



Consolidated interim report for Q2 and 6 months of 2009



COMPANY PROFILE

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

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Management Report

Business results

In Q2 2009, seasonal factors improved consumer demand in the major lingerie markets of Silvano Fashion Group (“SFG” or the “Company”, and together with its subsidiaries the “Group”). The economy in the key markets of the Group (Russia, Belarus and Ukraine) revealed signs of stabilization and slight recovery after the serious slowdown of growth in Q4 2008 and Q1 2009. However, demand remains considerably below 2008 levels. The management estimates that in the first half of 2009 the apparel market demand has decreased by approximately 30% and lingerie market by 25% compared to the respective period in 2008.

Overall Q2 2009 demonstrated a 27.9% increase in sales from continuing operations compared to Q1 2009 while being 27.8% lower than in Q2 2008. Retail operations in Belarus were 13.7% up compared to H1 2008. The Group achieved a like-for-like increase in retail sales in Russia as compared to the respective period in 2008. Lingerie retail performance in the Baltic countries decreased by 15.4% compared to H1 2008.

In 2008, the management of the Group decided to rebrand Oblicie lingerie stores in Russia and to focus on the development of Milavitsa lingerie retail chain mainly through franchising. In Q2 2009, 17 Oblicie shops were rebranded to Milavitsa increasing the number of Milavitsa stores in direct operations in Russia to 21. The remaining Oblicie stores will be rebranded in Q3 2009. The management believes that the rebranding will increase the contribution of “Milavitsa” brand name towards the overall performance of Russian lingerie retail and wholesale operations and will develop and promote the Milavitsa brand in Russia.

The Group closed 3 lingerie stores in Q2 and will continue closing inefficient stores in the second half of the year targeting to have zero loss making stores in operations. The current estimate is that a total of approximately 18 shops will be closed by the end of the year in Russia and that the restructuring of Russian retail operations will be continued in the second half of 2009.

Due to increased uncertainty in the marketplace and sharply falling demand in Q4 2008 and Q1 2009, the Group’s manufacturing companies reduced their production and purchasing volumes in H1 2009. As the result of the adjustments in production and sourcing volumes as well as in the production planning process, the Group was able to decrease inventories to normal levels by 30 June 2009, after being overstocked over prior 6 months.

Financial performance

The Group’s sales from continuing operations amounted to EEK 569,066 thousand (EUR 36,370 thousand) in the 6 months’ period ended 30 June 2009, representing a 30.1% decline as compared to the respective period in the previous year. Overall wholesales from continuing operations decreased by 34.7%, while retail continuing operations presented a decrease of 7.2%. The proportion of retail sales in total sales increased by 5.8% and reached 24.9% of total sales in H1 2009. The Group’s sales from continuing operations in Q2 2009 amounted to EEK 319,394 thousand (EUR 20,413 thousand) with resulting decrease of 27.8% as compared to the respective period in prior year.

The Group’s gross margin from continuing operations in the 6 months’ period improved slightly and was 44.7%, as compared to 43.6% in the respective period in the previous year. Positive effect was observed in Q2 2009 mainly due to the increased sales prices in key markets after devaluation of local currencies while benefiting from devaluation impact of Belorussian Rouble in respect of cost of goods.

The consolidated reported operating profit from continuing operations amounted to EEK 30,775 thousand (EUR 1,967 thousand), representing a 75.1% decline compared to H1 2008. The consolidated reported operating margin from continuing operations was 5.4% (15.2% in H1 2008).

In H1 2009 the Group continued with the restructuring of Russian retail operations. One-off expenses related to restructuring of Russian operations in H1 2009 amounted to EEK 32,216 thousand (EUR 2,059 thousand), including EEK 13,863 thousand (EUR 886 thousand) in Q1 2009 and EEK 18,353 thousand (EUR 1,173 thousand) in Q2 2009, and partially related to initiatives started in prior periods. The Group will continue closing inefficient stores in the second half of the year with current estimate of 18 more shops to be closed by the end of the year. As of 30 June 2009, provisions to cover future restructuring losses related to Russian retail chain restructuring in future amounted to EEK 9,826 thousand (EUR 628 thousand). The operating loss of Russian retail operations including the one-off expenses amounted to EEK 52,213 thousand (EUR 3,337 thousand) in 6 months period ended 30 June 2009.

Loan receivables in the amount of EEK 20,215 thousand (EUR 1,292 thousand) was fully provided based on the management’s assessment of the recoverability of the loan in H1 2009. The expenses related to the provision have been recognized in other operating expenses from continuing operations in H1 2009. The management will continue the actions to recover the loan balance and certain progress on the loan restructuring have been reached in Q2 2009.

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In total one-off continuing operating losses related to restructuring and loan write-off amounted to EEK 22,797 thousand (EUR 1,457 thousand) in Q2 2009 and to EEK 52,432 thousand (EUR 3,351 thousand) in the 6 months' period ended 30 June 2009. As the result, consolidated normalised operating profit from continuing operations amounted to EEK 83,209 thousand (EUR 5,318 thousand) for the 6 months' period ended 30 June 2009, representing a 32.6% decline compared to H1 2008. The consolidated normalised operating margin from continuing operations reached 14.6% (15.2% in H1 2008).

On 30 June 2009 the Group closed the transaction for the sale of all shares in PTA Grup AS ("PTA") held by the Group (which represent 100% of the share capital of PTA) to PTA Holding OÜ for total consideration of EEK 15,224 thousand (EUR 973 thousand), including EEK 7,401 thousand (EUR 473 thousand) paid upon closing by way of taking over certain liabilities of the Group and the remaining part of the purchase price being payable in cash by 31 December 2011 at the latest and carrying interest until full payment. The transaction resulted in a EEK 23,845 thousand (EUR 1,524 thousand) loss in the consolidated results of the Group in Q2 2009 (Note 15). Further details of the transaction are provided in section 'Key events'. In accordance with the requirements of the International Financial Reporting Standards of the sold PTA operations (apparel business line) are now regarded as discontinued operations for the purposes of financial reporting. Accordingly, PTA's financial performance is not consolidated in sales and expenses, but instead the consolidated loss from PTA's business operations in the amount of EEK 12,189 thousand (EUR 779 thousand) for the 6 months' period ended 30 June 2009 and the loss generated by the sales transaction are recorded separately in the consolidated income statement as a loss from discontinued operations in the total amount of EEK 36,034 thousand (EUR 2,303 thousand).

Consolidated net profit from foreign exchange rate fluctuations amounted to EEK 11,954 thousand (EUR 764 thousand) in the 6 months' period ended 30 June 2009. SP ZAO Milavitsa accrued a foreign exchange gain in the amount of EEK 34,313 thousand (EUR 2,193 thousand) that was caused mainly by EUR-denominated intercompany trading in Q1 2009, while Russian operations suffered a loss from foreign exchange rate fluctuations. Starting from April 2009, all trading to Russia is Russian Rouble denominated to minimise unrealized foreign exchange gains and losses within the Group.

Corporate income tax from continuing operations amounted to EEK 45,703 thousand (EUR 2,921 thousand) and effective tax rate for the Group increased significantly. Income tax expense was higher than anticipated due to taxable foreign exchange gains in Milavitsa. However, high overall effective tax rate is the temporary result of loss making subsidiaries' net loss position for the reporting period, non-tax deductible one-off expenses discussed above and other non-tax deductible expenses in Belarus (mainly employee remuneration).

Consolidated reported net loss from continuing operations attributable to equity holders amounted to EEK 15,772 thousand (EUR 1,008 thousand), compared to net profit of EEK 41,369 thousand (EUR 2,644 thousand) in H1 2008; reported net margin from continuing operations was -2.8% (down from a positive margin of 5.1% in H1 2008). Consolidated normalised net profit from continuing operations, attributable to equity holders amounted to EEK 32,420 thousand (EUR 2,072 thousand), compared to a net profit of EEK 41,369 thousand (EUR 2,644 thousand) in H1 2008; normalised net margin from continuing operations was 5.7% (5.1% in H1 2008).

In H1 2009 the Group's return on equity was negative and amounted to -9.1% (4.4% in H1 2008) and return on assets was -5.1% (2.9% in H1 2008).

Financial position

As of 30 June 2009 consolidated assets amounted to EEK 832,414 thousand (EUR 53,201 thousand) representing a decrease of 31.1% as compared to the position as of 31 December 2008. The value of total asset base in EUR terms was significantly impacted by the devaluation of the Belarussian Rouble which depreciated against the Euro by 29.3% in H1 2009, decreasing the value of assets based in Belarus in EUR terms. Furthermore, due to the closing of the PTA sales transaction on 30 June 2009 and the full recognition of the related disposal loss, the financial position of PTA is not consolidated as of 30 June 2009, causing a further decrease in the assets of the Group.

Property, plant and intangibles balances decreased by EEK 103,925 thousand (EUR 6,642 thousand) as compared to 31 December 2008, the key reason being the impact of the foreign exchange rate in the amount of EEK 54,732 thousand (EUR 3,498 thousand) and the sale of PTA in the amount of EEK 23,360 thousand (EUR 1,493 thousand).

Trade receivables have remained at the level of 31 December 2008 and as of 30 June 2009 amounted to EEK 168,498 thousand (EUR 10,769 thousand). Payment discipline of key customers in Russia improved during H1 2009. Inventory balance decreased by EEK 160,190 thousand (EUR 10,238 thousand) and amounted to EEK 274,222 thousand (EUR 17,526 thousand) as of 30 June 2009. This was partially related to disposal of PTA; however, a major decrease was achieved by changes in the production planning to adjust to the new level of the working capital resulting from decreasing sales volumes and devaluation of the Belarussian Rouble which depreciated against the Euro by 29.3% in H1 2009, decreasing the value of inventories based in Belarus in EUR terms.

