CONSOLIDATED INTERIM REPORT
FOR Q2 AND 6 MONTHS 2011

SILVANO FASHION GROUP

COMPANY PROFILE

Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 15/17, 10613 Tallinn
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Website	www.silvanofashion.com
Core activities	Design, manufacturing and distribution of women's lingerie

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Management Report

Selected Financial Indicators

In summary, the selected financial indicators of AS Silvano Fashion Group for Q2 2011 and H1 2011 were as follows:

In thousands of EUR	**Q2 2011**	**Q2 2010**	**Change, %**
Sales revenue	30,739	26,696	15.1%
Earnings before interest, taxes and depreciation (EBITDA)	12,473	6,528	91.1%
Net profit for the period	19,000	4,664	307.4%
Net profit attributable to owners of the Company	15,634	3,697	322.9%
Earnings per share (EUR)	0.40	0.09	324.3%
Operating cash flow for the period	14,471	6,376	127.0%

In thousands of EUR	**H1 2011**	**H1 2010**	**Change, %**
Sales revenue	56,194	46,763	20.2%
Earnings before interest, taxes and depreciation (EBITDA)	18,533	9,820	88.7%
Net profit for the period	25,291	7,774	225.3%
Net profit attributable to owners of the Company	20,723	6,171	235.8%
Earnings per share (EUR)	0.53	0.16	237.1%
Operating cash flow for the period	15,902	7,194	120.8%

In thousands of EUR	**30.06.2011**	**31.12.2010**	**Change, %**
Total assets	58,999	65,085	-9.4%
Total current assets	49,823	49,974	-0.3%
Total equity attributable to equity holders of the Company	32,261	42,042	-23.3%
Loans and borrowings	67	36	86.1%
Cash and cash equivalents	20,626	21,468	-3.9%

Margin analysis	**Q2 2011**	**Q2 2010**	**Change, %**
Gross profit margin	54.0%	40.4%	33.7%
EBITDA margin	40.6%	24.5%	65.7%
Net profit margin	61.8%	17.5%	253.1%
Net profit margin attributable to owners of the Company	50.9%	13.8%	268.8%

Margin analysis	**H1 2011**	**H1 2010**	**Change, %**
Gross profit margin	48.3%	40.6%	19.0%
EBITDA margin	33.0%	21.0%	57.1%
Net profit margin	45.0%	16.6%	171.1%
Net profit margin attributable to owners of the Company	36.9%	13.2%	179.5%

Financial ratios	**30.06.2011**	**31.12.2010**	**Change, %**
ROA	43.6	20.5	112.7%
ROE	74.3	33.4	122.5%
Price to earnings ratio (P/E)	4.9	8.8	-44.3%
Current ratio	3.1	4.1	-24.4%
Quick ratio	2.3	2.8	-17.9%

Underlying formulas:

Gross profit margin = gross profit / sales revenue
EBITDA margin = EBITDA / sales revenue
Net profit margin = net profit / sales revenue
Net profit margin attributable to owners of the Company = net profit attributable to owners of the Company / sales revenue
ROA (return on assets) = net profit attributable to owners of the Company for the last 4 quarters/ average total assets
ROE (return on equity) = net profit attributable to owners of the Company for the last 4 quarters/ average equity attributable to equity holders of the Company
EPS (earnings per share) = net profit attributable to owners of the Company/ weighted average number of ordinary shares
Price to earnings ratio = Share price at the end of reporting period/earnings per share, calculated based on the net profit attributable to owners of the Company for the last 4 quarters
Current ratio = current assets / current liabilities
Quick ratio = (current assets – inventories) / current liabilities

Business Results

Silvano Fashion Group enjoyed a healthy start since January 2011, and the growth of sales on main markets continued throughout Q2 2011. The fundamentals for our core markets are solid: Russian Federation, SFG major market, is supported by oil/gas prices, growing consumers' purchasing power, lower unemployment rate, and strong Russian Ruble. The inflationary pressure and higher spending has nurtured healthy growth in lingerie sales in Belarus. The Baltic markets have recovered from the slump in consumption and are signalling increased consumer spending. Ukraine – one of the underpenetrated markets for SFG continues on the favourable track, which we see from the increase in our sales numbers in the region.

In general, H1 2011 sales level and market situation confirmed, and to some extent – exceeded - management forecast for business growth in 2011. H1 2011 sales from operations demonstrated a 20.2% increase as compared to H1 2010.

