

AS Silvano Fashion Group



Consolidated interim report for Q3 and 9 months of 2008

COMPANY PROFILE

Business name	AS Silvano Fashion Group
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Website	www.silvanofashion.com
Core activities	Design, manufacturing and distribution of women's apparel and lingerie
Auditor	KPMG Baltics AS

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Management Report

Business results

AS Silvano Fashion Group and its subsidiaries (respectively “SFG” or the “Company” and the “Group”) continued retail expansion in the nine months of 2008, opening 26 new shops in different countries. The Group recorded growth in Russia and Ukraine, at the same time the weakening in consumer confidence in the Baltic countries has continued to have an effect on the Group’s results in the region. Economies of the Baltic countries still experience a slowdown. In the third quarter the slowdown in the growth of consumer demand in the Baltics was counterbalanced by growth in consumer demand in Russia and Belarus.

The Group’s revenue from manufacturing and wholesale operations is growing as compared to the relevant period in the previous year, with exception of Lauma Lingerie which is downsizing its production in Liepaja, Latvia, and shifting it to China and Belarus. The rapidly increasing proportion of retail revenue in the total revenue of the Group is having a negative effect on the profitability and respectively net profit and EBITDA numbers. However, at the same time retail operations in Russia, the major region for the retail expansion of the Group, are demonstrating a more than 50% growth in revenue year-on-year (for the shops with more than 1 year in operations). LFL (like-for-like) lingerie retail sales are also growing in Belarus, Lithuania and Poland. Apparel retail performance in the Baltic countries is lower compared to the previous year mainly due to the economic situation in the region. The drop in earnings is in line with the management’s budget for year 2008, being a temporary and inevitable consequence of the retail expansion.

PROFITS

AS Silvano Fashion Group ended the third quarter of 2008 with consolidated net sales of EEK 488.1 million (EUR 31.2 million), representing a 22.7% increase on the third quarter of 2007. The Group’s gross margin in the third quarter of 2008 reached 40.6% compared to 40.2% in the third quarter of 2007. Consolidated operating profit amounted to EEK 43.3 million (EUR 2.8 million), representing a 7.3% decline compared to operating profit of Q3 2007. The consolidated operating margin reached 8.9% (down from 11.8% in Q3 2007).

Consolidated net profit attributable to equity holders amounted to EEK 8.4 million (EUR 0.5 million), compared to EEK 16.5 million (EUR 1.1 million) in Q3 2007, and the net margin was 1.7% (down from 4.2% in Q3 2007).

Cumulative nine months’ sales of AS Silvano Fashion Group amounted to EEK 1,402.6 million (EUR 89.6 million), showing 19.2% increase compared to 9M 2007. The Group’s gross and operating margins in the nine months of 2008 stood at 42.6% and 11.3% respectively (42.6% and 16.9% (normalised¹) in 9M 2007). Operating profit in the nine months of 2008 amounted to EEK 158.6 million (EUR 10.1 million) compared to normalised EEK 198.4 million (EUR 12.7 million) in 9M 2007¹. In the nine months of year 2008, the Group earned a net profit of EEK 40.6 million (EUR 2.6 million), representing a 55.2% decline compared to the nine months of 2007¹, and net margin reached 2.9% (7.7% in 9M 2007¹).

In the nine months of 2008, the Group’s return on equity was 5.3% (down from 15.2% (normalised¹) in the nine months of 2007) and return on assets was 3.5% (down from 9.5% (normalised¹) in the nine months of 2007).

The substantial increase in sales and the decline in profitability compared to the nine months of 2007 are a function of the rapid expansion of the Group’s retail network (as detailed below), and continues to be in line with the management’s expectations.

BALANCE SHEET

At 30 September 2008, consolidated assets amounted to EEK 1,263.5 million (EUR 80.8 million), up from EEK 1,089.6 million (EUR 69.6 million) at 31 December 2007. The increases in both assets and liabilities are related mainly to retail expansion.

Trade receivables have increased by EEK 44.3 million (EUR 2.8 million).

Inventories increased by EEK 41.2 million (EUR 2.6 million) to reach EEK 378.8 million (EUR 24.2 million) at 30 September 2008. The growth in inventory results primarily from the retail expansion. Due to the expansion of the retail network, the Group made rental prepayments and deposits for store premises, which increased other receivables and prepayments.

Property, plant and intangibles increased by EEK 63.8 million (EUR 4.1 million).

¹ Excluding one-off gain from business combination in the 9 months of 2007 in the amount of EEK 72.2 million (EUR 4.6 million).

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Current liabilities increased by EEK 65.6 million (EUR 4.2 million). Tax liabilities, other payables, including payables to employees, and provisions amounted to EEK 87.8 million (EUR 5.6 million), remaining at the expected level.

Current and non-current loans and borrowings increased by EEK 41.0 million (EUR 2.6 million) to EEK 70.2 million (EUR 4.5 million). This includes finance lease liabilities of EEK 5.9 million (EUR 0.4 million.)

Equity attributable to equity holders increased by EEK 64.3 million (EUR 4.1 million) to reach EEK 798.0 million (EUR 51.0 million).

SALES

Sales by business segments

	9 months 2008 EEK million	9 months 2007 EEK million	Change EEK million	9 months 2008 EUR million	9 months 2007 EUR million	Change EUR million	9 months 2008 percentage from sales	9 months 2007 percentage from sales
Women's apparel	146.3	107.5	38.8	9.3	6.9	2.4	10.4%	9.1%
Lingerie	1,207.9	1,044.1	163.8	77.2	66.7	10.5	86.1%	88.7%
Subcontracting services and other sales	48.4	25.5	22.9	3.1	1.6	1.5	3.5%	2.2%
Total	1,402.6	1,177.1	225.5	89.6	75.2	14.4	100.00%	100.00%

Sales by markets

In the nine months of 2008, the Group mainly focused on Russia, Belarus and Ukraine markets.

Total sales by markets

	9 months 2008 EEK million	9 months 2007 EEK million	Change EEK million	9 months 2008 EUR million	9 months 2007 EUR million	Change EUR million	9 months 2008 percentage from sales	9 months 2007 percentage from sales
Estonia	114.1	126.8	-12.7	7.3	8.1	-0.8	8.1%	10.8%
Finland	28.3	39.2	-10.9	1.8	2.5	-0.7	2.0%	3.3%
Latvia	36.5	37.3	-0.8	2.3	2.4	-0.1	2.6%	3.2%
Belarus	267.7	217.9	49.8	17.1	13.9	3.2	19.1%	18.5%
Ukraine	112.4	72.9	39.5	7.2	4.7	2.5	8.0%	6.2%
Russia	727.1	571.0	156.1	46.5	36.5	10.0	51.9%	48.5%
Other markets	116.5	112.0	4.5	7.4	7.1	0.3	8.3%	9.5%
Total	1,402.6	1,177.1	225.5	89.6	75.2	14.4	100.00%	100.0%

Women's apparel

The main driver of growth for women's apparel sales was the expansion of the PTA retail chain. In the nine months of 2008 retail sales were 87.9% from the total revenue of the women's apparel segment (9M 2007: 73.3%). Sales volume in the Baltics decreased by 0.7%, amounting to EEK 68.6 million (EUR 4.4 million). Sales revenue in Russia was EEK 46.0 million (EUR 2.9 million) giving 4.6 times growth to 9M 2007 and in Ukraine EEK 15.3 million (EUR 0.9 million).

