ultimate parent company of the Silvano Group and continued to conduct active operations related to the manufacturing and retail of the "PTA" branded products.

In March 2007 the Company announced a restructuring plan to streamline the structure of the Group (see "*General Corporate Information and Shares*"). In the course of the restructuring, all active business operations will be separated from the Company and given over to a newly-established subsidiary – PTA2 (PTA Grupp AS), while the Company (under the new name of AS Silvano Fashion Group) will remain a holding company for the entire Group.

The Silvano Group

The parent company of the Silvano Group was established on 3 May 2005 under the name AS Silvano Investment Group. In March 2006 AS Silvano Investment Group acquired 100% of the shares in Linret and in July 2006 Silvano acquired approximately 60% of the shares in Milavitsa and 100% of the shares in Lauma Lingerie. In August 2006 the name of AS Silvano Investment Group was changed to AS Silvano Fashion Group.

<u>Acquisition of Lauma</u>

100% of all shares in Lauma Lingerie were transferred to Silvano on 25 July 2006 by SIA Alta Capital Partners as a non-monetary contribution for new shares in Silvano that were issued to SIA Alta Capital Partners.

<u>Acquisition of Milavitsa</u>

Silvano acquired a majority ownership stake in Milavitsa in a number of steps. The first large shareholding was acquired in April 2006 when approximately 12.7% of all shares in Milavitsa were purchased by Silvano from the European Bank for Reconstruction and Development, which previously held a strategic stake in Milavitsa. Having acquired shares previously held by the European Bank for Reconstruction and Development, Silvano launched a tender offer to the shareholders of Milavitsa proposing to acquire all remaining shares in Milavitsa that were in free circulation. The tender offer was successful and a further tranche of over 26% of all shares in Milavitsa was acquired. On 25 August 2006 the acquisition of 20% of all shares in Milavitsa from Iluna Group SPA, an Italian company, was completed, thus bringing the total ownership stake of Silvano in Milavitsa to over 59.8%.

Of the remaining shares of Milavitsa, the circulation of approximately 25.8% was restricted at the time of the aforementioned tender offer. Such restriction applied to 3,164 shares of Milavitsa that belonged to private individuals who acquired such shares in the course of the privatisation of Milavitsa. While normally such shares cannot be transferred to persons others than the members of the family of the shareholder, they can be subject to share buy-backs initiated by Milavitsa and be diluted as a result of new share issues. A significant number of restricted shares was acquired by Milavitsa in the course of a share buy-back program completed in the first quarter of 2007 (see "Recent M&A and Capital Markets Activities – Increasing Participation in Milavitsa").

Acquisition of Linret

Silvano has purchased 100% of all shares of Linret from SIA Alta Capital Partners on 1 March 2006.

Lauma Lingerie

The predecessor of Lauma Lingerie - AS Lauma - was established in the 1960's in Liepaja, Latvia. From 1969, the enterprise was named "Lauma". By the end of the 1980's, Lauma's products were popular throughout the territory of the Soviet Union, and Lauma started exporting to Europe. The state enterprise "Lauma" was privatised in 1994, when it was reorganised into a joint stock company AS Lauma.

The turn of the century marked significant investments in manufacturing and quality. In 2000, large investments were made into Textronic knitting machines suitable for producing high class lace garments. In 2003, AS Lauma obtained the ISO 14001:1996 environmental standard certificate and the ISO 9001:2000 quality management certificate. By 2005, AS Lauma was exporting its products to over 20 countries and was one of the most significant enterprises in Latvia with around 1,500 employees.

Throughout the years, AS Lauma has engaged in both lingerie and fabrics businesses. The structure of AS Lauma's lingerie sales has undergone some changes in the recent years: in 2004, AS Lauma's sales of lingerie to Western Europe markets decreased due to discontinuation of sales to Neckermann (a German mail order company) and the drop in sales to Quelle (another German mail order company) and Adler (a retailer based in Germany and Austria) due to price pressure. At the same time, the Eastern markets remained stable and exhibited slight growth. In 2005, there was an increase of revenue from sales to both Western and Eastern markets.

In October 2005, AS Lauma decided to separate its fabrics operations from its lingerie business. To that end, AS Lauma established two new wholly owned subsidiaries – Lauma Lingerie (by way of a carve-out of the lingerie activities of AS Lauma), and SIA Lauma Fabrics (by way of a carve-out of the fabrics production activities of AS Lauma). Lauma Lingerie acquired the lingerie operations and related inventory and other non-current assets from AS Lauma on 16 December 2005 and started independent operations. Simultaneously, 492 employees of the lingerie operations of AS Lauma were transferred to Lauma Lingerie. Until November 2006, the administrative management of Lauma Lingerie was partially carried out by AS Lauma on the basis of a relevant service agreement. From November 2006, Lauma Lingerie is a fully autonomous entity directed by its management board. AS Lauma remains a provider of certain services such as IT support, technical assistance and accounting.

Milavitsa

In 1908, a Frenchman Francois Tournier founded a small haberdashery factory in Belarus. After the 1917 Russian revolution, the haberdashery factory of Francois Tournier was destroyed and the site remained out of operations until 1925, when the factory's former employees established a cooperative entity producing haberdashery. In 1929, a state haberdashery factory named "Beloruska" was built on the site. Having started with buttons and combs, the factory then switched to sewing garments. Since 1964, the factory has specialized in lingerie products. In 1968, the enterprise started to export a part of its output for the first time.

In 1991, the factory stepped up its branding efforts and was renamed to “Milavitsa”. This marked the start of a turbulent decade of changes, privatisation, re-organisations and investments. The re-organisation was completed by registering Milavitsa under its current legal form and name in 2000, following the acquisition of Milavitsa’s shares by foreign investors - Iluna Group SPA from Italy and the European Bank for Reconstruction and Development.

Milavitsa was the first Belarussian company to receive the ISO 9001 quality standard certificate in 1996. In 2003, Milavitsa became the largest exporter in Belarus and obtained the title “best exporter of the year”. From 2003 to 2005, Milavitsa invested in modernizing its manufacturing line by acquiring a substantial number of sewing machines and warehouse equipment, as well as new cutting equipment. As of the end of 2003, Milavitsa had eight branches (seven retail trade stores and a canteen) and one subsidiary in Belarus (Gimil), as well as a representative office in Moscow. Starting from 2002 to present Milavitsa’s sales have been constantly growing at 18-25% per annum.

In 2004-2005, Milavitsa began streamlining its distribution network. In the course of the process, Milavitsa transferred its wholesale operations in Russia to its newly-established subsidiary STK and its wholesale and retail activities in Belarus to another newly-established subsidiary - MTCB. In 2004, MTCB took over all of Milavitsa’s retail store operations and related assets (except for the real estate) from Milavitsa. The Russian subsidiary STK was established to create a centralized sales organization in Russia dealing with Russian customers and coordinating all marketing activities in Russia. STK started sales in March 2005. In June 2005, STK acquired a 26% stake in MTCU in Ukraine. The stake in MTCU was acquired with the purpose of enhancing the distribution of Milavitsa’s goods in Ukraine.

Linret

Linret was established in 2005 by SIA Alta Capital Partners. It serves as the base for the roll-out of the lingerie and women’s apparel retail network in Russia and other CIS markets. To date, Linret has opened 19 “Oblicie” and five “PTA” outlets in various Russian cities and has in addition concluded a further 27 lease agreements with various shopping malls in Russia in order to secure premises for future “Oblicie” and “PTA” retail outlets.

Splendo Polska

The company was legally formed in June 2006 by way of a transformation of Splendo Polska Sp. jawna, a partnership established by two Polish private individuals in the end of the nineties. Splendo Polska operates the “Splendo Intime” lingerie chain including seven outlets.

Milestones

The most important milestones of the development of the Group are summarized below:

Year	Development (PTA Group)	Development (Silvano Group)
1908		A small haberdashery factory (the predecessor of Milavitsa) is established in Minsk
1944	The predecessor of the Company established in Estonia	
1960’s		The predecessor of AS Lauma begins operations in Liepaja, Latvia
1962		Milavitsa becomes the only sewing enterprise in Belarus to specialize on the production of lingerie
1991		Re-organisation of the state owned sewing factory Milavitsa starts
1994	80% of the Company is privatised by its employees	State enterprise Lauma is reorganised and a joint stock company AS Lauma is established
1995	Privatisation of the remaining 20% of the Company is completed through a public offering of its shares	
1997	The Company is listed on the Investor List of the Tallinn Stock Exchange	
1998	Finnish subsidiary of the Company (Klementi Trading Oy) is	

	established	
2000	Lithuanian subsidiary of the Company (UAB Klementi Vilnius) is established	Re-organisation of Milavitsa completed, over 20% of Milvaitsa's shares acquired by a foreign company Iluna Group SPA and the European Bank for Reconstruction and Development
2002	Bankruptcy of P.T.A. Group Oy (main client and parent company of the Company) Acquisition of control over the Company by AS Alta Capital, initiation of re-organisation process with focus on two independent business lines – the design, manufacturing and marketing of women's apparel, and subcontracting sewing services	
2004	Swedish subsidiary Klementi Trading AB and Latvian subsidiary SIA Vision acquired by the Company Cooperation started with a Lithuanian wholesale partner Apranga, the activities of the Lithuanian subsidiary UAB Klementi Vilnius suspended Development of "PTA" trademark and rebranding of chain stores	Milavitsa transfers its retail operations to subsidiaries STK in Russia and MTCB in Belarus
2005	Land and buildings of the Company disposed of in a sale and lease-back transaction Cooperation started with Finnish retail chain Anttila	Silvano established in Estonia Lauma Lingerie established by way of a carve-out of the lingerie activities of AS Lauma Linret established in Russia 26% of MTCU is acquired by STK
2006	Bankruptcy of Swedish subsidiary Klementi Trading AB Lithuanian subsidiary UAB PTA Prekyba and Ukrainian subsidiary TOV PTA Ukraine established Business name of the Company changed to PTA Grupp AS Manufacturing separated and transferred to a new subsidiary - AS Klementi	Acquisition of 100% of Shares of Linret and Lauma Lingerie and approximately 60% of Shares of Milavitsa by Silvano

Month	Developments Following Acquisition of the Silvano Group
10/06	Acquisition of the Silvano Group is completed
11/06	Shares of the Company are listed on the Main List of the Tallinn Stock Exchange
	Acquisition of Splendo Polska is completed by Silvano
03/07	Milavitsa completes buy-back of shares
04/07	The Company announces corporate re-organisation plan
05/07	Extraordinary General Meeting of the Company's shareholders approves the restructuring plan

Recent M&A and Capital Markets Activities

Acquisition of the Silvano Group

On 22 August 2006, the Company announced through the Tallinn Stock Exchange that a share swap agreement was concluded on 21 August 2006 between the Company and SIA Alta Capital Partners ("ACP"), under which the Company was entitled to acquire up to 100% shares of AS Silvano Fashion Group ("Silvano") together with certain subsidiaries of the latter. The transaction was made between related parties and constituted the acquisition of a significant holding within the meaning of the Rules of the Tallinn Stock Exchange. The subsidiaries of Silvano included the leading producer of lingerie in Belarus – Milavitsa, the leading producer of lingerie in Latvia – Lauma Lingerie, and a Russian retail company Linret.

The transaction was approved by the extraordinary General Meeting on 5 September 2006. In connection with the transaction, the extraordinary General Meeting resolved to increase the share capital of the Company by issuing 36,000,336 new ordinary Shares of the Company. The right to subscribe to such new Shares was given exclusively to the shareholders of Silvano.

Completion of the transaction took place on 16 October 2006 when 100% of all shares of Silvano were transferred to the Company. Information on the completion of the transaction was published by the Company through the information system of the Tallinn Stock Exchange. As a result of approximation, 13 new Shares were not subscribed to and the Management Board of the Company cancelled such new Shares on 17 October 2006. The increase of the share capital of the Company was registered in the Estonian commercial register on 26 October 2006. As a result of the transaction, the Company has acquired 100% of all shares in Silvano and thus became the ultimate parent company of all companies belonging to the Silvano Group.

Immediately following the completion of the transaction and with the registration of the issue of the new Shares in the Estonian commercial register, the ownership stakes of the existing shareholders of the Company represented approximately 5.1% of the total share capital of the Company. Some 94.9% of all Shares were held by the shareholders of Silvano who chose to exchange their shares in Silvano for Shares of the Company.

Listing on the Main List of the Tallinn Stock Exchange

Prior to the acquisition of the Silvano Group, Shares of the Company have been listed on the Investor List of the Tallinn Stock Exchange. In connection with the acquisition of the Silvano Group, the Company has applied for and was successful in listing of all its Shares (including the new Shares issued to the former shareholders of Silvano) on the Main List of the Tallinn Stock Exchange. All Shares of the Company were admitted to trading on the Main List of the Tallinn Stock Exchange from 17 November 2006.

Acquisition of Splendo Polska

On 15 November 2006, Silvano has concluded a share purchase agreement for the acquisition of a 100% stake in Splendo Polska, a Polish operator of a lingerie retail chain. 10% of the acquired holding was sold forward to a local co-operation partner of Silvano. At the moment of acquisition, Splendo Polska operated seven lingerie shops in Poland (of which three were in Warsaw and one in each of Krakow, Poznan, Gdansk and Bydgoszcz). Splendo Polska lingerie outlets sell quality lingerie from various suppliers.

The rebranding of the Splendo Polska retail outlets to “Oblicie” trademark may be carried out but has not been finally determined yet. Following the acquisition of Splendo Polska by Silvano, Splendo Polska outlets sell the output of Silvano’s other subsidiaries (such as Milavitsa and Lauma Lingerie) in addition to the products sold by such outlets before the acquisition. For the time being, Splendo Polska will remain a separate unit within the Group, with the more specific strategy for its development to be defined in the third quarter of 2007.

The acquisition of Splendo Polska does not constitute an acquisition of a significant holding within the meaning of the Rules of the Tallinn Stock Exchange nor a significant gross change within the meaning of the Prospectus Regulation.

Increasing Participation in Milavitsa

In the period since the date of the TSE Prospectus, Silvano has carried out a buy-out offer to minority shareholders of Milavitsa, which lasted from 15 November until 15 December 2006. In the course of the offer, agreements have been concluded for the purchase of 331 shares of Milavitsa from minority shareholders. The purchased shares amounted to approximately 2.7% of the share capital of Milavitsa. As a result of the completion of the takeover bid to the shareholders of Milavitsa, Silvano’s stake in Milavitsa increased to some 62.5%. The approximate cost of the takeover bid for Silvano was EUR 0.2 million.

In the beginning of 2007, Milavitsa has completed a share buy-back programme aimed at minority shareholders, during which a total of 2,353 shares of Milavitsa have been purchased for a price of ca 432 EUR per share, amounting to some 19.1% of Milavitsa’s share capital. The shares purchased by Milavitsa back from its shareholders were cancelled pursuant to a decision of the general meeting of shareholders of Milavitsa dated 23 March 2007 and deleted as from 17 May 2007.

As a result of the aforementioned transactions, the Company’s wholly-owned subsidiary Silvano now holds a 78.3% holding in Milavitsa (7,704 shares). As a result of the restructuring of the Group (see “General Corporate Information and Shares”), such holding will be transferred to the Company.

Sales and Distribution

"PTA" Brand

"PTA" branded products are marketed through the Group's own retail chain (including outlets operated by PTA Grupp AS through its subsidiaries and those operated by Linret), as well as through third party wholesalers. Currently, there are a total of 19 PTA shops with a total area of 4,191 m^2, of which five shops with the total area of 998 m^2 are operated by Linret.

The PTA retail chain in Russia is operated exclusively by Linret, which also manages the PTA Russian customer loyalty programme. In addition, one 100 m^2 store is operated in Latvia together with Lauma Lingerie in Liepaja (selling both "PTA" and Lauma Lingerie's branded products).

At the date of this Prospectus, the PTA Group itself operates a total of 14 retail outlets (8 in Estonia, four in Latvia and two in Lithuania) with the total area of 3,193 m^2, of which three were opened in 2007 (two in Lithuania and one in Latvia). All other outlets (i.e. all outlets opened in Russia) are operated by Linret.

In financial year 2006, close to 71% of all sales of "PTA" branded goods were made through "PTA" branded retail outlets (both those operated by the PTA Group and those operated by Linret). The remaining 30% of "PTA" branded goods were sold to wholesale partners primarily in Estonia (the biggest Estonian partner is Tallinna Kaubamaja), Lithuania (Apranga) and Finland (Anttila). As a rule, wholesale partners submit their orders on season by season basis.

The table below presents the top three buyers of PTA Group's own production, the value of their purchases and their share in PTA Group's sales revenue in 2006. The share of other customers in the revenue of the PTA Group is relatively insignificant.

Buyer	Destination	Sales (thousand EUR)	% of revenue in 2006
Antilla	Finland	590.7	8.2
Apranga	Lithuania	184.9	2.6
Tallinna Kaubamaja	Estonia	144.4	2.0

In terms of sales through own retail channels, the importance of Linret is constantly growing, with sales in 2006 at some EUR 137,000, and sales in the first quarter of 2007 already at some EUR 353,000.

Lingerie Brands

Lauma Lingerie

The majority of Lauma Lingerie's lingerie sales are to the Russian market. In 2006, the sales to Russian ultimate buyers made up approximately 48.6% of the sales of Lauma Lingerie's own products, sales the Baltic states amounted to about 15%.

The table below presents the top five buyers of Lauma Lingerie's own production, the value of their purchases and their share in Lauma Lingerie's sales revenue in 2006.

Buyer	Destination	Sales (thousand EUR)	% of revenue in 2006
Mercia Distribution	UK	1,727.3	14
Co-Star Enterprises LLC	Russia	1,488.5	12
J.F Con GmbH (Adler)	Germany	948.1	8
Integral (via Co-Star)	Russia	599.7	5
Rockfield Holding (via Co-Star)	Russia	531.8	4

Out of the total sales of some EUR 12.4 million in 2006, it appears from the above that sales to the top five buyers made up close to 43% (or close to 58% of revenue from sales of own brands, disregarding sewing subcontracting services).

The biggest buyer of Lauma Lingerie's output is Co-Star Enterprises LLC ("Co-Star"), which acts as a wholesaler and retailer of lingerie in Russia. Furthermore, Co-Star also intermediates Lauma Lingerie's sales to other Russian buyers including Linret. Lauma Lingerie and Co-Star have entered into a sales agreement whereby Lauma Lingerie informs Co-Star of the available models and prices and Co-Star orders Lauma Lingerie's products in accordance

with the same. Deliveries occur from Lauma Lingerie's warehouse in Liepaja on Ex-Works basis and Co-Star pays for the goods within 60 days from delivery.

The same sales agreement applies with regard to sales intermediated by Co-Star to other Russian buyers to which Co-Star supplies Lauma Lingerie goods. The Russian buyers who use the services of Co-Star to purchase Lauma Lingerie's products pay to Co-Star for the transportation of goods and for settling customs formalities. Some buyers pay for the goods directly to Lauma Lingerie, while some payments pass through Co-Star. The Russian buyers purchasing through Co-Star submit orders directly to Lauma Lingerie. Discounts that are provided by Lauma Lingerie are dependent on the volume of orders from the particular buyer and are determined on the basis of the sales to the entity which is the ultimate buyer of the goods and not on the basis of the total revenue from sales to Co-Star.

Deliveries from Latvia are currently organised through a third-party agent (Co-Star) primarily due to the cumbersome customs formalities associated with imports from the EU to Russia. The current agreement with Co-Star is valid until 31 December 2007.

Due to the fact that the "Oblicie" retail chain was not yet fully rolled out in 2006, Lauma Lingerie's sales to Linret amounted only to some EUR 263,000 in 2006 (about 2% of the Lauma Lingerie's sales). Sales from Lauma Lingerie to Linret are carried out with the aid of Co-Star. Sales to Linret are growing steadily, with sales of some EUR 106,000 in the first quarter of 2007 alone.

In 2006, Lauma Lingerie has implemented a discount policy pursuant to which Lauma Lingerie determines the discount rate applicable to each buyer individually twice a year on the basis of the buyer's average monthly purchases and payment terms. The discount rates awarded to its top buyers are in the range of 18 - 26%.

With respect to the Baltic markets, Lauma Lingerie has numerous smaller dealers and co-operation partners marketing Lauma Lingerie's products in Estonia, Latvia and Lithuania. In addition, Lauma Lingerie has two specialised lingerie shops in Latvia (in Liepaja and in Riga) with the total area of some 320 m^2. Some EUR 282 in revenue was generated through own retail outlets in 2006. There are currently no plans to develop a specialised chain for the Lauma Lingerie's products in the Baltic states.

Milavitsa

The principal target market of Milavitsa's products is Russia, which represented 62% of the total sales of Milavitsa in 2006, with Belarus and Ukraine following with 22.9% and 7.5% respectively. Historically, Milavitsa's products in these countries were distributed primarily through Milavitsa's general distributors, who are subsidiaries or associated companies of Milavitsa. Additionally, Milavitsa deals directly with several Belarussian department stores. In other countries, Milavitsa's products are sold through dealers and distributors, as well as through catalogues. Lately, the tendency is towards the increase of sales through the "Oblicie" network operated by Linret, with goods sold by STK to Linret and realised by the latter amounting to EUR 0.15 million in 2006 and to EUR 0.29 million in the first quarter of 2007 alone.

The table below presents the top three buyers of Milavitsa and their share in the total lingerie sales of Milavitsa during 2006. The share of all other individual purchasers in the structure of Milavitsa's sales is not significant:

Buyer	Destination	Sales (thousand EUR)	% of total revenue in 2006
STK	Russia	33,676	62.0
MTCB	Belarus	8,181	15.1
MTCU	Ukraine	4,091	7.5

As a rule, Milavitsa ships lingerie from the central warehouse of Milavitsa in Minsk on Ex-Works basis (goods are collected and transported by the buyer), except for deliveries to STK in Moscow, in the case of which Milavitsa itself arranges the transportation of goods with the help of a subcontractor.

Milavitsa implements a discount policy on its sales to long-term partners in order to assist their retail activities. Compared to smaller distributors and dealers, higher discounts (17%) are granted to STK and MTCU with the aim to partially cover marketing expenses of the same on the promotion of Milavitsa's brand. In addition, special discount is offered as an incentive for clients working on prepayment basis.

As a rule, Milavitsa's general distributors such as STK and MTCB use standard agreements with their trade partners. Normally, such agreements are concluded for one year. Payment terms vary from 20 to 60 days, some buyers (usually new buyers) operate on prepayment basis. Most trade partners of Milavitsa are long-term partners with high reliability and significant ties to Milavitsa.

Sales in the Russian Federation. Sales of Milavitsa's lingerie to the Russian market are carried out through STK, representing 62% of Milavitsa's lingerie sales revenue in 2006. STK is a 100% subsidiary of Milavitsa and it conducts all Milavitsa's distribution activities in Russia, including sales to Linret. STK sells the goods purchased from Milavitsa forward to various retailers including Linret, the operator of the "Oblicie" retail network and to ZAO Torgovij Dom Milavitsa, a Moscow-based lingerie retailer with 27 retail outlets (total space over 1,800 m^2), in which Milavitsa currently holds a 25% ownership stake. Other major buyers include OOO Torgovij Dom Milavitsa-N (a Novosibirsk-based retailer in which Milavitsa also holds a 25% ownership stake) and various third parties. Milavitsa intends to continue conducting sales through STK in the observable future.