H1 2011 EBITDA was EUR 18,533 thousand, an increase of 88.7% compared to H1 2010; H1 2011 normalized net profit (excluding effect of foreign exchange, mainly due to the devaluation of Belarusian Ruble) stood at EUR 11,003 thousand and up by 58.8% compared to H1 2010.

SFG business results in Q2 were driven by high season sales. Due to higher share of classic collections in the sales mix for Q2 the margins were slightly lower than in Q1. However, the Group yielded strong margins due to the devaluation of the Belarusian Ruble (effective on 24th of May, 2011, by 53% against Euro).

Consequently, during H1 2011, the Belarusian currency depreciated against Euro by almost 79%. As devaluation brings competitive advantage to the exporters, SFG management expects cost savings and increasing efficiency of its current operations in Euro terms.

Higher than budgeted Q2 results were also supported by steady market growth in Russia, recovery in Ukraine, strong sales in Belarus and recovering Baltics' markets. Q2 total sales amounted to EUR 30,739 thousand, EBITDA - to EUR 12,473 thousand, and normalized net profit - to EUR 6,342 thousand. Q2 sales demonstrated an increase of 15.1% compared to Q2 2010.

At the end of the reporting period the Group and its franchising partners operated 449 Milavitsa and Lauma Lingerie stores, including 52 stores operated directly by the Group and the rest by franchising partners. The Group's retail focus in 2011 is set to promote and support franchising partners.

Financial performance

The Group sales amounted to EUR 56,194 thousand in H1 2011, representing a 20.2% increase compared to the previous year. Overall wholesales increased by 23.9% and retail sales – by 3.2%. H1 2010 retail sales include retail sales generated in Russia in the amount of EUR 1,264 thousand. However own retail operations in Russia were fully discontinued by the Group in H1 2010 following the restructuring decisions taken in 2009. Thus like for like increase in retail sales amounted to 22.4%.

The Group's gross margin from continuing operations in H1 2011 increased and was 48.3%, compared to 40.6% in the respective period of previous year. Positive effect was observed in Q2 2011 mainly due to devaluation of Belarusian ruble, which generates cost savings in Euro terms in Belarus.

The consolidated operating profit in H1 2011 amounted to EUR 17,767 thousand, compared to EUR 8,930 thousand in H1 2010. The consolidated operating profit margin was 31.6% (19.1% in H1 2010). Significant growth in operating profit margin is mainly explained by the fact that most of Group's revenue is denominated in Russian Rubles and Euros whereas significant part of the costs is linked to Belarusian Ruble.

For the second half of the year SFG Group foresees positive cost effect from the devaluation of Belarusian Ruble that has positive effect on the gross margins, hence also to the profitability of the Group.

Consolidated net profit from foreign exchange rate fluctuations amounted to EUR 14,288 thousand in H1 2011. The main constituents to the foreign exchange gain in the amount of EUR 14,183 thousand are sales denominated in Russian Rubles and short-term deposits denominated in Euros.

Effective tax rate for H1 2011 amounted to 22.3% (22.2% in H1 2010). The number is lower than expected due to the decrease of statutory tax rate in Belarus from 26.28% to 24%. The Group continues utilizing the benefit of tax losses of prior years in Russia.

Consolidated net profit attributable to equity holders amounted to EUR 20,723 thousand in H1 2011, compared to EUR 6,171 thousand in H1 2010; net profit margin attributable to equity holders was 36.9% against 13.2% in H1 2010.

In H1 2011, Group's return on equity (ROE) amounted to 74.3% (33.4% in H1 2010) and return on assets (ROA) was 43.6% (20.5% in H1 2010).

Financial position

As of 30 June 2011 consolidated assets amounted to EUR 58,999 thousand representing a decrease of 9.4% compared to the year-end. Part of the decrease is related to the payouts to the SFG shareholders (capital decrease), the devaluation of the Belarusian Ruble being another factor, decreasing the value of assets based in Belarus in EUR terms.

Property, plant and intangibles balances decreased by EUR 4,205 thousand compared to the year-end; the key reason being the impact of the foreign exchange rate decrease in the monetary amount of EUR 5,599 thousand.

Trade receivables increased by EUR 3,784 thousand as compared to 31 December 2010 and totalled EUR 13,426 thousand as of 30 June 2011. Inventory balance decreased by EUR 2,931 thousand and totalled EUR 12,861 thousand as of 30 June 2011. Reduction in inventory balance is partially related to the seasonality trend of the business.