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Foreign exchange fluctuations also left a negative impact on the Group's equity, in the form of a negative change in currency translation difference in the amount of EEK 110,741 thousand (EUR 7,077 thousand). On the overall basis, equity attributable to equity holders decreased by EEK 146,869 thousand (EUR 9,386 thousand) and amounted to EEK 494,378 thousand (EUR 31,597 thousand) as of 30 June 2009.

Current liabilities decreased by EEK 202,774 thousand (EUR 12,960 thousand) in the 6 months' period, in line with management expectations.

The liquidity position of the Group improved during Q2 2009 with respect to the total balance of borrowings and related maturities. Current and non-current loans and borrowings decreased by EEK 94,756 thousand (EUR 6,056 thousand) in Q2 to EEK 47,910 thousand (EUR 3,062 thousand) as of 30 June 2009. Loans received and loans repaid during the 6 months' period amounted to EEK 92,362 thousand (EUR 5,903 thousand) and EEK 153,414 thousand (EUR 9,805 thousand) respectively, including finance lease liabilities repaid in the amount of EEK 3,317 thousand (EUR 212 thousand). PTA loan balance in the amount of EEK 31,606 thousand (EUR 2,020 thousand) was eliminated from consolidated financial position as the result of the PTA sales transaction. In July 2009 a credit line facility of Lauma Lingerie AS was prolonged with Unicredit Bank in Latvia, decreasing the available facility's limit with the bank from EEK 31,293 thousand (EUR 2,000 thousand) to EEK 26,599 thousand (EUR 1,700 thousand) until January 2010 and to EEK 21,905 thousand (EUR 1,400 thousand) after that date. Information on the maturity of current borrowings is presented in Note 8 to the summarized financial statements.

Tax liabilities and other payables, including payables to employees, amounted to EEK 45,741 thousand (EUR 2,923 thousand). Provisions amounted to EEK 19,746 thousand (EUR 1,262 thousand) as of 30 June 2009 and included provisions for the restructuring of Russian retail operations in the amount of EEK 2,895 thousand (EUR 185 thousand).

Sales from continuing operations

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

Sales by business segments

	6 months 2009 EEK thousand	6 months 2008 EEK thousand	Change EEK thousand	6 months 2009 EUR thousand	6 months 2008 EUR thousand	Change EUR thousand	6 months 2009 percentage from sales	6 months 2008 percentage from sales
Lingerie	556,455	792,110	-235,655	35,564	50,625	-15,061	97.8%	97.3%
Subcontracting services and other sales	12,611	22,249	-9,638	806	1,422	-616	2.2%	2.7%
Total	569,066	814,359	-245,293	36,370	52,047	-15,677	100.0%	100.0%

Sales by markets

In H1 2009, the Group focused mainly on the Baltic, Russian, Belarussian and Ukrainian markets.

Total sales by markets

	6 months 2009 EEK thousand	6 months 2008 EEK thousand	Change EEK thousand	6 months 2009 EUR thousand	6 months 2008 EUR thousand	Change EUR thousand	6 months 2009 percentage from sales	6 months 2008 percentage from sales
Estonia	14,379	39,101	-24,722	919	2,499	-1,580	2.5%	4.8%
Finland	78	219	-141	5	14	-9	0.0%	0.0%
Latvia	3,536	8,731	-5,195	226	558	-332	0.6%	1.1%
Belarus	144,715	160,784	-16,069	9,249	10,276	-1,027	25.4%	19.7%
Ukraine	29,541	65,152	-35,611	1,888	4,164	-2,276	5.2%	8.0%
Russia	334,117	466,300	-132,183	21,354	29,802	-8,448	58.8%	57.3%
Other markets	42,700	74,072	-31,372	2,729	4,734	-2,005	7.5%	9.1%
Total	569,066	814,359	-245,293	36,370	52,047	-15,677	100.0%	100.0%

The majority of lingerie sales revenue in H1 2009 in the amount of EEK 325,997 thousand (EUR 20,835 thousand) was generated in the Russian market, accounting for 58.6% of all lingerie sales in H1 2009 as compared

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to EEK 440,436 thousand (EUR 28,149 thousand) in the respective period in 2008. Sales in Russia comprise both retail sales and wholesale. The second largest region for lingerie sales was Belarus where sales reached EEK 144,715 thousand (EUR 9,249 thousand), contributing 26.0% of lingerie sales (both retail and wholesale) as compared to EEK 160,784 thousand (EUR 10,276 thousand) in H1 2008.

Sales in the major markets, including Russia and Ukraine, although still affected by the economic situation and devaluation of the local currencies, demonstrated a positive trend compared to the first quarter mainly due to undertaking actions supported by seasonal increase in customer demand. As the result, sales in Q2 2009 improved significantly as compared to Q1 2009; however, were still lower as compared to the respective period in prior year. Wholesale operations started improving as many of the Group's Russian and Ukrainian wholesales partners realized their excess stock levels reducing them to the normal operational levels after being overstocked in Q4 2008 after a sharp decrease in demand caused by the overall economic crisis.

Sales decrease in Belarus is smaller compared to the reduction in sales in Russia, Ukraine and the Baltic countries leading to the growing share of the Belarussian market in the total sales.

The Group continued conducting business meetings with its trading partners in Russia and Ukraine in order to address the slowdown in sales and promote new collections. A number of actions have been introduced to the market including additional marketing activities in Belarus, Ukraine and Russia and supportive measures in the opening of the franchised stores. Dealers and distributors were motivated to increase their sales activities in the exchange for favorable pricing opportunities.

A new order processing and reservation system has been introduced by Milavitsa in order to allow trading partners a broader access to its stock and speed up packing and delivery. As the result Milavitsa had a slight increase over its June 2008 sales in terms of units sold.

Changes in the top management of the Group's Russian operations took place in June 2009 in order to execute a new sales strategy in that core market and improve corporate governance of the Russian subsidiaries of the Group.

In terms of lingerie brands, the sales of "Milavitsa" core brands accounted for 75.9% of total lingerie sales revenue in H1 2009 (H1 2008: 76.8%) and amounted to EEK 422,348 thousand (EUR 26,993 thousand). The sales of "Lauma" core brand accounted for 5.2% of total lingerie sales (H1 2008: 5.8%) and amounted to EEK 28,931 thousand (EUR 1,849 thousand). Other brands such as "Alisee", "Aveline", "Hidalgo", "Laumelle", "Lauma Aqua" and "Laumelle Aqua" comprised 18.9% of total lingerie sales in H1 2009 (H1 2008: 17.4%), amounting to EEK 105,176 thousand (EUR 6,722 thousand).

Wholesale

In H1 2009, wholesale amounted to EEK 422,958 thousand (EUR 27,032 thousand), representing 74.3% of the Group's total revenue (H1 2008: 79.6%). The main wholesale regions were Russia, Belarus, Ukraine and the Baltic States. Gradual improvements were observed in Q2 2009 with an increase in lingerie wholesales of 34.0% as compared to Q1 2009 as many of the Milavitsa's Russian and Ukrainian wholesales partners had adjusted their working capital levels to the new market and trading circumstances caused by crisis at the end of 2008. Most of the lingerie wholesale partners are located in Russia, a key market for the Group.

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

Retail operations

Total lingerie retail sales of the Group in H1 2009 amounted to EEK 133,497 thousand (EUR 8,532 thousand), representing a 7.3% decrease as compared to the respective period in 2008.

Lingerie retail operations were conducted in Latvia, Russia, Belarus, Lithuania and Ukraine. At the end of H1 2009 the Group operated 90 retail outlets with a total area of 7,487 square meters.

In H1 2009 9 new stores in the lingerie business were opened, including 5 under Milavitsa name in Belarus, 1 under Yamamay and 2 under Jockey brand names in Lithuania and 1 store under Lauma Lingerie brand name in Latvia. 19 underperforming stores were closed: 12 PTA stores in Russia, 3 Oblicie stores in Russia, 1 Milavitsa store in Russia and 2 Milavitsa stores in Belarus, 1 Amadea line store in Lithuania. 17 Oblicie stores in Russia were rebranded to Milavitsa name.

Number of stores as at:

	30.06.2009	31.12.2008
Latvia	4	3
Poland	0	7
Belarus	31	28
Russia	37	52
Lithuania	18	16
Total stores	90	106
Total sales area, sq m	7,487	9,549

In Belarus, two ineffective stores were closed and 5 new “Milavitsa” stores were opened, adding to the growth of the retail sales in the country. A number of sales promotions were conducted in the Milavitsa retail chain.

In the Baltics, lingerie retail sales decreased by 15.4% as compared to H1 2008, amounting to EEK 11,485 thousand (EUR 734 thousand). The first franchised Yamamay shop was opened in Lithuania in cooperation with the Italian partner. Altogether, 4 new lingerie shops were opened in the Baltics (3 in Lithuania, and 1 in Latvia).

In respect to lingerie retail in Russia, in Q2 2009 the Group’s main focus was on rebranding of Oblicie stores to Milavitsa stores, closing poor performing stores, and improving of sales performance. As a result, 1 lingerie store was closed, 17 stores were rebranded. Due to a number of marketing and sales activities the Group achieved a like-for-like increase in sales as compared to the respective period in 2008. The Group will continue closing inefficient stores or relocating them to the better locations; current estimate is that approximately 18 shops will be closed or transferred to the trading partners in H2 2009. All of the remaining Oblicie stores will be rebranded into Milavitsa stores in Q3 2009.

In the Baltics, the overall consumer market demand continued to deteriorate which affected practically all retail segments. Lingerie retail sales sharply decreased as compared to Q2 2008. The Group closed one inefficient store in Lithuania. Few more stores to be considered for closing in Q3 2009.