Sales in Belarus. The Milavitsa's retail chain in Belarus is operated by MTCB, which is a 51% subsidiary of Milavitsa. Milavitsa transferred all its retail assets to MTCB in 2004 with the exception of real estate, which MTCB leases from Milavitsa. The remaining 49% of shares of MTCB are held by a French company France Style Lingerie SARL, which is Milavitsa's co-operation partner with respect to the brand "Alisee" and in the development of the retail chain in Belarus. Milavitsa deals directly with Belarussian wholesale partners such as certain larger department stores.

Sales in Ukraine. In June 2005, STK acquired a 26% ownership stake in MTCU (a Ukrainian distributor). The remaining shareholders are Fashion Management Group, UK (64%) and Classicom Ltd, a company owned by the management of MTCU (10%). A stake in MTCU was acquired with the purpose of enhancing the distribution of Milavitsa's goods in Ukraine.

Brand licensing. In addition to the distribution through subsidiaries and affiliates, Milavitsa licenses its brand to a notable number of retail stores in the CIS and elsewhere (in total, approximately 105 outlets including 27 in Moscow). The company is currently reviewing its licensing policies and intends to reorganise relationships with licensees in the near future.

Sewing Subcontracting

The Group's revenue from sewing subcontracting services and other activities not related to apparel and lingerie amounted to EUR 2.6 million in 2006, representing 3% of the Group's total revenue in 2006 based on the Unaudited Pro Foma Financial Information. Sewing subcontracting services represented 15.7% of the revenue of the PTA Group, 25.3% of the revenue of Lauma Lingerie and 0.8% of the revenue of Milavitsa.

It must be noted that sewing subcontracting services are provided *inter alia* within the Group, in particular from Milavitsa to Lauma Lingerie (Milavitsa produces some "Lauma" branded lingerie). Lauma Lingerie delivers raw materials to Milavitsa, who sews lingerie products under the Lauma brand. Lauma Lingerie arranges and pays for the transportation of raw materials to Milavitsa as well as for the transportation of readymade goods back to Latvia. Services of Milavitsa are charged to Lauma Lingerie on a by-minute basis and on arm's length conditions. The share of sewing subcontracting services in Milavitsa's sales is nevertheless marginal. Milavitsa does not provide sewing subcontracting services to any other partners in addition to Lauma Lingerie.

In 2006, Lauma Lingerie (which currently accounts for the main bulk of the subcontracting services provided by the Group) provided subcontracting services to four co-operation partners from the Great Britain (Lord Wholesale Co, TK Maxx, Mercia Distribution Ltd and Enmar Ltd) for the total amount of approximately EUR 1.8 million, which made up about 14.4% of the total sales of Lauma Lingerie. The majority (over 97%) of the subcontracting services were provided by Lauma Lingerie to Mercia Distribution Ltd. The agreement with the latter provides that Lauma Lingerie delivers ready-made products to Derby, Great Britain, according to delivery terms DDU Derby. The client pays 50% of the invoice amount within 30 days from the day of receiving the goods and 50% of the amount within 60 days. The minimal order batch is 1,000 pieces of each model and 500 pieces of each colour. The agreement is valid until 31 December 2007.

Linret

Linret is operating a multi-brand store chain under the brand name "Oblicie" as well as a chain of "PTA" stores. The "Oblicie" retail chain is targeted to consumers of middle and upper middle income level. Compared to competitors, "Oblicie" stores sells a bigger portion of classic collections. At the same time, the average cheque sums in "Oblicie" stores are expected to remain 15 - 20% lower than in competing retail chains in the target segment.

Currently, "Oblicie" stores sell four brands – "Milavitsa", "Alisee", "Lauma", and "Laumelle", as well as complementary products of different brands (nightwear, hosiery, etc.). Further development of the retail chain will entail further extension of its brand portfolio.

In 2006, almost 92% of all products sold in “Oblicie” stores comprised trademarks of Milvaitsa (67% of total sales) and Lauma Lingerie (25% of total sales). In the first quarter of 2007, this proportion remain largely the same (with Milavitsa amounting to 62% of all sales and Lauma Lingerie amounting to 29% of all sales)

“Oblicie” shops are furbished in accordance with a uniform design and they are virtually identical in terms of product range, thus laying down the basis for brand recognition as more stores are opened. The interior design concept represented by a combination of advanced finishing materials and textile drapery has been developed by a British design studio Project-X Design.

Linret also operates a chain of “PTA” shops in Russia (which in the future will be extended to other CIS countries).

Product Development and Marketing

PTA Brand

The clothes marketed under the “PTA” brand are designed primarily to meet the demands of modern women in the age of 30 to 50. The “PTA” branded clothes are targeted to offer tailored fine-quality business wear combined with casual clothing items to achieve a relaxed look for business. To meet the expectation of its customers, the “PTA” brand offers fashionable and comfortable clothes at an attractive combination of the best Nordic quality and reasonable price.

In order to be able to remain competitive, efforts are constantly being made to provide better services to customers and to expand the clientele. In the first half of 2006, the Company launched a loyal customer program in Estonia, and Latvia which attracted nearly 27 thousand customers by the end of the first quarter of 2007 (and close to 3,200 customers in Russia). In addition to its potential for increasing the loyalty of customers, the loyal customer program is also an effective direct marketing channel and allows for measuring the effectiveness of marketing campaigns. Within the framework of the program, loyal customer cards were launched. The card gives customers who own the card a 5% discount from all purchased items and enables them to benefit from a number of special offers. Loyal customers receive “PTA” monthly newsletters containing information about new collections, campaigns and special offers.

Lingerie Brands

Lauma Lingerie

Lauma Lingerie’s products have traditionally been marketed under the established trademark “Lauma”. Recently, Lauma Lingerie has started developing the new brand “Laumelle”. The products marketed under the “Lauma” brand are generally considered to be in the group of upper mainstream lingerie, its target customers are women in the age group of 26 - 45. Lauma Lingerie plans to maintain this product positioning for the “Lauma” brand.

The brand “Laumelle” is targeted to younger women normally below the age of 25 and it has recently been introduced. By increasing the range of available products, Lauma Lingerie hopes to capture a bigger market share in the relevant lingerie markets in general and increase its revenue through broader-based sales. The launch of the “Laumelle” brand proved very successful, with sales of “Laumelle” amounting to 18% of sales of all Lauma Lingerie brands in 2006. Lauma Lingerie plans to continue developing five to six new lingerie collection per season targeted to young customers.

The development of the “Bellita” brand aimed at lower market segments has recently been discontinued due to low interest from customers.

In 2006, Lauma Lingerie also started developing two new brands – “Lauma Aqua” and “Laumelle Aqua” to enter the swimwear market where it was not active before 2006. In 2007, Lauma Lingerie will be offering three different swimwear collections under these brand names.

As a rule, Lauma Lingerie’s collections are developed in two seasons per year – the spring/summer collections and the autumn/winter collections. On aggregate, Lauma Lingerie is aiming to develop ten to fifteen collections per each season. Since 2006, Lauma Lingerie’s new collections are designed and constructed by a French designer Eric Leroy with whom an exclusive co-operation agreement has been signed until the end of 2007.

Lauma Lingerie’s products are advertised primarily through fashion, beauty and lifestyle magazines as well as at fashion shows. Posters are displayed in shops.

Milavitsa

Milavitsa develops and introduces over 300 newly-styled products every year (the average development cycle of new products is ten to eighteen months). With the implementation of the Group's strategy aimed at creating a vertically integrated business, Milavitsa is seeking to capture a broad-based clientele with trademarks aimed at lower, middle and higher market segments.

Historically, the majority of Milavitsa's lingerie sales revenue came from the sales of Milavitsa's classic brands which include traditional models that do not change substantially from year to year. At the moment, Milavitsa has a number of professional designers, constructors and technologists working on the development of new products. At the end of 2005, Milavitsa introduced a new brand – "Aveline" – to establish a presence in the lower market segment without causing a negative effect on the reputation of the Milavitsa core brands. Milavitsa also co-operates with French designers in developing the "Alisee" brand (licensed from France Style Lingerie SARL and introduced in 2004) targeted to the more demanding customers mainly in CIS countries, and with Italian designers to develop swimwear.

In 2006, the "Milavitsa" branded classic lingerie remained the sales leader amounting to 95% of the total revenue. The company expects the share of classic lingerie reduce to approximately 90% of all sales in 2007 with growth in favour of the "Aveline" and "Alisee" brands.

The share of the "Alisee" brand in total sales is expected to remain stable at some 2%, with the increase of sales in absolute numbers matching that of the total increase in sales. The most significant growth is expected in the more affordable brand of "Aveline". The "Aveline" brand is not sold in specialized lingerie shops and is aimed primarily at clothing markets and hypermarkets, competing with Polish, Chinese, Korean and Turkish brands. The first deliveries of products marketed under the "Aveline" brand were made in April 2006. The launch of this brand was successful in all Milavitsa's main target markets and the sales have exceeded initial plans: the share of the "Aveline" brand in the total sales during the nine months of 2006 since its launch reached 6% of sold units and 3% of revenue. Significant growth in this brand is also expected in 2007.

Milavitsa spends about 2% of its sales revenue each year (in 2006 - around EUR 1.09 million) on marketing and sales promotion. In addition, the distributors and dealers are responsible for marketing Milavitsa's products, whereas Milavitsa supports and participates in certain selected marketing actions. To the highest extent, Milavitsa is involved in the marketing of its own products in Belarus. The Belarussian law currently in force limits the deductibility of marketing expenses for tax purposes, with permitted thresholds tied to turnover and amounting to slightly above 2% for companies with turnovers comparable to Milavitsa's.

Milavitsa's products are advertised primarily in fashion, beauty and lifestyle magazines and on TV, but also in industry magazines and at fashion shows. In Belarus and Ukraine (where the brand is well-known), outdoor adverting is also used from time to time. In addition, posters and displays are provided for in-store use by retailers.

Linret

As Linret is active only in the field of retail level, its marketing activities are targeted solely to end-customers. Linret runs advertisements of its shops at the local level in the geographical areas where it has already opened "Oblicie" shops. Billboards, radio adverts and other forms of direct advertisement may be used from time to time according to necessity. Recently, Linret has also introduced a client loyalty card system to step up its indirect marketing efforts. To date, the loyalty programme has attracted over 21,200 customers. The loyalty card allows discounts for loyal customers, the amount of which depends on the value of the purchases and may range from 5% to 15%. Since recently, the Group aims to include a reference to the "Oblicie" network (*e.g.* "sold in Oblicie shops") in most forms advertising for Lauma Lingerie and Milavitsa products.

Licensing and Compliance

EU, CIS, Russian Federation

With the exception of Belarus (see below), as a general rule no specific licenses are required for the Group entities to conduct their everyday business as presently conducted. Local requirements applicable to the condition of the manufacturing and retail premises as well as to other aspects of the Group's business vary, but in general the administrative burden is not considerable. The entities of the Group aim to at all times comply with all material requirements which are in place in the jurisdictions concerned, as relevant to their respective businesses. At this time, there are no pending administrative proceedings that may have a material adverse effect on the condition of the Group or its business.

Belarus

General information

In comparison with other jurisdictions where the Group currently operates, Belarus stands out in terms of stricter administrative requirements and heavier administrative burden. A majority of the requirements imposed on private undertakings are of general application with no specific ties to a particular industry or field of activities.

The Belorussian entities of the Group (primarily Milavitsa) hold a number of licenses issued in connection with various activities, including licences to sell alcohol and tobacco products, provide construction services and project management services, medical services, services in the field of industrial safety, communication services and logistics services for passengers and goods. Historically, Milavitsa supports a certain welfare infrastructure for the benefit of its employees and this requires it to from time to time engage in activities that are not directly related to its main lines of business.

Performance targets

Each year Milavitsa receives certain performance targets from the Republic of Belarus and local authorities that need to be met. These are developed based on the overall trends in the Belarussian economy and distributed between various companies, whether state or privately owned. These performance targets may concern primarily the following key areas: (i) production volume (an increase of production volume may be required compared to the production volume of the previous year), (ii) gross margin, (iii) caps on domestic price increases for existing products (e.g. a maximum of 0.6% per month for existing products – while at the same time there are no regulations for pricing of new products).

The inability of a company to fulfil set objectives would normally not cause significant adverse consequences to the company. Instead, the management of the relevant company will be required to report on the reasons for non-performance. According to Belarussian law, there are no grounds for sanctions based on the failure to meet performance targets unless the company in question is (partially) owned by the state or is being subsidised by the state, neither of which is true for Milavitsa.

Milavitsa has so far been successful in meeting the performance targets imposed by the Belarussian authorities. In particular, the targets with respect to production volume in various product classes have in 2006 been exceeded by 7-8%, with respect to export volumes by 12% and with respect to salaries by 16%.

"Golden share"

In March 2004, the President of the Republic of Belarus introduced legislation effectively granting the Belarussian state the right to exercise majority vote in any company with current or former state participation by introducing a "golden share". The officially declared purpose of the "golden share" regulation was to ensure the interests and security of the state, the effective operation of the economy and the protection of the rights of citizens of Belarus through encouraging effective administration of companies that are based on state-owned assets (including privatised companies such as Milavitsa).

The "golden share" is a form of state participation in the ownership of a company with a single share that grants a majority vote in all circumstances. To the best of the Company's knowledge, the "golden share" right has so far been exercised in approximately 16 companies operating in the Republic of Belarus (of the total of some 16,000). Such companies were mostly operating in business areas that were strategically important for the state (e.g. an oil refinery), had significant financial problems and/or an unclear shareholder structure.

Milavitsa is generally under the supervision of the Belarussian Ministry of Light Industry ("Bellegprom") to which regular contributions must be made based on turnover. Contributions are based on the annual turnover of Milavitsa and may reach some EUR 50,000 per year at current production levels. In addition to said contributions, Milavitsa occasionally receives invitations to support certain organizations on a charitable basis (e.g. the hockey team of Belarus) or participate in governmental visits to foreign countries.

Suppliers

PTA Brand

The products marketed under the PTA brand are designed by an internal product development team. Classic style products of "PTA" brand (women's suits and woollen coats) are manufactured mainly in Estonia, while the casual style products are mainly manufactured in China, but also in Turkey and Pakistan, and these are bought in as ready-mades. During 2006, about 36% of the PTA Group's products were manufactured in Estonia, the remaining 64% were outsourced to various foreign suppliers. Out of the Estonian production, approximately 66% was manufactured by the PTA Group itself while 34% of the production capacity was outsourced to other Estonian sewing enterprises. The materials used for the products manufactured in Estonia (primarily fabrics) are delivered mainly by European suppliers. The structure of the supplies is rather fragmented; therefore, the Company is not highly dependent on the supplies of any specific suppliers.

Lingerie Brands

Lauma Lingerie

Raw materials comprise over 50% of Lauma Lingerie's costs of goods sold. The raw materials necessary for the production of lingerie are mainly fabrics having varying textures, colours and other physical and aesthetical features. At the same time, various accessories and haberdashery products also constitute relevant inputs for lingerie. Besides raw material, labour costs constitute another significant part of Lauma Lingerie's costs. Due to the increasing labour costs in Latvia, Lauma Lingerie is increasingly outsourcing sewing services to co-operation partners from countries where labour costs are generally lower.

The top five of Lauma Lingerie's suppliers in the financial year 2006 together with trade volumes as well as the share of the respective suppliers in the total supplies are presented in the table below:

Supplier	Country	Type of supplies	Volume in 2006 (thousand EUR)	%
Lauma Fabrics	Latvia	Materials	2,863.6	36
Potencier Broderies	France	Materials	620.1	8
Arta-F	Latvia	Accessories	437.5	6
Corvett-Spitzen GMBH	Germany	Materials	184.6	2
Vita Baltic International	Lithuania	Materials	169.6	2

As follows from the above, SIA Lauma Fabrics is the key supplier of Lauma Lingerie, while the share of other suppliers in the total supplies of Lauma Lingerie is considerably lower. SIA Lauma Fabrics is a 100% subsidiary of AS Lauma, which in turn is a subsidiary of the Principal Shareholder.

The co-operation with SIA Lauma Fabrics is advantageous to Lauma Lingerie, in particular in terms of price competitiveness and easy delivery conditions, as the fabrics production facilities of SIA Lauma Fabrics and lingerie production facilities of Lauma Lingerie are currently located in the same building.

Lauma Lingerie concluded the current fabrics purchase agreement with SIA Lauma Fabrics in January 2006. The agreement is entered into for an unspecified term. The prices charged by SIA Lauma Fabrics to Lauma Lingerie are based on the arm's length principle and are equal to those charged by SIA Lauma Fabrics to third parties. For instance, prices charged by SIA Lauma Fabrics to Lauma Lingerie are equal to those charged by SIA Lauma Fabrics to Milavitsa, which is the largest customer of SIA Lauma Fabrics (and which until 2006 was unrelated to SIA Lauma Fabrics).

Lauma Lingerie does not have long-term contractual relationships with West-European suppliers. The pricing and quantities of such supplies as well as the division of transportation costs are set on order basis.

During financial year 2006, Lauma Lingerie outsourced some sewing services (in total some 478,000 pieces) from various co-operation partners. The largest share of the outsourced sewing services (over 47%) was provided by Milavitsa. During the second half of 2006, Lauma Lingerie has started co-operation for further outsourcing with two new co-operation partners – Tin Chun from Hong Kong and Aura from Ukraine.

Milavitsa

Raw materials comprise the key part (over 60%) of Milavitsa's costs of goods sold. The most important input in the production of Milavitsa's lingerie is fabrics, constituting approximately 60% of the total raw material costs. Accessories make up for about 35% of the costs of raw materials and other materials make up about 5%. Labour costs, including subcontracting services (but excluding overheads), normally make up not more than 15% of the production costs. The division of labour costs is approximately 15% for cutting and accessories preparation, 82% for sewing and 3% for packaging. In 2006, sewing services were outsourced from subcontractors to the extent of over 46% of all output of Milavitsa. The structure of the costs of goods does not change substantially from year to year.

The top ten of Milavitsa' suppliers in 2006, the volume of trade with such suppliers as well as their share of the total supplies are presented in the table below.

Supplier	Country	Type of supplies	Volume in 2006 (thousand EUR)	%
Lauma Fabrics	Latvia	Lace, elastic materials, embroidery	7,016	33.2
Iluna Group	Italy	Lace, elastic fabric, seamless	3,586	17.0
Antineja	Belarus	Cups, accessories, laminated fabric	1,212	5.7
Arta F	Latvia	Wires, accessories	1,210	5.7
Sorhat	Belarus	Accessories	1,060	5.0

As illustrated by the above, the top five suppliers of Milavitsa make up over 66% of its total purchases of raw material. Over 50% of the supplies are provided by two key suppliers – SIA Lauma Fabrics and Iluna Group. The loss of such key suppliers, in particular SIA Lauma Fabrics, would have a notable negative effect on Milavitsa's business. Substitutes for these supplies would be difficult to find and Milavitsa's products would have to be re-developed based on alternative fabrics and other materials. Market success of such new products would not be guaranteed. Moreover, prices of alternative supplies would likely be higher, especially in case of alternatives to SIA Lauma Fabrics' products. The current agreement between Milavitsa and SIA Lauma Fabrics is valid until 15 March 2008.

During 2006, Milavitsa outsourced a substantial share of sewing work to five Belarussian co-operation partners (subcontractors). Milavitsa performs cutting of materials and assembly of material parts in its own facilities, then sending the parts to subcontractors for sewing and subsequently performing quality control and packaging by itself. The number of subcontractors has risen to eight by the date of this Prospectus, and the company expects to outsource approx. 57% of its production to Belarussian subcontractors in 2007. In the future, Milavitsa expects to continue growing its production output largely on account of subcontracting.

The agreements with subcontractors are usually concluded for one year and these can be prematurely terminated subject to one month's notice. The average cost per minute does not differ from subcontractor to subcontractor. Current subcontractors are already working near their maximum producing capacity, for which reason Milavitsa is constantly working on finding more potential co-operation partners who could provide sewing services to meet the growing demand and increasing quality requirements.

Retail

As the retail outlet chains operated by Linret ("Oblicie" and "PTA" chains) are selling primarily the products of Milavitsa, Lauma Lingerie and the PTA Group, these companies are the main of suppliers of Linret. Milavitsa's products are supplied to Linret by Milavitsa's subsidiary STK. Milavitsa organises the transportation of goods to STK and the latter then organises local deliveries in Moscow and Russia in general. Thus, Milavitsa itself does not currently have a direct contact with Linret. Because of the customs formalities, the products of Lauma Lingerie are bought by Linret in co-operation with Co-Star Enterprises LLC, an intermediary. Cooperation with customs intermediary Telma (active in 2006) was recently discontinued. The PTA Group supplies goods to Linret through Klementi Trading Oy.

The "Splendo Intime" chain operated by Splendo Polska sells lingerie by different manufacturers; however, Milavitsa is currently already the top supplier of Splendo Polska.

Intellectual Property

"PTA" and Related Brands

Approximately 2000 new articles of clothing produced under the trademark "PTA" are developed and protected with copyright every year. In addition to "PTA" trademark collections mentioned above, women's coat collections under the trademarks "Master Coat" and "Piretta" and collections of light clothing marketed under "MalliMari" trademark are designed and produced mainly for marketing in the Scandinavian market.

The PTA Group markets its products mainly under the following trademarks registered and protected in Estonia – "REGINA", "AVANTÉ", "PTA", "AVENUE" and "Piretta". Registered trade mark "KLEMENTI" has in addition to the Estonian Register of Trademarks been registered internationally under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating Thereto and is also protected in the Russian Federation and Lithuania.

Trademarks "PTA", "Master Coat", "MalliMari" and "Avenue" previously owned by P.T.A. Group Oy were acquired by the Company in 2002 following the bankruptcy of P.T.A. Group Oy. However, the international registration procedure of the same is currently pending.

The Company is currently using the following significant registered domain names: "www.pta.ee", "www.klementi.ee" and "www.ptafashion.com". Such domains are duly registered in the name of the Company.

Lingerie Brands

Milavitsa, being the largest lingerie manufacturer on the territory of the former Soviet Union, is constantly engaged in product development. Milavitsa employs numerous professional designers, constructors and technicians and is working in tight co-operation with French and Italian designers, which contribute to the ability of Milavitsa to introduce over 300 new styles protected with copyright every year.

The output of Milavitsa is mainly sold under the registered trademarks of "Milavitsa", "Aveline" and "Alisee". "Milavitsa" trademark is the main internationally registered trademark owned and used by Milavitsa for marketing lingerie and swimwear in all major markets in which it operates. Among other countries, the trademark "Milavitsa" has been registered and is protected also in Estonia. The trademark "Alisee" is currently protected in the European Union, Belarus, Russian Federation, Latvia, Lithuania, Ukraine, Turkey and some other countries. "Alisee" brand is used for marketing the more exclusive collections developed by Milavitsa. The "Aveline" brand name has been registered as a trademark in 2006 and is used for marketing of lower-priced products.