Foreign exchange fluctuations had significant impact on the non-monetary currency translation reserve (adjustment reserve for the revaluation of foreign currency assets and liabilities), which decreased by EUR 23,298 thousand in H1 2011. Since currency translation reserve affects directly owners' equity, on the overall basis, equity attributable to equity holders decreased by EUR 9,781 thousand and amounted to EUR 32,261 thousand as of 30 June 2011.

Current liabilities increased by EUR 3,866 thousand in H1 2011, in line with management expectations.

Current and non-current loans and borrowings increased by EUR 31 thousand to EUR 67 thousand as of 30 June 2011. Loans received and loans repaid in H1 2011 amounted to EUR 724 thousand and EUR 658 thousand respectively, including finance lease liabilities repaid in the amount of EUR 4 thousand.

In 2009 the Group divested its loss making apparel business line through the sale of shares in its former 100% subsidiary PTA Grupp AS. At the date of disposal the Group had outstanding guarantees issued to Danske Bank A/S Estonian branch securing certain borrowings and guarantee limits of PTA Grupp AS. During H1 2011 all amounts subject to guarantees have been fully repaid.

Tax liabilities and other payables, including payables to employees, amounted to EUR 8,571 thousand. Provisions amounted to EUR 481 thousand as of 30 June 2011.

Sales

Sales by business segments

	H1 2011 EUR thousand	H1 2010 EUR thousand	Change EUR thousand	H1 2011 percentage from sales	H1 2010 percentage from sales
Wholesale	47,679	38,482	9,197	84.8%	82.3%
Retail	8,308	8,053	255	14.8%	17.2%
Other operations	207	228	-21	0.4%	0.5%
Total	**56,194**	**46,763**	**9,431**	**100.0%**	**100.0%**

Sales by markets

In H1 2011, the Group focused mainly on the Baltics, Russian, Belarusian and Ukrainian markets.

Total sales by markets

	H1 2011 EUR thousand	H1 2010 EUR thousand	Change EUR thousand	H1 2011 percentage from sales	H1 2010 percentage from sales
Russia	34,738	27,472	7,266	61.8%	58.8%
Belarus	13,203	12,036	1,167	23.5%	25.7%
Baltics	1,798	2,672	-874	3.2%	5.7%
Ukraine	3,521	2,371	1,150	6.3%	5.1%
Other markets	2,934	2,212	722	5.2%	4.7%
Total	**56,194**	**46,763**	**9,431**	**100.0%**	**100.0%**

The majority of lingerie sales revenue in H1 2011 in the amount of EUR 34,738 thousand was generated in the Russian market, accounting for 61.8% of all sales in H1 2011 compared to EUR 27,472 thousand in H1 2010. Sales in Russia for H1 2011 comprise wholesale only, but include both retail sales and wholesale in H1 2010. The second largest region was Belarus, where sales reached EUR 13,203 thousand, contributing 23.5% of lingerie sales (both retail and wholesale) compared to EUR 12,036 thousand in H1 2010.

Sales in the major markets demonstrated positive trend in terms of pieces sold in H1 2011 compared to the respective period in 2010.

The most considerable sales growth took place on the Belarusian, Russian and Ukrainian markets.

Changes in the sales strategy and organization structure introduced by SFG-held SP ZAO Milavitsa in late 2009 and early 2010 were implemented in 2010 in Russia and Ukraine. As a result the Group increased control over its distribution channels.

To support the growth of sales, the Group continued conducting additional marketing activities in Belarus, Ukraine and Russia and implementing supportive measures in the opening of new franchised stores. Joint programs with dealers and distributors continued in H1 2011 in the field of marketing and franchising.

SFG-held Lauma Lingerie demonstrated an increase in sales during H1 2011 mainly due to their performance in Russia, Ukraine, Belarus and Kazakhstan, the proportion of the sales in the Baltics eventually decreased.

In terms of lingerie brands, “Milavitsa” core brand accounted for 73.4% of total lingerie sales revenue in H1 2011 (H1 2010: 73.3%) and amounted to EUR 41,094 thousand. “Lauma Lingerie” core brand accounted for 8.0% of total lingerie sales (H1 2010: 8.1%) and amounted to EUR 4,479 thousand. Other brands such as “Alisee”, “Aveline”, “Hidalgo” and “Laumelle” comprised 18.6% of total lingerie sales in H1 2011 (H1 2010: 18.6%), amounting to EUR 10,414 thousand.