Lingerie

The majority of lingerie sales revenue in the nine months of 2008 was earned on the Russian market, amounting to EEK 670.8 million (EUR 42.9 million), accounting for 55.5% of all lingerie sales volume for the nine months of 2008, compared to 9M 2007: EEK 571.0 million (EUR 36.5 million). Sales in Russia comprise both retail sales and wholesale. The second biggest region of lingerie sales is Belarus, amounting to EEK 263.3 million (EUR 16.8 million), contributing 21.8% of all lingerie sales revenue (also comprising both retail sales and wholesale) compare to 9M 2007: EEK 217.9 million (EUR 13.9 million). Similarly to the women's apparel segment, the Baltic sales of lingerie were affected by the economic slowdown (and significantly higher inflation) in the region, which continues to have an effect on consumer spending.

In terms of lingerie brands, the sales of "Milavitsa" core brand accounted for 76.2% of total lingerie sales revenue in the nine months of 2008 (9M 2007: 76.0%) and amounted to EEK 779.0 million (EUR 49.8 million). The sales

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of “Lauma” core brand accounted for 7.0% of total lingerie sales (9M 2007 : 5.6 %) and amounted to EEK 72.0 million (EUR 4.6 million). Other brands such as “Alisee”, “Aveline”, “Laumelle”, “Lauma Aqua” and “Laumelle Aqua” comprised 16.8% of total lingerie sales in 9M 2008 (9M 2007: 18.4%), amounting to EEK 171.9 million (EUR 11.0 million).

Retail operations

Total retail sales of the Group in the nine months of 2008 amounted to EEK 352.5 million (EUR 22.5 million), representing a 75.5% increase on the nine months of 2007.

Retail operations were conducted in Estonia, Latvia, Russia, Belarus, Poland, Lithuania and Ukraine. At the end of September 2008, the Group operated 136 retail outlets with a total area of 15,014 square metres.

Women’s apparel was retailed in Estonia, Latvia, Lithuania, Russia and Ukraine. At the end of September 2008, the Group operated 39 women’s apparel stores with a total sales area of 7,301 square metres.

Lingerie was retailed in Russia, Belarus, Latvia, Lithuania, Ukraine, Poland and Estonia. At the end of September 2008, the Group operated 97 lingerie stores with a total area of 7,713 square metres.

Within the nine months of 2008, 26 new stores were opened: 10 in the apparel business (operating under PTA brand name), including 3 in Ukraine, 6 in Russia and 1 in Estonia, and 16 stores in the lingerie business, including 8 under Oblicie name (6 in Russia, 1 in Ukraine and 1 in Estonia), 6 under Milavitsa name in Belarus, 1 store under Lauma Lingerie brand name in Latvia and 1 stock outlet in Estonia. Five underperforming stores were closed: 1 PTA store in Ukraine, 1 Oblicie store in Ukraine, 1 Milavitsa store in Belarus and 2 Splendo stores in Poland.

Number of stores at 30 September:

	30.09.2008	31.12.2007
Estonia	11	8
Latvia	7	6
Poland	8	10
Belarus	28	23
Russia	56	44
Lithuania	20	20
Ukraine	6	4
Total stores	136	115
Total sales area, sq m	15,014	12,454

In the nine months of 2008, women’s apparel retail revenue compared to the nine months of 2007 increased by 61.1%, amounting to EEK 133.6 million (EUR 8.5 million). The total like-for-like growth was a negative 3% mainly because of the drop of sales in the Baltics. The like-for-like growth in Russia was +49%, in Estonia -6% and in Latvia -6% in 9M 2008. Results in Baltics are influenced by overall macro economical situation and by the fact that the Baltic stores have already been in operation for long enough to be close to optimal capacity.

The like-for-like increase in the Oblicie lingerie retail chain in Russia is about 56% for stores operating longer than one year, continuing to offer strong evidence to the viability of the continuing expansion of the Group’s operations into the retail sector in its primary target markets. The major objective in the lingerie business continues to be retail expansion, mainly in Russia. By the end of the year, the Group also intends to open a few shops under the “Milavitsa” brand in Russia in order to capitalise on the brand awareness in the country.

Stores by concept

Market	PTA stores	Oblicie stores	Milavitsa stores	Other stores	Total	Sales area, sq m
Russia	17	39	-	-	56	6,320
Ukraine	5	1	-	-	6	873
Estonia	9	1	-	1	11	2,120
Latvia	4	-	-	3	7	1,196
Lithuania	4	-	-	16	20	1,626
Belarus	-	-	28	-	28	2,527
Poland	-	1	-	7	8	352
Total	39	42	28	27	136	15,014

Wholesale

In the nine months of 2008, wholesale amounted to EEK 1,001.7 million (EUR 64.0 million), representing 71.4% of the Group's total revenue (9M 2007: 80.8%). The main wholesale regions were Russia, Belarus, Ukraine and the Baltic States for lingerie, and Finland and the Baltic states for women's apparel. In the nine months of 2008, revenue from wholesale of women's apparel decreased by 66.7% compared to the nine months of 2007, amounting to EEK 14.0 million (EUR 0.9 million).

Lingerie wholesale in the nine months of 2008 increased by 8.7% compared to the nine months of 2007, amounting to EEK 987.7 million (EUR 63.1 million). Most of the lingerie wholesale partners are located in Russia.

Investment

In the nine months of 2008, the Group's investments totalled EEK 60.4 million (EUR 3.9 million). A total of EEK 24.2 million (EUR 1.5 million) was invested in retail operations, EEK 12.4 million (EUR 0.8 million) was invested in real estate for retail needs in Belarus, while other investments were made in equipment and facilities to maintain effective production.

Personnel

At the end of September 2008, the Group employed a staff of 4,079 including 885 in retail and 2,402 in production. The rest are employed in wholesale, administration and support operations. The average number of employees in the nine months of 2008 was 4,059.

The total salaries and wages for the nine months of 2008 amounted to EEK 259.9 million (EUR 16.6 million). The remuneration paid to members of the Management Board totalled EEK 4.4 million (EUR 0.3 million). Four members of the Management Board also serve as executives for the Group's subsidiaries.

Share Buyback Programme

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

On 6 October 2008, the management board of AS Silvano Fashion Group, acting under the authorization granted by the aforementioned general meeting of shareholders, decided to initiate the share buyback program. The buyback period started on 07.10.2008.

To date, the amount of shares bought back is 393 000, the average price per share is 1.15 EUR, the cost in total is 452,968 EUR.

After the transactions listed above, AS Silvano Fashion Group owns 393,000 of its own shares, which constitute 0.9825% of the share capital. Under the buyback program, shares up to the value of 2,547,032 million Euros remain to be bought back. The maximum amount of shares that remains to be bought back is 3,607,000.

The share buyback program is being implemented in accordance with the Commission Regulation (EC) No 2273/2003 of 22.12.2003, implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilization of financial instruments. The programme is managed by AS Hansapank, which buys back shares on behalf of AS Silvano Fashion Group. AS Hansapank carries out the buyback according to the regulations and within the framework of the programme, and makes its trading decisions independently of, and without influence by AS Silvano Fashion Group with regard to the timing of the purchases.

Merger of Subsidiaries

Two subsidiaries of SFG operating primarily on the Russian retail market - ZAO Linret ("Linret") and ZAO Stolichnaja Torgovaja Kompanija Milavitsa ("STK") have signed a merger agreement, as a result of which STK will be merged into Linret. The new entity will operate under the name of ZAO Milavitsa Linret and will combine the operations and resources of the two companies. ZAO Milavitsa Linret will be 49% owned by SFG directly and 51% by SP ZAO Milavitsa, a Belorussian subsidiary of SFG. The merger will be preceded by a sale of 51% of shares in Linret to STK.