The main trademarks used by Lauma Lingerie are "Lauma", "Laumelle" and "Lauma Lingerie". All the referred trademarks have been duly registered and the protection of all trademarks has been secured in Latvia. Furthermore, trademark "Lauma Lingerie" is also protected internationally in Denmark, Estonia, Finland, Lithuania, Norway, Sweden, UK, Russia, Ukraine and Belarus.

Milavitsa is currently using the following significant registered domain names: "www.milavitsa.com", "www.milavitsa.by", "www.milavitsa.eu" and "www.alisee.by". STK is registered as the user of the domain name "www.milavitsa.ru". Lauma Lingerie is the registered user of domain names "www.laumalingerie.lv" and "www.laumalingerie.com".

Retail

Linret is the owner of the "Oblicie" trademark used to operate the retail network for Milavitsa and Lauma Lingerie's products in Russia. The "Oblicie" trademark is currently registered in Belarus, Russia, Estonia, Finland, France, Italy, Lithuania, Latvia, Moldova, Poland, Sweden and Ukraine. Should the "Oblicie" network be expanded to other countries in the future, the "Oblicie" trademark will be registered and used in other counties as well.

Other Intellectual Property

None of the Group companies own any patents, utility models or geographical indications, nor hold or use any material proprietary industrial and/or intellectual property rights with respect to which they would have not filed a patent, trademark or other respective application. Various types of software programs are used in the everyday operations of the Group companies, for which license agreements are duly in place.

Real Estate and Leased Premises

The PTA Group

The PTA Group does not own real estate. In 2005, the management of the PTA Group decided that owning real estate does not correspond to the long-term strategy of the PTA Group and a sales and disposal of the same would provide the PTA Group with a valuable source of funding in order to complete the turnaround of its business and support the reduction of the loan burden.

As a result of the above, the Company sold its current Estonian office building located at Akadeemia tee 33, Tallinn, Estonia (total area of 1,932 m^2), a production facility located at Kadaka tee 179, Tallinn, Estonia (total area of 8,937 m^2) and a logistics and warehouse building located at Kadaka tee 179A, Tallinn, Estonia (total area of 2,328 m^2), to OÜ Baltek Arendus in December 2005 in a sales and lease-back transaction. The Company leases these premises from the purchaser since January 2006. The ownership of the premises has been further transferred to AS Tiigi Keskus in April 2006. This did not, however, affect the validity of the lease agreement nor its terms, since the lease agreement is registered in the Land Register, the effect of which is to ensure that each new owner of the real estate complies with the terms of the lease agreement. The lease agreement is concluded for a term of three years from the registration of the lease agreement in the Land Register, i.e. from 9 February 2006. Thus, the lease agreement is valid until 9 February 2009. The term can be further extended for up to one and half years.

In addition to the above, entities belonging to the PTA Group have entered into a number of lease agreements with respect mostly to various retail premises in the Baltics and office premises in Finland, Latvia and Lithuania. Most retail premises are located in big shopping centres. As a rule, the lease agreements have been concluded with the owners or operators of the shopping centres on arm's length basis. At the moment, a total of 15 lease agreements are in place excluding the aforementioned office premises.

Lauma Lingerie

Lauma Lingerie does not own real estate, but leases all its premises. By the date of this Prospectus, Lauma Lingerie has concluded two lease agreements with respect to Latvian retail properties. The production, office and warehouse premises at Ziemelu iela 19, Liepaja, Latvia (the main operational site of Lauma Lingerie) with the total area of 8,612 m^2 are leased from AS Lauma. The lease agreement is valid until 31 December 2007. The agreement can be prematurely terminated by both parties subject to six months' prior notice. The parties have reached a tentative agreement for prolonging the lease contract for at least the next year following the expiry of the current term.

Milavitsa

Milavitsa owns a total of 11 buildings, which were mostly privatized in the course of the privatization of Milavitsa. The principal item of real estate is Milavitsa's production, office and warehouse facilities in Minsk with the total area of approximately 20,000 m^2. In addition to that, Milavitsa owns nine retail outlets in Belarus with the total area (retail and warehouse space) of some 4,200 m^2 and a warehouse and administrative building in Minsk of some 2,100 m^2. The retail outlets are leased to Milavitsa's Belarussian subsidiary MTCB which operates Milavitsa's retail chain in Belarus. Following the establishment of MTCB, Milavitsa subleased all its shop premises to MTCB and does not operate its retail outlets itself. Milavitsa leases a further four retail outlets in Belarus which are also subleased to MTCB which operates the retail outlets there.

The existing two warehouses of Milavitsa in Minsk have a capacity of approximately 1.7 million stock units. In order to avoid shortages in warehousing capacity, Milavitsa is currently looking for opportunities to expand its warehousing capacity by leasing or acquiring additional premises.

Milavitsa also manages two dormitory buildings in Minsk which are owned by the Republic of Belarus. Milavitsa is legally responsible for maintaining the buildings. The dormitory buildings are mainly occupied by the employees of Milavitsa, who bears the ultimate costs of maintaining the dormitories. Utilities are compensated by inhabitants.

Linret

Linret does not own real estate, but leases all premises on which "PTA" and "Oblicie" retail outlets are or will be operated. Linret's office premises are presently located at Oruzheinyi pereulok 15a, Moscow, Russia. Linret also leases warehouse premises in Moscow with the total area of the leased warehouse space at 562 m^2. The agreement is concluded for a year, but it is subject to automatic extension.

In addition to the office premises and the warehouse premises, Linret has to date concluded a total of 52 lease agreements (or preliminary lease agreements) for its retail chain premises. The strategy of Linret implies that a considerable number of retail outlets will be opened in Russia over the coming years. Linret has been actively searching for trading premises in new supermarkets all over Russia, many of which have not yet been opened. Despite tight competition for suitable trading premises in new shopping malls, Linret seeks to conclude lease agreements well in advance to reserve trading areas in best-positioned shopping malls. The above agreements have been concluded as a result of such search.

Splendo Polska

Splendo Polska leases office premises in Poznań (53 m^2) and seven retail premises in various cities in Poland with the combined area of some 345 m^2. Splendo Polska does not own any real estate.

Non-current assets and Investments

Existing Assets

Manufacturing Entities

The majority of the non-current assets owned by those entities of the Group that are engaged in manufacturing (i.e. AS Klementi, Lauma Lingerie and Milavitsa, as well as Gimil, a subsidiary of Milavitsa) are comprised of manufacturing equipment.

The manufacturing of the "PTA" branded products (the business of Klementi) does not require expensive mass production lines and is based on small and medium-sized equipment with the value of one average sewing machine normally not exceeding EUR 2,000. Sewing equipment is amortized at the rate of 10 - 15% per year. The ongoing investments of Klementi are normally internally financed.

The non-current assets of Lauma Lingerie include mainly sewing equipment. All ongoing investments of Lauma Lingerie are financed internally.

Milavitsa (which is the largest manufacturing entity within the Group) invests significant amounts into the acquisition of new equipment (primarily sewing machines) on an ongoing basis. Finance leases are used to finance the acquisitions of sewing machines. Milavitsa leases out some of the older sewing machines to the suppliers of sewing outsourcing services. Sewing equipment is leased to a large extent from three major suppliers: JUKI GmbH (Middle Europe), Austria, Elite HardWare Europe LLC, USA and Cera France. Terms of lease may reach 36 months and the interest rate is approximately 10 - 12%. From financial year ended 31 December 2005, machinery and equipment are depreciated over a period of five to ten years. In the past, however, machinery and equipment was depreciated over a period of ten to twenty years.

Retail Entities

With respect to entities of the Group engaged in retail (primarily Linret and Splendo Polska), the bulk of non-current assets are comprised of the retail outlet interiors. No other material investments were made by the retail entities in the period covered by the historical financial information.

Recent Significant Investments

Due to the nature of the business of the Group, no considerable one-off investments were made over the period covered by the historical financial information. Ongoing replacements of sewing equipment and other manufacturing facilities amount for the majority of the Group's investments, with the recent growth of investments in retail outlet interiors in connection with the expansion of the retail chains operated by Linret.

Investment Commitments

At the date of this Prospectus, none of the companies belonging to the PTA Group are parties to any material investment commitments which are binding on such companies. However, Linret has concluded 27 lease agreements for premises where retail outlets have not been opened, resulting in a necessity to invest approximately EUR 1.9 million, most of which will be invested in 2007

Environmental Issues

The Management is not aware of any environmental issues that may affect the utilization of the non-current assets by any Group companies. The largest manufacturing entity, Milavitsa, has implemented an ISO compliant

environmental management system, which was audited in November 2005 and found to be in accordance with the ISO 14001:2000 standard.

Encumbrances

All movable assets of the Company as a corporate entity (with the exception of certain assets that cannot be subject to commercial pledge, such as motor vehicles and other registered movables, if any) are encumbered with a commercial pledge in the amount of EEK 29 million (EUR 1.85 million) in favour of AS Hansapank which secures certain credit agreements concluded between AS Hansapank and the Company – please see "Capitalisation and Indebtedness" for more details. A commercial pledge under the Estonian law is a universal floating charge which entitles the pledgor to seek satisfaction against all commercial property of the pledgee. No other material non-current assets of any Group company are leased or pledged as collateral to any party.

Employment

The PTA Group

The majority of employees of the PTA Group are engaged in manufacturing in the facilities of Klementi. Retail operations of the PTA Group have so far not had a significant effect on the total number of employees of the PTA Group. The numbers of employees in the PTA Group at the end of financial years ended 31 December 2004, 2005 and 2006 are set forth in the table below:

Number of employees, period-end	**2004**	**2005**	**2006**
Employees in the PTA Group	448	414	347
The Company[1]	430	393	80[1]
AS Klementi	n/a	n/a	243
Klementi Trading Oy	1	2	0
Klementi Trading AB	4	0	0
SIA Vision	13	19	22
UAB PTA Prekyba	n/a	n/a	2
TOV PTA Ukraine	n/a	n/a	0

[1)] Including 42 in retail of the "PTA" concept and 38 in administration of the same, which will all be transferred to PTA2 in the course of the corporate re-organisation of the Group.

Considering that Shares in the Company are freely tradable on the Tallinn Stock Exchange, a number of employees of the Company may from time to time hold Shares in the Company. The Company does not have any stock option programs for its employees.

SIA Alta Capital Partners, an affiliate of the Principal Shareholder, has provided to certain members of the Company's management options to acquire Shares from SIA Alta Capital Partners. The liability under such options was later transferred to the Principal Shareholder. The aforementioned options are expected to be settled within financial year 2007 and are not expected to have any effect on the financial results of the Company in the future.

A collective agreement is concluded in Klementi which provides for certain benefits that are made available to the employees of Klementi, while at the same time stipulating certain obligations of the employees. The collective agreement does not have a significant effect on the results of operations of Klementi or the Company and is valid until 31 December 2007.

The Silvano Group

Silvano is a holding company and had two employees as of 31 March 2007. The employees of Silvano will be transferred to the Company in connection with the pending merger of Silvano and the Company.

Lauma Lingerie and Milavitsa are engaged in production activities and therefore employ considerable amounts of personnel in their manufacturing facilities in Liepaja and Minsk. The decrease in the number of employees of Milavitsa in 2005 compared to 2004 is partially attributable to the foundation of a subsidiary, whereupon a number of employees were transferred to such subsidiary. A certain potential is seen by Milavitsa for reducing salary expenses by decreasing the volume of manufacturing operations in Minsk and outsourcing such operations to other regions of Belarus with lower labour costs. The reduction of Minsk workforce will be gradual and mainly carried out in a natural manner as current employees would retire and be replaced by new employees. Such gradual decrease in the number of people employed by Milavitsa is evident from the table below. Notably, employee rotation rate in

Milavitsa is virtually non-existent due to the abundance of qualified sewing workforce on the Belarussian labour market.

Linret currently employs five to six people on average as personnel for each retail outlet under its operation, plus administrative personnel. Splendo operates smaller shops of approximately 50 m^2 and employs an average of three persons per shop.

The total number of employees at the end of the period for each financial year 2004, 2005 and 2006 as well as for the interim period ended 31 March 2007 is set forth in the table below:

Number of employees, period-end	**2004**	**2005**	**2006**	**31 March 2007**
Lauma Lingerie	n/a[1]	484	497	463
Milavitsa (excluding subsidiaries)	2,113	2,034	1,974	1,965[3]
Linret	n/a[2]	n/a[2]	99	137
Splendo	n/a[4]	n/a[4]	24	23

1) Before 2005, Lauma Lingerie existed as a part of AS Lauma (see Operations of the Group – History and Development of the Group")
2) Linret was established in 2006
3) A further 259 employees were working in the subsidiaries of Milavitsa as of 31 March 2007
4) Precise data prior to the re-organisation of Splendo Polska in 2006 is not available

The employment regulations in Latvia, Russia and Poland are fairly liberal and there are no significant legislative factors affecting the employment and remuneration policies of Lauma Lingerie, Linret and Splendo. In Belarus, on the other hand, there are strict regulations with respect to the remuneration of employees. The state imposes ratios that are applied to determine salaries for each class of employee, where a base salary is multiplied by respective ratio reflecting the seniority of an employee to arrive at the final salary. Being a company with a foreign shareholding, Milavitsa is permitted to establish its own base salary. The ratios, however, remain in place, thus effectively limiting the amount of compensation payable to the top management. Certain additional payments may be made to employees and management to introduce further diversification of salaries.

The salary levels in Milavitsa are generally consistent with the state of the local employment market, and appear in the upper end of the range for the particular type of employment. Compared with the average salary payable by the PTA Group companies in Estonia and by Lauma Lingerie in Latvia, the salary levels in Milavitsa are relatively lower, though comparable (the average salary of the Company in 2006 was approximately EUR 450 and the average salary of Milavitsa in 2006 was approximately EUR 320). The relatively low labour costs combined with high quality of manufacturing make Milavitsa an ideal platform for conducting sewing operations. Over 20% of all shares of Milavitsa are held by its current or former employees, which is the result of the privatisation of the company.

Legal and Arbitration Proceedings

Neither the Company nor any of its subsidiaries have during the 12 months preceding the date of this Prospectus been or are currently involved in any material governmental, legal or arbitral proceedings or material disputes which may have or have had a material adverse effect on their business, results of operations or financial condition or profitability. The Company is not aware of any facts or circumstances that could reasonably be expected to lead to any material claims being made against the Group companies in the foreseeable future.

Notwithstanding the above, the Company has submitted a claim against its subsidiary Klementi Trading AB in the amount of approximately EUR 281,000 in the bankruptcy proceedings of the latter. The satisfaction of that claim to any material extent is, however, unlikely as Klementi Trading AB has total obligations far exceeding its assets. The claim in question is accounted for as uncollectible and bankruptcy proceedings are pending. In the course of the proceedings, the trustee in bankruptcy has presented a claim against the Company for a reversal of certain intra-group transactions made prior to the bankruptcy of Klementi Trading AB. The Company does not acknowledge this claim and is evaluating its position to determine whether or not legal proceedings need to be initiated. The potential liability of the Company from the aforementioned dispute is not expected to exceed some EUR 33,000.

Related Party Transactions

The PTA Group

Historically, the PTA Group companies have entered into a number of transactions with related parties, which to the best of the Company's knowledge were all concluded on arm's length basis. The Management believes the following recent or ongoing transactions to be relevant:

In 2006, goods have been purchased from OÜ GC Fashion (a shareholder of OÜ GC Fashion is a member of the Management Board of the Company Peeter Larin) in the total amount of approximately EUR 39,000 (first quarter of 2007: approximately EUR 12,700);

Services in minor amounts were purchased in the same period from FIE Marianne Paas (a member of the Management Board of the Company). In 2006, services in minor amounts were also purchased from OÜ Merona Holding (a company related to a former member of the Council of the Company Toomas Leis).

Other than the above, the PTA Group companies have not concluded any material agreements or entered into any material transactions with related parties. Non-material transactions with related parties may be entered into from time to time; in such case the arm's length principle is observed. The transactions with related parties do not form any notable percentage of the turnover of the PTA Group. No significant transactions with related parties are outstanding with respect to any of the PTA Group companies.

The Silvano Group

Silvano

During 2006, Silvano provided a short term loan to SIA Alta Capital Partners in the amount of some EUR 2.7 million, which was repaid in the same year.

Lauma Lingerie

Lauma Lingerie engages in certain transactions with related parties on an ongoing basis. The following recent or ongoing transactions are believed to be relevant:

The factory, office and warehouse premises used by Lauma Lingerie are leased from AS Lauma (the majority shareholder of AS Lauma is SIA Alta Capital Partners, which is also the majority shareholder of the Company) and shared with SIA Lauma Fabrics, which is a subsidiary of AS Lauma. AS Lauma also supplies utility services to Lauma Lingerie in connection with the aforementioned lease. The total amount of rent paid by Lauma Lingerie to AS Lauma in the financial year 2006 was approximately EUR 24,000. The total of other charges from AS Lauma to Lauma Lingerie for 2006 was some EUR 0.5 million, of which some EUR 0.29 million was charged forward for utilities and similar services purchased by AS Lauma but used by Lauma Lingerie, while the remaining amount was divided between management fees, purchasing department costs, marketing costs and other similar services.

SIA Lauma Fabrics is a supplier of materials for corset products to Lauma Lingerie and Milavitsa. Materials are supplied on arm's length basis and the volume of the relevant transactions between SIA Lauma Fabrics and Lauma Lingerie in 2006 was approximately EUR 2.9 million; between SIA Lauma Fabrics and Milavitsa in the same period – EUR 7 million. The volume and pricing of transactions between SIA Lauma Fabrics and Milavitsa after the addition of Milavitsa to the Silvano Group is consistent with the volume and pricing of similar transactions in the period when Milavitsa was not a part of the Silvano Group.

Milavitsa

Milavitsa has granted interest-free loans to four of its employees with maturity dates between 2007 and 2016. Two loans are given for general purposes in the amount of approximately EUR 7,600, and two loans in the amount of approximately EUR 5.7 thousand and EUR 4.2 thousand were granted to Mr. Kusonski and Mr. Glybin (executive personnel of Milavitsa) to cover relocation expenses when taking up a position at Milavitsa.

Linret, Splendo

Linret and Splendo have not entered into any noticeable transactions with related parties.

Transactions in the Ordinary Course of Business

Other day-to-day intra-group transactions may from time to time occur between the Group companies. As a rule, such transactions are entered into in the ordinary course of business on arm's length conditions. Such transactions

relate primarily to the production and distribution of goods produced by the manufacturing entities within the Group and are mostly reflected under Sections entitled “Operations of the Group – Distribution” and “Operations of the Group – Suppliers” above. In addition to the above, intra-group financing agreements are in place between certain Group entities (please see Section “Capitalisation and Indebtedness” for more information).

STRUCTURE OF THE GROUP

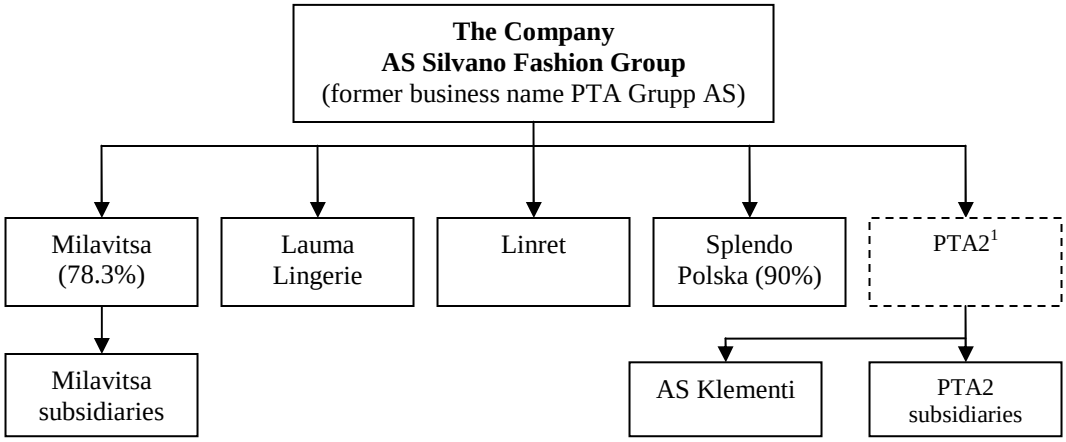
Significant Subsidiaries

The significant subsidiaries of the Company, whether owned directly or through its other subsidiaries, are the following:

Entity	Abbreviation	Stake	Domicile	Activities
AS Silvano Fashion Group	Silvano	100%	Estonia	Holding company (in the process of being merged with the Company)
PTA Grupp AS (under foundation)	PTA2	100%	Estonia	Retail and management of the "PTA" brand
AS Klementi	Klementi	100%	Estonia	Development, production and marketing of women's apparel and accessories
Klementi Trading Oy	KT Oy	100%	Finland	Wholesale and retail of women's apparel and accessories
SIA Vision	Vision	100%	Latvia	Retail of women's apparel and accessories
UAB PTA Prekyba	Prekyba	100%	Lithuania	Retail and wholesale of women's apparel and accessories
TOV PTA Ukraine	PTA Ukraine	100%	Ukraine	Retail and wholesale of women's apparel and accessories
SP ZAO Milavitsa	Milavitsa	78.3%	Belarus	Development, production and marketing of lingerie
AS Lauma Lingerie	Lauma Lingerie	100%	Latvia	Production, marketing and retail of lingerie
ZAO Linret	Linret	100%	Russia	Retail sale of lingerie
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	STK	100%	Russia	Wholesale of lingerie
SP Gimil OOO	Gimil	52%	Belarus	Production of knitwear
SOOO Torgovaja Kompanija Milavitsa	MTCB	51%	Belarus	Retail and wholesale of lingerie
Splendo Polska Sp. z o.o.	Splendo Polska	90%	Poland	Retail of lingerie

Group Chart

The structural chart of the Group following the completion of the corporate re-organisation is as shown below (all shareholdings 100% except where indicated otherwise):



1) PTA Group AS (under foundation), a new subsidiary of the Company to which all activities related to ladies' apparel will be transferred.

Brief Description of Group Entities

Significant Subsidiaries

The structure of the Group comprises three main production companies: Klementi in Estonia, Milavitsa in Belarus and Lauma Lingerie in Latvia. Klementi is engaged in production of women's apparel and accessories, while Milavitsa and Lauma produce lingerie. In addition to the above-mentioned production companies, the Group includes a number of subsidiaries engaged in warehousing, logistics, marketing, retail and wholesale of their production in the markets of the CIS, Scandinavia and the Baltic states.

AS Klementi ("Klementi") A public limited company operating under Estonian law, registration code 11279815, registered address Akadeemia tee 33, 12618 Tallinn. Klementi's production includes primarily women's apparel manufactured under the brandname "PTA". The single member of the management board of Klementi is Maia-Leena Varjun. The council consists of Peeter Larin, Marianne Paas and Piret Peet.

AS Silvano Fashion Group ("Silvano") A public limited company operating under Estonian law, registration code 11127815, registered address Tartu mnt 2, 10145 Tallinn. The company was established in 2005 under the name of AS Silvano Investment Group. This entity is currently the holding company of Milavitsa, Lauma Lingerie, Linret and Splendo Polska. It is currently being merged with the Company and will be deleted from the Estonian Commercial Register following the completion of such merger. The management board of Silvano consists of Dmitry Ditchkovsky, Dace Markevica, Dmitry Podolinski, Sergei Kusonski, Remigiusz Pilat, Peeter Larin and Indrek Rahumaa. The members of the council are Andres Rätsepp, Jaak Raid and Edgars Štelmahers.