Wholesale

In H1 2011, wholesale revenue amounted to EUR 47,679 thousand, representing 84.8% of the Group’s total revenue (H1 2010: 82.3%). The main wholesale regions were Russia, Belarus, Ukraine and the Baltic States. Substantial growth has been achieved in Russia, Ukraine and Kazakhstan mainly due to the success of the local wholesale partners.

Additional activities were introduced in the non-core markets targeted at the diversification of the Group’s sales towards the Western European countries. Some markets will be approached through sales agents, while others will be served by local dealers.

Retail operations

Total lingerie retail sales of the Group in H1 2011 amounted to EUR 8,308 thousand, representing a 3.2% increase as compared to the previous year.

Own retail operations were conducted solely in Belarus and Latvia. At the end of H1 2011 the Group operated 52 own retail outlets with a total area of 4,573 square meters. In H1 2011 4 new own lingerie stores were opened, including 3 stores under Milavitsa brand name in Belarus and 1 store under Lauma Lingerie brand name in Latvia, 2 stores under Milavitsa brand name were closed. As of 30 June 2011, there were 379 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Belarus, Ukraine, Moldavia, Kazakhstan, Uzbekistan, Kyrgyzstan, Latvia, Azerbaijan, Armenia, Cyprus, Germany, Georgia, Slovenia and Estonia, resulting in net increase of 31 shops during H1 2011. Additionally, as of 30 June 2011, there were 18 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Lithuania, Latvia, Estonia and Albania, of which 5 were opened and 1 was closed due to store relocation in H1 2011. The 400th Milavitsa store was opened in Belarus on 1 April 2011. In February a Milavitsa store was opened on Kreschatik street, the major shopping street in Kiev (Ukraine). Estonia became the 15th country where Milavitsa established franchised retail operations.

Number of own stores as of:

	30.06.2011	31.12.2010
Latvia	9	8
Belarus	43	42
Total stores	**52**	**50**
Total sales area, sq m	**4,573**	**4,253**

A number of sales promotions were conducted in the Milavitsa retail chain in Belarus including a co-branding campaign with Oriflame. Own retail operations in Belarus remain one of the key priorities for the Group’s further sales development in the country. Overall retail operations in the country demonstrated a 53.0% growth in local currency terms and a 23.3% growth in EUR terms as compared to H1 2010 mainly due to the number of new shops opened in the recent year. Devaluation in Belarus has also contributed to consumer spending rush despite the increase in prices. Sales per square meter in the like-for-like shops have increased as well.

In the Baltics, retail sales increased by 5.7% as compared to the previous year and amounted to EUR 368 thousand, which is mainly explained by the increased retail expertise and improvements introduced in the stores.

Own retail operations in Russia were fully terminated in H1 2010. As a result H1 2010 retail sales include retail sales generated in Russia in the amount of EUR 1,264 thousand, while H1 2011 retail sales were generated in Belarus and Latvia only. The strategic decision was made in 2009 to shift focus from own retail chain towards the development of Milavitsa franchise network in Russia. Certain structural and management changes have been made in the Group's Russian operations (including the establishment of a separate franchise department) to implement the selected franchise development strategy.

Own stores by concept

Market	Milavitsa stores	Lauma Lingerie stores	Total	Sales area, sq m
Belarus	43	0	43	4,096
Latvia	0	9	9	477
Total	**43**	**9**	**52**	**4,573**

Production, sourcing, purchasing and logistics

The total volume of production in SP ZAO Milavitsa amounted to 10,453 thousand pieces in H1 2011, representing a 21.5% increase compared to the respective period in the previous year. The total production volume in Lauma Lingerie amounted to 776 thousand pieces in H1 2011, showing an increase of 20.7% compared to the respective period in the previous year.

Investment

In H1 2011, the Group's investments totalled EUR 2,156 thousand with investments into retail amounting to EUR 91 thousand. Other investments were made in equipment and facilities to maintain effective production and to add capacity for 2011.

Personnel

As of 30 June 2011, the Group employed 3,206 employees including 416 in retail and 2,028 in production. The rest were employed in wholesale, administration and support operations.

Total salaries and wages in H1 2011 amounted to EUR 9,024 thousand. The remuneration of the members of the Management Board and Supervisory Board totalled EUR 56 thousand.

Key Events in H1 2011

Share buy-back program

The buyback period started on 15 November 2010. During the period from 15 November 2010 to 30 June 2011 number of shares bought back amounted to 207,000, average price per share amounted to 2.88894 EUR resulting in total cost of 598,106 EUR.