The merger will contribute to the efficiency of SFG's Russian operations through decreased administrative expenses and better coordination between the previously independent sales structures.

Establishment of a new subsidiary in Estonia

SFG established a new subsidiary in Estonia under the name OÜ Linret EST. The share capital of the new subsidiary is EEK 40,000 (approximately EUR 2,556), 100% of which is held by SFG. The reason for establishing the new subsidiary is the structural development of SFG's retail network and the need for a clearer separation between retail and management functions within the group. The establishment of OÜ Linret EST will not have significant impact on the economic activities of SFG.

PTA introduces a new trademark

PTA Grupp AS, a subsidiary SFG, engaged in the retail and wholesale of women's apparel and lingerie has introduced a brand-new Avenue trademark. Avenue is a new collection aimed at wholesale clients, offering classical women's apparel, clothes with a contemporary cut, feminine and decorous models. In the Avenue collection designers have mainly focused on costumes – both everyday and more festive models. Goods bearing the Avenue trademark are going to be marketed in all Baltic states as well as in Russia, Ukraine and Belorussia. Goods bearing Avenue trademark will reach stores in the first half of 2009.

Selected financial data

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

Key figures and ratios	30.09.2008	30.09.2007	Change
Net sales (EEK million)	1,402.6	1,177.1	225.5
Net income, attributable to shareholders (EEK million)	40.6	162.8	-122.2
Earnings before interest, taxes and depreciation (EBITDA) (EEK million)	192.6	298.8	-106.2
Earnings before interest and taxes (EBIT) (EEK million)	158.6	270.6	-112.0
Net sales (EUR million)	89.6	75.2	14.4
Net income attributable to shareholders (EUR million)	2.6	10.4	-7.8
Earnings before interest, taxes and depreciation (EBITDA) (EUR million)	12.3	19.1	-6.8
Earnings before interest and taxes (EBIT) (EUR million)	10.1	17.3	-7.2
Operating margin, %	11.3%	23.0%	-
Net margin, %	2.9%	13.8%	-
ROA, %	3.5%	17.1%	-
ROE, %	5.3%	27.4%	-
Earnings per share (EPS), in EEK	1.01	4.23	-
Earnings per share (EPS), in EUR	0.07	0.27	-
Current ratio	3.2	3.5	-
Quick ratio	1.8	2.1	-

Underlying formulas:

Operating margin = operating profit / sales revenue

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

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

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

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

Current ratio = current assets / current liabilities

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



Dmitry Ditchkovsky
Chairman of the Management Board

General information and approval of the management board for the consolidated interim report for Q3 2008 and 9 months of 2008

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

The parent company of the Group is AS Silvano Fashion Group, a company domiciled in Estonia and headquartered at Tartu mnt 2, Tallinn.

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

As of 30 September 2008, the Group employed 4,079 people (as of 31 December 2007: 3,581 people).

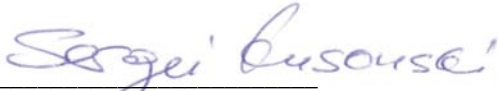
The Group comprises the following companies:

At 30 September 2008	Location	Main activity	Ownership interest 30.09.2008	Ownership interest 31.12.2007
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
<u>Subsidiaries of SFG</u>				
AS Lauma Lingerie	Latvia	Manufacturing	100%	100%
SP ZAO Milavitsa	Belarus	Manufacturing	78.35%	78.35%
ZAO Linret	Russia	Retail	100%	100%
Splendo Polska Sp. z o.o.	Poland	Retail	90%	90%
PTA Grupp AS	Estonia	Retail	100%	100%
UAB Linret LT	Lithuania	Retail	100%	100%
France Style Lingerie S.A.R.L.	France	Holding	100%	0%
<u>Subsidiaries of PTA Grupp AS</u>				
AS Klementi	Estonia	Manufacturing	100%	100%
Klementi Trading OY	Finland	Wholesale	100%	100%
UAB PTA Prekyba	Lithuania	Retail	100%	100%
SIA Vision	Latvia	Retail	100%	100%
LLC PTA Ukraine	Ukraine	Retail	100%	100%
<u>Subsidiaries of ZAO SP Milavitsa</u>				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Retail	51%	51%
SP Gimil OOO	Belarus	Manufacturing	52%	52%
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	Russia	Wholesale	100%	100%
OAo Junona	Belarus	Manufacturing	58,33%	0%


The Management Board certifies that the consolidated interim report of AS Silvano Fashion Group for the 9 months of 2008 set out on pages 11-31 is true and complete and:

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

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



Sergei Kusonski
CEO, Member of the Management Board
21 November 2008



Dace Markevica
Member of the Management Board
21 November 2008



Dmitry Ditchkovsky
Chairman of the Management Board
21 November 2008

Balance Sheet

Consolidated, unaudited

	Notes	30.09.2008 EEK thousands	30.09.2007 EEK thousands	31.12.2007 EEK thousands	30.09.2008 EUR thousands	30.09.2007 EUR thousands	31.12.2007 EUR thousands
ASSETS							
Non-current assets							
Property, plant and equipment	1	290,745	247,905	246,541	18,582	15,844	15,757
Intangible assets	2	47,613	29,822	27,976	3,043	1,906	1,788
Investment property		23,626	0	22,954	1,510	0	1,467
Investments in equity accounted investees		3,317	78	876	212	5	56
Available-for-sale financial assets		8,856	9,216	8,480	566	589	542
Other receivables		673	67,171	595	43	4,293	38
Total non-current assets		374,830	354,192	307,422	23,956	22,637	19,648
Current assets							
Inventories	3	378,757	303,231	337,528	24,207	19,380	21,572
Prepaid taxes		45,735	22,672	24,471	2,923	1,449	1,564
Trade receivables	4	202,780	153,822	158,531	12,960	9,831	10,132
Other receivables	5	66,389	46,636	29,713	4,243	2,981	1,899
Prepayments	6	66,811	26,959	51,680	4,270	1,723	3,303
Cash and cash equivalents	7	128,177	180,992	180,233	8,192	11,568	11,519
Total current assets		888,649	734,312	782,156	56,795	46,932	49,989
TOTAL ASSETS		1 263,479	1 088,504	1 089,578	80,751	69,569	69,637
LIABILITIES AND EQUITY							
Equity							
Share capital at par value		400,000	400,000	400,000	25,565	25,565	25,565
Share premium		223,293	229,395	223,293	14,271	14,661	14,271
Statutory capital reserve		1,046	1,046	1,046	67	67	67
Translation reserve		-52,823	-54,967	-76,512	-3,376	-3,513	-4,890
Retained earnings		226,499	161,833	185,927	14,476	10,343	11,883
Total equity attributable to equity holders of the parent		798,015	737,307	733,754	51,003	47,123	46,896
Minority interest		176,634	138,817	136,313	11,289	8,872	8,712
Total equity		974,649	876,124	870,067	62,292	55,995	55,608
Non-current liabilities							
Loans and borrowings	8	8,089	4,976	4,068	517	318	260
Deferred tax liabilities		201	201	201	13	13	13
Other liabilities		56	0	360	3	0	23
Provisions		125	140	139	8	9	9
Total non-current liabilities		8,471	5,317	4,768	541	340	305
Current liabilities							
Loans and borrowings	8	62,117	26,396	25,160	3,970	1,687	1,608
Trade payables		130,790	122,669	122,888	8,359	7,840	7,854
Corporate income tax liability		3,583	7,542	3,192	229	482	204
Other tax liabilities		19,887	17,039	23,486	1,271	1,089	1,501
Other payables	9	39,652	15,490	17,555	2,534	990	1,121
Provisions		24,299	17,927	22,462	1,553	1,146	1,436
Deferred income		31	0	0	2	0	0
Total current liabilities		280,359	207,063	214,743	17,918	13,234	13,724
Total liabilities		288,830	212,380	219,511	18,459	13,574	14,029
TOTAL LIABILITIES AND EQUITY		1 263,479	1 088,504	1 089,578	80,751	69,569	69,637