Klementi Trading Oy ("KT Oy") A private limited company operating under Finnish law, registration code 1495589-5, registered address Mikkolantie 1A-308, 00640 Helsinki, Finland. The company is engaged in retail and wholesale distribution of the PTA Group's production in the Finnish market. The single member of the management board of KT Oy is Toomas Leis. The Company has no council. The relative importance of this company to the Group has fallen considerably as Estonia's accession to the European Union made trading with other member states of the European Union considerably easier and eliminated certain barriers for cross-border activities.

SIA Vision ("Vision") A private limited company operating under Latvian law, registration code 40003454827, registered address Lielirbes Street 29, LV-1046 Riga, Latvia. The company's main field of business is the retail of women's apparel and accessories, mainly those produced by Klementi, in the Latvian market. The management board of Vision consists of a single director: Iruta Turka. The member of the council is Toomas Leis.

UAB PTA Prekyba ("Prekyba") A private limited company operating under Lithuanian law, registration code 300590867, registered address Jogailos 9/1, Vilnius, Lithuania. The company is engaged in retail sales of the production of Klementi in the Lithuanian market. The management board of Prekyba consists of a single member, Linvydas Pilkauskas, and the members of the council are Peeter Larin, Marianne Paas and Piret Peet.

TOV PTA Ukraine ("PTA Ukraine") A recently-established private limited company operating under Ukrainian law, registration code 34532102, registered address Artema street 37-41, 04053 Kyiv, Ukraine. The company will be engaged in retail of the production of Klementi in the Ukrainian market. The management board of PTA Ukraine consists of a single member, Konstantin Maznov (temporary member, attorney with a local law firm Grishenko & Partners), and the members of the council are Peeter Larin, Marianne Paas and Piret Peet.

SP ZAO Milavitsa ("Milavitsa") A private limited company founded and operating under Belarussian law, registration code 100055049, registered address at Novovilenskaja Street 28, Minsk 220053, Republic of Belarus. Milavitsa is the largest lingerie manufacturer in Belarus. Milavitsa-branded products have the highest brand recognition levels in Russia, Belarus and Ukraine. The single member of the management board of Milavitsa is Dmitry Ditchikovski. The council consists of Zinaida Valeha (Chairman), Žanna Tratchum, Sergei Kusonski, Anton Sigal, Indrek Rahumaa, Ljudmila Demechkevitch and Dace Markevica.

AS Lauma Lingerie ("Lauma Lingerie") A public limited company operating under Latvian law, registration code 42103036127, registered address at Ziemeļu Street 19, Liepaja LV-3417, Latvia. Lauma Lingerie was established on 22 October 2005 by a carve-out of the lingerie operations of AS Lauma (see "*Operations of the Silvano Group: History and Development of the Silvano Group*" for more details). Lauma Lingerie is currently the leader in the region of the Baltic states of the intimate apparel industry. The members of the management board of Lauma Lingerie are Tatjana Tužilkina and Linda Matisone. The members of the council are Indrek Rahumaa, Jaak Raid and Dmitry Ditchkovsky.

ZAO Linret ("Linret") A private limited company operating under Russian law, registration code 1057747595289, registered address Vjatskaja Street 3, Moscow 127015, Russia. Linret is a lingerie retail company operating lingerie stores under "Oblicie" brand in Russia. The general manager of Linret is Dmitry Podolinski. The Russian equivalent of the council of Linret consists of Dmitry Ditchkovsky, Jaak Raid, Edgars Stelmahers, Indrek Rahumaa and Dmitry Podolinski. By law the company is also required to have an internal audit committee with at least two members.

ZAO Stolichnaja Torgovaja Kompanija Milavitsa ("STK") A private limited company operating under Russian law, registration code 1047796849011, registered address Võtskaja Street 3-1, Moscow, Russia. STK was established in November 2004 with the aim of setting up a centralised sales organisation dealing with Russian customers and coordinating all marketing activities in Russia. The single member of the management board of STK is Dmitry Podolinski. The members of the council are Dmitry Ditchkovsky, Sergei Kusonski, Natalia Gaiduchenko, Andrei Glybin, Remigiusz Pilat and Pavel Daneiko.

SP Gimil OOO ("Gimil") A private limited company operating under Belarussian law, registration code 100437052, registered address at Novovilenskaja Street 28, Minsk, Belarus. Gimil's main operations are the manufacturing of lingerie and knitwear. Gimil produces goods that are sold as supplementary items, mainly in the shops selling Milavitsa's brands. The single member of the management board of Gimil is Tatjana Sherbatova and there is no council. An Italian co-investor holds 48% of the share capital.

SOOO Torgovaja Kompanija Milavitsa ("MTCB") A private limited company operating under Belarussian law, registration code 190555363, registered address V. Horužei Street 36, Minsk, Belarus. MTCB was established with the aim of managing wholesale and retail sales of Milavitsa brand products in the Belorusian market. The management board of MTCB consists of a single member, Natalia Gaiduchenko. MTCB has no council. A French co-investor holds 49% of the share capital.

Splendo Polska Sp. z o.o. ("Splendo Polska") A private limited company operating under Polish law, registration code 300345238, registered address Glogowska Street 31-22, Poznan, Poland. Splendo Polska operates a chain of lingerie shops in Poland under the brandname "Splendo Intime". The management board of MTCB consists of Remigiusz Pilat and Sergei Kusonski. Splendo Polska has no council.

Other Affiliates of Milavitsa

In addition to the subsidiaries of Milavitsa listed above, Milavitsa holds 40% to 51% shareholdings in six trading companies. All of such trading companies are dormant companies without any current operations. However, formal liquidation procedures have not yet been initiated as the administrative process that is involved in liquidation is currently perceived as exceedingly lengthy and complicated. In addition to such non-significant subsidiaries, Milavitsa holds 25% to 35% shareholdings in four associated Russian companies engaged in trading. Notably, such shareholdings include a 25% stake in ZAO Stolichnij Torgovij Dom Milavitsa, which operates 27 retail outlets in Moscow, Russia, with the total area of some 1,800 m^2.

Share Capital of the Group Entities

Information on the current share capital of the Group entities is presented below:

Entity	Share Capital	Shares	Par Value	Currency
Silvano	844,880	84,488	10	EEK
Klementi	4,600,000	460,000	10	EEK
KT Oy	8,409.40	50	168.19	EUR
KT AB	100,000	1,000	100	EUR
Vision	107,000	5,350	20	LVL
Prekyba	10,000	100	100	LTL
PTA Ukraine	37,500	1	37,500	UAH
Milavitsa	11,961,844,500	9,833	1,216,500	BYR
Lauma Lingerie	700,000	700,000	1	LVL
Linret	3,000,000	1,000	3,000	RUB
STK	2,700,000	100	27,000	RUB
Gimil	587,963	2	n/a	USD
MTCB	50,000	2	n/a	USD
Splendo Polska	1,000,000	20,000	50	PLN

Position in the Group Consolidated by the Principal Shareholder

The Principal Shareholder of the Company is Alta Capital Partners S.C.A., SICAR (see "*Ownership Structure*" for more information). In turn, the majority shareholder of the Principal Shareholder is Investeerimisvabrik OÜ (100% owned by Indrek Rahumaa). The Principal Shareholder is an investment fund which will hold investments in other companies across various industries and geographic regions. Other subsidiaries of the Principal Shareholder (current subsidiaries and those whose transfer from SIA Alta Capital Partners, also controlled by Investeerimisvabrik OÜ, to the Principal Shareholder is pending) include AS Lauma, who in turn owns SIA Lauma Fabrics and its French subsidiary Desseilles Textiles SAS. The aforementioned SIA Lauma Fabrics and Desseilles Textiles SAS are engaged in the production of textiles and deal with entities belonging to the Silvano Group on arm's length basis (see more in the Section titled "*Operations of the Group*").

COMPANY MANAGEMENT

Management Bodies

The Company fully complies with the corporate governance regime of the Republic of Estonia in which it is incorporated. In accordance with Estonian law, the operational management is structured as a two-tier system. The Management Board is responsible for the day-to-day management of the Company's operations and is eligible to represent the Company on the basis of the law and the Articles of Association. The Council of the Company is responsible for the strategic planning of the business activities of the Company and supervising the activities of the Management Board.

Management Board

The Management Board is responsible for the day-to-day management of the Company's operations, the representation of the Company and the organisation of its accounting. The Management Board is accountable to the Council and must adhere to its lawful instructions.

The Management Board must present an overview of the Company's economic activities and economic situation to the Council at least once every four months and is under the obligation to give immediate notice of any material deterioration in the Company's economic condition or of any other material circumstances related to its operations. If the Company is insolvent and the insolvency, due to the Company's financial situation, is not temporary, the Management Board must immediately submit a voluntary bankruptcy petition in respect of the Company.

The Management Board may only enter into transactions which lie outside the Company's ordinary scope of business with the Council's consent. In particular, the Management Board requires the Council's consent in transactions involving: (i) the acquisition and disposal of participation in other companies; (ii) the acquisition and disposal of enterprises or the cessation of activities of enterprises; (iii) the acquisition, encumbrance and disposal of immovables; (iv) the foundation and liquidation of foreign branch offices; (iv) investments exceeding the amount established in the relevant financial year's budget; (v) the assumption and provision of loans and collateral; and (vi) other transactions that may significantly affect the value of the Company.

According to the Articles of Association, the Management Board may comprise from one to seven members. The Articles of Association set forth joint representation rights for Management Board members, where all members of the Management Board may represent the Company only jointly and not severally.

Council

In accordance with the Estonian Commercial Code, the Council of the Company is responsible for the strategic planning of the Company's business activities and for supervising the activities of the Management Board. The Council is accountable before the shareholders of the Company (acting through the General Meeting).

According to the Articles of Association, the Council consists of three to five members who are appointed by the General Meeting of shareholders for a period of five years. The members of the Council elect among themselves the chairman of the Council, who is responsible for organising the activities of the Council. The Council of the Company convenes according to actual necessity, but in any case at least once every three months. An extraordinary meeting of the Council is convened when so demanded by a member of the Council, the Management Board, the auditor or shareholders whose shares represent at least one-tenth of the share capital of the company. The meetings of the Council must be convened with at least ten days' notice and such notice specifying the agenda for the meeting. A meeting has a quorum when at least one half of all members are present and decisions are taken by simple majority of all members of the Council.

Internal Auditor

Under applicable Estonian law the Company is not required to have an audit committee or a remuneration committee and there are no legal norms governing the activities of such bodies. No such bodies are currently appointed by the Company.

TSE Corporate Governance Recommendations

The Tallinn Stock Exchange has published Corporate Governance Recommendations for companies listed on the Tallinn Stock Exchange. The companies listed on the Tallinn Stock Exchange are obliged to state whether they will follow the recommendations. If they decide not to follow certain rules, they have to provide an explanation.

The Company publishes information on the implementation of the Corporate Governance Recommendations in its annual reports published through the information system of the Tallinn Stock Exchange. In general, the Company complies with the Corporate Governance Recommendations with such exceptions as may from time to time be disclosed by the Company.

Best Practices in Public Companies 2005

On the basis of the WSE regulations, the WSE enacted the corporate governance code "Best Practices in Public Companies 2005". Public companies listed on the WSE are obliged to state whether they will follow the said code. If they decide not to follow certain rules, they have to provide an explanation.

The Company will publish its statement on the implementation of the "Best Practices in Public Companies 2005" in the form of the Current Report. Such Cureent Report will be published once the motion for admition of the Shares to the trading on WSE is filed.

Declarations in Respect of Senior Management

To the best of the Company's knowledge, none of the persons listed under the Sections "*Management: Management Board of the Company*" or "*Management: Council of the Company*" below have been convicted of fraudulent offences during the past five years, nor were any of such persons in the same period associated with any bankruptcies, receiverships or liquidations in their capacity as members of administrative, management or supervisory bodies, partners with unlimited liability, founders or senior managers (other than the cases specifically indicated below). To the best of the Company's knowledge, no such persons were subject to any official public incriminations and/or sanctions by statutory or regulatory authorities (including designated professional bodies) nor have they been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of the affairs of any company for the previous five years.

Likewise, with respect to the persons listed below, the Company is not aware of any conflict of interest between any of their duties to the Group and their private interests. There are also no family relations between them. For all persons listed below, the business address is Tartu mnt 2, Tallinn, 10145, Estonia, c/o AS Silvano Fashion Group.

Management Board of the Company

The new Management Board of the Company was appointed on 6 June 2007 in connection with the re-organisation of the Group. The new Management Board reflects the organisational structure of the Group being divided according to various operational segments. The composition of the new Management Board is illustrated below:

[1)]Supervision of the Management Board members and direct responsibility for production, HR and IT
[3)]Concept management, design, procurement, marketing, development
[4)]Corporate accounting, investor relations, financial planning
[5)]Polish retail operations

Dmitry Ditchkovsky Mr. Ditchkovski was born in 1970 and is currently CEO and chairman of the management board of Milavitsa. Mr. Ditchkovski serves as president of the Company in the combined management structure of the Group as described above. Before joining the management team of Milavitsa, Mr. Ditchkovski was President of the Institute for Privatisation and Management (Belarus). Mr. Ditchkovski holds an MBA degree in from the University of New Brunswick, Canada (1998) and a Ph.D degree in Economics from the Academy of Sciences of Belarus.

Sergei Kusonski Mr. Kusonski was born in 1967 and is the chief executive officer of the Group. He supervises the areas that are entrusted to other members of the Management Board and is also responsible for production, human resources and IT management. Previously Mr. Kusonski served as the first deputy general director of Milavitsa, responsible for marketing, sales, product development, purchasing and logistics. Prior to that Mr. Kusonski served as the marketing director for Xerox Poland. Mr. Kusonski graduated from the Belarussian State University of National Economics in 1991 and holds an MBA degree from Warwick Business School in the UK (2000).

Dmitry Podolinski Mr. Podolinski was born in 1972 and is currently the sole member of the management board of Linret. In the combined management structure of the Group, Mr. Podolinski serves as a member of the Company's Management Board and his main areas of responsibility will be the development of lingerie concepts of Milavitsa and Lauma Lingerie, as well as the organisation of retail sales. Previous responsibilities of Mr. Podolinski involve acting as the head of sales and marketing in Milavitsa and as the general manager of a Belarussian-French joint venture, Merlintour Travel Agency. Mr. Podolinski holds an EMBA diploma from the Leo Kozimski Academy of Entrepreneurship in Poland.

Dace Markevica Ms. Markevica was born in 1966 and is currently a member of the management board of Silvano. Ms. Markevica is the chief financial officer of the Group and a member of the Management Board of the Company, being responsible for finance issues, i.e. corporate accounting, investor relations and finance planning. During the last five years Ms. Markevica has worked in the finance area for the following companies: Rigas Finieru Rupnica SIA, Max Shon SIA and Schenker SIA. In 2004, Ms. Markevica graduated from the Riga Technical University and was awarded an LL.B degree in Economics. Ms. Markevica also holds a diploma in Engineering of Sewing Industry from the Riga Technical University (awarded in 1989).

Peeter Larin Mr. Larin was born in 1971 and has been acting as a member of the Company's Management Board from December 2005 and as chairman of the Management Board from March 2006. Mr. Larin joined the Company in 2004 as a marketing director and has extensive experience in the apparel industry, having worked as a product manager and brand manager in AS Baltika (an Estonian-listed company specialised in the design and production of clothing) between 1993 and 2004. In addition to his engagement with the Company, Mr. Larin is also a management

board member of OÜ GC Fashion. Mr. Larin graduated from the Tallinn University of Technology (Diploma in Business Administration 1994; MSc degree in Business Administration 2003).

Remigiusz Pilat Mr. Pilat was born in 1958. From 1998 to 2000 he worked as a managing director of Linea Intima publishing house, publishing a leading industry magazine, and was responsible for the development of the Linea Intema Network in Eastern Europe and Russia. From 2000 to 2006 Mr. Pilat served as managing director of R&K Media Press Sp. z o.o., a company responsible for the organisation of lingerie fairs and a strategic consultancy in the field of lingerie in Poland. Mr. Pilat is also president of the Polish Chamber of Commerce Retail Lingerie & Hosiery. His other experience includes serving as a director of Auhan, an international retail group, responsible for Eastern Europe. Since 2006 he has served as managing director of Splendo Polska. Mr. Pilat holds a joint Masters degree in Economics from the Ecole de Commerce Paris, St. Galen and SGPiS (Szkoła Główna Planowania i Statystyki, a leading Polish business school) (1983), as well as a Ph. D in Finance from the University of Paris (1984).

The authorities of all members of the Management Board are valid until 6 June 2010.

Council of the Company

Currently (based on the decision of the Extraordinary General Meeting of shareholders dated 31 May 2007), the Council of the Company consists of the following members:

Indrek Rahumaa Mr. Rahumaa was born in 1972. In 1995 Mr. Rahumaa graduated from the Stockholm School of Economics, majoring in finance. Mr. Rahumaa has been chairman of the Council of the Company since 1 August 2002. In addition to serving on the Council of the Company, Mr. Rahumaa is the managing partner and chairman of the board of SIA Alta Capital Partners (www.altacapital.eu). Mr. Rahumaa is also a member of the management board of Latvian companies AS Lauma and SIA Lauma Fabrics and a member of the council of AS Alta Property & Construction. Mr. Rahumaa was a founding member and a partner of Baltic Cresco Investment Group AS. In the past he was also a member of the councils of AS Cresco, Cresco Väärtpaberite AS, OÜ CC Computer, AS Aktivist Network, AS Equitygate, AS Erel Group, AS Norbert and AS Teede REV-2 and AS XXL.EE. He currently serves as a member of the management boards of AS Farland Trade Group, AS Finare Systems, OÜ Zenith Estate, OÜ Alta Holding, OÜ Investeerimisvabrik and OÜ Alta Investments I. He is a member of the councils of AS Vicron Investment Group, Alta Aviation OÜ, AS Hea 5, AS Vene Posti Operaator, Legendijuhtimise AS, Privador AS, Bryum Estonia AS, Alta Capital AS and 2R Investments AS.

Jaak Raid Mr. Raid was born in 1976 and has been a member of the Council of the Company since 31 May 2007. Mr. Raid currently serves as a member of the council of AS Alta Property & Construction, AS Farland Trade Group, AS Vicron Investment Group and as a member of the management board of Punnpaap OÜ. In the past Mr. Raid served as a member of the management board of ProGroup Holding OÜ. Mr. Raid holds an MBA from the Estonian Business School (International Business Administration). He held various positions with AS Hansapank from 1998 to 2005 and is currently a partner with Alta Capital Partners.

Zinaida Valeha Ms. Valeha was born in 1941 and has been a member of the Council of the Company since 31 May 2007. Ms. Valeha has extensive experience in the textiles industry. She has worked in various textile manufacturing enterprises since 1961 and served as a deputy-minister of light industry of Belarus from 1985 to 1991. Ms. Valeha served as the general manager of Milavitsa between 1991 and 2002 and is currently a chair of Milavitsa's council. Ms. Valeha graduated from the former Leningrad Institute of Textile and Light Industry (1968).

Remuneration and Benefits

The aggregate remuneration of the members of the Management Board of the Company in the financial year ended 31 December 2006 (Marianne Paas and Peeter Larin) totalled EUR 112,000. No other benefits were made or given to the persons mentioned above. The members of the Council of the Company do not currently receive any remuneration or benefits for their service.

The members of the Management Board of the Company (Marianne Paas and Peeter Larin) are now appointed as members of the Management Board of PTA2. Peeter Larin also remains on the Management Board of the Company. The remuneration of the Management Board members appointed on 31 May 2007 is based on new agreements concluded with such members of the Management Board.

Upon termination of an agreement with a member of the Management Board at the initiative of the Company or due to the expiry of his term of office (provided that the Management Board member is not elected for a new period), such Management Board member is entitled to compensation in the amount of up to six times his average monthly

salary. No compensation is payable upon termination that is triggered by a breach by the member of the Management Board of his duties.

Share Ownership

Shares in the Company are currently freely traded on the Tallinn Stock Exchange and consequently, a number of employees and members of the Company's management bodies hold Shares in the Company. The only member of the Management Board who currently holds Shares in the Company is Peter Larin (50,000 Shares, representing 0.13% of the share capital).

In addition to the above, the companies controlled by Indrek Rahumaa, a member of the Council of the Company, (including Alta Capital Partners S.C.A., SICAR, SIA Alta Capital Partners and OÜ Investeerimisvabrik) own 27,884,191 shares representing 73.48% of the share capital of the Company and Punnpaap OÜ, a company controlled by Jaak Raid, a member of the Council of the Company, owns 7,579 Shares representing 0.02 % of the share capital of the Company.

SIA Alta Capital Partners, an affiliate of the Principal Shareholder, has set aside a portion of the Shares belonging to SIA Alta Capital Partners to cover a management share option programme agreed between the Principal Shareholder and the Management.

OWNERSHIP STRUCTURE

Current Ownership Structure and the Principal Shareholder

As of 26 June 2007 the ten largest shareholders of the Company were as follows (other shareholders who are not among the ten largest shareholders but who are related to the Principal Shareholder are also mentioned).

Name	Shares	Holding (%)
Alta Capital Partners S.C.A., SICAR	20,537,777[1]	54.1220
SIA Alta Capital Partners	5,460,000[2,3]	19.0000
SEB Eesti Ühispank AS Kauplemine	1,828,993	4.8198
The Bank of New York/ ING Bank Slaski	1,458,882	3.8445
Skandinaviska Enskilda Banken AB Clients	1,365,884	3.5994
Bank Austria Creditanstalt AG Clients	1,099,790	2.8982
Morgan Stanley+ Co International Plc/ MSIL IPB Client Account	714,620	1.8832
State Street Munich c/o SSB Boston/ DWS Polska Fundusz Inwestycyjny Otwarty Top 50 Malych i Srednich Spolek Plus	711,000	1.8737
Bryum Estonia AS[5]	599,363	1.5795
Clearstream Banking Luxembourg S.A. Clients	567,099	1.4944
OÜ Ivesteerimisvabrik[4]	136,414	0.3595

[1] Held in the securities account of SIA Alta Capital Partners as of the date of the Prospectus

[2] Does not include 1,750,000 Shares that have been temporarily transferred to a third party under a repurchase agreement and may be reacquired by SIA Alta Capital Partners

[3] 3,579,240 Shares owned by SIA Alta Capital Partners are set aside under the management option arrangement between SIA Alta Capital Partners and certain members of the Company's management bodies

[4] Controlled by Indrek Rahumaa, a member of the Council of the Company

[5] Controlled by John Bonfield, a minority shareholder in SIA Alta Capital Partners and the Principal Shareholder

The Principal Shareholder of the Company, holding approximately 54.12% of the share capital, is Alta Capital Partners S.C.A., SICAR, an investment fund registered in Luxemburg (under foundation, registered address 69, route d'Esch, L-1470 Luxembourg, the Grand Duchy of Luxembourg). The Principal Shareholder is engaged in portfolio investment activities across a variety of industries and geographic regions. The Principal Shareholder acquired the aforementioned shareholding from SIA Alta Capital Partners on 26 June 2007 but at the date of this Prospectus has not been registered as the owner of such Shares in the shareholder register of the Company. The Principal Shareholder intends to hold all Shares owned by it in a securities account opened in Poland and will therefore not be visible as a shareholder in the shareholder register of the Company (instead, the shareholding of the Principal Shareholder will appear to belong to the KDPW, see the Section titled "*General Corporate Information and Shares: Registration of Ownership for Shares Kept in Poland*" for mor information). The Shares in the Company which were acquired by the Principal Shareholder from SIA Alta Capital Partners on 26 June 2007 will be transferred to a securities account of the Principal Shareholder in Poland prior to the Settlement Date.