Stores by concept

Market	Milavitsa stores	Oblicie stores	Other stores	Total	Sales area, sq m
Russia	21	15	1	37	3,350
Latvia	-	-	4	4	273
Lithuania	-	-	18	18	1,009
Belarus	31	-	-	31	2,855
Total	52	15	23	90	7,487

Discontinued operations

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

Sales from discontinued operations by markets

	6 months 2009 EEK thousand	6 months 2008 EEK thousand	Change EEK thousand	6 months 2009 EUR thousand	6 months 2008 EUR thousand	Change EUR thousand	6 months 2009 percentage from sales	6 months 2008 percentage from sales
Estonia	37,364	37,223	141	2,388	2,379	9	47.5%	37.3%
Finland	8,308	18,776	-10,468	531	1,200	-669	10.6%	18.7%
Latvia	12,236	14,051	-1,815	782	898	-116	15.6%	14.0%
Ukraine	10,906	9,497	1,409	697	607	90	13.9%	9.5%
Russia	-	14,254	-14,254	-	911	-911	0.0%	14.2%
Other markets	9,779	6,353	3,426	625	406	219	12.4%	6.3%
Total	78,593	100,154	-21,561	5,023	6,401	-1,378	100.0%	100.0%

In H1 2009, women’s apparel revenue decreased by 21.5% compared to H1 2008, amounting to EEK 78,593 thousand (EUR 5,023 thousand). In the Baltics, revenue increased by 3.0%, amounting to EEK 59,379 thousand (EUR 3,795 thousand). Revenue in Ukraine increased by 14.8% due to retail expansion, amounting to EEK 10,906

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thousand (EUR 697 thousand). Sales to Finland decreased by 55.8% due to a decrease in wholesale sales amounting EEK 8,308 thousand (EUR 531 thousand).

In H1 2009, wholesale of women's apparel decreased by 87.4% amounting to EEK 3,114 thousand (EUR 199 thousand).

In H1 2009 women's apparel retail revenue increased by 15.9% compared to H1 2008 amounting to EEK 64,558 thousand (EUR 4,126 thousand). Retail sales increased in the Baltics and Ukraine and decreased in Russia. Retail sales in the Baltics increased by 6.1% and amounted to EEK 31,786 thousand (EUR 2,032 thousand). Retail sales in Ukraine increased by 15.0% and amounted to EEK 10,912 thousand (EUR 697 thousand). Growth of retail sales in the Baltics and Ukraine was driven by the increase in the number of stores. The Baltics and Ukraine like-for-like apparel retail growth was a positive 1.0% due to the influence of sale campaigns.

Number of stores (discontinued operations) as of:

	30.06.2009	31.12.2008
Estonia	11	11
Latvia	6	4
Lithuania	6	5
Ukraine	6	7
Poland	0	1
Total stores	29	28
Total sales area, sq m	5,464	5,017

At the end of H1 2009 discontinued apparel operations included 29 stores with a total sales area of 5,464 square meters. 3 new stores in the apparel business were opened, including 2 PTA shops in Latvia and 1 PTA shop in Lithuania.

Production, sourcing, purchasing and logistics

Due to increased uncertainty in the marketplace and sharply falling demand in Q4 2008 and Q1 2009 the Group's manufacturing companies reduced their production and purchasing volumes in H1 2009. In addition, adjustments in the production planning process were made to adjust for changing circumstances, For example the Group's largest production subsidiary SP ZAO Milavitsa switched from quarterly production planning to monthly planning. As the result of the adjustments in production and sourcing volumes as well as in the production planning process the Group was able to decrease inventories to normal levels by 30 June 2009, after being overstocked over prior 6 months. Consequently, the Group's working capital position was improved significantly and timely deliveries to the customers are now secured.

In respect of sourcing, the number of cooperation partners decreased by 30.8% in SP ZAO Milavitsa over Q1 2009 and remained at that level. Lauma Lingerie decreased the number of its cooperation partners by 25.0% in Q1 2009 and continued with a further decrease in Q2 2009. The total volume of production in SP ZAO Milavitsa amounted to 6,756 thousand pieces in H1 2009, representing a 32.4% decrease as compared to the respective period in prior year. The total production volumes in Lauma Lingerie amounted to 326 thousand pieces in the 6 months' period ended 30 June 2009, showing a decrease of 69.3% as compared to prior year. In broad terms, available own production capacities in SP ZAO Milavitsa remained at the level of 2008, while outsourced production capacities with cooperation partners were the major source for the production output decrease.

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

Investment

In H1 2009 the Group's investments in continuing operations totalled EEK 20,372 thousand (EUR 1,302 thousand) with investments into retail amounting to EEK 12,376 thousand (EUR 791 thousand), including EEK 1,314 thousand (EUR 84 thousand) in Q2 2009. Other investments were made in equipment and facilities to maintain effective production.

Personnel

At the end of June 2009, the Group employed 3,231 employees including 544 in retail and 2,687 in production. The rest were employed in wholesale, administration and support operations. The average number of employees in H1 2009 was 3,598.

The total salaries and wages for H1 2009 amounted to EEK 146,890 thousand (EUR 9,388 thousand). The remuneration paid to members of the Management Board totalled EEK 5,210 thousand (EUR 333 thousand). Four members of the Management Board also serve as executives for the Group's subsidiaries.

Key Events in H1 2009

Sale of shares in PTA Grupp AS

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

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

As at the date of disposal PTA had two loans and an overdraft from Danske Bank A/S Estonian branch outstanding which are secured by a surety provided by SFG. The surety agreement was not terminated after PTA sales transaction and balance of loans and credit line amounted to EEK 30,104 thousand (EUR 1,924 thousand) as of 30 June 2009; however, the liability of the Group to Danske Bank A/S Estonian branch is in turn secured by a commercial pledge over PTA's assets.

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

Changes in the composition of the Management Board

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

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

Splendo Polska Sp. z o.o. disposal

The closing of the agreement for the sale of the Company's shares (90% of the share capital) in Splendo Polska Sp. z o.o., a Polish retail subsidiary operating 6 retail outlets, did not take place during Q2 2009 due to the failure by the other party to perform its obligations on time, and the agreement was transferred to a different purchaser on terms not worse than the original agreement. The Company aims to transfer title to the new purchaser within the month of August.

The investment into Splendo Polska Sp. z o.o. is accounted for as the investment held for sale (fully provided) as of 30 June 2009 and a loss related to the transaction was fully provided as of 31 December 2008. Considering the signed agreement for the transfer of Splendo Polska Sp. z o.o. shares, the operating results of Splendo Polska Sp. z o.o. were not consolidated in the Group's financial results and financial position as of 30 June 2009.

Selected financial data

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

Key figures and ratios	30.06.2009	30.06.2008	Change
Net sales from continuing operations (EEK thousand)	569,066	814,359	-245,293
Net income from continuing operations, attributable to shareholders (EEK thousand)	-15,772	41,369	-57,141
Earnings before interest, taxes and depreciation (EBITDA) from continuing operations (EEK thousand)	49,286	142,948	-93,662
Earnings before interest and taxes (EBIT) from continuing operations (EEK thousand)	30,775	123,484	-92,709
Net sales from continuing operations (EUR thousand)	36,370	52,047	-15,677
Net income from continuing operations, attributable to shareholders (EUR thousand)	-1,008	2,644	-3,652
Earnings before interest, taxes and depreciation (EBITDA) from continuing operations (EUR thousand)	3,150	9,137	-5,987
Earnings before interest and taxes (EBIT) from continuing operations (EUR thousand)	1,967	7,892	-5,925
Operating margin from continuing operations, %	5.4%	15.2%	-
Net margin from continuing operations, %	-2.8%	5.1%	-
ROA, %	-5.1%	2.9%	-
ROE, %	-9.1%	4.4%	-
Earnings per share (EPS), in EEK	-1.31	0.80	-
Earnings per share (EPS), in EUR	-0.08	0.05	-
Current ratio	2.8	3.4	-
Quick ratio	1.5	1.9	-

Underlying formulas:

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

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

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

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

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

Current ratio = current assets / current liabilities

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



Dmitry Ditchkovsky
Chairman of the Management Board

General information and approval of the management board for the consolidated interim report for Q2 2009 and 6 months of 2009

AS Silvano Fashion Group (the “Company” or together with its subsidiaries the “Group”) is an international lingerie distribution group involved in the design, manufacturing and marketing of women’s and lingerie. In addition, the Group provides a limited volume of sewing services to other manufacturers of lingerie. The Group’s continuing operations include the “Oblicie”, “Milavitsa”, “Lauma” and “Amadea Line” and “Splendo Intime” retail chains which distribute the “Milavitsa”, “Alisee”, “Hidalgo”, “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 Akadeemia tee 33, 12618 Tallinn.

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

As of 30 June 2009, the Group employed 3,231 people (as of 31 December 2008: 3,901 people).

The Group comprises the following companies:

At 30 June 2009	Location	Main activity	Ownership interest 30.06.2009	Ownership interest 31.12.2008
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	49%	49%
Splendo Polska Sp. z o.o. ¹	Poland	Retail	0%	90%
PTA Grupp AS, including subsidiaries	Estonia	Retail	0%	100%
UAB Linret LT	Lithuania	Retail	100%	100%
France Style Lingerie s.a.r.l.	France	Holding	100%	100%
OÜ Linret EST	Estonia	Retail	100%	100%
<u>Subsidiaries of SP ZAO Milavitsa</u>				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Retail	51%	51%
SP Gimil OOO	Belarus	Manufacturing	52%	52%
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	Russia	Wholesale	100%	100%
OAO Junona	Belarus	Manufacturing	58,33%	58,33%
<u>Subsidiary of ZAO Stolichnaja Torgovaja Kompanija Milavitsa</u>				
ZAO Linret	Russia	Retail	51%	51%
<u>Associate of France Style Lingerie S.A.R.L.</u>				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Retail	49%	49%

¹ Share purchase agreement for disposal of subsidiary signed, closing pending

AS Silvano Fashion Group Consolidated Interim Report for Q2 and 6 months of 2009

The Management Board certifies that the consolidated interim report of AS Silvano Fashion Group for the first half of 2009 set out on pages 12-39 is true and complete and:

1. the accounting policies applied in the preparation of the consolidated interim report comply with the International Financial Reporting Standards as adopted by the European Union;
2. the consolidated interim report gives a true and fair 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.