Income Statement-9 months 2008

Consolidated, unaudited

		2008	2007	2008	2007
		9 months	9 months	9 months	9 months
		EEK	EEK	EUR	EUR
		thousands	thousands	thousands	thousands
Net sales	12	1 402,593	1 177,125	89,642	75,232
Costs of goods sold		-805,033	-675,292	-51,451	-43,159
Gross Profit		597,560	501,833	38,191	32,073
Other operating income		14,364	83,490	918	5,336
Distribution costs		-240,081	-140,334	-15,344	-8,969
Administrative expenses		-160,190	-125,298	-10,238	-8,008
Other operating expenses		-53,026	-49,099	-3,389	-3,138
Operating profit		158,627	270,592	10,138	17,294
Interest expenses		-2,613	-2,018	-167	-129
Gains/losses on conversion of foreign currencies		-14,974	4,819	-957	308
Other financial income / expenses		8,715	6,212	557	397
Total financial income / expenses		-8,872	9,013	-567	576
Share of profit of equity accounted investees		2,378	0	152	0
Profit before corporate income tax		152,133	279,605	9,723	17,870
Corporate income tax		-74,603	-72,381	-4,768	-4,626
Net profit for period		77,530	207,224	4,955	13,244
Net profit attributable to parent company		40,572	162,820	2,593	10,406
Net profit attributable to minority shareholders		36,958	44,404	2,362	2,838
Earnings per share					
Basic earnings per share (EEK/EUR)	10	1.01	4.23	0.07	0.27
Diluted earnings per share (EEK/EUR)	10	1.01	4.23	0.07	0.27

Income Statement-Q3

Consolidated, unaudited

		2008	2007	2008	2007
		Q3	Q3	Q3	Q3
		EEK	EEK	EUR	EUR
		thousands	thousands	thousands	thousands
Net sales	12	488,080	397,924	31,194	25,432
Costs of goods sold		-289,947	-237,923	-18,531	-15,206
Gross Profit		198,133	160,001	12,663	10,226
Other operating income		4,209	4,005	269	256
Distribution costs		-84,006	-50,366	-5,369	-3,219
Administrative expenses		-55,796	-47,738	-3,566	-3,051
Other operating expenses		-19,198	-19,136	-1,227	-1,223
Operating profit		43,342	46,766	2,770	2,989
Interest expenses		-1,064	-1,627	-68	-104
Gains/losses on conversion of foreign currencies		-13,472	3,864	-861	247
Other financial income / expenses		3,473	4,616	222	295
Total financial income / expenses		-11,063	6,853	-707	438
Share of profit of equity accounted investees		1,064	0	68	0
Profit before corporate income tax		33,343	53,619	2,131	3,427
Corporate income tax		-17,978	-24,894	-1,149	-1,591
Net profit for period		15,365	28,725	982	1,836
Net profit attributable to parent company		8,434	16,523	539	1,056
Net profit attributable to minority shareholders		6,931	12,202	443	780
Earnings per share					
Basic earnings per share (EEK/EUR)	10	0.21	0.42	0.01	0.03
Diluted earnings per share (EEK/EUR)	10	0.21	0.42	0.01	0.03

Cash flow statement

Consolidated, unaudited

	Notes	2008 9 months thousands EEK	2007 9 months thousands EEK	2008 9 months thousands EUR	2007 9 months thousands EUR
Cash flows from operating activities					
Profit for the period		77,530	207,224	4,955	13,244
Adjustments for:					
Depreciation fixed assets		26,051	22,844	1,665	1,460
Amortization of intangible assets		1,940	845	124	54
(Reversal of) impairment losses on property, plant and equipment		2,957	125	189	8
(Reversal of) impairment losses on intangible assets		31	0	2	0
Share of profit of equity accounted investees		-2,441	0	-156	0
Gains/losses on the sale of property, plant and equipment		-642	-125	-41	-8
Impairment losses on goodwill(+) and negative goodwill gain(-)		-2,237	-84,429	-143	-5,396
Income tax expense		74,603	72,381	4,768	4,626
Change in inventories		-29,603	-81,378	-1,892	-5,201
Change in trade and other receivables		-84,789	-84,961	-5,419	-5,430
Change in trade and other payables		19,840	41,855	1,268	2,675
Interests paid (-)		-2,144	-2,018	-137	-129
Income tax paid (-)		-74,227	-70,817	-4,744	-4,526
Total cash flow from operating activities		6,869	21,546	439	1,377
Cash flow from investing activities					
Interest received		5,664	5,648	362	361
Proceeds from sale of property, plant and equipment		642	485	41	31
Loans granted		-36,707	-84,194	-2,346	-5,381
Proceeds from repayments of loans granted		24,096	2,644	1,540	169
Acquisition of property, plant and equipment		-50,695	-98,167	-3,240	-6,274
Acquisition of intangible non-current assets		-939	-1,518	-60	-97
Acquisition of other non-current assets		-78	-1,878	-5	-120
Acquisition of subsidiary net of cash acquired		-29,181	-18,307	-1,865	-1,170
Total cash flow from investing activities		-87,198	-195,287	-5,573	-12,481
Cash flow from financing activities					
Proceeds from issue of share capital		0	166,918	0	10,668
Proceeds from borrowings		52,321	13,738	3,344	878
Repayment of borrowings		-16,961	-17,884	-1,084	-1,143
Repayment of finance lease		-3,614	-7,166	-231	-458
Dividends paid		-2,863	-1,333	-183	-85
Factoring paid		-610	0	-39	0
Total cash flow from financing activities		28,273	154,273	1,807	9,860
Net increase in cash and cash equivalents		-52,056	-19,468	-3,327	-1,244
Cash and cash equivalents at the beginning of the period	7	180,233	200,460	11,519	12,812
Cash and cash equivalents at the end of the period	7	128,177	180,992	8,192	11,568

Statement of changes in equity

Consolidated, unaudited

<i>In thousands EUR</i>	Note	Equity attributable to equity holders of the parent					Total	Minority interest	Total equity
		Share capital	Share premium	Capital reserve	Translation reserve	Accumulated profit (losses)			
Balance at 31 December 2006		24,252	5,305	67	-684	-63	28,877	11,492	40,369
Profit for the period		0	0	0	0	10,406	10,406	2,838	13,244
Effect on consolidation of foreign subsidiaries		0	0	0	-2,829	0	-2,829	3	-2,826
Total recognized income and expense for 9 months of 2007		0	0	0	-2,829	10,406	7,577	2,841	10,418
Share capital increase		1,313	9,356	0	0	0	10,669	0	10,669
Acquisition of minority interest		0	0	0	0	0	0	-5,398	-5,398
Dividends paid		0	0	0	0	0	0	-63	-63
Balance at 30 September 2007		25,565	14,661	67	-3,513	10,343	47,123	8,872	55,995
Balance at 31 December 2007		25,565	14,271	67	-4,890	11,883	46,896	8,712	55,608
Profit for the period		0	0	0	0	2,593	2,593	2,362	4,955
Effect on consolidation of foreign subsidiaries		0	0	0	1,514	0	1,514	431	1,945
Total recognized income and expense for 9 months of 2008		0	0	0	1,514	2,593	4,107	2,793	6,900
Acquisition of minority interest		0	0	0	0	0	0	-512	-512
Minority interest from business combination		0	0	0	0	0	0	518	518
Dividends paid		0	0	0	0	0	0	-222	-222
Balance at 30 September 2008		25,565	14,271	67	-3,376	14,476	51,003	11,289	62,292