The majority owner of the Principal Shareholder is SIA Alta Capital Partners (Latvia). SIA Alta Capital Partners holds 19% of all the Shares in the Company, including 1,750,000 Shares transferred by SIA Alta Capital Partners to SEB Eesti Ühispank under a repurchase agreement dated 25 May 2005 that must be repurchased by SIA Alta Capital Partners by no later than 23 August 2007.

The Company is under the ultimate control of Indrek Rahumaa, who is the majority shareholder of the Principal Shareholder and SIA Alta Capital Partners through OÜ Investeerimisvabrik. OÜ Investeerimisvabrik is an Estonian holding company with no active operations, Indrek Rahumaa is the sole member of the management board and sole shareholder of OÜ Investeerimisvabrik. Indrek Rahumaa is a member of the Council of the Company (see "*Company Management*" above). OÜ Investeerimisvabrik holds 136,414 Shares (0.36% of all Shares). In total, companies controlled by Indrek Rahumaa (including the Principal Shareholder, SIA Alta Capital Partners and OÜ Investeerimisvabrik) hold 73.48% of all the Shares. Approximately 9.43% of all the Shares are currently set aside to cover the management option programme agreed between the Principal Shareholder and the members of the Company's management, to be satisfied out of the assets of the Principal Shareholder and/or SIA Alta Capital Partners.

Assuming that all of the Offer Shares are sold as a result of the Offering and all of the New Shares are subscribed for by the Principal Shareholder, following the Offering the companies controlled by Indrek Rahumaa (including the Principal Shareholder, SIA Alta Capital Partners and OÜ Investeerimisvabrik) will hold approximately 59.29% of

the share capital of the Company and the overall number of votes at the General Meeting (including the Shares set aside to satisfy the above management option).

Voting Rights and Agreements

All shareholders of the Company have equal voting rights. The Company is not aware of any arrangements the operation of which may, at a subsequent date, result in a change in control of the Company. No person has, directly or indirectly, an interest in the Company's capital or voting rights that is notifiable under the laws of Estonia (with the exception of such shareholdings as are notifiable to the commercial register in connection with the annual financial reporting of the Company, see "*General Corporate Information and Shares*", and such shareholdings as are notifiable to the Estonian Financial Supervision Authority under the applicable securities legislation, see "*Estonian Securities Market*" for more details).

Shareholder Agreements

The Company is not aware of any shareholder agreements that may affect the operations of the Company and the voting at the General Meeting of its shareholders.

Registration of Ownership for Shares Kept in Poland

Please refer to the Section titled "*General Corporate Information and Shares: Registration of Ownership for Shares Kept in Poland*" for information on how the registration of Shares in Poland will affect the shareholder register of the Company.

GENERAL CORPORATE INFORMATION AND SHARES

General Corporate Information

Current Information

The Company's business name is PTA Grupp AS. The General Meeting of shareholders of the Company decided on 31 May 2007 to change the name of the Company to AS Silvano Fashion Group and the name change is currently pending. The Company is registered in the Estonian commercial register (held by the Registry Department of the Harju County Court) under registration code 10175491. The Company was initially registered in the Estonian commercial register on 23 December 1996 under its previous business name of AS Klementi (having previously been registered in the Register of Enterprises, Agencies and Organisations of the Republic of Estonia and other registers existing at the time). It has existed in one form or another since 1944, see "*Operations of the Group: History and Development of the Group*" for more information.

According to the Articles of Association the Company's principal activity is that of a holding company and its auxiliary activities include business and management consultations. The Company is established for an indefinite period.

Prior Re-organisations

Separation of Klementi in 2006

On 5 September 2006 the extraordinary General Meeting (then under the previous business name of AS Klementi) adopted a resolution on the division of the Company. AS Klementi was divided into two companies by way of separation[3] of a new subsidiary from AS Klementi. The Company was renamed PTA Grupp AS and is the legal successor of the former AS Klementi. The new subsidiary received all production-related assets of the Company and was registered under the name of AS Klementi. The said division was deemed completed and all the rights and obligations transferred as of the making of the relevant entry in the commercial register, i.e. on 15 August 2006.

Corporate Re-organisation in 2007

Following the acquisition of the Silvano Group by the Company, a redundant holding company (Silvano) became a part of the Group and the Company became the ultimate parent of the larger Group while at the same time also remaining responsible for the management of the retail operations in respect of the "PTA" trademark.

On 13 April 2007 the Company announced restructuring plans according to which Silvano will be merged with the Company and subsequently eliminated, while the Company (listed on the Tallinn Stock Exchange and in the future on the WSE) will concentrate exclusively on the strategic management of the Group. In order to separate the current business activities of the Company (retail sales of the products of the "PTA" concept) from the strategic management of the Group, the Company is establishing a new subsidiary (PTA2) currently under foundation. As a result of the restructuring, PTA Grupp AS (the Company) will be renamed AS Silvano Fashion Group.

The Company expects to complete the re-organisation in the third quarter of 2007 and will publish information on such completion in due course.

Articles of Association

The Articles of Association of the Company are in all material aspects in accordance with the requirements of Estonian law. The most recent version of the Articles of Association was adopted by a resolution of the Extraordinary General Meeting of shareholders on 31 May 2007. The most recent version of the Articles of Association will be submitted for registration in the Estonian commercial register in the beginning of July 2007 and will enter into force upon registration in the same.

The Articles of Association stipulate the following noticeable provisions with respect to the organisation of the Company:

- the financial year of the Company is the calendar year;

[3] Pursuant to Section 434 (1) of the Estonian Commercial Code, division can be effected without liquidation proceedings by distribution or separation. Section 434 (4) sets forth that upon separation, the company that is being divided transfers a part of its assets to one or several recipient companies. A recipient company may be an existing or a newly-formed company.

- the minimum share capital of the Company is EEK 250,000,000 (EUR 15,977,912.13) and the maximum share capital of the Company is EEK 1,000,000,000 (EUR 63,911,648.54);
- the Company has only one class of Shares;
- the reserve capital of the Company is one-tenth of its issued share capital;
- the Company may issue convertible bonds;
- the shareholders of the Company have the pre-emptive right to subscribe to new Shares when issued, except when such right is specifically excluded by the General Meeting of the Company;
- Shares in the Company are freely transferable;
- the Council is composed of three to five members who are appointed for a five-year term and the Management Board is composed of one to seven members who are appointed for a three-year term;
- the Management Board members are entitled to only jointly represent the Company in all legal acts.

The Articles of Association do not contain any specific provisions which would have the effect of delaying, deferring or preventing a change of control in the Company.

Share Capital and Shares

Current Information

The current registered share capital of the Company is EEK 379,471,980 (EUR 24,252,679.81). It is divided into 37,947,198 Shares with a nominal value of EEK 10 (EUR 0.64) each. Currently all the issued Shares have been fully paid in and there are no Shares that are authorised but not issued (however, the General Meeting of the Company on 25 June 2007 decided to increase the share capital of the Company, see below).

The Company does not have any other classes of shares other than ordinary Shares (A-Shares) and does not contemplate the issue of any shares of such other classes. Shares in the Company are issued and exist under the laws of Estonia. The currency of the Shares is Estonian kroons.

The Shares have been registered and are kept in book-entry form by a securities market infrastructure enterprise AS Eesti Väärtpaberikeskus (located at Tartu mnt 2, Tallinn 10145), the "**ECSD**", which is the operator of the Estonian Central Register of Securities (the "**ECRS**"). The ISIN code for the Company's Shares is EE3100001751. All shares in the Company (except the New Shares) have been listed on the Tallinn Stock Exchange since 20 May 1997 and are currently listed on the Main List.

No Shares in the Company are held by the Company itself or its subsidiaries. Likewise, no convertible securities are outstanding. No put or call options are outstanding with respect to or for the benefit of any company in the Group. There are no legal restrictions on the transferability of the Shares in the Company.

Issue of New Shares

An ordinary General Meeting of the shareholders of the Company was held on 25 June 2007. Among other things, the General Meeting resolved to increase the share capital of the Company by EEK 20,528,020 by issuing 2,052,802 new Shares (the "**New Shares**"). The New Shares will be issued to the Principal Shareholder to substitute the portion of Shares sold by the Principal Shareholder in the course of the Offering. The New Shares will be issued against cash payment (whereas the Principal Shareholder will pay for the New Shares from the proceeds of the Offering received by the Principal Shareholder). The subscription price of one New Share will be equal to the final Offer Price, converted to EEK (comprising the nominal value of EEK 10 per Share and the corresponding share premium). Subject to the registration of the increase of the share capital in the Estonian commercial register, the new share capital of the Company will be EEK 400 million, divided into 40 million Shares with a nominal value of EEK 10 each.

If in the course of the Offering not all of the Offer Shares are sold, the proceeds of the Offering will be applied by the Principal Shareholder firstly towards payment of the subscription price of the New Shares offered by the Company.

Registration in the KDPW

All Shares will be registered in the KDPW in addition to being registered in the ECRS. The registration in the KDPW is a necessary pre-requisite to the listing of the Shares on the WSE and will be completed prior to such listing. The Shares will be registered in the KDPW with the same ISIN code assigned to them in the ECRS.

Transfer of Shares between Securities Accounts in Estonia and Poland

Following the registration of the Shares in the KDPW, investors will be able to transfer the Shares between securities accounts opened in Estonia or Poland without restrictions, subject to the rules established and published by the ECSD and the KDPW. Initially, the co-operation agreement concluded between the KDPW and the ECSD enables the transfer of securities from a securities account in Estonia to a securities account in Poland (or vice versa) only as a transfer without payment (where the transfer of securities is settled independently of the transfer of the purchase price, if any). Technical arrangements enabling transfers of securities between Estonia and Poland as a transfer against payment may be created in the future.

Registration of Ownership for Shares Kept in Poland

All Shares in the Company that are kept on securities accounts opened in Poland will appear in the shareholder register of the Company (kept by the Estonian Central Register of Securities) as belonging to the KDPW without reference to the ultimate shareholder. However, the ownership of securities issued under the laws of Estonia does not depend on the entry in the shareholder register of the issuer. Instead, the ownership of such securities (including the Shares in the Company) can be transferred when the parties to such transfer agree to transfer ownership. The KDPW will be considered to be holding Shares on the nominee account on behalf of the securities houses which are members of the KDPW. In turn, such securities houses will keep records of the ultimate owners of the Shares. Despite the lack of reference to the ultimate shareholder in the shareholder register of the Company, investors acquiring more than a certain amount of Shares partially or entirely through a securities account opened in Poland, will remain subject to disclosure and anti-trust requirements based on the total number of Shares held by such investors (please see the Sections "*Estonian Securities Market: Disclosure of Information about Transactions and Shareholders*" and "*Estonian Securities Market: Antitrust Provisions*" and "*Polish Securities Market: Acquisitions and Disposals of Substantial Blocks of Shares*" for more information on such requirements).

History of Changes to the Share Capital

The historical changes in the Company's share capital in the last three years are as follows:

Period	Share capital (EEK)	Share capital (EUR)
15 March 2005 to 26 October 2006	19,468,750	1,244,280
From 26 October 2006	379,471,980	24,252,680
From 25 June 2007[1]	400,000,000	25,564,659

[1)] Subject to registration in the Estonian commercial register of the share capital increase.

At the beginning of 2005 the bankruptcy estate of P.T.A. Group Oy (for information on the bankruptcy of P.T.A. Group Oy, please see "*Operations of the Group: History and Development of the PTA Group*") included 50,000 convertible bonds of the Company issued according to the resolution of the extraordinary General Meeting held on 28 August 2002. The convertible bonds were issued with an issue price of EEK 24 (EUR 1.53) each and the final term for their redemption was 31 December 2005. Until the conversion of the bonds into Shares in the Company, they bore interest at the annual rate of 5%. On 3 January 2005 P.T.A. Group Oy informed the Company of its intention to convert the convertible bonds into Shares in the Company with the exchange ratio of 1:1. The respective transaction was completed and the Company issued 50,000 new Shares to the bankruptcy estate of P.T.A. Group Oy with the par value of EEK 10 (EUR 0.64) each and issue premium of EEK 14 (EUR 0.89) each. As a result of the aforementioned exchange transaction, the share capital of the Company was increased by EEK 500,000 (EUR 31,955.82) and the new amount of the share capital of the Company was EEK 19,468,750 (EUR 1,244,279.91).

On 5 September 2006 the General Meeting adopted a resolution to increase the Company's share capital in connection with the reverse takeover transaction of AS Silvano Fashion Group (see "*Operations of the Group: History and Development of the Group*" for more information). The shareholders of the Company decided to issue 36,000,336 new Shares in the Company with a nominal value of EEK 10 (EUR 0.64) each, of which 36,000,323 Shares were subscribed to (13 new Shares were not subscribed to due to the effect of approximation and such 13 Shares were cancelled). As a result of the this process the share capital of the Company was increased by EEK 360,003,230 (EUR 23,008,399.91). After the share capital increase, the new share capital is EEK 379,471,980 (EUR 24,252,679.81). The pre-emptive right of the existing shareholders to subscribe for new Shares (that is

otherwise provided for in the Articles of Association) was excluded and the right to subscribe for new Shares was granted only to the shareholders of Silvano. Every shareholder of Silvano had the right to subscribe for new Shares in the Company in accordance with the number of shares in Silvano held by such person as at the date of subscription for the new Shares: one common share in Silvano gave the right to subscribe for 426.1 new Shares in the Company. New Shares were issued at the price of EEK 39.12 (EUR 2.50) each, of which EEK 10 (EUR 0.64) was the nominal value of each New Share and EEK 29.12 (EUR 1.86) was the issue premium. New Shares were paid for by non-monetary contributions, the non-monetary contribution was the shares in Silvano and one share in Silvano was valued at EEK 16,669.03 (EUR 1,065.34). Non-monetary contributions were transferred to the Company by 16 October 2006. The share capital increase was registered in the commercial register on 26 October 2006.

Takeover Bids

A mandatory takeover bid to the Company's shareholders in respect of all of their Shares in the Company was launched by OÜ Alta Holding on 13 August 2002. By the date of the bid OÜ Alta Holding and the persons acting in concert with the same owned 79.08% of all the Shares in the Company and had acquired a dominant influence over the Company. Therefore, OÜ Alta Holding was under the obligation to launch the bid pursuant to the provisions of the Securities Market Act and the Rules of the Tallinn Stock Exchange. The price offered for one Share was EEK 11.48 (EUR 0.73). More information on the aforementioned takeover bid is available from the website of the Tallinn Stock Exchange (http://www.baltic.omxgroup.com).

Another mandatory takeover bid to all the shareholders of the Company was made by Indrek Rahumaa on 3 May 2007. The bid was made in respect of all the Shares in the Company not held by SIA Alta Capital Partners. Indrek Rahumaa gained dominant influence over the Company through companies under his control: SIA Alta Capital Partners and Investeerimisvabrik OÜ, which as at the date of the takeover bid held a total of 69.6% of all the Shares in the Company. Due to such dominant influence, Indrek Rahumaa was required to make the bid pursuant to the provisions of the Securities Market Act and the Rules of the Tallinn Stock Exchange. The price offered for one Share in the Company was EUR 4.19. As a result of this mandatory takeover bid, 485,468 Shares were sold to SIA Alta Capital Partners.

Changing the Rights Attached to Shares

In order to change the rights attached to all shares in general (inasmuch as this is possible under applicable law), the Articles of Association normally need to be amended. Amendment of the Articles of Association requires a qualified majority of at least two-thirds of all votes present at the General Meeting. If a company has more than one class of shares, changing the rights attached to a particular class of shares requires, in addition to the above, at least two-thirds of the votes of shareholders within each class of share who are present at the general meeting. When rights stemming from a particular class of shares are being amended, a decision of the General Meeting of the shareholders will also require a qualified majority of four-fifths of the votes, and the consent of at least nine-tenths of all shareholders who hold shares of the type subject to amendment. A brief description of the rights attached to Shares of the Company follows below.

Redemptions and Liquidation

Redemption of Shares

Under the Estonian Commercial Code a company may acquire its own shares (or take the same as collateral) if all of the following conditions are met: (i) redemption of such shares occurs within one year from the adoption of a resolution of the general meeting of the shareholders which specifies the conditions and terms for the redemption of shares and the consideration to be paid for shares; (ii) the total nominal value of shares redeemed or taken as collateral does not exceed one-tenth of the share capital; and (iii) shares are paid for from assets exceeding the share capital, reserve capital and premium. These restrictions do not apply if shares are acquired by way of inheritance.

Shares may be acquired without a resolution of the general meeting of shareholders but instead on the basis of a resolution of the council if the redemption of shares is necessary to prevent significant damage to the company. In such event the shareholders must be informed of the circumstances surrounding the redemption of shares at the next general meeting of shareholders.

Redeemed shares must be sold or cancelled within one year of redemption. If more than one-tenth of the share capital is redeemed through a decision of the council or by way of inheritance, the part exceeding the one-tenth must be sold or cancelled within six months of redemption. Shares that are redeemed illegally must be sold or cancelled within three months of redemption.

Rights in Event of Liquidation

In the event of the Company's liquidation all shareholders are entitled to any surplus assets after the satisfaction of all claims of the Company's creditors, and the depositing of such amounts as were not collected by the creditors. Such remaining assets are distributed among the shareholders according to the nominal values of their shares, pursuant to the asset distribution plan prepared by the liquidators, and paid out in cash.

The Company's assets may be distributed after the lapse of six months from the publication of the notice of liquidation and after the lapse of two months from the date that the final balance sheet and asset distribution plan are presented to the attention of the shareholders, provided that neither the balance sheet nor the asset distribution plan are contested in court. The court may allow for payments to be made earlier provided that such earlier payment would not damage the interests of the creditors.

Rights of Shareholders

Right to Participate in the General Meeting

Purpose of the General Meeting

Shareholders are entitled to take part in the corporate governance of the Company through the General Meeting of shareholders, where they can exercise their powers to decide on certain important corporate matters, such as, for example, amending the Articles of Association, increasing and reducing the share capital, issuing convertible bonds, electing and removing the members of the Council and the auditor, approving the annual accounts and the distribution of profit, dissolution, merger, division or transformation of the Company and certain other matters. The general meeting is the highest governing body of a limited company in Estonia.

Convening the General Meeting

The ordinary General Meeting of shareholders is held once a year pursuant to the procedure and at the time prescribed by the Articles of Association, but not later than six months after the end of the financial year. Additionally, an extraordinary General Meeting may be held on certain conditions: (i) in the event that the net equity of the Company decreases below the legally required minimum equity; or (ii) if shareholders representing at least 1/10 of the share capital, the Council or the auditor demand the meeting; or (iii) if the meeting is required in the interests of the Company. The Articles of Association reflect applicable law with respect to when the General Meeting needs to be convened.

If the Management Board fails to convene an extraordinary General Meeting within one month from receipt of a relevant request from the shareholders (or the Council or the auditor), then the shareholders (or, respectively, the Council or the auditor) have the right to convene the General Meeting themselves. Notice of an upcoming General Meeting must be sent to all shareholders three weeks in advance of an ordinary General Meeting and at least one week in advance of an extraordinary General Meeting. As a general rule, the notice must be sent via registered mail to the addresses entered in the shareholders' register. Pursuant to the Estonian Commercial Code, where a company has over 50 shareholders, the notice does not have to be sent but instead is published in at least one national daily newspaper in Estonia. However, the Articles of Association of the Company set forth 100 shareholders as the threshold starting from which the notice about convening the General Meeting of the shareholders may be published in at least one national newspaper. The notice is also published through the Tallinn Stock Exchange.

When the above requirements for convening a General Meeting are violated, such General Meeting does not have the capacity to adopt resolutions, except where all shareholders participate in the General Meeting.

Agenda of the General Meeting

As a rule, the agenda of a General Meeting is determined by the Council. However, if the General Meeting is convened by the shareholders or the auditor, the agenda is determined by them. Furthermore, the Management Board or the shareholders whose shares represent at least one-tenth of the share capital may demand the inclusion of a certain issue on the agenda. An issue which is initially not on the agenda of a General Meeting may be included on the agenda upon the consent of at least nine-tenths of the shareholders who participate in the General Meeting if their shares represent at least two-thirds of the share capital.

Quorum

A General Meeting of shareholders is capable of passing resolutions if more than one-half of the votes represented by shares held by shareholders are present at the General Meeting of shareholders. If the quorum is not met, the

Management Board is required to convene a new General Meeting of shareholders not more than three weeks but not less than seven days after the date of the initial General Meeting. There are no quorum requirements for the newly convened General Meetings of shareholders convoked in such manner.

Voting rights and resolutions

The Company currently has only one class of Shares, with a nominal value of EEK 10 (EUR 0.64) each. Each share entitles the shareholder to one vote. A shareholder may attend and vote at a General Meeting in person or by proxy. In the case of companies listed on the Tallinn Stock Exchange, only those shareholders appearing on the list of shareholders (which is maintained by the ECRS) as of 23:59 on a date chosen by the company are eligible to attend and vote at a General Meeting of shareholders. Such date must be made public at least nine trading days in advance. A shareholder whose shares are registered in the name of a nominee can exercise voting rights if a respective power of attorney has been executed in his favour by the holder of a nominee account.

As a rule, resolutions of a General Meeting of shareholders require the approval of the majority of the votes. Certain resolutions, such as amending the Articles of Association, increasing or decreasing the share capital and, in certain cases, resolutions relating to a merger or liquidation of the company, require a qualified majority of two-thirds of the votes represented at the General Meeting of shareholders.

Participation in the General Meeting for Polish investors

Investors holding Shares on securities accounts opened in Poland (the "**Polish Shareholders**") will be able to exercise voting rights attached to the Shares without restrictions. In respect of all Shares held on securities accounts opened in Poland, the KDPW will be recorded in the Company's shareholders' register (kept in the ECRS) in the name of the KDPW. Estonian law will recognise the KDPW as the holder of a nominee account holding shares on behalf and for the benefit of the ultimate shareholders, who will under Estonian law be recognised as the owners of the respective Shares. Under Estonian law, the KDPW will be entitled to exercise rights attached to the Shares, based on instructions received from the securities houses acting as members of the KDPW and given on behalf and pursuant to instructions of the Polish Shareholders, or authorise the Polish Shareholders to exercise such rights directly.