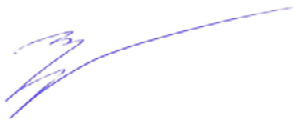
This interim report has not been audited or otherwise reviewed by auditors.



Dmitry Ditchkovsky
Chairman of the Management Board
21 August 2009



Sergei Kusonski
Member of the Management Board
21 August 2009



Baiba Gegere
Member of the Management Board
21 August 2009



Norberto Rodriguez
Member of the Management Board
21 August 2009

Balance Sheet

Consolidated, unaudited

	Notes	30.06.2009 EEK thousand	30.06.2008 EEK thousand	31.12.2008 EEK thousand	30.06.2009 EUR thousand	30.06.2008 EUR thousand	31.12.2008 EUR thousand
ASSETS							
Non-current assets							
Property, plant and equipment	1	199,541	268,386	293,530	12,753	17,153	18,760
Intangible assets	2	6,149	26,599	16,085	393	1,700	1,028
Investment property		19,683	21,514	23,141	1,258	1,375	1,479
Investments in equity accounted investees		2,018	2,144	2,879	129	137	184
Available-for-sale financial assets		6,744	8,027	8,716	431	513	557
Other long term receivables	5	29,369	814	26,051	1,877	52	1,665
Total non-current assets		263,504	327,484	370,402	16,841	20,930	23,673
Current assets							
Inventories	3	274,222	369,072	434,412	17,526	23,588	27,764
Prepaid taxes		17,446	29,431	62,070	1,115	1,881	3,967
Trade receivables	4	168,498	206,911	168,013	10,769	13,224	10,738
Other receivables	5	31,700	44,484	42,277	2,026	2,843	2,702
Prepayments	6	13,268	48,645	49,209	848	3,109	3,145
Cash and cash equivalents	7	63,776	140,319	82,129	4,076	8,968	5,249
Total current assets		568,910	838,862	838,110	36,360	53,613	53,565
TOTAL ASSETS		832,414	1,166,346	1,208,512	53,201	74,543	77,238
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	223,293	223,293	14,271	14,271	14,271
Own shares		-7,041	0	-7,041	-450	0	-450
Statutory capital reserve		1,046	1,046	1,046	67	67	67
Translation reserve		-168,827	-99,157	-58,086	-10,790	-6,338	-3,713
Retained earnings		45,907	218,065	82,035	2,934	13,937	5,243
Total equity attributable to equity holders of the parent		494,378	743,247	641,247	31,597	47,502	40,983
Minority interest		127,833	165,025	141,977	8,170	10,547	9,074
Total equity		622,211	908,272	783,224	39,767	58,049	50,057
Non-current liabilities							
Loans and borrowings	8	7,260	9,529	18,197	464	609	1,163
Deferred tax liabilities		266	203	201	17	13	13
Other liabilities		0	188	1,314	0	12	84
Provisions		0	125	125	0	8	8
Total non-current liabilities		7,526	10,045	19,837	481	642	1,268
Current liabilities							
Loans and borrowings	8	40,650	63,087	116,254	2,598	4,032	7,430
Trade payables		96,806	110,747	167,951	6,187	7,078	10,734
Corporate income tax liability		6,446	8,308	4,006	412	531	256
Other tax liabilities		22,390	15,881	18,150	1,431	1,015	1,160
Deferred tax liability		16	0	0	1	0	0
Other payables	9	16,163	24,111	27,584	1,033	1,541	1,763
Provisions		19,746	25,864	70,817	1,262	1,653	4,526
Accrued expenses		38	31	689	2	2	44
Deferred income		422	0	0	27	0	0
Total current liabilities		202,677	248,029	405,451	12,953	15,852	25,913
Total liabilities		210,203	258,074	425,288	13,434	16,494	27,181
TOTAL LIABILITIES AND EQUITY		832,414	1,166,346	1,208,512	53,201	74,543	77,238

Income Statement - H1

Consolidated, unaudited

		2009 H1 EEK thousand	2008 H1 EEK thousand (restated)	2009 H1 EUR thousand	2008 H1 EUR thousand (restated)
Continuing operations					
Net sales	12	569,066	814,359	36,370	52,047
Costs of goods sold		-314,950	-458,946	-20,129	-29,332
Gross Profit		254,116	355,413	16,241	22,715
Other operating income		17,289	9,920	1,105	634
Distribution costs		-92,722	-116,364	-5,926	-7,437
Administrative expenses		-80,033	-92,205	-5,115	-5,893
Other operating expenses		-67,875	-33,280	-4,338	-2,127
Operating profit		30,775	123,484	1,967	7,892
Interest expenses		-6,008	-642	-384	-41
Gains/losses on conversion of foreign currencies		11,954	-1,408	764	-90
Other financial income / expenses		6,572	5,257	420	336
Total financial income / expenses		12,518	3,207	800	205
Share of profit of equity accounted investees		-422	1,330	-27	85
Profit before corporate income tax		42,871	128,021	2,740	8,182
Corporate income tax		-45,703	-56,625	-2,921	-3,619
Profit from continuing operations		-2,832	71,396	-181	4,563
Discontinued operations					
Profit / (loss) of discontinued operation (net of income tax)		-36,034	-9,231	-2,303	-590
Profit for the period		-38,866	62,165	-2,484	3,973
Net profit attributable to parent company		-51,806	32,138	-3,311	2,054
Net profit attributable to minority shareholders		12,940	30,027	827	1,919
Earnings per share					
Basic earnings per share (EEK/EUR)	10	-1.31	0.08	-0.08	0.05
Diluted earnings per share (EEK/EUR)	10	-1.31	0.08	-0.08	0.05
Continuing operations					
Basic earnings per share (EEK/EUR)	10	-0.40	1.03	-0.03	0.07
Diluted earnings per share (EEK/EUR)	10	-0.40	1.03	-0.03	0.07

Statement of comprehensive income - H1

Consolidated, unaudited

	2009	2008	2009	2008
	H1	H1	H1	H1
	EEK	EEK	EUR	EUR
	thousand	thousand	thousand	thousand
Profit for the period	-38,866	62,165	-2,484	3,973
Other comprehensive income				
Foreign currency translation differences for foreign operations	-137,715	-29,515	-8,801	-1,887
Disposal of subsidiary	16,820	0	1,075	0
Other comprehensive income for the period	-120,895	-29,515	-7,726	-1,887
Total comprehensive income	-159,761	32,650	-10,210	2,086
Comprehensive income attributable to parent company	-146,869	9,493	-9,386	606
Comprehensive income attributable to minority shareholders	-12,892	23,157	-824	1,480

Income Statement - Q2

Consolidated, unaudited

		2009	2008	2009	2008
		Q2	Q2	Q2	Q2
		EEK	EEK	EUR	EUR
		thousand	thousand	thousand	thousand
			(restated)		(restated)
Continuing operations					
Net sales	12	319,394	442,204	20,413	28,262
Costs of goods sold		-169,202	-255,697	-10,814	-16,342
Gross Profit		150,192	186,507	9,599	11,920
Other operating income		5,789	5,742	370	367
Distribution costs		-46,674	-65,637	-2,983	-4,195
Administrative expenses		-36,770	-44,045	-2,350	-2,815
Other operating expenses		-40,634	-16,100	-2,597	-1,029
Operating profit		31,903	66,467	2,039	4,248
Interest expenses		-3,395	-376	-217	-24
Gains/losses on conversion of foreign currencies		12,783	610	817	39
Other financial income / expenses		5,680	2,535	363	162
Total financial income / expenses		15,068	2,769	963	177
Share of profit of equity accounted investees		1,408	1,127	90	72
Profit before corporate income tax		48,379	70,363	3,092	4,497
Corporate income tax		-25,285	-28,508	-1,616	-1,822
Profit from continuing operations		23,094	41,855	1,476	2,675
Discontinued operations					
Profit / (loss) of discontinued operation (net of income tax)		-27,428	-6,321	-1,753	-404
Profit for the period		-4,334	35,534	-277	2,271
Net profit attributable to parent company		-12,846	18,103	-821	1,157
Net profit attributable to minority shareholders		8,512	17,431	544	1,114
Earnings per share					
Basic earnings per share (EEK/EUR)		-0.32	0.45	-0.02	0.03
Diluted earnings per share (EEK/EUR)		-0.32	0.45	-0.02	0.03
Continuing operations					
Basic earnings per share (EEK/EUR)		0.37	0.61	0.02	0.04
Diluted earnings per share (EEK/EUR)		0.37	0.61	0.02	0.04

Statement of comprehensive income - Q2

Consolidated, unaudited

	2009	2008	2009	2008
	Q2	Q2	Q2	Q2
	EEK	EEK	EUR	EUR
	thousand	thousand	thousand	thousand
Profit for the period	-4,334	35,534	-277	2,271
Other comprehensive income				
Foreign currency translation differences for foreign operations	-32,817	4,548	-2,097	290
Disposal of subsidiary	0	0	0	0
Other comprehensive income for the period	-32,817	4,548	-2,097	290
Total comprehensive income	-37,151	40,082	-2,374	2,561
Comprehensive income attributable to parent company	-43,098	21,447	-2,754	1,370
Comprehensive income attributable to minority shareholders	5,947	18,635	380	1,191