Statement of changes in equity

Consolidated, unaudited

<i>In thousands EEK</i>	Note	Equity attributable to equity holders of the parent					Total	Minority interest	Total equity
		Share capital	Share premium	Capital reserve	Translation reserve	Accumulated profit (losses)			
Balance at 31 December 2006		379,472	83,011	1,046	-10,710	-987	451,832	179,808	631,640
Profit for the period		0	0	0	0	162,820	162,820	44,404	207,224
Effect on consolidation of foreign subsidiaries		0	0	0	-44,257	0	-44,257	48	-44,209
Total recognized income and expense for 9 months of 2007		0	0	0	-44,257	162,820	118,563	44,452	163,015
Share capital increase		20,528	146,384	0	0	0	166,912	0	166,912
Acquisition of minority interest		0	0	0	0	0	0	-84,458	-84,458
Dividends paid		0	0	0	0	0	0	-985	-985
Balance at 30 September 2007		400,000	229,395	1,046	-54,967	161,833	737,307	138,817	876,124
Balance at 31 December 2007		400,000	223,293	1,046	-76,512	185,927	733,754	136,313	870,067
Profit for the period		0	0	0	0	40,572	40,572	36,958	77,530
Effect on consolidation of foreign subsidiaries		0	0	0	23,689	0	23,689	6,744	30,433
Total recognized income and expense for 9 months of 2008		0	0	0	23,689	40,572	64,261	43,702	107,963
Acquisition of minority interest		0	0	0	0	0	0	-8,011	-8,011
Minority interest from business combination		0	0	0	0	0	0	8,105	8,105
Dividends paid		0	0	0	0	0	0	-3,475	-3,475
Balance at 30 September 2008		400,000	223,293	1,046	-52,823	226,499	798,015	176,634	974,649

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

Bases for preparation

This Interim Report has been made pursuant to the requirements of IAS 34 “Interim Financial Reporting” of the International Accounting Standards and the International Financial Reporting Standards (IFRS) adopted by the European Union. The same accounting methods were used in the preparation of interim reports as in the Annual Report for the financial year which ended on 31 December 2007.

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

The comparative data presented in the Interim Report are the financial ratios of AS Silvano Fashion Group for 2007.

This Interim Report has not been audited.

Notes on the consolidated interim report

Note 1. Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost at 31 December 2006	3,975	13,720	4,563	26	22,284
Movements in 2007					
Acquisition	0	267	1,988	5,231	7,486
Acquired through business combination	0	0	74	0	74
Transfers and reclassifications	2,013	2,491	193	-4,697	0
Disposals	0	-234	-179	0	-413
Effect of movements in foreign exchange on cost	-404	-995	-210	-29	-1,638
Cost at 30 September 2007	5,584	15,249	6,429	531	27,793
Cost at 31 December 2007	3,962	15,218	7,059	1,353	27,592
Movements in 2008					
Acquisition	133	261	1,428	1,963	3,785
Acquired through business combination	1,343	458	80	0	1,881
Transfers and reclassifications	851	1,029	187	-2,067	0
Revaluation	0	220	0	0	220
Disposals	0	-202	-138	-160	-500
Effect of movements in foreign exchange on cost	344	667	79	12	1,102
Cost at 30 September 2008	6,633	17,651	8,695	1,101	34,080
Accumulated depreciation at 31 December 2006	1,417	7,856	2,000	0	11,273
Movements in 2007					
Acquired through business combination	0	0	32	0	32
Depreciation	95	974	673	0	1,742
Transfers and reclassification	0	-6	6	0	0
Disposals	0	-228	-147	0	-375
Effect of movements in foreign exchange on accumulated depreciation	-111	-512	-100	0	-723
Accumulated depreciation at 30 September 2007	1,401	8,084	2,464	0	11,949
Accumulated depreciation at 31 December 2007	1,349	8,108	2,378	0	11,835
Movements in 2008					
Acquired through business combination	729	383	73	0	1,185
Depreciation	91	977	932	0	2,000
Transfers and reclassification	0	-25	25	0	0
Disposals	0	-196	-75	0	-271
Depreciation of revalued fixed assets	0	192	0	0	192
Effect of movements in foreign exchange on accumulated depreciation	120	377	60	0	557
Accumulated depreciation at 30 September 2008	2,289	9,816	3,393	0	15,498
Carrying amounts					
At 31 December 2006	2,558	5,864	2,563	26	11,011
At 30 September 2007	4,183	7,165	3,965	531	15,844
At 31 December 2007	2,613	7,110	4,681	1,353	15,757
At 30 September 2008	4,344	7,835	5,302	1,101	18,582

<i>In thousands of EEK</i>	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost at 31 December 2006	62,193	214,687	71,384	414	348,678
Movements in 2007					
Acquisition	0	4,178	31,106	81,847	117,131
Acquired through business combination	0	0	1,157	0	1,157
Transfers and reclassifications	31,480	38,976	3,036	-73,492	0
Disposals	0	-3,661	-2,800	0	-6,461
Effect of movements in foreign exchange on cost	-6,321	-15,569	-3,275	-461	-25,626
Cost at 30 September 2007	87,352	238,611	100,608	8,308	434,879
Cost at 31 December 2007	61,989	238,125	110,439	21,170	431,723
Movements in 2008					
Acquisition	2,081	4,084	22,343	30,714	59,222
Acquired through business combination	21,013	7,166	1,258	0	29,437
Transfers and reclassifications	13,315	16,100	2,926	-32,341	0
Revaluation	0	3,442	0	0	3,442
Disposals	0	-3,161	-2,159	-2,503	-7,823
Effect of movements in foreign exchange on cost	5,382	10,434	1,236	188	17,240
Cost at 30 September 2008	103,780	276,190	136,043	17,228	533,241
Accumulated depreciation at 31 December 2006	22,170	122,932	31,295	0	176,397
Movements in 2007					
Acquired through business combination	0	0	500	0	500
Depreciation	1,486	15,240	10,530	0	27,256
Transfers and reclassification	-16	-94	110	0	0
Disposals	0	-3,567	-2,300	0	-5,867
Effect of movements in foreign exchange on accumulated depreciation	-1,737	-8,010	-1,565	0	-11,312
Accumulated depreciation at 30 September 2007	21,903	126,501	38,570	0	186,974
Accumulated depreciation at 31 December 2007	21,105	126,878	37,199	0	185,182
Movements in 2008					
Acquired through business combination	11,406	5,993	1,142	0	18,541
Depreciation	1,424	15,287	14,583	0	31,294
Transfers and reclassification	0	-391	391	0	0
Disposals	0	-3,067	-1,174	0	-4,241
Depreciation of revalued fixed assets	0	3,004	0	0	3,004
Effect of movements in foreign exchange on accumulated depreciation	1,878	5,899	939	0	8,716
Accumulated depreciation at 30 September 2008	35,813	153,603	53,080	0	242,496
Carrying amounts					
At 31 December 2006	40,023	91,755	40,089	414	172,281
At 30 September 2007	65,449	112,110	62,038	8,308	247,905
At 31 December 2007	40,884	111,247	73,240	21,170	246,541
At 30 September 2008	67,967	122,587	82,963	17,228	290,745