Pursuant to an agreement concluded between the KDPW and the ECSD and a power of attorney issued on the basis of the same, ECSD is authorised to appoint persons authorised to execute all shareholders' rights attached to all shares kept on the nominee account of the KDPW opened with the ECSD, subject to the allocation of such rights as notified by the KDPW to the ECSD. As promptly as practicable following the publication of a notice summoning a General Meeting, the KDPW will provide to the ECSD a list of ultimate shareholders who are eligible to participate in the General Meeting by virtue of holding Shares of the Company on securities accounts opened in Poland. On the basis of such list, ECSD will issue an authorisation empowering each such shareholder to participate in the General Meeting and to exercise voting rights attached to the Shares owned by such investor. Such authorisation will be provided directly to the Company and will be available at the time and location of the General Meeting, enabling such shareholder to participate in the same.

Right to Information

Pursuant to the Estonian Commercial Code, shareholders have the right to receive information on the activities of the company from the Management Board at the General Meeting. However, the Management Board may refuse to give information if there is a reason to presume that this may cause significant damage to the interests of the company. In the event the Management Board refuses to give information, the shareholders may require the General Meeting to decide on the legality of such refusal or submit a respective claim to the court of law.

Right to Subscribe for New Shares

General provisions

Pursuant to the Estonian Commercial Code existing shareholders of a company have the pre-emptive right to subscribe for new shares in the company in proportion to their existing shareholding. However, where shares need to be issued to a specific person(s), such pre-emptive right can be waived by a resolution of the general meeting of shareholders by a majority of three-fourths of the votes represented at such meeting.

Right to subscribe for new Shares for Polish Shareholders

Investors holding Shares in securities accounts opened in Poland will benefit from the right to subscribe to new Shares issued by the Company without restrictions. Whenever the Company announces a share subscription for new Shares directed to its shareholders (i.e. where the preferential right of the shareholders to subscribe for new Shares is not excluded by the General Meeting), it will compare the list of subscription applications it receives, in accordance with the conditions of such subscription, to the list of the ultimate shareholders of the Company who hold Shares in securities accounts opened in Poland (as may be requested by the Company from the KDPW through the ECSD) as of the relevant date, and only after such comparison has been made will subscription applications originating from the ultimate shareholders of the Company who hold Shares in securities accounts opened in Poland be accepted. However, the aforementioned procedure will not apply in the event that the Company decides to register subscription rights granted to its shareholders in the ECRS and the KDPW, in such case such subscription rights will be delivered to the securities accounts of the ultimate shareholders of the Company and can later be exercised by any person to whom the ownership of such subscription rights may be transferred.

If an ultimate shareholder of the Company who holds Shares in securities accounts opened in Poland wishes to transfer the subscription right (pre-emptive right) received by virtue of owning Shares, such transfer must be notified to the Company in writing no later than on the last day of the relevant subscription period.

If the Company decides to apply for a listing of subscription rights (pre-emptive rights) to the Shares in the Company on the Tallinn Stock Exchange and/or the WSE, securities representing such rights will be transferred to the securities accounts of the Company's shareholders in accordance with the Company's shareholder register maintained in the ECRS. Rights transferred to the securities account of the KDPW will further be credited by the latter to the securities accounts of the relevant Polish ultimate shareholders.

Other Important Matters

Restrictions on Financial Assistance

The Estonian Commercial Code sets forth certain restrictions in respect of financial assistance. As a general rule, a company may not grant loans or provide other financial assistance (such as, for example, giving guarantees or sureties): (i) to shareholders whose shares represent more than 1% of the share capital; (ii) to shareholders of the parent company whose shares represent more than 1% of the share capital of the parent company; (iii) for the purpose of acquiring shares of the company; or (iv) to members of the management board, the council or to procurators.

Financial assistance may, nevertheless, be provided to such shareholders who belong to the same consolidation group as the company, provided that this assistance does not harm the company's financial status or the interests of its creditors.

Squeeze-Out Rights

The Estonian Commercial Code allows major shareholder(s) to take over a public limited company. The precondition for such squeeze-out is the acquisition by a person (acting individually or in concert with others) of at least 90% of the voting rights in the company. The squeeze-out can be decided by the general meeting of shareholders if a majority comprising at least 95% of all votes is in favour. The amount of compensation for the shares which are subject to the squeeze-out is to be determined on the basis of the value of the shares as at ten days prior to the date on which the notice summoning the general meeting was sent out. Additionally, tender offers may be carried out for companies which are listed on the Tallinn Stock Exchange and sometimes major shareholders of a listed company are under the obligation to launch a tender offer (see "Estonian Securities Market" for more details). However, the shareholders of a listed company are not obliged to accept a tender offer which is not a squeeze-out within the meaning of the Commercial Code.

Disclosure of Shareholdings

The Company is required to submit a list of shareholders holding over 10% of all shares to the Estonian commercial register together with the annual accounts, such list being drawn up as at the date the annual accounts are approved by the general meeting of shareholders. See the Section titled "*Estonian Securities Market*" for more information on disclosures of shareholdings which are triggered by the listing of shares on the Tallinn Stock Exchange.

TAXATION

This section dealing with the Estonian and Polish tax systems is meant to give an overview of the tax regime applicable to the Company and its shareholders, including the taxation of dividends and capital gains as applied to the dividends paid out and shares issued by the Company. Note that the below summary is in no way exhaustive and is not meant to constitute professional advice to any person. In order to establish particular tax consequences of the ownership of Shares and trading in the same, each investor is strongly encouraged to seek specialist assistance, including, in particular, the tax consequences under Polish law, the law of the jurisdiction of their residence and any tax treaty between Poland and their country of residence or between Estonia and their country of residence.

Estonian Law

Corporate Income Tax

The system of corporate earnings taxation currently in force in Estonia is a unique system that shifts the point of corporate taxation from the moment of earning profits to the moment of their distribution. Corporate income tax is charged on profit distributions such as dividends and implicit distributions (i.e. fringe benefits, gifts and donations, and expenditures and payments not related to the business activity of the company).

All of the above-mentioned profit distributions are taxed at the rate of 22/78, which amounts to approximately 28.21% of the net amount of the distribution of profit. According to the Estonian Income Tax Act as it currently stands, the corporate income tax rate will decrease gradually (21/79 as from 1 January 2008 and 20/80 as from 1 January 2009). Corporate income tax imposed on distributed profits is not a withholding tax and thus relief is not available under the applicable international tax treaties.

The applicable corporate income tax system is likely to change in the near future, as the current system of corporate taxation is deemed incompatible with European law. As of the date hereof, there is no reliable information as to the principles on which the new system will be based.

Taxation of Dividends

Dividends paid to non-resident individuals are not subject to any withholding tax in Estonia. When determining the principles of taxation of corporate persons or individuals, agreements on the avoidance of double taxation (tax treaties), if any, entered into by Estonia and the country where the given corporate person or individual is resident, should be taken into account. These agreements may provide for lower rates of taxation on dividends received by corporate persons or individuals, or even exclude taxation in Estonia altogether. Moreover, most tax treaties to which Estonia is a party indicate that income from the disposal of securities against payment may only be taxed in the country of residence of the corporate person or individual, which, in most cases, results in the absence of taxation of such income in Estonia. However, this may not apply in a situation in which a foreign corporate person or individual has a permanent establishment in Estonia to which income from the sale of the shares may be ascribed.

A withholding tax at the rate of 22% (21% as from 1 January 2008 and 20% as from 1 January 2009) is charged on dividends payable by a resident company to non-resident legal persons, subject to certain exemptions. Withholding tax applicable to cross-border dividends paid to Polish resident legal persons is subject to the tax treaty concluded between Estonia and Poland, which reduces the applicable rate of withholding tax from 22% to 15%. Polish legal persons receiving dividends from the Company will be eligible for double taxation relief from Estonian withholding tax on the grounds of the Estonian-Polish tax treaty. In cases where the income tax is withheld in full due to the reason that the relevant person did not present proof of entitlement to tax treaty relief on time, the return of the excess withholding tax may be claimed within three years from the date when the excessive payment occurred. The claim must be in writing and be accompanied by the documents required for the application of the tax treaty relief. Provided that all necessary documents are submitted, the tax authority will return the excess withheld tax within 30 days from the filing of the claim.

If at the moment when dividends are announced or paid a Polish resident legal person owns at least 15% of the share capital of the Company, such dividends are not subject to withholding (as the law currently stands, this 15% threshold will decrease to 10% in 2009).

According to the Estonian-Polish tax treaty Polish residents are entitled to a double taxation relief in the form of a foreign tax credit with respect to income tax withheld in Estonia.

Capital Gains, Tax Consequences of Sale or Exchange of Shares

Non-residents are subject to income tax on capital gains in Estonia in the event of a sale or exchange of any number of shares in a company of whose property, as of the moment of sale or exchange or any moment within two years preceding the sale or exchange, directly or indirectly, more than 50% is made up of immovables or structures as movables which are located in Estonia and provided that at the moment of sale or exchange the shareholder owned at least 10% of shares in the company.

Currently the Company no longer meets the above-mentioned criteria and thus non-resident shareholders selling or exchanging their Shares will be exempt from Estonian income tax on accrued capital gains.

For the purposes of capital gains taxation the gain derived from the sale of shares is the difference between the selling price of the shares sold and their acquisition cost. The gain derived from the exchange of shares is the difference between the acquisition cost of shares subject to exchange and the market price of the property received as a result of the exchange. A shareholder has the right to deduct certified expenses directly related to the sale or exchange of shares from the shareholder's gain.

Under Estonian domestic laws, in the event of a decrease of the share capital of the Company or the redemption of its shares, payments made to non-resident shareholders are treated as capital gains, i.e. income tax is charged on the amount in which the payments made to the shareholder exceed the acquisition cost of the holding. Nevertheless, the Estonian-Polish tax treaty precludes Estonia from taxing such payments.

Polish Law

This summary is not intended to constitute a complete analysis of the tax consequences under Polish law of the acquisition, ownership and disposal of the Offer Shares by the Investors. The Investors should, therefore, consult their own tax advisers on the tax consequences of such acquisition, ownership and disposal, including, in particular, the tax consequences under Polish law, the law of the jurisdiction of their residence and any tax treaty between Poland and their country of residence or between Estonia and their country of residence.

When determining the principles of taxation of corporate persons or individuals, agreements on the avoidance of double taxation (tax treaties), if any, entered into by Estonia and the country of which the given corporate person or individual is resident, should be taken into account. These agreements may provide for lower rates of taxation on dividends received by corporate persons or individuals, or even exclude taxation in Estonia altogether. Moreover, most tax treaties to which Estonia is a party indicate that income from the disposal of securities against payment may only be taxed in the country of residence of the corporate person or individual, which, in most cases, results in the absence of taxation of such income in Estonia. However, this may not apply in a situation in which a foreign corporate person or individual has a permanent establishment in Estonia, to which income from the sale of the shares may be ascribed.

Income Earned on the Disposal of Securities by Individuals Who Are Polish Tax Residents

In accordance with Art. 3, section 1 of the Personal Income Tax Act, natural persons, provided that they reside within the territory of the Republic of Poland, are liable to pay tax on all of their income (revenue) regardless of the location of the source of revenues (unlimited tax obligation). A person residing within the territory of the Republic of Poland is any natural person who (i) has the centre of their personal or economic interests within the territory of Poland; or (ii) resides within the territory of Poland for more than 183 days in any tax year.

In the event of the disposal by a Polish resident of property located in another country, the tax treaty between Poland and that country applies. According to Art. 13, section 4 of the Polish-Estonian tax treaty, gains from the disposal of shares are taxed exclusively in the country in which the person disposing of the property is resident. Thus, income from the disposal of the Offer Shares earned by Polish residents is taxed in Poland according to the following rules.

Pursuant to Art. 30b, section 1 of the Personal Income Tax Act, income earned in Poland on the transfer of the ownership of securities (including the Offer Shares) in exchange for consideration is taxed at a flat rate of 19%. Taxable income is computed as the difference between the proceeds from the disposal of securities and the tax-deductible costs, including the expenditure related to the acquisition of these securities. Such income is subject to taxation as income due, even if not actually yet received. It is not aggregated with the other income of the individual and is taxed separately.

Entities intermediating in the sale of securities by an individual (e.g. securities houses) are required to deliver to that person and the appropriate tax office, information on the amount of income earned by that person, by the end of

February of the year immediately following the year in which the gains are made (or losses are incurred) by such person on the disposal of securities. There is no requirement to pay tax advances during the tax year.

An individual who obtains gains (or incurs losses) on the sale of securities is required to calculate and pay the tax due, as well as submit, by 30 April of the calendar year immediately following the year in which such gains are obtained (or losses incurred), a separate tax return identifying the amount of the gains or losses. The tax return is to be submitted to the tax office competent for the place of residence of such taxpayer on the last day of the financial year, and if such person ceased to reside in Poland before that date, to the tax office competent for the person's last place of residence within the territory of Poland.

The above regulations shall not apply if a sale of securities for a consideration is the consequence of the performance of any business activities, as in such case the revenues from the sale of securities should be qualified as originating from the performance of such activities and should be settled according to general terms.

Income Earned on the Disposal of Securities by Individuals Who Are Not Polish Tax Residents

In accordance with Art. 3, section 2a of the Personal Income Tax Act, natural persons, if they do not reside within the territory of the Republic of Poland, are liable to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax obligation).

Income from the disposal of shares in a foreign entity by an individual who is not a Polish tax resident cannot be classified as income obtained in Poland and as a result, is not taxed in Poland. In such case, the tax treaty between Estonia and the country of residence of the individual should be applied.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Polish Tax Residents

Under Polish tax law, income from a share in the profits of legal persons is the income actually generated from such a share, including, *inter alia*, income from the redemption of shares, from the disposal of shares to the company in exchange for consideration with a view to redeeming the shares, the value of the assets received in connection with the liquidation of the legal person, income intended for a share capital increase, and income which is the equivalent of the amounts contributed to the share capital from other funds of the legal person.

Taxation of the dividend income obtained by an individual who is a Polish resident from a company resident in Estonia is regulated by the provisions of the Polish-Estonian tax treaty. Pursuant to Art. 12 of the treaty, dividends paid by a company resident in Estonia to a person resident in Poland may be taxed in Poland. These dividends may also be taxed in Estonia, but the tax levied in this country cannot exceed 15% of the dividend. The actual taxation rules regarding dividend income are governed by Estonian tax law (see above).

Pursuant to Art. 30a, section 1 point 4 of the Personal Income Tax Act, dividend income and other income from a share in the profits of legal persons is not aggregated with income from any other sources, and is subject to taxation at a flat rate of 19% of the income earned. However, according to Art. 24 of the Polish-Estonian tax treaty, Poland must grant a credit for the tax levied on dividends in Estonia.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Polish Tax Residents

Dividend income paid by an Estonian company to a non-Polish tax resident is not taxed in Poland. The tax treaty between Estonia and the country of residence of the individual should be applied.

Income Earned on the Disposal of Securities by Corporate Persons Who Are Polish Tax Residents

In accordance with Art. 3, section 1 of the Corporate Income Tax Act, taxpayers having their seat or a management board within the territory of the Republic of Poland, are liable to pay tax on all of their income, irrespective of the location of the source of revenues.

According to Art. 13, section 4 of the Polish-Estonian tax treaty, gains from the disposal of shares are taxed exclusively in the country in which the person disposing of property is resident. Thus, income from the disposal of the Offer Shares earned by Polish residents is taxed in Poland.

Gains on the disposal of securities (including the Offer Shares) by a legal person having their seat (management board) within Poland are subject to taxation under the general rules stipulated in the Corporate Income Tax Act. Taxable income is the difference between the proceeds from the disposal of securities and the tax-deductible costs,

including the expenditure related to the acquisition of these securities. The income thus computed is aggregated with the other income of the legal person. The income of a legal person is taxed at a rate of 19% of the taxable income.

Pursuant to Art. 25 of the Corporate Income Tax Act, a legal person which has disposed of securities is required to pay the due tax prepayment into the account of the appropriate tax office. The tax prepayment is calculated as the difference between the tax due on the income earned since the beginning of a given fiscal year and the aggregate tax prepayments due for the previous months of this year. The taxpayer is required to submit their annual tax return by the end of the third month of the year immediately following the year in which the gains are made.

Income Earned on the Disposal of Securities by Corporate Persons Who Are Not Polish Tax Residents

Foreign corporate persons taxed on the principles set forth below are legal persons, companies in organization, as well as non-corporate organizations other than partnerships, which have their registered office or management board outside the territory of the Republic of Poland. In accordance with Art. 3, section 2 of the Corporate Income Tax Act, taxpayers, if they do not reside within the territory of the Republic of Poland, are liable to pay tax exclusively on income obtained within the territory of the Republic of Poland.

Income from the disposal of shares in an Estonian entity by a legal person who is not a Polish tax resident cannot be classified as income obtained in Poland, and as a result is not taxed in Poland. The tax treaty between Estonia and the country of residence of the company should be applied.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Polish Tax Residents

As a rule, dividend income and other income from a share in the profits of legal persons is subject to taxation at a flat rate of 19% of the income earned. However, this rule is modified by the provisions of the Polish-Estonian tax treaty, according to which dividends paid by a company resident in Estonia to a person resident in Poland may be taxed in Poland. These dividends may also be taxed in Estonia, but the tax levied in this state cannot exceed 5% of the gross amount of the dividend, if the dividend is received by a company holding at least 25% of the share capital of the company paying the dividend and 15% of the dividend in other cases. The actual taxation rules regarding dividend income are governed by Estonian tax law.

Pursuant to Art. 20, section 3 of the Corporate Income Tax Act, income (revenues) from dividends and other revenues from participation in profits generated by legal persons are tax exempt if all of the following conditions are satisfied jointly: (i) the entity paying the dividends and other revenues from participation in profits generated by legal persons is a company which pays income tax and has its registered seat or management board within the territory of the EU; (ii) the entity receiving income (revenues) from dividends and other revenues from participation in profits generated by legal persons, as referred to in section (i), is a company liable to pay income tax in the Republic of Poland with respect to its entire income, irrespective of the place where it is generated; (iii) the company referred to in section (ii) has at least a 10% direct shareholding in the shares in the share capital of the company which pays out the dividend, provided that between 1 January 2007 and 31 December 2008, the direct percentage share in the company paying the dividends or other revenues from participation in profits generated by legal persons is not less than 15%.

The exemption referred to above applies if the company gaining income (revenues) from dividends and other revenues from participation in profits generated by legal persons having their registered seat or management board within the territory of the Republic of Poland, has at least a 10% shareholding in the company paying out dividends (15% until 31 December 2008) uninterruptedly for two years. The exemption also applies if the two year period of uninterrupted holding of shares in the required amount by a company generating income (revenues) from participation in profits generated by a legal person having its registered seat or management board within the territory of the Republic of Poland, ends after the date of obtaining such income (revenues). In the case of failure to satisfy the condition of holding shares in the required amount uninterruptedly for two years, the taxpayer shall be required to pay tax, including default interest, on the income (revenues) at 19% of income (revenues) by the 20th day of the month following the month in which it was deprived of the right of exemption. Interest is calculated as of the day following the day on which the taxpayer first exercised the right to exemption.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Not Polish Tax Residents

Dividend income paid by an Estonian company to a non-Polish tax resident is not taxed in Poland. The tax treaty between Estonia and the country of residence of the individual should be applied. Companies subject to taxation of

their entire incomes in any of the EU member states other than Estonia, are exempted from the taxation of dividends disbursed by companies with their registered office in Estonia. However, the application of this exemption is contingent on numerous conditions.

Transfer Tax (Tax on Civil Law Transactions)

Transfer tax applies to the sale or exchange contracts, if the rights which are the subject of the transaction are to be exercise within the territory of the Republic of Poland (e.g. shares in a Polish company), or if the rights are exercised outside the Republic of Poland, provided that the agreement evidencing the sale or exchange is concluded in the Republic of Poland and the purchaser is a Polish resident. The rate of this tax is set at 1% of the market value of the securities which are the subject of the transfer. In certain situations, the tax authorities may adjust the taxable base. The tax should be paid within 14 days after the transaction is concluded. However, pursuant to Art. 9, section 9 of the Act on Transfer Tax, the sale of securities to securities houses and banks conducting securities activities is exempt from transfer tax, as is the sale of securities performed through an agency of securities houses and banks conducting securities activities. The sale of shares in an Estonian company by a non-Polish tax resident is not subject to transfer tax.

Taxation of Gifts and Inheritance

Polish gift or inheritance tax can only be imposed on individuals. Such tax may arise on a gift or inheritance of the Offer Shares where the heir or the recipient is a Polish resident. The amount of tax depends on the relationship of the donor/deceased to the recipient /heir.

ESTONIAN SECURITIES MARKET

The information presented in this Section and the Section entitled "Polish Securities Market" below is provided for general background purposes only. Therefore, investors should obtain an opinion of their own legal advisor concerning the provisions of law related to the acquisition, holding and disposal of Shares.

The Tallinn Stock Exchange

The Tallinn Stock Exchange, owned by AS Tallinna Börs, is the only stock exchange operating in Estonia as of the date of this Prospectus. Its major shareholder is a Swedish corporation OMX AB, which also controls the Copenhagen Stock Exchange, the Stockholm Stock Exchange, the Riga Stock Exchange, the Vilnius Stock Exchange and the Helsinki Stock Exchange.

AS Tallinna Börs is a member of NOREX the Nordic and Baltic exchange association with fellow members being the Oslo, Iceland and OMX Stock Exchanges.

The Tallinn Stock Exchange is mainly governed by Estonian laws and governmental regulations (the two most significant laws governing the operation of the Estonian stock market are the Estonian Securities Market Act and the Estonian Central Register of Securities Act) and further by the rules and policies established by the Tallinn Stock Exchange.

The main purpose of the regulations established by the Tallinn Stock Exchange is to facilitate an efficient and legal exchange of securities. The rules can be changed by the Tallinn Stock Exchange only after the Estonian Financial Supervision Authority has approved the relevant amendments. All rules and regulations are applicable to corporations listed on the Tallinn Stock Exchange, members of the Stock Exchange, and companies trading on the open market.

The ECRS and Registration of Shares

The shareholders' registers of all public limited companies (and some private limited companies who opted to register their shares), including those that are traded on the Tallinn Stock Exchange, are held in the Estonian Central Register of Securities (ECRS). The ECRS also keeps book entry records of all securities, pension accounts, registered bonds and all other electronic securities and transactions with the same. This register is maintained by the securities market infrastructure enterprise AS Eesti Väärtpaberikeskus, which is owned by AS Tallinna Börs and belongs to the OMX group.

Every individual, regardless of nationality, has the right to open an account with the ECRS, where all securities are registered and listed in book entry form on the securities accounts of their owners. All transactions are recorded and can be performed only through account holders. Account holders are either investment companies or credit institutions operating in Estonia, or other certified individuals. In some cases, account supervisor can also be a foreign company. For Shares listed in the ECRS, no share certificates are issued.

The amount of information from the ECSR that is available to the public is limited and includes information on the issuer (name, seat and registry code) and the details of the securities (type, nominal value and number of shares). Unless Shares are listed on the stock exchange, information about shareholders is not available to the public.

In addition to regular securities accounts, qualified member of the securities market (account holder) can open a nominee account. This type of account gives the account holder the right to hold securities on behalf of another person – the client – but in its own name. The client retains the right to dispose of the securities or use its rights as a shareholder of the issuer, though a power of attorney must be obtained for the latter purpose.