Cash flow statement

Consolidated, unaudited

	Notes	2009 H1 thousand EEK	2008 H1 thousand EEK	2009 H1 thousand EUR	2008 H1 thousand EUR
Cash flows from operating activities					
Profit for the period		-38,866	62,165	-2,484	3,973
Adjustments for:					
Depreciation fixed assets		20,309	25,629	1,298	1,638
Amortization of intangible assets		1,815	1,815	116	116
(Reversal of) impairment losses on property, plant and equipment		15,740	141	1,006	9
Share of profit of equity accounted investees		422	-1,267	27	-81
Gains/losses on the sale of property, plant and equipment		2,128	-407	136	-26
Impairment losses on goodwill(+) and negative goodwill gain(-)		0	-2,237	0	-143
Gain on sale of discontinued operations, net of income tax (-)		23,845	0	1,524	0
Income tax expense		45,704	56,625	2,921	3,619
Change in inventories		40,681	-31,450	2,600	-2,010
Change in trade and other receivables		53,730	-75,322	3,434	-4,814
Change in trade and other payables		-87,229	-15,349	-5,575	-981
Interests paid (-)		-6,916	-1,565	-442	-100
Income tax paid (-)		-29,275	-51,509	-1,871	-3,292
Total cash flow from operating activities		42,088	-32,731	2,690	-2,092
Cash flow from investing activities					
Interest received		4,850	2,707	310	173
Proceeds from sale of property, plant and equipment		7,745	422	495	27
Proceeds from sale of investments		-2,441	0	-156	0
Loans granted		0	-37,442	0	-2,393
Proceeds from repayments of loans granted		0	35,017	0	2,238
Acquisition of property, plant and equipment		-19,667	-53,621	-1,257	-3,427
Acquisition of intangible non-current assets		-1,940	-673	-124	-43
Acquisition of other non-current assets		-2,128	-282	-136	-18
Acquisition of subsidiary net of cash acquired		0	1,502	0	96
Total cash flow from investing activities		-13,581	-52,370	-868	-3,347
Cash flow from financing activities					
Proceeds from borrowings		92,362	72,600	5,903	4,640
Repayment of borrowings		-150,097	-20,075	-9,593	-1,283
Repayment of finance lease		-3,317	-3,833	-212	-245
Dividends paid		-1,252	-3,067	-80	-196
Factoring paid		0	-438	0	-28
Repayment of other liabilities		0	0	0	0
Total cash flow from financing activities		-62,304	45,187	-3,982	2,888
Net increase in cash and cash equivalents		-33,797	-39,914	-2,160	-2,551
Cash and cash equivalents at the beginning of the period	7	82,129	180,233	5,249	11,519
Effect of exchange rate fluctuations on cash		15,444	0	987	0
Cash and cash equivalents at the end of the period	7	63,776	140,319	4,076	8,968

Statement of changes in equity

Consolidated, unaudited

<i>In thousand EUR</i>	Note	Equity attributable to equity holders of the parent						Total	Minority interest	Total equity
		Share capital	Share premium	Own shares	Capital reserve	Translation reserve	Accumulated profit (losses)			
Balance at 31 December 2007		25,565	14,271	0	67	-4,890	11,883	46,896	8,712	55,608
Profit for the period		0	0	0	0	0	2,054	2,054	1,919	3,973
Effect on consolidation of foreign subsidiaries		0	0	0	0	-1,448	0	-1,448	-439	-1,887
Acquisition of minority interest		0	0	0	0	0	0	0	518	518
Dividends paid		0	0	0	0	0	0	0	-163	-163
Balance at 30 June 2008		25,565	14,271	0	67	-6,338	13,937	47,502	10,547	58,049
Balance at 31 December 2008		25,565	14,271	-450	67	-3,713	5,243	40,983	9,074	50,057
Profit for the period		0	0	0	0	0	-3,311	-3,311	827	-2,484
Effect on consolidation of foreign subsidiaries		0	0	0	0	-7,077	0	-7,077	-1,724	-8,801
Disposal of subsidiary		0	0	0	0	0	1,002	1,002	73	1,075
Dividends paid		0	0	0	0	0	0	0	-80	-80
Balance at 30 June 2009		25,565	14,271	-450	67	-10,790	2,934	31,597	8,170	39,767

Statement of changes in equity

Consolidated, unaudited

<i>In thousand EEK</i>	Note	Equity attributable to equity holders of the parent						Total	Minority interest	Total equity
		Share capital	Share premium	Own shares	Capital reserve	Translation reserve	Accumulated profit (losses)			
Balance at 31 December 2007		400,000	223,293	0	1,046	-76,512	185,927	733,754	136,313	870,067
Profit for the period		0	0	0	0	0	32,138	32,138	30,027	62,165
Effect on consolidation of foreign subsidiaries		0	0	0	0	-22,645	0	-22,645	-6,870	-29,515
Acquisition of minority interest		0	0	0	0	0	0	0	8,105	8,105
Dividends paid		0	0	0	0	0	0	0	-2,550	-2,550
Balance at 30 June 2008		400,000	223,293	0	1,046	-99,157	218,065	743,247	165,025	908,272
Balance at 31 December 2008		400,000	223,293	-7,041	1,046	-58,086	82,035	641,247	141,977	783,224
Profit for the period		0	0	0	0	0	-51,806	-51,806	12,940	-38,866
Effect on consolidation of foreign subsidiaries		0	0	0	0	-110,741	0	-110,741	-26,974	-137,715
Disposal of subsidiary		0	0	0	0	0	15,678	15,678	1,142	16,820
Dividends paid		0	0	0	0	0	0	0	-1,252	-1,252
Balance at 30 June 2009		400,000	223,293	-7,041	1,046	-168,827	45,907	494,378	127,833	622,211

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

Basis for preparation

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

This Interim Report shows results in thousand of Estonian kroons (EEK) and thousand 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 2008.

This Interim Report has not been audited.

Notes on the consolidated interim report

Note 1. Property, plant and equipment

<i>In thousand of EUR</i>	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost at 31 December 2007	3,962	15,218	7,059	1,353	27,592
Movements in 2008					
Acquisition	0	380	879	1,680	2,939
Acquired through business combination	1,330	454	72	0	1,856
Transfers and reclassifications	794	836	136	-1,766	0
Disposals	0	-166	-30	0	-196
Effect of movements in foreign exchange on cost	-254	-738	-162	-49	-1,203
Cost at 30 June 2008	5,832	15,984	7,954	1,218	30,988
Cost at 31 December 2008	7,188	17,393	8,430	1,323	34,334
Movements in 2009					
Acquisition	0	0	884	452	1,336
Acquired through business combination	0	0	0	0	0
Transfers and reclassifications	0	632	369	-1,001	0
Disposals	0	-261	-727	0	-988
Eliminated on disposal of subsidiary	0	-1,485	-2,078	-5	-3,568
Effect of movements in foreign exchange on cost	-1,629	-3,428	-833	-233	-6,123
Cost at 30 June 2009	5,559	12,851	6,045	536	24,991
Accumulated depreciation at 31 December 2007	1,349	8,108	2,378	0	11,835
Movements in 2008					
Acquired through business combination	722	379	67	0	1,168
Depreciation	57	831	657	0	1,545
Transfers and reclassification	0	1	-1	0	0
Disposals	0	-160	-28	0	-188
Effect of movements in foreign exchange on accumulated depreciation	-88	-364	-73	0	-525
Accumulated depreciation at 30 June 2008	2,040	8,795	3,000	0	13,835
Accumulated depreciation at 31 December 2008	2,297	9,834	3,443	0	15,574
Movements in 2009					
Acquired through business combination	0	0	0	0	0
Depreciation	74	575	635	0	1,284
Transfers and reclassification	0	-12	12	0	0
Impairment loss	0	0	794	0	794
Disposals	0	-214	-139	0	-353
Eliminated on disposal of subsidiary	0	-1,297	-1,035	0	-2,332
Effect of movements in foreign exchange on accumulated depreciation	-525	-1,825	-379	0	-2,729
Accumulated depreciation at 30 June 2009	1,846	7,061	3,331	0	12,238
Carrying amounts					
At 31 December 2007	2,613	7,110	4,681	1,353	15,757
At 30 June 2008	3,792	7,189	4,954	1,218	17,153
At 31 December 2008	4,891	7,559	4,987	1,323	18,760
At 30 June 2009	3,713	5,790	2,714	536	12,753

<i>In thousand of EEK</i>	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost at 31 December 2007	61,989	238,125	110,439	21,170	431,723
Movements in 2008					
Acquisition	0	5,945	13,753	26,286	45,984
Acquired through business combination	20,805	7,104	1,129	0	29,038
Transfers and reclassifications	12,420	13,081	2,128	-27,629	0
Disposals	0	-2,597	-469	0	-3,066
Effect of movements in foreign exchange on cost	-3,963	-11,563	-2,527	-769	-18,822
Cost at 30 June 2008	91,251	250,095	124,453	19,058	484,857
Cost at 31 December 2008	112,468	272,141	131,901	20,700	537,210
Movements in 2009					
Acquisition	0	0	13,832	7,072	20,904
Acquired through business combination	0	0	0	0	0
Transfers and reclassifications	0	9,888	5,774	-15,662	0
Disposals	0	-4,083	-11,375	0	-15,458
Eliminated on disposal of subsidiary		-23,235	-32,513	-78	-55,826
Effect of movements in foreign exchange on cost	-25,488	-53,637	-13,034	-3,646	-95,805
Cost at 30 June 2009	86,980	201,074	94,585	8,386	391,025
Accumulated depreciation at 31 December 2007	21,105	126,878	37,199	0	185,182
Movements in 2008					
Acquired through business combination	11,298	5,927	1,047	0	18,272
Depreciation	886	13,008	10,278	0	24,172
Transfers and reclassification	0	9	-9	0	0
Disposals	0	-2,502	-432	0	-2,934
Effect of movements in foreign exchange on accumulated depreciation	-1,370	-5,708	-1,143	0	-8,221
Accumulated depreciation at 30 June 2008	31,919	137,612	46,940	0	216,471
Accumulated depreciation at 31 December 2008	35,940	153,869	53,871	0	243,680
Movements in 2009					
Acquired through business combination	0	0	0	0	0
Depreciation	1,158	8,997	9,936	0	20,091
Transfers and reclassification	0	-188	188	0	0
Impairment loss	0	0	12,423	0	12,423
Disposals	0	-3,348	-2,175	0	-5,523
Eliminated on disposal of subsidiary	0	-20,294	-16,194	0	-36,488
Effect of movements in foreign exchange on accumulated depreciation	-8,214	-28,555	-5,930	0	-42,699
Accumulated depreciation at 30 June 2009	28,884	110,481	52,119	0	191,484
Carrying amounts					
At 31 December 2007	40,884	111,247	73,240	21,170	246,541
At 30 June 2008	59,332	112,483	77,513	19,058	268,386
At 31 December 2008	76,527	118,273	78,027	20,703	293,530
At 30 June 2009	58,096	90,593	42,466	8,386	199,541