Note 2. Intangible assets

<i>In thousands of EUR</i>	Software	Trademarks	Goodwill	Projects in progress	Total
Cost at 31 December 2006	307	434	235	473	1,449
Movements in 2007					
Acquisition	102	6	0	7	115
Acquired through business combination	0	0	836	0	836
Transfers and reclassification	4	3	0	-7	0
Impairments	0	0	-3	0	-3
Effect of movements in foreign exchange on cost	-1	-1	0	-34	-36
Cost at 30 September 2007	412	442	1,068	439	2,361
Cost at 31 December 2007	882	443	852	163	2,340
Movements in 2008					
Acquisition	60	3	0	10	73
Acquired through business combination	1	0	1,318	0	1,319
Transfers and reclassification	34	2	0	-36	0
Disposal	-3	-1	0	0	-4
Effect of movements in foreign exchange on cost	19	1	0	7	27
Cost at 30 September 2008	993	448	2,170	144	3,755
Accumulated amortization at 31 December 2006	205	186	0	0	391
Movements in 2007					
Amortisation	33	31	0	0	64
Accumulated amortisation at 30 September 2007	238	217	0	0	455
Accumulated amortisation at 31 December 2007	325	227	0	0	552
Movements in 2008					
Amortisation	120	31	0	0	151
Acquired through business combination	1	0	0	0	1
Disposal	-1	0	0	0	-1
Effect of movements in foreign exchange on amortisation	8	1	0	0	9
Accumulated amortisation at 30 September 2008	453	259	0	0	712
Carrying amounts					
At 31 December 2006	102	248	235	473	1,058
At 30 September 2007	174	225	1,068	439	1,906
At 31 December 2007	557	216	852	163	1,788
At 30 September 2008	540	189	2,170	144	3,043

<i>In thousands of EEK</i>	Software	Trademarks	Goodwill	Projects in progress	Total
Cost at 31 December 2006	4,801	6,800	3,670	7,408	22,679
Movements in 2007					
Acquisition	1,594	94	0	112	1,800
Acquired through business combination	0	0	13,087	0	13,087
Transfers and reclassification	65	47	0	-112	0
Impairments	0	0	-47	0	-47
Effect of movements in foreign exchange on cost	-16	-16	0	-536	-568
Cost at 30 September 2007	6,444	6,925	16,710	6,872	36,951
Cost at 31 December 2007	13,799	6,941	13,324	2,559	36,623
Movements in 2008					
Acquisition	939	47	0	156	1,142
Acquired through business combination	15	0	20,624	0	20,639
Transfers and reclassification	532	31	0	-563	0
Disposal	-47	-16	0	0	-63
Effect of movements in foreign exchange on cost	297	16	0	109	422
Cost at 30 September 2008	15,535	7,019	33,948	2,261	58,763
Accumulated amortization at 31 December 2006	3,208	2,920	0	0	6,128
Movements in 2007					
Amortisation	516	485			1,001
Accumulated amortisation at 30 September 2007	3,724	3,405	0	0	7,129
Accumulated amortisation at 31 December 2007	5,085	3,562	0	0	8,647
Movements in 2008					
Amortisation	1,878	485	0	0	2,363
Acquired through business combination	15	0	0	0	15
Disposal	-16	0	0	0	-16
Effect of movements in foreign exchange on amortisation	125	16	0	0	141
Accumulated amortisation at 30 September 2008	7,087	4,063	0	0	11,150
Carrying amounts					
At 31 December 2006	1,593	3,880	3,670	7,408	16,551
At 30 September 2007	2,720	3,520	16,710	6,872	29,822
At 31 December 2007	8,714	3,379	13,324	2,559	27,976
At 30 September 2008	8,448	2,956	33,948	2,261	47,613

Note 3. Inventories

	30.09.2008	31.12.2007	30.09.2008	31.12.2007
	EEK thousands	EEK thousands	EUR thousands	EUR thousands
Raw and other materials	89,811	89,201	5,740	5,701
Work in progress	45,907	38,585	2,934	2,466
Finished goods	197,460	169,249	12,620	10,817
Goods purchased for resale	30,605	34,470	1,956	2,203
Other inventories	14,974	6,023	957	385
Total	378,757	337,528	24,207	21,572

Within the 9 months of 2008, the value of inventories written off totals EEK 1,240.8 thousands (EUR 79.3 thousands). Within the first 9 months of 2007 inventories in the amount of EEK 986.0 thousands (EUR 63.0 thousands) were written off.

Note 4. Trade receivables

	30.09.2008 EEK thousands	31.12.2007 EEK thousands	30.09.2008 EUR thousands	31.12.2007 EUR thousands
Trade receivables	205,831	163,465	13,155	10,447
Allowance for uncollectible accounts	-3,051	-4,934	-195	-315
Total	202,780	158,531	12,960	10,132

The trade receivables are accounted in nominal value on the date of emergence of the claim (transaction date) and later at the adjusted acquisition cost (less the possible write-downs arising from a decrease of the value). If it is likely that the Group cannot collect all the amounts receivable pursuant to the terms of the claims, the claims will be written down. Upon assessment of claims the accrual of each specific claim is treated separately, considering the information available on the solvency of the debtor.

Receivables the accrual of which is unlikely are written down in the Balance Sheet to the collectible amount and written off.

Within the 9 months of 2008 receivables were found to be uncollectible in the amount of EEK 5,305.8 thousands (EUR 339.1 thousands). Receipt of the receivables or reversal of the impairment losses previously provided for has occurred in the amount of EEK 7,195.9 thousands (EUR 459.9 thousands) and none of irrecoverable receivables were taken off the Balance Sheet.

Irrecoverable receivables in the amount of EEK 15.6 thousands (EUR 1.0 thousands) were written off the Balance Sheet within the first 9 months of 2007.

Note 5. Other receivables

	30.09.2008 EEK thousands	31.12.2007 EEK thousands	30.09.2008 EUR thousands	31.12.2007 EUR thousands
Due from customers for contract work	735	344	47	22
Loans to companies	18,228	5,555	1,165	355
Interest receivable from related parties	438	313	28	20
Employees receivables	861	1,705	55	109
Miscellaneous receivables	46,127	21,796	2,948	1,393
Total	66,389	29,713	4,243	1,899

Note 6. Prepayments

	30.09.2008 EEK thousands	31.12.2007 EEK thousands	30.09.2008 EUR thousands	31.12.2007 EUR thousands
Prepayments to suppliers	66,811	51,680	4,270	3,303
Total	66,811	51,680	4,270	3,303

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

Note 7. Cash and cash equivalents

	30.09.2008 EEK thousands	31.12.2007 EEK thousands	30.09.2008 EUR thousands	31.12.2007 EUR thousands
Cash and hand	2,128	1,408	136	90
Bank accounts in kroons	94	31,919	6	33
Bank accounts in foreign currencies	40,243	44,155	2,572	4,829
Money in transfer	3,912	5,022	250	321
Deposits	81,800	97,729	5,228	6,246
Total	128,177	180,233	8,192	11,519

Note 8. Loans and borrowings

The Group has the following interest-bearing debts as of 30 September 2008:

	Short-term EEK thousands	Long-term EEK thousands	Short-term EUR thousands	Long-term EUR thousands	Interest rate	Due date of repayment
Secured loans and borrowings						
Loan from Hansapank	266	0	17	0	6 months Euribor+2.5%	19.10.2008
Loan from Hansabankas	908	0	58	0	7.94-8.67%	30.04.2009
Loan from Sampo Pank AS	5,821	6,180	372	395	6 months Euribor+1.1%	02.04.2011
Overdraft from Sampo Pank AS	14,833	0	948	0	6%	01.04.2009
Loan from AS Unicredit bank	30,527	0	1,951	0	3 months Euribor+1.65%	30.04.2009
Unsecured loans and borrowings						
Financial lease payables	3,974	1,909	254	122	6.5-14%	2007-2011
Other borrowings	5,788	0	370	0	6-13%	2008
Total	62,117	8,089	3,970	517		

Loan Collateral

The loan taken from Hansapank and the overdraft taken from Unicredit are secured by a commercial pledge of movable property amounting to EEK 29,000 thousands (EUR 1,853 thousands) and EEK 58,674 (EUR 3,750 thousands) respectively.