Listing shares on the Tallinn Stock Exchange

Shares listed on the Tallinn Stock Exchange are divided into two separate lists – the Main List and the Investors' List. In addition to trading in listed securities, the Tallinn Stock Exchange also allows trading on the free market via the same trade system. As of June 2006, there are 16 companies listed on the Tallinn Stock Exchange, ten of which are on the Main List and six on the Investor List.

There are two important differences between the Main List and the Investor List: the minimum length the company has been in business and the minimum value of the company. For the Main List, the respective requirements are three years and EUR 4 million. For the Investor List, the requirements are two years and EUR 1 million, respectively. Once the company has been listed on the Main List, it is still possible to move to the Investor List, and vice versa, as the value of the company fluctuates over time.

Various conditions have been established for companies to list their shares on the Tallinn Stock Exchange, among which the most significant is that 25% of the shares of the issuer have to be publicly held. Nevertheless, this percentage does not necessarily have to be fulfilled as of the listing date, if the number is expected to reach 25% shortly after trading commences. Moreover, in certain conditions normal market trading would also be possible with less than 25% of shares belonging to the public, taking into account the total amount of shares and their allocation among the shareholders.

Trading on the Tallinn Stock Exchange

Trading on the Tallinn Stock Exchange is open to its members each workday from 10 am to 2 pm (Tallinn time zone). SAXESS, the Nordic-Baltic trading system, is used in Estonia (as well as in Finland, Sweden, Norway, Denmark, Iceland, Latvia and Lithuania). The official currency on the Tallinn Stock Exchange trading system is the Euro.

There are two different types of transactions that take place on the Tallinn Stock Exchange – automatic matching and negotiated deals. Automatic matching occurs when buy and sell orders are matched automatically according to the price and time priorities. In such case, the settlement of a transaction always takes place on the third exchange day after it has been concluded (T+3), unless agreed otherwise by the parties.

Negotiated deals, on the other hand, can be made during the regular trading period or the after-market trading period. While the after-market trading period prices are determined by different pricing rules, in general the price of a security falls into the range of the best bid and offer prices at the time of the transaction. A closed transaction has to be entered into the system by the brokers within five (5) minutes after the transaction has been closed. Negotiated deals have to be settled among the members of the stock exchange from one (T+1) to six (T+6) days after concluding the transaction, unless agreed otherwise by the parties.

The Tallinn Stock Exchange, owned by AS Tallinna Börs, is an electronically operated system that provides information about trading activity. This information consists of the latest prices of securities, prices of takeover and transfer securities, price changes, highest and lowest prices, and the number and volume of transactions. Also available on the Internet site of the Stock Exchange is news about stock exchanges, statistics, equity prices, and other transaction related information. Information that is confidential and can alter the price of a security is not disclosed to the public.

However, AS Tallinna Börs is required to provide all the relevant information about the transactions: (1) the time when the transaction was completed; (2) the identities of the market members participating in the transaction; (3) the names of the securities traded; and (4) the amounts, nominal values and prices of the traded securities. In addition to the aforementioned data, the Tallinn Stock Exchange Rules demand availability of all other information about the transaction that might be needed.

To guarantee higher liquidity of a security, the Listing and Supervisory Committee of the Tallinn Stock Exchange has the right to demand that an issuer enters into a market-making contract with a member of the Tallinn Stock Exchange.

Supervision of the Tallinn Stock Exchange and of Trading on the Tallinn Stock Exchange

The Estonian Financial Supervision Authority ("EFSA") is the agency that supervises the Tallinn Stock Exchange under the rules established by the Financial Supervisory Authority Act. The main purpose of the EFSA is not only to ensure the reliable and secure operation of the stock market but also of the financial sector as a whole. In addition to the EFSA, the Listing and Supervisory Committee of the Tallinn Stock Exchange has a specific duty to ensure that the members of the Tallinn Stock Exchange also comply with applicable rules and regulations.

The price formation of the traded securities is supervised by AS Tallinna Börs, owner of the Tallinn Stock Exchange. Transactions that can unfairly alter the price of a security (e.g. transactions based on inside information or manipulating the market) are strictly prohibited. All suspicious transactions must be notified by the Tallinn Stock Exchange to the EFSA immediately.

Disclosure of Information about Transactions and Shareholders

Whenever a person acquires (directly or indirectly, alone or in concert with a third party) 5%, 10%, 20%, 33%, 50% or 66% of all shares issued by one public limited company, such person must inform the Estonian Financial Supervision Authority (EFSA), the public limited company and the account holder about the number of shares obtained from the transaction. These same rules also apply to the investor whose shareholding falls below any of the

same levels. Exceptions to the above requirements may be granted by EFSA alone. The same requirement applies to holders of nominee accounts, who must report to the EFSA when a particular account exceeds or falls below the above-mentioned thresholds.

It is prohibited to enter into agreements concerning shares of a public limited company that restrict free transfers in the market or have a significant impact on the price of a security, and the public limited company involved in such transactions must report to the EFSA.

In addition, the Rules of the Tallinn Stock Exchange include certain specific regulations related to transactions entered into by an issuer and involving its own securities.

Abuse of the Stock Market

According to the Securities Market Act, abuse of the stock market is defined as either mishandling of inside information or manipulating the market. Provisions of the Securities Market Act relating to disclosure of confidential information also apply to securities that are not traded on the Estonian Stock market or in any of the member states of the European Economic Area, but whose value depends on the financial instruments traded on those markets.

According to the Estonian Securities Market Act, "insider information" is defined as specific information that directly relates to the issuer or its securities. Among numerous other things, this includes information on the operations and future prospects of the issuer, insofar as not yet officially disclosed. When such information is made public, there is an increased risk of fluctuations in the price of the relevant security and related derivative instruments. There are certain specific rules in the Securities Market Act that help established if a particular piece of insider information can be released or not.

Insider information can only be possessed by "insiders". As defined in the Securities Market Act, an insider is a member of the management of the issuer, a person who obtains access to insider information in discharge of his/her professional duties or a shareholder with over 10% stake in the issuer, as well as certain third persons such as friends and relatives who knowingly obtain insider information from the insider.

Insider information is usually regarded to be misused when used as a basis for transactions (or as a basis for advice to third parties) or disclosed to the public. The Estonian Securities Market Act establishes a number of administrative offences related to insider information that are punishable with fines of various gravity.

In addition to administrative liability as outlined above, criminal liability is stipulated under the Estonian Penal Code for certain offenses in the field of securities trading. In particular, (i) the acquisition or disposal of a financial instrument made on the basis of inside information (or the advise to do so), as well as (ii) market manipulation (defined as transactions, transaction orders or information aimed at or potentially capable of misleading investors with the purpose of influencing the price of a financial instrument) by a person holding shares in the relevant issuer or being an employee or an official of the relevant issuer is punishable by a monetary penalty or up to three years in prison.

In order to reduce the risk of the abuse of insider information, each issuer whose shares are listed on the Stock Exchange is required to establish internal information rules, extending to individuals who are related to the issuer. The connection can be directly through the issuer, through its subsidiary, or through its parent undertaking.

Members of the management, officials of the company, or individuals related to them are forbidden from using insider information for their personal benefit. It is illegal to take advantage of short-term price changes and trade during time periods when trading is not accessible to other members of the market. Exclusions to these rules can only be made by the Listing and Supervisory Committee of the Tallinn Stock Exchange.

Since the Tallinn Stock Exchange has complete control over the Estonian stock market, the ECRS must provide it with information about all the trades taking place on the market. Besides guaranteeing the secure functioning of the market, this also helps detect and avoid illegal trading on the basis of insider information.

Obligatory Takeover Bid

An obligatory takeover bid must be made by a shareholder who, acting alone or in concert with others, gains dominant control over a company whose shares are listed on the Tallinn Stock Exchange.

According to the law, dominant control is obtained when a person: (i) owns over 50% of the votes represented by shares; or (ii) as a shareholder of the company, has the right to assign or recall a majority of the Management Board

or Council of the company; or (iii) as a shareholder of the company, controls at least 50% of the votes represented by shares on the basis of an agreement entered into with other shareholders.

A person acquiring dominant control over a listed company has to make a mandatory takeover bid for all the outstanding shares of the company within 20 days. The Estonian Financial Supervision Authority can make exceptions to the above rule only in special cases.

Antitrust Provisions

Under Estonian law, a merger is deemed to arise where previously independent undertakings merge or parts of undertakings are merged or where an undertaking acquires control of the whole or a part of another undertaking, or of several undertakings or parts thereof, also where undertakings jointly acquire control of the whole or a part of another undertaking, or of several undertakings or parts thereof.

Further, a merger is deemed to arise where a natural person already controlling at least one undertaking acquires control of the whole or a part of another undertaking, or of several undertakings or parts thereof or where several natural persons already controlling at least one undertaking jointly acquire control of the whole or a part of another undertaking, or of several undertakings or parts thereof.

A merger will be subject to control in Estonia by the Competition Board if, during the previous financial year, the aggregate turnover in Estonia of the parties to the merger exceeded EEK 100 million (EUR 6.4 million) and the aggregate turnover in Estonia of each of at least two parties to the merger exceeded EEK 30 million (EUR 1.9 million). However, a merger is not subject to control by the Competition Board if the merger is subject to control pursuant to Council Regulation 139/2004/EC on the control of concentrations between undertakings, unless the European Commission appoints the Competition Board as the authority competent to exercise control over the concentration.

The Competition Board must be notified of a merger subject to control before the entry into force of the merger and after the conclusion of a merger agreement or the performance of a transaction or other act for acquisition of parts of the undertaking or after the performance of a transaction or other act for acquisition of control or after the performance of a transaction or other act for acquisition of joint control or after the announcement of a public bid for securities.

The Competition Board may be notified of a planned merger subject to control also before a transaction or act for such merger or acquisition of control is performed or a public bid is announced, if the parties to the merger prove their intention to perform such act or transaction or if, in the case of a public bid, the parties to the merger have publicly announced their intention to carry out such a bid.

Council Regulation on Concentration

The requirements regarding concentration control also arise from the Council Regulation on the control of a concentration of entrepreneurs. This regulation governs the so-called concentration with a Community dimension and therefore applies to entrepreneurs and their related parties, which exceed specific thresholds of sales of goods and services. The Council Regulation on the control of concentration of entrepreneurs applies only to such concentrations which result in a permanent change in the ownership structure of the enterprise. Concentrations with a Community dimension are subject to notification of the European Commission before they are executed.

Concentrations with a Community dimension are defined as those where either:

(i) the total global turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 5 billion; or

(ii) the total turnover in the European Community of each of at least two entrepreneurs taking part in the concentration amounts to more than EUR 250,000,000, unless each of the entrepreneurs taking part in the concentration achieves more than two-thirds of its total turnover in the European Community in the same member state.

Concentrations with a Community dimension are also defined as those where either:

(i) the total global turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 2,500,000,000; or

(ii) in each of at least three member states, the total turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000; or

(iii) in each of at least three member states, the total turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000, of which the total turnover of at least two entrepreneurs taking part in the concentration amounts to at least EUR 25,000,000; and

(iv) the total turnover in the European Community of each of at least two entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000, unless each of the entrepreneurs taking part in the concentration achieves more than two-thirds of its total turnover in the European Community in the same member state.

POLISH SECURITIES MARKET

Although Company registered office is in Estonia, and it is therefore a foreign entity governed by Estonian law, Polish legal considerations may also be relevant, especially with regard to the rights and obligations arising out of trading in the shares.

The information presented in this Section is provided for general background purposes only. Therefore, investors should obtain an opinion of their own legal advisor concerning the provisions of law related to acquisition, holding and disposal of Shares. Capital Market Regulation.

General

The principal legal Acts governing the Polish securities market are three Acts of 29 July 2005: the Act on Public Offerings ("Polish Act on Public Offerings"), the Act on Trading in Financial Instruments ("Polish Act on Trading in Financial Instruments"); and the Act on Capital Market Supervision. The operation of the WSE is also governed by the WSE Rules.

Furthermore, on 19 September 2006 the Act of 21 July 2006 on the Supervision of the Financial Market (excluding some regulations) came into force with the principal aim of centralising the supervision of the markets constituting the financial market. The new supervision covers the capital market, the insurance market and from 1 January 2008 will also cover the banking services market. The supervising authority is the Financial Supervision Commission which beginning from 19 September 2006 took over the competencies of the Polish Securities and Exchange Commission and the Insurance and Pension Funds Supervisory Commission and as of 1 January 2008 will also replace the Banking Supervision Commission.

Public Offering of Securities

Subject to the exceptions provided for in the Polish Act on Public Offerings, the public offering or the admission of securities to trading on a regulated market requires the drawing up of an issue prospectus, its approval by the Financial Supervision Commission and making it available to the public.

The contents and the manner of disclosure of the prospectus is governed by the Polish Act on Public Offerings and European Commission Regulation (EC) No. 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and Commission regarding information contained in prospectuses and the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

Drawing up, approving and making publicly available an issue prospectus is not required, inter alia, in the case of a public offering directed exclusively to qualified investors or solely to investors of whom each acquires securities with a value, calculated in accordance with the issue or sale price, of at least EUR 50,000 or the equivalent of this amount in PLN, determined by applying the average exchange rate for the EUR as published by the National Bank of Poland on the date of determining such price.

The liability for damage caused by public disclosure of untrue information or the omission of information that should have been included in the documents prepared and made available in connection with a public offering of securities or in connection with seeking admission to trading on a regulated market, rests with the issuer, the underwriter, the guarantor, or the selling shareholder, as well as the person who prepared such information or participated in the preparation thereof, unless these entities, or the persons they are responsible for, are not at fault. Persons preparing the summary which forms part of the issue prospectus, or persons preparing the translation of the prospectus, are only liable for damage caused in the event that such a summary or translation is misleadingly inaccurate or inconsistent when read with other parts of the prospectus. In addition, any person who publicly proposes the acquisition of securities without the statutorily required approval of an issue prospectus, without submitting a notification including an information memorandum or without making such a document available to the public or to interested investors, is subject to a fine or imprisonment.

If the issuer, the selling shareholder or any other entity participating in a public offering for or on behalf of the issuer or the selling shareholder, violates the law relating to public offerings in Poland, or where there is reasonable suspicion that such violation has occurred or may occur, the Financial Supervision Commission may order that the commencement of such public offering be withheld or that such public offering already underway be discontinued, in each case for a period of not more than ten business days, or may proscribe the commencement or continuation of the public offering.

The securities to be admitted to trading exist in dematerialized form as of the date of their registration under the agreement with the KDPW. The rights attached to the dematerialized securities arise as of the moment such securities are first registered in a securities account and inure to the benefit of the account holder. Under an agreement on the transfer of securities which have been admitted to public trading, such securities are transferred as of the moment the relevant entry is made in the securities account.

The Warsaw Stock Exchange (WSE)

As of the date hereof, the WSE, which resumed operations on 16 April 1991 after a 52-year suspension, is the only stock exchange in Poland. As at the end of April 2007, 17 securities houses, eight banks and 12 foreign entities were members of the WSE. As at the same date, the shares of 296 companies (12 foreign) and 34 investment funds, as well as 58 treasury and corporate bond issues were listed on the WSE and the total market capitalization, of listed companies was approximately PLN 765 billion.

Under current regulations, all transactions are on a delivery against payment basis, with the transfer of rights in securities occurring upon settlement on a T+3 basis. Each investor must hold a securities account and a cash account with a local broker or custodian, and each broker (except affiliated brokers) and custodian must hold a securities account in the KDPW and maintain a cash account with a clearing bank.

All securities offered in a public offering or admitted to trading on a regulated market exist in un-certificated (dematerialized) form only. Shareholders are supplied with depository receipts and account statements from the broker or custodian with whom they have an account.

According to the detailed provisions concerning settlement contained in the WSE Rules and in the rules of the KDPW, the KDPW is required to arrange, on the basis of contract notes submitted by WSE members, for the settlement of transactions executed between WSE members. In turn, WSE members co-ordinate settlement with the clients on whose account the transactions were executed.

Stock Exchange Trading Mechanisms

Trading sessions on the WSE are held regularly from Monday to Friday from 9:00 a.m. to 4:35 p.m. Warsaw time, unless the WSE management board decides otherwise. Quotations are made in a continuous trading system or in a single-price system with one or two auctions. In addition, for large blocks of securities, so-called block transactions outside of the public order book are possible.

Information as to price and trading volume, together with surpluses or reductions in sale and purchase orders and any specific rights (i.e. pre-emption or dividend rights) attached to the relevant securities, are published daily in the WSE Quotation, the official journal of the WSE, and are also available on the official website of the WSE at www.gpw.com.pl.

Continuous trading on the WSE starts with the announcement of the opening price and closes with the announcement of the closing price. The opening and closing prices are determined on the basis of brokers' orders, the types of which are determined by the management board of the WSE. In determining opening and closing prices, the following rules apply in order of priority:

(i) maximizing the value of turnover;

(ii) minimizing the difference between the number of securities in sell orders and buy orders, which may be executed at the determined price; and

(iii) minimizing the difference between the price being determined and the reference price.

Once announced, the opening (or closing) price is the price at which the transactions at the opening (or closing) are made.

In the continuous trading system, price fluctuations are restricted. Accordingly, within one trading day, the transaction price and the closing price may not increase or decrease by more than 10% with respect to shares compared to the closing price of the previous trading day. As a rule, in the case of market-balancing activities, the chairman of the session may change price variation limits. The maximum permissible variation, however, may not exceed 21% with respect to shares. If, during the determination of the opening (or closing) price, a divergent market occurs, the chairman of the session will announce the opening (or closing) of continuous trading and the price of the first transaction made in the continuous trading system session will be the opening price and the price of the last

transaction in the session will be the closing price. Orders awaiting execution are executed in the priority of their limit price and, where limit prices are equal, in the priority in which they have been accepted or displayed.

Off-session trading may be executed if certain safeguards set forth in the WSE Rules are followed. Off-session transactions (block transactions) are possible for larger blocks of securities, if at least one WSE member firm submits buy and sell orders for the same price, security and number of shares. A block transaction must be equal in value to at least:

(i) PLN 250,000 in respect of shares listed on the WSE main market and included in the Warsaw Stock Index - WIG 20 (index of the 20 most actively traded companies);

(ii) PLN 100,000 in respect of other shares traded in the continuous trading system on the WSE; or

(iii) PLN 20,000 in respect of shares traded in the single price system on the WSE.

The difference between the price of a security in a block transaction and its price from the trading session preceding the transaction date, cannot exceed 10%, if a block transaction is executed during the trading session on the WSE. When a block transaction is executed following the end of a trading session on the WSE, the price for securities in the block transaction cannot be more than 40% higher than a reference rate equal to the arithmetical average of the prices of all transactions in the relevant securities during the last trading session on the WSE and measured by the value and the volume of such transactions, unless the WSE management board agrees to waive these limits.

Securities commissions in Poland are not fixed by the WSE or other regulatory bodies, but depend on the size of the transaction and the securities house executing the transaction.

Insider Trading

The Polish Act on Trading in Financial Instruments defines “inside information” as any information of a precise nature, relating, directly or indirectly, to one or more issuers of financial instruments, or acquisitions or disposals of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

Anyone who gains confidential information by virtue of membership of the governing bodies of a company, by virtue of an interest in the share capital of the company, or as a result of having access to confidential information in connection with employment, or a mandate or any other contract or any legal relationship of a similar nature, is prohibited from using such information. Actions considered as a prohibited use of confidential information, include:

(i) acquiring or disposing of, for one’s own account or for the account of a third party, any of the issuer’s shares, derivative rights attached thereto or other financial instruments related to such shares;

(ii) recommending or inducing other persons to acquire or dispose of any financial instruments affected by the confidential information;

(iii) enabling or facilitating confidential information regarding one or more share issuers, or the issuer of any other financial instruments, to be obtained by an unauthorized person.

Under the Act on Trading in Financial Instruments, any person publicizing or using inside information in violation of the law, may be guilty of an offence punishable by imprisonment and/or a fine. The maximum fine that can be imposed will not exceed PLN 5,000,000; whereas the length of imprisonment depends on the type of violation and can range from one month to eight years.

The next restriction introduced under the Polish Act on Trading in Financial Instruments concerns only insiders who, during the restricted period, may not acquire or dispose of financial instruments, for their own account or for the account of a third party. The restricted periods are defined as: (i) the period between a primary insider gaining inside information concerning the issuer of the financial instruments and the time such information is made public; (ii) in the case of an annual report – a period of two months preceding the publication of such report, or if shorter, the period between the end of the given financial year and the publication of such report; (iii) in the case of a semi-annual report - a period of one month preceding the publication of such report, or if shorter, the period between the end of the given half-year and the publication of such report; (iv) in the case of a quarterly report - a period of between the end of two weeks preceding the publication of such report, or if shorter, the period between the end of the given quarter and the publication of such report.

If an insider violates the prohibition during the restricted periods, the Polish Securities and Exchange Commission may impose a pecuniary penalty of up to PLN 200,000 on such person by way of a decision.

In addition, pursuant to Art. 160 of the Act on Trading in Financial Instruments, persons who are members of the issuer's management or supervisory bodies or who are issuer's proxies, as well as persons who hold management posts in the organisational structure of the issuer and have access to inside information of the issuer are obligated to notify the Financial Supervision Commission and the issuer of any transactions executed by them for their own account, whereby they acquire or dispose of any issuer shares or financial instruments related to the issuer shares. This obligation also applies to transactions by related persons of the persons specified above, as set forth in Art. 160, paragraph 2 of the Act on Trading in Financial Instruments. Any violation of the requirements provided for in Art 160 of the Act on Trading in Financial Instruments is subject to a pecuniary penalty of up to PLN 100,000.

Disclosure Requirements

An issuer whose securities are sought to be admitted to trading on a regulated market, or are admitted to trading on such a market, should simultaneously provide the following information to the Polish Financial Supervision Commission and to the WSE and, 20 minutes thereafter, also make it available to the public inside information (as defined above). In addition, under the Regulation of the Minister of Finance of Poland, dated 19 October 2005, on current and interim information to be disclosed by issuers of securities (Dz. U. of 2005, No 209, item 1774, as amended) the Company will be obliged to discharge its duties to publish current and interim information through providing in the manner described above information published on Tallinn Stock Exchange in accordance with the relevant Estonian provisions of Law.

Acquisitions and Disposals of Substantial Blocks of Shares

Requirement to Notify the Polish Financial Supervision Commission

In accordance with Art. 69, paragraph 1 of the Act on Public Offerings, anyone who:

(i) has reached or exceeded the threshold of 5%, 10%, 20%, 25%, 33%, 50% or 75% of the total vote in a public company; or

(ii) holds at least 5%, 10%, 20%, 25%, 33%, 50% or 75% of the total vote in such a company and, as a result of reducing this share, holds respectively 5%, 10%, 20%, 25%, 33%, 50% or 75% or less of the total vote,

is obliged to notify the Financial Supervision Commission within four days of the date of change in the share of the total vote or from the date on which such person learned of such a change or could have learned of this had such a person applied due care.