Note 2. Intangible assets

<i>In thousand of EUR</i>	Software	Trademarks	Goodwill	Projects in progress	Total
Cost at 31 December 2007	882	443	852	163	2,340
Movements in 2008					
Acquisition	29	3	0	4	36
Transfers and reclassification	32	0	0	-32	0
Effect of movements in foreign exchange on cost	-21	-3	0	-7	-31
Cost at 30 June 2008	922	443	852	128	2,345
Cost at 31 December 2008	1,062	444	120	159	1,785
Movements in 2009					
Acquisition	97	14	0	13	124
Transfers and reclassification	0	1	0	-1	0
Eliminated on disposal of subsidiary	-413	-368	-120	-25	-926
Effect of movements in foreign exchange on cost	-118	-9	0	-32	-159
Cost at 30 June 2009	628	82	0	114	824
Accumulated amortization at 31 December 2007	325	227	0	0	552
Movements in 2008					
Amortisation	76	21	0	0	97
Effect of movements in foreign exchange on amortisation	-3	-1	0	0	-4
Accumulated amortisation at 30 June 2008	398	247	0	0	645
Accumulated amortisation at 31 December 2008	489	268	0	0	757
Movements in 2009					
Amortisation	90	26	0	0	116
Impairment loss	99	0	0	113	212
Eliminated on disposal of subsidiary	-335	-264	0	0	-599
Effect of movements in foreign exchange on amortisation	-45	-3	0	-7	-55
Accumulated amortisation at 30 June 2009	298	27	0	106	431
Carrying amounts					
At 31 December 2007	557	216	852	163	1,788
At 30 June 2008	524	196	852	128	1,700
At 31 December 2008	573	176	120	159	1,028
At 30 June 2009	330	55	0	8	393

<i>In thousand of EEK</i>	Software	Trademarks	Goodwill	Projects in progress	Total
Cost at 31 December 2007	13,799	6,941	13,324	2,559	36,623
Movements in 2008					
Acquisition	454	47	0	60	561
Transfers and reclassification	501	0	0	-501	0
Effect of movements in foreign exchange on cost	-329	-47	0	-117	-493
Cost at 30 June 2008	14,425	6,941	13,324	2,001	36,691
Cost at 31 December 2008	16,616	6,947	1,878	2,488	27,929
Movements in 2009					
Acquisition	1,518	219	0	203	1,940
Transfers and reclassification	0	16	0	-16	0
Eliminated on disposal of subsidiary	-6,463	-5,758	-1,878	-391	-14,490
Effect of movements in foreign exchange on cost	-1,846	-141	0	-501	-2,488
Cost at 30 June 2009	9,825	1,283	0	1,783	12,891
Accumulated amortization at 31 December 2007	5,085	3,562	0	0	8,647
Movements in 2008					
Amortisation	1,187	321	0	0	1,508
Effect of movements in foreign exchange on amortisation	-47	-16	0	0	-63
Accumulated amortisation at 30 June 2008	6,225	3,867	0	0	10,092
Accumulated amortisation at 31 December 2008	7,651	4,193	0	0	11,844
Movements in 2009					
Amortisation	1,408	407	0	0	1,815
Impairment loss	1,549	0	0	1,768	3,317
Eliminated on disposal of subsidiary	-5,242	-4,131	0	0	-9,373
Effect of movements in foreign exchange on amortisation	-704	-47	0	-110	-861
Accumulated amortisation at 30 June 2009	4,662	422	0	1,658	6,742
Carrying amounts					
At 31 December 2007	8,714	3,379	13,324	2,559	27,976
At 30 June 2008	8,200	3,074	13,324	2,001	26,599
At 31 December 2008	8,966	2,753	1,870	2,496	16,085
At 30 June 2009	5,163	861	0	125	6,149

Note 3. Inventories

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Raw and other materials	50,163	87,480	3,206	5,591
Work in progress	18,775	29,087	1,200	1,859
Finished goods	191,280	270,170	12,225	17,267
Goods purchased for resale	0	44,358	0	2,835
Goods in transit	8,355	0	534	0
Other inventories	5,649	3,317	361	212
Total	274,222	434,412	17,526	27,764

The amount of inventories written off in the 6 months' period ended 30 June 2009 was EEK 313 thousand (EUR 20 thousand) as compared to EEK 1,005 thousand (EUR 64 thousand) in the respective period in prior year.

Note 4. Trade receivables

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Trade receivables	175,273	172,128	11,202	11,001
Allowance for uncollectible accounts	-6,775	-4,115	-433	-263
Total	168,498	168,013	10,769	10,738

Trade receivables are accounted at the nominal value on the date of the 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 will not collect all of the amount receivable pursuant to the terms of the claim, the claim is written down. Upon assessment of claim the accrual of each specific claim is treated separately, considering the information available on the solvency of the debtor.

In the 6 months' period ended 30 June 2009 receivables in the amount of EEK 3,348 thousand (EUR 214 thousand) were identified as uncollectible. There were no receipts of the receivables or reversal of the impairment losses previously provided for and none of the irrecoverable receivables were taken off the balance sheet. None of the irrecoverable receivables were written off the balance sheet during the 6 months' period ended 30 June 2009.

Note 5. Other receivables

Other short term receivables

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Due from customers for contract work	391	532	25	34
Loans to companies	829	2,002	53	128
Employees receivables	1,126	2,034	72	130
Miscellaneous receivables	37,207	37,709	2,378	2,410
	-7,855	0	-502	0
Total	31,700	42,277	2,026	2,702

Other long term receivables

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Deferred tax asset	16,804	8,574	1,074	548
PTA Holding OÜ receivable	7,824	0	500	0
Loan to shareholders	20,215	15,333	1,292	980
Other long term receivables	4,741	2,144	303	137
Allowance for impaired receivables	-20,215	0	-1,292	0
Total	29,369	26,051	1,877	1,665

Note 6. Prepayments

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Prepayments to suppliers	13,268	49,209	848	3,145
Total	13,268	49,209	848	3,145

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

Note 7. Cash and cash equivalents

	30.06.2009	31.12.2008	30.06.2009	31.12.2008
	EEK thousand	EEK thousand	EUR thousand	EUR thousand
Cash and hand	986	1,831	63	117
Bank accounts in kroons	63	720	4	46
Bank accounts in foreign currencies	31,309	38,584	2,001	2,466
Money in transfer	28,023	8,246	1,791	527
Deposits	3,395	32,748	217	2,093
Total	63,776	82,129	4,076	5,249

Note 8. Loans and borrowings

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

	Short-term	Long-term	Short-term	Long-term	Interest rate	Due date of repayment
	EEK	EEK	EUR	EUR		
	thousand	thousand	thousand	thousand		
Secured loans and borrowings						
OAo Belarusbank	1,925	0	123	0	21%	28/12/2009
OAo Belvnesheconombank	578	0	37	0	23%	16/04/2010
Minsk Transit Bank	829	0	53	0	17%	08/06/2010
Minsk Transit Bank	673	0	43	0	19%	19/09/2010
Swedbank Lt	798	0	51	0	12%	30/04/2009
Nordea bank	5,320	0	340	0	Euribor 3m +4%	26/08/2013
AS UniCredit bank	26,912	0	1,720	0	Euribor 3m +1.65%	January 2010
Unsecured loans and borrowings						
Financial lease payables	3,615	7,260	231	464	10.5-14.5%	2009-2013
Total	40,650	7,260	2,598	464		

Loan Collateral

The credit line provided to AS Lauma Lingerie by AS Unicredit Bank in Latvia is secured with movable assets of AS Lauma Lingerie for the book value of EEK 58,675 thousand (EUR 3,750 thousand) and a guarantee from AS Silvano Fashion Group. The loan provided to SP Gimil OOO by OAO Belarusbank is secured by fixed assets of SP Gimil OOO for the book value of EEK 5,148 thousand (EUR 329 thousand) and the loans provided to OAO Junona by OAO Belvnesheconombank and Minsk Transit Bank are secured by finished goods for the book value of EEK 5,320 thousand (EUR 340 thousand).