The Group has the following interest-bearing debts as of 31 December 2007:

	Short-term EEK thousands	Long-term EEK thousands	Short-term EUR thousands	Long-term EUR thousands	Interest rate	Due date of repayment
Secured loans and borrowings						
Overdraft from Hansapank	10,327	0	660	0	6.5%	08.04.2008
Loan from Hansapank	5,000	0	320	0	6.5%	21.06.2008
Loan from Hansapank	2,425	0	155	0	6 months Euribor+2.5%	19.10.2008
Loan from Hansabankas	908	0	58	0	6.6%	02.05.2008
Unsecured loans and borrowings						
Financial lease payables	5,398	4,068	345	260	6.5-14%	2007-2011
Other borrowings	1,102	0	70	0	6-13%	2008
Total	25,160	4,068	1,608	260		

Note 9. Other payables

	30.09.2008	31.12.2007	30.09.2008	31.12.2007
	EEK thousands	EEK thousands	EUR thousands	EUR thousands
Customer prepayments for goods and services	1,784	2,378	114	152
Payables to employees	17,994	13,472	1,150	861
Interest and other accruals	235	141	15	9
Acquisition of subsidiary	15,647	0	1,000	0
Other payables	3,992	1,564	255	99
Total	39,652	17,555	2,534	1,121

Note 10. Earnings per share

	2008	2007
	9 months	9 months
Number of ordinary shares as of January 1 (Qty)	40,000,000	37,947,198
Number of ordinary shares as of September 30 (Qty)	40,000,000	40,000,000
Weighted average number of ordinary shares (Qty)	40,000,000	38,466,038
Net profit (loss) for financial year, EEK thousands	40,572	162,820
Net profit (loss) for financial year, EUR thousands	2,593	10,406
Basic earnings per share (EEK)	1.01	4.23
Basic earnings per share (EUR)	0.07	0.27
Diluted earnings per share (EEK)	1.01	4.23
Diluted earnings per share (EUR)	0.07	0.27

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

To date, the amount of shares bought back is 393 000, the average price per share is 1.15 EUR, the cost in total is 452,968 EUR.

Note 11. Owners' equity

Shares

As of 30 September 2008 share capital of AS Silvano Fashion Group amounted to EEK 400,000 thousands (EUR 25,565 thousands), which is divided into 40,000,000 shares with a nominal value of EEK 10 (EUR 0.64) each. All the shares of AS Silvano Fashion Group are ordinary shares and all are registered. Each ordinary share gives the shareholder one vote at the general meeting. No share certificates are issued for registered shares. The share register is electronic and maintained at the Estonian Central Depository for Securities.

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

As of 30 September 2008 AS Silvano Fashion Group had 989 shareholders.

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As of 30 September 2008 shareholders whose interest in AS Silvano Fashion Group exceeded 1% included:

Name	Number of shares	Shareholding
Major shareholders	35,945,838	89.8%
NORDEA BANK FINLAND PLC/ NON-RESIDENT LEGAL ENTITIES	14,087,475	35.2%
Krajowy Depozyt Papierow Wartościowych S.A. [J]	7,861,682	19.7%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	4,000,000	10.0%
ALTA CAPITAL PARTNERS S.C.A, SICAR	1,864,286	4.7%
SEB PANK AS KAUPLEMINE	1,817,537	4.5%
SIA ALTA CAPITAL PARTNERS	1,775,000	4.4%
Skandinaviska Enskilda Banken Ab Clients	1,594,159	4.0%
UNICREDIT BANK AUSTRIA AG	1,377,520	3.4%
AS HANSAPANK	623,855	1.6%
STATE STREET MUNICH CARE OF SSB BOSTON/ PZU FIO AKCJI KRAKOWIAK	487,828	1.2%
JPMORGAN CHASE BANK, N.A. ON BEHALF OF BELGIAN RESIDENTS	456,496	1.1%
Other shareholders	4,054,162	10.2%
Total number of shares	40 000 000	100.0%

As of 31 December 2007 AS Silvano Fashion Group had 996 shareholders.

As of 31 December 2007 shareholders whose interest in AS Silvano Fashion Group exceeded 1% included:

Name	Number of shares	Shareholding
Major shareholders	35,750,615	89.4%
ALTA CAPITAL PARTNERS S.C.A, SICAR	15,989,241	40.0%
Krajowy Depozyt Papierow Wartościowych S.A.[J]	7,877,661	19.7%
ALTA CAPITAL PARTNERS SIA	5,460,000	13.7%
SEB Eesti Ühispank As KAUPLEMINE	1,969,913	4.9%
BANK AUSTRIA CREDITANSTALT AG CLIENTS	1,438,290	3.6%
THE BANK OF NEW YORK/ ING BANK SLASKI AC LM AKCJI FIO	679,584	1.7%
BRYUM ESTONIA AS	542,463	1.4%
STATE STREET MUNICH CARE OF SSB BOSTON/ PZU FIO AKCJI KRAKOWIAK	487,828	1.2%
JPMORGAN CHASE BANK, N.A. ON BEHALF OF BELGIAN RESIDENTS	456,496	1.1%
HANSAPANK AS	449,139	1.1%
STATE STREET LONDON CARE OF SSB BOSTON/ ALLIANZ		
GLOBAL INVESTORS IRELAND LIMITED	400,000	1.0%
Other shareholders	4,249,385	10.6%
Total number of shares	40,000,000	100.0%

Information about Shares

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

During the first 9 months of 2008, the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were EEK 68.06 (EUR 4.35) and EEK 21.59(EUR 1.38), respectively. During 2007, the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were EEK 111.40 (EUR 7.12) and EEK 54.61(EUR 3.49), respectively.

The average price (arithmetic average based on daily closing prices) of AS Silvano Fashion group on the Tallinn Stock Exchange in 9 months 2008 was 44,46EEK(2.84 EUR), in 9 months 2007 was 76,85EEK (4,91 EUR).

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

During the first 9 months of 2008, the highest and lowest prices of the AS Silvano Fashion Group share on the Warsaw Stock Exchange were PLN 17.2 and PLN 3.99 respectively. During period from the first trading date to 30 September 2007 the highest and lowest prices of AS Silvano Fashion Group on the Warsaw Stock Exchange were PLN 22.5 and PLN 19.79 respectively.

Share price development and turnover on the Tallinn Stock Exchange in 9 months 2008



Baltic market indexes in 9 months 2008



Chart data

Index/ Equity	01.01.2008	30.09.2008	+/- %
—OMX Tallinn	742.45	471.39	-36.51
—OMX Baltic Benchmark GI	684.91	396.04	-42.18

Legal Reserve

The reserve indicated under the owners' equity is a legal reserve established pursuant to the Commercial Code, which can be used for covering losses or increasing the share capital by way of a bonus issue based on a decision of the shareholders. The minimum legal reserve amount is 1/10 of the share capital.

Note 12. Sales revenue

	9 months 2008 EEK thousands	9 months 2007 EEK thousands	9 months 2008 EUR thousands	9 months 2007 EUR thousands
Sales revenue				
Apparel sales	146,264	107,468	9,348	6,868
Lingerie sales	1 207,871	1 044,113	77,197	66,731
Subcontracting and services	25,347	19,708	1,620	1,260
Other sales	23,111	5,836	1,477	373
Total sales revenue	1 402,593	1 177,125	89,642	75,232

Sales revenue by countries is presented in Note 14.