According to Art. 69, paragraph 2 of the Act on Public Offerings, the duty to notify the Polish Financial Supervision Commission and the relevant publicly traded company also applies if the shares of a company traded on the official exchange market representing at least 2% of the total vote at a shareholders' meeting are purchased or sold by any shareholder who already owns shares representing more than 10% of the total vote at a general meeting. The duty to notify the Polish Financial Supervision Commission and the relevant publicly traded company arises also in the event when any person who holds shares representing more than 33% of the total vote at a general meeting purchases or sells shares of this public company representing at least 1% of the total vote at a general meeting.

Tender Offer

Pursuant to Art. 72 of the Polish Act on Public Offerings, any acquisition of such a quantity of shares in a public company that results in an increase in the proportion of the total vote by more than:

(i) 10% of the total vote in a period of less than 60 days by an entity, whose share of the total vote in this company is less than 33%;

(ii) 5% of the total vote in a period of less than 12 months by a shareholder, whose share in the total vote in this company amounts to at least 33%,

may only take place through the announcement of a tender offer to subscribe for the sale or conversion of these shares.

Pursuant to Art. 73 of the Polish Act on Public Offerings, 33% of the total vote in a public company may only be exceeded as a result of a tender offer to acquire or exchange shares in such a company, concerning a number of

shares which confers the right to at least 66% of the total vote, unless the 33% threshold is to be exceeded as a result of a tender offer referred to in Art. 74 of the Polish Act on Public Offerings.

Pursuant to Art. 74, paragraph 1 of the Polish Act on Public Offerings, 66% of the total vote in a public company may only be exceeded as a result of a tender offer to acquire or exchange the remaining shares in this company.

Pursuant to Art. 75, paragraph 4 of the Polish Act on Public Offerings, shares encumbered with a pledge may not be traded until the pledge expires, with the exception of the case in which these shares are purchased in performance of an agreement on the creation of financial collateral, as defined by the Act on Certain Types of Financial Collateral.

In accordance with Art. 77 of the Polish Act on Public Offerings, a tender offer may only be announced after the creation of collateral by the person making the tender offer for not less than 100% of the value of the shares covered by the tender. The collateral should be documented with a certificate from the bank or other financial institution which granted, or intermediated in the granting of, the collateral. The tender offer is announced and carried out through the agency of an entity conducting securities activities in the territory of Poland, which is obliged – within seven working days before the opening of the subscription period – to simultaneously notify the Financial Supervision Commission and the company managing the regulated market on which the given shares are quoted, of the intention to announce the tender offer. A tender offer may not be abandoned, unless another entity announces a tender offer for the same shares after the first tender is announced. A tender offer for the remaining shares in a given company may be abandoned only if another entity announces a tender offer for the remaining shares in the company at a price not lower than the price of the first tender offer.

Squeeze-out

In accordance with Art. 82 of the Polish Act on Public Offerings, a shareholder in a public company, who independently or jointly with its subsidiaries, parent entities, or entities with which the shareholder has concluded the agreement referred to in Art. 87, paragraph 1.5 of the Polish Act on Public Offerings (i.e. a written or verbal understanding on the acquisition of shares in the public company by the entities that are parties to this understanding or on consistent voting at the general meeting on matters of importance to the company), has reached or exceeded 90% of the total vote in this company, is entitled to the right to demand the sale of all shares held by the remaining shareholders (mandatory buyout). The acquisition of shares in a mandatory buyout does not require the consent of the shareholder to whom the demand is addressed. An announced mandatory buyout may not be abandoned.

Sell-out

In accordance with Art. 83 of the Polish Act on Public Offerings, a shareholder in a public company may demand that his shares be acquired by another shareholder who has reached or exceeded 90% of the total vote in this company. The shareholder that has reached or exceeded 90% of the total vote, as well as its subsidiaries and parent entities, are jointly and severally obliged to respond to this demand within 30 days of the date of its submission. The obligation to acquire the shares from the shareholder rests jointly and severally on every party to the agreement referred to in Art. 87, paragraph 1.5 of the Polish Act on Public Offerings, if the parties to the agreement jointly hold, together with their parent entities and subsidiaries, at least 90% of the total vote.

Entities Subject to the Obligations Related to Holding Substantial Blocks of Shares

In accordance with Art. 87 of the Polish Act on Public Offerings, the obligations specified in the regulations on significant blocks of shares rest:

(i) on the entity that reached or exceeded the threshold of the total vote specified in the Polish Act on Public Offerings in connection with: (a) the occurrence of a legal event other than a legal action; (b) the acquisition or disposal of bonds convertible into a public company's shares or deposit receipts issued in connection with the shares of such a company, or other securities conferring the right or obligation to acquire shares in the company; or (c) obtaining the status of a parent entity of an incorporated company or another legal person holding a public company's shares or of a different incorporated company or a different legal person which is the parent entity of the public company, or the occurrence of another legal event related to the subsidiary;

(ii) on an investment fund – also in the event that a given threshold of the total vote specified in these regulations is reached or exceeded in connection with shares held jointly by other investment funds managed by the same management company or other investment funds established outside of the territory of Poland but managed by the same company;

(iii) on the entity who reaches or exceeds the given threshold of the total vote specified in these regulations in connection with shares held: (a) by a third party on its own behalf, but upon the instruction of or for the benefit of the entity, except shares acquired in performance of the actions referred to in Art. 69, paragraph 2.2 of the Act on Trading in Financial Instruments; (b) in performance of the actions referred to in Art. 69, paragraph 2.4 of the Act on Trading in Financial Instruments – with regard to the shares in a managed securities portfolios under which this entity, as the portfolio manager, may exercise voting rights at the general meeting on behalf of its principals; (c) by a third party with which this entity entered into an agreement concerning the transfer of the right to exercise voting rights;

(iv) on an entity conducting securities activities in the territory of Poland, which in its capacity as a representative of security holders in relations with issuers of such securities, exercises upon instruction by a third party the voting rights in a public company, unless the third party provided a binding instruction on how the entity is to vote;

(v) jointly on all entities bound by a written or oral agreement on the acquisition of shares in a public company or on their consistent voting at the general meeting regarding issues material to the company, even if only one of these entities has taken or has intended to take actions giving rise to such obligations; and

(vi) on entities that enter into such an agreement as referred to in the previous paragraph, holding shares in a public company whose aggregate number confers the right to such a number of votes which results in reaching or exceeding a given threshold as specified in these regulations.

In the cases referred to in the last two sub-paragraphs, the obligations specified in the regulations on substantial blocks of shares may be performed by one of the parties to the agreement, as specified by the parties thereto.

The obligations specified in the regulations on substantial blocks of shares also arise if the voting rights are attached to:

(i) securities comprising collateral; this does not apply to situations in which the entity for the benefit of which the collateral was established, has the right to exercise voting rights and declares its intention to exercise that right - in such case the voting rights are deemed to be held by the entity for the benefit of which the collateral was established;

(ii) shares which confer the voting rights on a given entity personally and for life; or

(iii) securities deposited or registered with an entity which may dispose of them at its own discretion.

In accordance with Art. 88 of the Polish Act on Public Offerings, bonds that are convertible into a public company's shares and deposit notes issued in connection with such a company's shares are considered securities, to which such a share of the total number of votes as the holder of these securities may achieve as a result of the conversion into shares is related. This applies respectively to other securities, from which the right or duty to acquire shares in a public company arises.

According to Art. 89, paragraph 1 of the Polish Act on Public Offerings, the shareholder may not exercise voting rights conferred by:

(i) shares of a public company which are the subject of a legal action or other legal events resulting in the given threshold of the total vote being reached or exceeded if this threshold is reached or exceeded in breach of the obligations to notify the Financial Supervision Commission, to dispose of the shares or to announce the tender offer specified respectively in Art. 69, Art. 72, paragraph 1 or Art. 73, paragraph 1 of the Polish Act on Public Offerings;

(ii) all the shares in a public company, if the threshold of 66% of the total vote is exceeded in breach of the obligations to announce the tender offer specified in Art. 74, paragraph 1 of the Polish Act on Public Offerings; and

(iii) the shares in a public company acquired as part of the tender offer at a price set in breach of the duty to propose a so-called fair price per share in the call as specified in Art. 79 of the Polish Act on Public Offerings.

Subject to the provisions of other acts, voting rights in a public company exercised in breach of the above restriction are not counted when establishing the result of a vote on a resolution of the general meeting.

TERMS AND CONDITIONS OF THE OFFERING

General

The Principal Shareholder is offering up to 6,221,338 (six million, two hundred and twenty-one thousand, three hundred and thirty-eight) ordinary shares (the "**Offer Shares**") for sale in: (i) a public offering directed to Institutional Investors in Poland (the "**Public Offering**"); and (ii) a private placement to selected Institutional Investors outside of the United States in certain EU member states other than Poland in compliance with Regulation S under the U.S. Securities Act of 1933, as amended (the "**Private Placement**" and jointly with the Public Offering, the "**Offering**"). For further information on the selling restrictions, please refer to the Section titled "*Selling Restrictions*".

In connection with and immediately after the Offering, the Company will issue up to 2,052,802 (two million, fifty-two thousand, eight hundred and two) new shares (the "**New Shares**") to the Principal Shareholder at an issue price equal to the price per share at which the Offer Shares will be sold in the Offering less the underwriting commissions. The issue price for the New Shares will be paid by the Selling Shareholder from the proceeds of the Offering.

Eligible Investors

The Offering is addressed to Institutional Investors in Poland and to selected Institutional Investors in certain EU member states.

Only such prospective Institutional Investors will be eligible to participate in the Offering who at or by the time of placing their orders (before the end of the Subscription Period) have opened securities accounts with entities of their choice which are licensed to provide such services within the territory of the Republic of Poland.

Selected Institutional Investors will be invited by the Lead Manager to participate in the book-building process (as detailed below).

Entities managing portfolios of securities on behalf of their clients should liaise with the Lead Manager in order to discuss actions required to place subscription orders for their clients.

Expected Timetable of the Offering

The Offering will be conducted pursuant to the following indicative timetable:

6 July – 11 July 2007	Book-building process among Institutional Investors
11 July 2007	Determination of the Offer Price and the final number of Offer Shares
12 July – 13 July 2007	Subscription Period
16 July 2007	Allotment Date
By 31 July 2007	Listing of the Offer Shares on the WSE

The Principal Shareholder, with the agreement of the Lead Manager and the Company, reserves the right to change the above timetable of the Offering, including the dates for accepting subscription orders. Information on timetable changes, if any, shall be published in the same manner as this Prospectus.

Investors who have already agreed to purchase or subscribe for shares before the publication of information on Offer Price and Final Number of Offer Shares have the right, exercisable within two working days after the publication of such information, to withdraw their acceptances.

Book-Building

Prior to the commencement of the Subscription Period, a book-building process will take place amongst Institutional Investors invited by the Managers during which such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the offer price at which they will be willing to subscribe for the Offer Shares.

Determination of the Offer Price

The Offer Price will be determined by the Principal Shareholder and the Company, with the agreement of the Lead Manager, following the completion of the book-building process among the Institutional Investors.

The Offer Price will be determined based on the following criteria and rules: (i) the current and anticipated situation on the Polish and international capital markets; (ii) the assessment of the growth prospects, risk factors and other information relating to the Company's activities as described in this Prospectus; and (iii) the book-building process.

The Offer Price will be expressed in PLN. The information on the final Offer Price will be announced in the same manner as this Prospectus has been published before the commencement of the Subscription Period.

Final Number of Offer Shares

The Principal Shareholder, with the agreement of the Lead Manager, may decide to reduce the final number of the Offer Shares based on the following terms and criteria: (i) the volume and quality of the demand for the Offer Shares from Institutional Investors, in particular international Institutional Investors, during the book-building process; (ii) the anticipated demand from various groups of investors during the period of the first 30 days from the date the Shares are listed on the WSE; and (iii) the current and anticipated situation on the Polish and international capital markets. The information on the final number of the Offer Shares will be published in the same manner as this Prospectus and through the information system of the Tallinn Stock Exchange.

Rules Governing Placing of Subscription Orders for Shares

Subscription orders from Institutional Investors will be accepted at the registered office of the Lead Manager (UniCredit CA IB Polska S.A., ul. Emilii Plater 53, Warsaw, Poland). For information on detailed rules governing the placement of subscription orders, in particular: (i) the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor; and (ii) a possibility of placing orders and deposit instructions in a form other than the written form, Institutional Investors should contact the Lead Manager.

Investors have the right to place multiple subscription orders, provided the aggregate number of the Offer Shares subscribed for by one investor is not greater than the total number of Offer Shares. Subscription orders for a total number of Shares greater than the number of the Offer Shares shall be considered to be orders for all of the Offer Shares. The subscription order placed by an investor must be given for at least one Offer Share.

Subscription orders must be placed on subscription forms made available at the securities houses accepting orders for Shares or through fax, telephone or other electronic means of communication if the security house accepting subscription orders provides for such possibility and in compliance with the terms and conditions set down for such placement.

By placing subscription orders, each of the prospective investors will be deemed to have read the Prospectus, accepted the terms of the Offering, consented to being allotted a lower number of Offer Shares than the number specified in such investor's subscription orders, or to not being allotted any Offer Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

Subscription orders from Institutional Investors will be accepted only from prospective investors who at or by the time of placing their orders (before the end of the Subscription Period), will have opened securities accounts with entities of their choice, which are licensed to provide such services within the territory of the Republic of Poland.

Rules Governing Payment for Shares

Institutional Investors placing subscription orders should pay for Offer Shares no later than by the end of the relevant Subscription Period. If an order is not paid up in full, it shall be valid for the number of Offer Shares corresponding to the amount paid by the investor, ignoring fractional entitlements. Payments should be transferred to such account as indicated by the investment firm accepting the subscription order for the Shares.

Allotment of Shares

The total number of Offer Shares allotted to the Institutional Investors will be determined by the Lead Manager, at its discretion, subject to the Principal Shareholder's consent. The minimum allotment in the Offering will be one Share, regardless of how many Shares were ordered and through whom the subscription order has been placed (without prejudice to the possibility of the Lead Manager allocating no Shares at all to certain investors participating in the Offering).

The final number of the Shares to be allotted to Institutional Investors shall be published, following the completion of the Subscription Period, in the same manner as this Prospectus.

The final allotment of the Offer Shares is expected to take place on or about 16 July 2007 (the "**Allotment Date**"). No preferential treatment shall be given to, and there will be no discrimination against, any investors or groups of investors participating in the Offering.

Offer Shares shall be allotted to Institutional Investors participating in the Offering, subject to the full payment for the Shares they subscribed for in accordance with the provisions set forth in this Prospectus, in the first instance to those Institutional Investors who have been invited by the Lead Manager to participate in the book-building and will be included in the allotment list prepared by the Principal Shareholder, based upon the recommendation and with the agreement of the Lead Manager. The allocation of Offer Shares to particular Institutional Investors participating in the Offering will be determined by the Lead Manager, at its discretion, subject to the consent of the Principal Shareholder.

Institutional Investors participating in the Offering will be notified about their allocations of Offer Shares by the Lead Manager.

All Offer Shares will be delivered to investors at the same time by way of registration of such Shares in their securities accounts through the facilities of the KDPW.

Dilution

Assuming that all of the Offer Shares are sold as a result of the Offering and all of the New Shares are subscribed for by the Principal Shareholder, following the Offering companies controlled by Indrek Rahumaa (including the Principal Shareholder, SIA Alta Capital Partners and OÜ Investeerimisvabrik) will hold approximately 59.29% of the share capital of the Company and the overall number of votes at the General Meeting (including the Shares set aside to satisfy the afore-mentioned management option).

The shareholding of such shareholders of the Company who held the Company's Shares immediately prior to the Offering will be diluted as a result of the issuance of the New Shares to not more than 94.87% of their original shareholding.

Settlement

The registration of the Shares in investors' securities accounts in their securities houses or custodian banks shall be made through the KDPW once the Shares have been admitted to trading on the WSE on or around the Allotment Date.

Abandonment of the Offering

The Principal Shareholder may abandon the Offering or any part thereof at any time before the beginning of the Subscription Period, without disclosing any reason for doing so.

The Principal Shareholder may also cancel the Offering or any part thereof at any time after the opening of the Subscription Period if proceeding with the Offering is considered impracticable or inadvisable. Such reasons may include, but are not limited to: (i) a general suspension or material limitation in trading in securities on the WSE; (ii) sudden and material adverse change in the economic or political situation in Poland, Estonia and any other jurisdictions in which the Group operates or worldwide; (iii) a material loss or interference with the Group's business; (iv) the insufficiency, in the opinion of the Company, the Principal Shareholder or the Lead Manager of the expected free float of the Shares on the WSE or the Tallinn Stock Exchange; or (v) any change or development in or affecting the general affairs, management, financial position, shareholder equity or results of the Company's operations or the operations of its subsidiaries in a material adverse way. In such event, subscription orders for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation, net of transfer costs.

Listing of Shares

The Shares are dematerialised and will be registered with the KDPW. An application will be made to the WSE for the admission of all of the Company's Shares, including the Offer Shares and the New Shares for listing on the main market in the continuous trading system. Trading in the Offer Shares and other existing Shares on the WSE is expected to commence by 31 July 2007.

In connection with the issue of New Shares the Company will apply for the listing of all such New Shares on the Main List of the Tallinn Stock Exchange. The listing of the New Shares on the Main List of the Tallinn Stock Exchange is expected in parallel with the listing on the WSE. Trading in the New Shares is expected to commence in the middle of August 2007.

Offeror

The Company and the Principal Shareholders have appointed the Lead Manager (i.e. UniCredit CA IB Polska S.A.) to act as the intermediary with respect to the Offer Shares for the purposes of the Offering and the admission of the Shares (including the New Shares) to trading on the main market of the WSE.

UNDERWRITING

Underwriting Agreement

The Selling Shareholders, the Issuer and the Lead Manager, Bank Austria Creditanstalt AG (the "BACA", together with the Lead Manager, "CA IB") and Suprema Securities AS ("Suprema Securities" together with BACA "the Underwriters") will enter into an underwriting agreement ("Underwriting Agreement") pursuant to which the Underwriter will commit to acquire those Offer Shares (or cause that other undertakings acquire such Offer Shares) that fail to be acquired by the Eligible Investors recommended by Lead Manager. The Managers have each severally, but not jointly, agreed to subscribe and pay for, or procure the purchase of, the Offer Shares at the Offer Price per Offer Share as follows:

Manager	**Percentage of Offer Shares**
Bank Austria Creditanstalt AG	up to 80%
Suprema Securities AS	up to 20%
Total	100%

The Managers will be entitled to a commission consisting of a selling fee, an underwriting fee and a management fee based on the percentage of the gross revenue from the sale of the Offer Shares (the charge will depend on the final number of Offer Shares and the Offer Price). The Underwriter's obligation will be conditional upon, inter alia, the conclusion of a price annex to the Underwriting Agreement on the day of determination of the Offer Price ("**Price Annex**"). The number of Offer Shares subject to the underwriting obligation will be specified in the Price Annex. The Selling Shareholders the Company will commit to indemnify CA IB and Suprema Securities and other specific persons and hold them harmless against any liability or performance in connection with specific duties. The Company and the Selling Shareholder will reimburse CAIB and Suprema Securities from certain costs.

Lock-Up Agreements

The Company and the Principal Shareholder have each undertaken that without the consent of the Lead Manager, for a period of 180 days after the Settlement Date they will not, and will procure that none of their related persons or persons acting on their behalf, will: (a) offer, sell, contract to sell, charge assign, issue options or warrants in respect of, grant any option to purchase or otherwise dispose of, directly or indirectly, any Shares (or any other securities convertible into or exchangeable for Shares or which carry rights to subscribe for or purchase Shares); (b) enter into any transaction (including a derivative transaction) having an effect on the market in the Shares similar to that of a sale of Shares; (c) deposit any Shares (or any other securities convertible into or exchangeable for Shares or which carry rights to subscribe for or purchase Shares) into any depository receipt facility; or (d) publicly announce any intention to do any of the above.

Other Relationships

The Lead Manager and its respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Company and the Principal Shareholder and any of their respective affiliates. The Lead Manager and its respective affiliates have received and may in the future receive customary fees and commissions for these transactions and services.

SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction other than Poland or Estonia that would permit a public offering of the Offer Shares or the possession, circulation or distribution of this Prospectus or any other information relating to the Company or the Offer Shares in any other jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in any form or in any country except under circumstances that will result in compliance of such actions with any applicable laws, rules and regulations of any such country or jurisdiction.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority in the United States, will not be offered, sold or otherwise transferred within the United States or to any US Person (as definied under Regulation S). The Offer Shares are being offered and sold only outside the United States in reliance on Regulation S.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State") with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") the Offer Shares will not be offered to the public in that Relevant Member State prior to the publication of a Prospectus in relation to the Offer Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that the Offer Shares may, with effect from and including the Relevant Implementation Date, be offered to the public in that Relevant Member State at any time:

(i) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(ii) to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than EUR 43,000,000; and (c) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or

(iii) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of the offer shares to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offer Shares. The meaning of this term may vary in the Member States depending on the implementing measures of the provisions of the Prospectus Directive.

AUDITORS AND LEGAL MATTERS

In accordance with the resolutions of the General Meeting dated 29 June 2004 and 29 June 2005, the appointed auditors of the Company respectively for the financial years 2004 and 2005 were AS PricewaterhouseCoopers.

In accordance with a resolution of the Extraordinary General Meeting dated 5 September 2006, the auditors of the Company for the financial year 2006 are **KPMG Baltics AS** (register code 10096082, Narva mnt 5, 10117 Tallinn, Estonia). The decision to change the auditors was due to the acquisition of Silvano Group by the Company, as KPMG Baltics AS has been auditing financial statements of Silvano Group. KPMG Baltics AS is a member of the Estonian Auditing Board and is entered into the list of auditors maintained by the latter in accordance with the Auditing Activities Act.

The change of the auditors of the Company from AS PricewaterhouseCoopers to KPMG Baltics AS that took place in 2006 is related to the fact that KPMG Baltics AS acted as the auditors for the Silvano Group and as such were in the opinion of the Management were better positioned to conduct the audit of the entire Group following the acquisition of Silvano by the Company.

The principal legal advisors to the Company in Estonia are **AS Advokaadibüroo Lepik & Luhaäär LAWIN**, at the following address: Dunkri 7, Tallinn 10123, Estonia.

FINANCIAL STATEMENTS

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COMPANY

PTA Grupp AS

(name change to AS Silvano Fashion Group pending)

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fax. + 372 6710 709

PRINCIPAL SHAREHOLDER

Alta Capital Partners S.C.A.,

69 route d'Esch, L-1470 Luxembourg

LEAD MANAGER AND BOOKRUNNER

UniCredit CA IB Polska S.A.,

ul. Emilii Plater 53, Warsaw, Poland

CO-MANAGER

AS Suprema Securities,

Tartu mnt. 2, 10145, Tallinn, Estonia

LEGAL ADVISERS

To the Company as to Estonian Law

AS Advokaadibüroo Lepik & Luhaäär LAWIN
Dunkri 7, Tallinn 10123, Estonia.

To the Lead Manager as to Polish law

Weil, Gotshal & Manges - Pawel Rymarz Sp. kom.
ul. Emilii Plater 53, 00-113 Warsaw, Poland

AUDITOR

KPMG Baltics As

Narva mnt 5, 10117 Tallinn, Estonia