	Short-term EEK thousand	Long-term EEK thousand	Short-term EUR thousand	Long-term EUR thousand	Interest rate	Due date of repayment
Secured loans and borrowings						
AKB Belrosbank	8,136	0	520	0	25%	17/02/2009
AKB Belrosbank	7,635	0	488	0	17-24.56%	16/01/2009
					Libor 6m	
OAQ Priorbank	21,905	0	1 400	0	+7.63%	30/09/2009
Milavitsa ZAO MTB	10,170	0	650	0	13%	08/06/2009
Minsk Transit Bank	2,300	0	147	0	17%	19/06/2010
Loan from Hansabankas	908	0	58	0	7.94-8.67%	30/04/2009
Loan from Sampo Pank AS	7,792	11,093	498	709	6 months Euribor+1.1%	02/04/2001
Overdraft from Sampo Pank AS	13,409	0	857	0	6%	01/04/2009
Loan from AS Unicredit bank	36,550	0	2,336	0	3 months Euribor+1.65%	30/04/2009
Unsecured loans and borrowings						
Financial lease payables	4,741	7,104	303	454	6.5-14%	2007-2011
Other borrowings	2,708	0	173	0	6-13%	2009
Total	116,254	18,197	7,430	1,163		

Note 9. Other payables

Other short term payables

	30.06.2009 EEK thousand	31.12.2008 EEK thousand	30.06.2009 EUR thousand	31.12.2008 EUR thousand
Customer prepayments for goods and services	4,913	5,633	314	360
Payables to employees	8,606	15,021	550	960
Interest and other accruals	0	203	0	13
Other payables	2,644	6,727	169	430
Total	16,163	27,584	1,033	1,763

Note 10. Earnings per share

	2009 H1	2008 H1
Number of ordinary shares as of January 1 (Qty)	40,000,000	40,000,000
Own shares as of January 1	393,000	0
Number of ordinary shares as of June 30 (Qty)	40,000,000	40,000,000
Own shares as of June 30	393,000	0
Weighted average number of ordinary shares (Qty)	39,607,000	40,000,000

	2009 H1 Contin- uing operations	2009 H1 Discontin- ued operations	2009 H1 Total	2008 H1 Contin- uing operations	2008 H1 Discontin- ued operations	2008 H1 Total
Profit for the period, EEK thousands	-15,772	-36,034	-51,806	41,369	-	32,138
Profit for the period, EUR thousands	-181	-2,303	-3,311	2,644	-	2,054
Basic earnings per share (EEK)	-0.40	-	-1.31	1.03	-	0.80
Basic earnings per share (EUR)	-0.03	-	-0.08	0.07	-	0.05
Diluted earnings per share (EEK)	-0.40	-	-1.31	1.03	-	0.80
Diluted earnings per share (EUR)	-0.03	-	-0.08	0.07	-	0.05

The diluted earnings per share in the first 6 months of 2009 per share do not differ from the basic earnings per share, because Silvano Fashion Group AS does not have the financial instruments to allow for diluting the earnings per share in the future.

Note 11. Owners' equity

Shares

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

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

To the date, the amount of shares bought back is 393,000 the average price per share is 1.15 EUR, the cost in total is 450,106 EUR.

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

As of 30 June 2009 AS Silvano Fashion Group had 1,053 shareholders.

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

Name	Number of shares	Shareholding
Major shareholders	36,510,600	91.28%
NORDEA BANK FINLAND PLC/ NON-RESIDENT LEGAL ENTITIES	14,086,573	35.22%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	7,052,152	17.63%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	5,728,870	14.32%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	4,551,726	11.38%
ALTA CAPITAL PARTNERS S.C.A, SICAR	1,864,286	4.66%
SIA ALTA CAPITAL PARTNERS	1,300,000	3.25%
UNICREDIT BANK AUSTRIA AG	1,064,185	2.66%
TRIGON UUS EUROOPA VÄIKEETTEVÖTETE FOND	456,200	1.14%
"SWEDBANK" AB CLIENTS	406,608	1.02%
Other shareholders	3,489,400	8.72%
Total number of shares	40 000 000	100.0%

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

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

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

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

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

- Pioneer Pekao Investment Management SA notified the Company that it controls 5.215% of votes represented by its shares and no notification is received from Pioneer Pekao Investment Management SA on the reduction of its participation in the votes represented by the Company's shares;
- No notification is received from SIA Alta Capital Partners on the reduction of its participation in the votes represented by the Company's shares.

Based on the above, the Company deems Pioneer Pekao Investment Management SA to hold over 5% of the Company's shares, and SIA Alta Capital Partners to hold (directly and indirectly) over 50% of the Company's shares.

Information about Shares

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

During the first 6 months of 2009, the highest and lowest prices of the Company's on the Tallinn Stock Exchange were EEK 9.08 (EUR 0.58) and EEK 3.13 (EUR 0.20), respectively. During the first 6 months of 2008, the highest and lowest prices of the Company's share on the Tallinn Stock Exchange were EEK 68.06 (EUR 4.35) and EEK 25.66 (EUR 1.64), respectively.

The average price (arithmetic average based on daily closing prices) of the Company's share on the Tallinn Stock Exchange in H1 2009 was 5.79 EEK (0.37 EUR), compared to 52.85 EEK (3.38 EUR) in H1 2008.

Share price development and turnover on the Tallinn Stock Exchange in 6 months 2009



Legal Reserve

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

Note 12. Sales revenue

	H1 2009 EEK thousand	H1 2008 EEK thousand (restated)	H1 2009 EUR thousand	H1 2008 EUR thousand (restated)
Sales revenue from continuing operations				
Income from retail sale	133,497	143,965	8,532	9,201
Income from wholesale	311,680	423,679	19,920	27,078
Sales of own production	111,278	224,466	7,112	14,346
Subcontracting and services	2,879	2,769	184	177
Other sales	9,732	19,480	622	1,245
Total sales revenue	569,066	814,359	36,370	52,047

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;

e. associated companies.

	H1 2009 EEK thousand	H1 2008 EEK thousand	H1 2009 EUR thousand	H1 2008 EUR thousand
Purchase of goods and services				
Companies related to the shareholders	56,594	103,659	3,617	6,625
Total purchases	56,594	103,659	3,617	6,625

	H1 2009 EEK thousand	H1 2008 EEK thousand	H1 2009 EUR thousand	H1 2008 EUR thousand
Loans to shareholders				
Opening balance, including accrued interest	15,772	626	1,008	40
Given	0	44,593	0	2,850
Repaid	0	-29,885	0	-1,910
Calculated interest	4,444	0	284	0
Provision	-20,215	0	-1,292	0
Closing balance, including accrued interest	0	15,772	0	1,008

In the period January – April 2008 the Group issued a loan in the amount of EEK 44,593 thousand (EUR 2,850 thousand) to investment fund Alta Capital Partners. Based on the management’s view of the likelihood of the recovery of the loan balance a provision for principal balance and accrued interest was created as at 31 March 2009 in the amount of EEK 15,772 thousand (EUR 1,008 thousand). Additional interest and delayed penalties income related to the loan was recognized as interest income in the amount of EEK 4,444 thousand (EUR 284 thousand) in Q2 2009 and fully provided. The expenses related to the provision have been recognized in “other operating expenses” in H1 2009.

	30.06.2009 EEK thousand	31.12.2008 EEK thousand	30.06.2009 EUR thousand	31.12.2008 EUR thousand
Balances with related parties				
Companies related to the shareholders	-24,956	-28,602	-1,595	-1,828
Total current liabilities	-24,956	-28,602	-1,595	-1,828

	30.06.2009 EEK thousand	31.12.2008 EEK thousand	30.06.2009 EUR thousand	31.12.2008 EUR thousand
Balances with related parties				
Other receivables	532	438	34	28
Trade receivables	63,791	51,177	4,077	3,267
Total receivables	64,323	51,555	4,111	3,295

	H1 2009 EEK thousand	H1 2008 EEK thousand	H1 2009 EUR thousand	H1 2008 EUR thousand
Benefits to members of the management board				
Remuneration and benefits	5,210	3,255	333	208
Total	5,210	3,255	333	208

Note 14. Segments

a) Primary Segment – Business Segment by Products H1 2009, EEK

	Apparel (discontinued operations) H1 2009 EEK thousand	Lingerie H1 2009 EEK thousand	Other activities H1 2009 EEK thousand	Inter- segment transactions H1 2009 EEK thousand	Total H1 2009 EEK thousand	Less discontinued operations H1 2009 EEK thousand	Continuing operations H1 2009 EEK thousand
Extra-group sales revenue	78,593	556,455	12,611	0	647,659	78,593	569,066
Inter-segment sales revenue	0	0	0	0	0	0	-
Total sales revenue	78,593	556,455	12,611	0	647,659	78,593	569,066
Operating profit/loss of segment	-11,078	78,373	-37,099	0	30,196	-11,078	41,274
Unallocated operating revenue and operating charges	0	0	0	0	-10,499	0	-10,499
Total operating profit / loss	-11,078	78,373	-37,099	0	19,697	-11,078	30,775
Other financial income and expenses	-1,314	4,084	8,012	0	10,782	-1,314	12,096
Corporate income tax	203	-45,703	0	0	-45,500	203	-45,703
Loss on sale of discontinued operations	0	0	0	0	-23,845	-23,845	0
Net profit / loss	-12,189	36,754	-29,087	0	-38,866	-36,034	-2,832
Assets and receivables	0	803,891	28,523	0	832,414	0	832,414
Unallocated assets of group	0	0	0	0	0	0	0
Total assets	0	803,891	28,523	0	832,414	0	832,414
Liabilities	0	153,352	56,851	0	210,203	0	210,203
Unallocated liabilities of group	0	0	0	0	0	0	0
Total liabilities	0	153,352	56,851	0	210,203	0	210,203
Capital expenditure	4,600	20,356	16	0	24,972	4,600	20,372
Depreciation and amortization expense	3,614	17,306	1,205	0	22,125	3,614	18,511

Apparel segment of the Group includes operations of PTA Grupp AS and its subsidiaries. Russian apparel operations are reclassified to Other income.