Note 13. Transactions with related parties

For the purposes of these financial statements, parties are related if one controls the other or exerts significant influence on the other's financial and operating policies. Related parties include:

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

	9 months 2008 EEK thousands	9 months 2007 EEK thousands	9 months 2008 EUR thousands	9 months 2007 EUR thousands
Purchase of goods and services				
Companies related to members of the management and supervisory boards	140,319	140,725	8,968	8,994
Total purchases	140,319	140,725	8,968	8,994

	9 months 2008 EEK thousands	9 months 2007 EEK thousands	9 months 2008 EUR thousands	9 months 2007 EUR thousands
Loans to shareholders				
Opening balance	626	0	40	0
Given	44,593	0	2,850	0
Repaid	-29,885	0	-1,910	0
Closing balance	15,334	0	980	0
Accrued interest income	438	0	28	0

	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Balances with related parties	EEK	EEK	EUR	EUR
	thousands	thousands	thousands	thousands
Companies related to the members of the Management Board and Supervisory Board	20,215	15,365	1,292	982
Total current liabilities	20,215	15,365	1,292	982

	30.09.2008	31.12.2007	30.09.2008	31.12.2007
Balances with related parties	EEK	EEK	EUR	EUR
	thousands	thousands	thousands	thousands
Interest receivable from related parties	438	313	28	20
Total receivables	438	313	28	20

	9 months	9 months	9 months	9 months
Benefits to members of the management board	2008	2007	2008	2007
	EEK	EEK	EUR	EUR
	thousands	thousands	thousands	thousands
Remuneration and benefits	4,350	1,352	278	86
Total	4,350	1,352	278	86

Note 14. Segments

a) Primary Segment – Business Segment by Products

	Apparel	Lingerie	Other activities	Inter-segment transactions	Total	Apparel	Lingerie	Other activities	Inter-segment transactions	Total
	9 months 2008	9 months 2008	9 months 2008	9 months 2008	9 months 2008	9 months 2008	9 months 2008	9 months 2008	9 months 2008	9 months 2008
	EEK	EEK	EEK	EEK	EEK	EUR	EUR	EUR	EUR	EUR
	thousands	thousands	thousands	thousand	thousands	thousands	thousands	thousands	thousands	thousands
Extra-group sales revenue	146,264	1 207,871	48,458	0	1 402,593	9,348	77,197	3,097	0	89,642
Inter-segment sales revenue	0	0	0	0	0	0	0	0	0	0
Total sales revenue	146,264	1 207,871	48,458	0	1 402,593	9,348	77,197	3,097	0	89,642
Operating profit/loss of segment	-24,941	219,678	-6,040	0	188,697	-1,594	14,040	-386	0	12,060
Unallocated operating revenue and operating charges					-30,070					-1,922
Total operating profit / loss					158,627					10,138
Other financial income and expenses					-6,494					-415
Corporate income tax					-74,603					-4,768
Net profit / loss					77,530					4,955
Assets and receivables	125,705	1 048,338	89,436	0	1 263,479	8,034	67,001	5,716	0	80,751
Unallocated assets of group					0					0
Total assets					1 263,479					80,751
Liabilities	109,044	112,549	67,237	0	288,830	6,969	7,193	4,297	0	18,459
Unallocated liabilities of group					0					0
Total liabilities					288,830					18,459
Capital expenditure	16,695	42,121	1,548	0	60,364	1,067	2,692	99	0	3,858
Depreciation and amortization expense	6,994	26,052	970	0	34,016	447	1,665	62	0	2,174

The assets and liabilities set out in the Note are disclosed as of the Balance Sheet date, i.e. 30 September 2008.

Primary segment – business segment by products

	Apparel	Lingerie	Other activities	Inter-segment transactions	Total	Apparel	Lingerie	Other activities	Inter-segment transactions	Total
	9 months 2007 EEK thousands	9 months 2007 EEK thousands	9 months 2007 EEK thousands	9 months 2007 EEK thousands	9 months 2007 EEK thousands	9 months 2007 EUR thousands	9 months 2007 EUR thousands	9 months 2007 EUR thousands	9 months 2007 EUR thousands	9 months 2007 EUR thousands
Extra-group sales revenue	107,468	1 044,113	25,544	0	1 177,125	6,868	66,731	1,633	0	75,232
Inter-segment sales revenue	0	0	24,002	-24,002	0	0	0	1,534	-1,534	0
Total sales revenue	107,468	1 044,113	49,546	-24,002	1 177,125	6,868	66,731	3,167	-1,534	75,232
Operating profit/loss of segment	17,352	276,241	1,862	0	295,455	1,109	17,655	119	0	18,883
Unallocated operating revenue and operating charges					-24,863					-1,589
Total operating profit / loss					270,592					17,294
Other financial income and expenses					9,013					576
Corporate income tax					-72,381					-4,626
Net profit / loss					207,224					13,244
Assets and receivables	65,917	1 006,022	11,512	0	1 083,451	4,213	64,297	736	0	69,246
Unallocated assets of group					5,053					323
Total assets					1 088,504					69,569
Liabilities	13,237	174,922	5,727	0	193,886	846	11,180	366	0	12,392
Unallocated liabilities of group					18,494					1,182
Total liabilities					212,380					13,574
Capital expenditure	7,573	108,188	3,170	0	118,931	484	6,914	203	0	7,601
Depreciation and amortization expense	1,987	24,283	1,987	0	28,257	127	1,552	127	0	1,806

The assets and liabilities set out in the Note are disclosed as of the Balance Sheet date, i.e. 30 September 2007.

b) Secondary segment – sales revenue, total assets and capital expenditures

	Sales revenue	Sales revenue	Assets	Assets	Capital expenditures	Capital expenditures	Sales revenue	Sales revenue	Assets	Assets	Capital expenditures	Capital expenditures
	9 months 2008	9 months 2007	30.09.2008	30.09.2007	9 months 2008	9 months 2007	9 months 2008	9 months 2007	30.09.2008	30.09.2007	9 months 2008	9 months 2007
	EEK	EEK	EEK	EEK	EEK	EEK	EUR	EUR	EUR	EUR	EUR	EUR
	thousands	thousands	thousands	thousands	thousands	thousands	thousands	thousands	thousands	thousands	thousands	thousands
Russia	727,082	571,054	332,021	49,365	17,665	23,298	46,469	36,497	21,220	3,155	1,129	1,489
Belarus	267,666	217,942	647,065	703,361	28,805	82,192	17,107	13,929	41,355	44,953	1,841	5,253
Estonia	114,079	126,784	95,773	184,019	3,114	4,735	7,291	8,103	6,121	11,761	199	303
Ukraine	112,437	72,898	20,028	6,290	8,746	1,220	7,186	4,659	1,280	402	559	78
Finland	28,273	39,195	47	2,221	0	0	1,807	2,505	3	142	0	0
Latvia	36,504	37,301	137,017	117,037	1,267	4,710	2,333	2,384	8,757	7,480	81	301
Lithuania	28,852	12,314	16,977	16,366	751	2,354	1,844	787	1,085	1,046	48	150
Poland	8,653	8,527	10,530	9,782	16	422	553	545	673	626	1	27
Other markets	79,047	91,110	4,021	63	0	0	5,052	5,823	257	4	0	0
Total	1 402,593	1 177,125	1 263,479	1 088,504	60,364	118,931	89,642	75,232	80,751	69,569	3,858	7,601