a) Primary Segment – Business Segment by Products H1 2009, EUR

	Apparel (discontinued operations) H1 2009 EUR thousand	Lingerie H1 2009 EUR thousand	Other activities H1 2009 EUR thousand	Inter- segment transactions H1 2009 EUR Thousand	Total H1 2009 EUR Thousand	Less discontinued operations H1 2009 EUR thousand	Continuing operations H1 2009 EUR thousand
Extra-group sales revenue	5,023	35,564	806	0	41,393	5,023	36,370
Inter-segment sales revenue	0	0	0	0	0	0	-
Total sales revenue	5,023	35,564	806	0	41,393	5,023	36,370
Operating profit/loss of segment	-708	5,009	-2,371	0	1,930	-708	2,638
Unallocated operating revenue and operating charges	0	0	0	0	-671	0	-671
Total operating profit / loss	-708	5,009	-2,371	0	1,259	-708	1,967
Other financial income and expenses	-84	260	513	0	689	-84	773
Corporate income tax	13	-2,921	0	0	-2,908	13	-2,921
Loss on sale of discontinued operations	0	0	0	0	-1,524	-1,524	0
Net profit / loss	-779	2,348	-1,858	0	-2,484	-2,303	-181
Assets and receivables	0	51,378	1,823	0	53,201	0	53,201
Unallocated assets of group	0	0	0	0	0	0	0
Total assets	0	51,378	1,823	0	53,201	0	53,201
Liabilities	0	9,801	3,633	0	13,434	0	13,434
Unallocated liabilities of group	0	0	0	0	0	0	0
Total liabilities	0	9,801	3,633	0	13,434	0	13,434
Capital expenditure	294	1,301	1	0	1,596	294	1,302
Depreciation and amortization expense	231	1,106	77	0	1,414	231	1,183

Apparel segment of the Group includes operations of PTA Grupp AS and its subsidiaries. Russian apparel operations are reclassified to Other income. The assets and liabilities set out in the Note are disclosed as of the Balance Sheet date, i.e. 30 June 2009.

a) Primary segment – business segment by products H1 2008, EEK

	Apparel (discontinued operations) H1 2008 EEK thousand (restated)	Lingerie H1 2008 EEK thousand (restated)	Other activities H1 2008 EEK thousand (restated)	Inter- segment transactions H1 2008 EEK thousand (restated)	Total H1 2008 EEK thousand (restated)	Less discontinued operations H1 2008 EEK thousand (restated)	Continuing operations H1 2008 EEK thousand (restated)
Extra-group sales revenue	85,102	792,110	22,249	0	899,461	85,102	814,359
Inter-segment sales revenue	15,052	0	0	0	15,052	15,052	0
Total sales revenue	100,154	792,110	22,249	0	914,513	100,154	814,359
Operating profit/loss of segment	4,350	161,912	-27,162	0	139,100	4,350	134,750
Unallocated operating revenue and operating charges	-12,564	-11,266	0	0	-23,830	-12,564	-11,266
Total operating profit / loss	-8,214	150,646	-27,162	0	115,270	-8,214	123,484
Other financial income and expenses	-1,017	4,584	-47	0	3,520	-1,017	4,537
Corporate income tax	0	-56,625	0	0	-56,625	0	-56,625
Loss on sale of discontinued operations	0	0	0	0	0	0	0
Net profit / loss	-9,231	98,605	-27,209	0	62,165	-9,231	71,396
Assets and receivables	77,983	978,476	109,887	0	1,166,346	77,983	1,088,363
Unallocated assets of group	0	0	0	0	0	0	-
Total assets	77,983	978,476	109,887	0	1,166,346	77,983	1,088,363
Liabilities	53,949	118,805	93,425	0	266,179	53,949	212,230
Unallocated liabilities of group	0	-829	-7,276	0	-8,105	0	-8,105
Total liabilities	53,949	117,976	86,149	0	258,074	53,949	204,125
Capital expenditure	6,337	32,353	4,444	0	43,134	6,337	36,797
Depreciation and amortization expense	3,474	17,320	2,144	0	22,938	3,474	19,464

Apparel segment of the Group includes operations of PTA Grupp AS and its subsidiaries. Russian apparel operations are reclassified to Other income.

a) Primary segment – business segment by products H1 2008, EUR

	Apparel (discontinued operations) H1 2008 EUR thousand (restated)	Lingerie H1 2008 EUR thousand (restated)	Other activities H1 2008 EUR thousand (restated)	Inter- segment transactions H1 2008 EUR thousand (restated)	Total H1 2008 EUR thousand (restated)	Less discontinued operations H1 2008 EUR thousand (restated)	Continuing operations H1 2008 EUR thousand (restated)
Extra-group sales revenue	5,439	50,625	1,422	0	57,486	5,439	52,047
Inter-segment sales revenue	962	0	0	0	962	962	0
Total sales revenue	6,401	50,625	1,422	0	58,448	6,401	52,047
Operating profit/loss of segment	278	10,348	-1,736	0	8,890	278	8,612
Unallocated operating revenue and operating charges	-803	-720	0	0	-1,523	-803	-720
Total operating profit / loss	-525	9,628	-1,736	0	7,367	-525	7,892
Other financial income and expenses	-65	293	-3	0	225	-65	290
Corporate income tax	0	-3,619	0	0	-3,619	0	-3,619
Loss on sale of discontinued operations	0	0	0	0	0	0	0
Net profit / loss	-590	6,302	-1,739	0	3,973	-590	4,563
Assets and receivables	4,984	62,536	7,023	0	74,543	4,984	69,559
Unallocated assets of group	0	0	0	0	0	0	0
Total assets	4,984	62,536	7,023	0	74,543	4,984	69,559
Liabilities	3,448	7,593	5,971	0	17,012	3,448	13,564
Unallocated liabilities of group	0	-53	-465	0	-518	0	-518
Total liabilities	3,448	7,540	5,506	0	16,494	3,448	13,046
Capital expenditure	405	2,067	284	0	2,756	405	2,351
Depreciation and amortization expense	222	1,108	137	0	1,467	222	1,245

Apparel segment of the Group includes operations of PTA Grupp AS and its subsidiaries. Russian apparel operations are reclassified to Other income. The assets and liabilities set out in the Note are disclosed as of the Balance Sheet date, i.e. 30 June 2008.

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

	Sales revenue	Sales revenue	Assets	Assets	Capital expenditures	Capital expenditures	Capital expenditures	Capital expenditures
	H1 2009	H1 2008	30.06.2009	30.06.2008	From continuing operations	From discontinued operations	From continuing operations	From discontinued operations
	EEK thousand	EEK thousand (restated)	EEK thousand	EEK thousand	H1 2009	H1 2009	H1 2008	H1 2008
					EEK thousand	EEK thousand (restated)	EEK thousand	EEK thousand (restated)
Russia	334,117	466,300	218,614	290,620	8,919	0	14,672	0
Belarus	144,715	160,784	505,823	591,676	9,200	0	20,763	0
Estonia	14,379	39,101	8,168	89,217	0	501	235	688
Ukraine	29,541	65,152	0	16,554	0	62	0	5,508
Finland	78	219	0	63	0	0	0	0
Latvia	3,536	8,731	77,482	147,939	1,142	2,566	1,001	0
Lithuania	12,674	12,283	8,543	17,337	1,111	1,471	110	141
Poland	376	5,132	0	12,940	0	0	16	0
Other markets	29,650	56,657	13,784	0	0	0	0	0
Total	569,066	814,359	832,414	1,166,346	20,372	4,600	36,797	6,337

	Sales revenue	Sales revenue	Assets	Assets	Capital expenditures	Capital expenditures	Capital expenditures	Capital expenditures
	H1 2009	H1 2008	30.06.2009	30.06.2008	From continuing operations	From discontinued operations	From continuing operations	From discontinued operations
	EUR thousand	EUR thousand (restated)	EUR thousand	EUR thousand	H1 2009	H1 2008	H1 2009	H1 2008
					EUR thousand	EUR thousand (restated)	EUR thousand	EUR thousand (restated)
Russia	21,354	29,802	13,972	18,574	570	0	937	0
Belarus	9,249	10,276	32,328	37,815	588	0	1,327	0
Estonia	919	2,499	522	5,702	0	32	15	44
Ukraine	1,888	4,164	0	1,058	0	4	0	352
Finland	5	14	0	4	0	0	0	0
Latvia	226	558	4,952	9,455	73	164	64	0
Lithuania	810	785	546	1,108	71	94	7	9
Poland	24	328	0	827	0	0	1	0
Other markets	1,895	3,621	881	0	0	0	0	0
Total	36,370	52,047	53,201	74,543	1,302	294	2,351	405

Note 15. Discontinued operations

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

Results from discontinued operations

	H1 2009 EEK thousand	H1 2008 EEK thousand (restated)	H1 2009 EUR thousand	H1 2008 EUR thousand (restated)
Revenue	78,593	100,154	5,023	6,401
Expenses	-90,985	-109,385	-5,815	-6,991
Results from operating activities	-12,392	-9,231	-792	-590
Income tax	203	0	13	0
Results from operating activities net of tax	-12,189	-9,231	-779	-590
Loss on sale of discontinued operations	-23,845	0	-1,524	0
Loss for the period	-36,034	-9,231	-2,303	-590

Cash flow (used in) discontinued operations

	H1 2009 EEK thousand	H1 2008 EEK thousand	H1 2009 EUR thousand	H1 2008 EUR thousand
Net cash used in operating activities	1,815	-8,183	116	-523
Net cash from investing activities	-2,112	-5,648	-135	-361
Net cash from financing activities	-1,893	12,736	-121	814
Net cash from (used in) discontinued operations	-2,190	-1,095	-140	-70

Effect of disposal on the financial position of the Group

	30/06/2009 EEK thousand	30/06/2009 EUR thousand
Property, plant, equipment and intangible assets	23,360	1,493
Inventories	53,402	3,413
Trade and other receivables	22,390	1,431
Cash and cash equivalents	2,441	156
Trade and other payables	-37,724	-2,411
Loans and borrowings	-31,606	-2,020
Net assets and liabilities	32,263	2,062
Consideration received, satisfied in cash	0	0
Cash disposed off	-2,441	-156
Net cash inflow	-2,441	-156