Annual General Meeting of Shareholders

The Annual General Meeting was held on 30 June 2011 and decided upon the following:

1. Approval of the 2010 Annual Report
2. Profit Distribution:
   - To approve the profit of the 2010 financial year in the amount of 12,240,000 Euros.
   - To allocate 164,000 Euros to the compulsory reserve.
   - 0.05 Euros per share is payable as a dividend to the entitled shareholders latest by 15 August 2011.
3. Appointment of Auditor
   - To appoint Deloitte Audit Eesti Ltd. as the auditor whose authority is valid until the next annual general meeting.
   - To authorize the management board to enter into the audit services agreement to audit the business activities of SFG in 2011 according to the offer of the audit company.
4. Amendments of the remuneration of supervisory board members
   - To revoke a bonus for all the supervisory board members jointly in the amount of 2.5 per cent from the dividend declared by the general meeting of SFG adopted under the agenda item No 6 of the general meeting of shareholders held on 28 June 2010.
   - This resolution shall enter into force retroactively for the 2011 financial year, i.e. from 1 January 2011.
5. Adoption of ‘Buy-Back’ Program
   - To approve the results of the previous buy-back program.
   - To adopt the new Buy-Back Program
   - The primary purpose of the new Buy-Back Program is to reduce the share capital;
   - SFG is entitled to buy back its own shares starting from 1 July 2011 until 30 June 2012.
   - The total nominal value of own shares to be bought back by SFG may not exceed 10 % of the company’s share capital and the nominal value of the treasury shares may not exceed 10 % of the company’s share capital.
   - The maximum price payable by SFG for one share will be 4.50 EUR
   - The maximum amount payable by SFG for its own shares is 17,775,000 Euros;
   - Own shares will be paid for with assets exceeding the share capital, compulsory reserves and share premium.
   - To authorize the board, in the case of extreme low liquidity on the relevant market, to exceed the purchase limit of 25 per cent of the average daily volume and to purchase the SFG shares in a daily amount of up to 50 per cent of the average daily volume of the shares on the regulated market.
6. Reduction of Share Capital and Amendments of the Articles of Association related thereto
   - To amend the second sentence of Section 2.2 and to formulate it as follows: „The nominal value of an A-share shall be 40 (forty) cents “.
   - To approve the amended Articles of Association.
   - To reduce the share capital to 15,800,000 Euros as follows:
     - The share capital shall be reduced by 3,950,000 Euros to make payments to the shareholders;
     - The share capital shall be reduced by means of decreasing the nominal value of each share by 10 cents to 40 cents;

- The shares shall not be cancelled in connection to the reduction of the share capital;
- After the reduction of the share capital the new amount of share capital will be 15,800,000 Euros, which is divided into 39,500,000 A-shares with nominal value of 40 cents each share;
- To pay to the shareholders 10 cents per each share for the reduction of the nominal value of share;
- The list of shareholders entitled to receive the payment related to reduction of the nominal value of shares will be fixed at 11:59 p.m. on August 1, 2011 (Estonian time).

Registration of the reduction of the share capital

With reference to the extraordinary shareholder meeting resolutions of Silvano Fashion Group from 17 March 2011 the Registration Department of the Harju County Court has registered the amendments to the capital and bylaws of the company as of 30 June 2011.

Effective from 30 June 2011, the share capital of Silvano Fashion Group is 19,750,000 Euros, divided into 39,500,000 common shares with par value of 0.50 Euros.

Extraordinary General Meeting of Shareholders

The Extraordinary General Meeting was held on 17 March 2011 and decided upon the following:

1. Amending the Articles of Association
   – To amend the article 2.1 in the Articles as follows: “2.1 The minimum share capital of the Company is 15,000,000 (fifteen million) Euros and the maximum share capital is 60,000,000 (sixty million) Euros.”
   – To amend the second sentence in the article 2.2 as follows: “The nominal value of a registered A-share is 50 cents.”
2. Conversion of the share capital into Euros and decrease of the share capital by 5,495,101.17 Euros to the amount of 19,750,000 Euros as follows:
   – To cancel 107,000 Company´s own A-shares that have been bought back by the Company under the buy-back program and to reduce the share capital by 1,070,000 kroons to 395,000,000 kroons.
   – After the cancellation of the own shares and the reduction of the share capital related thereto, the total number of shares shall be 39,500,000.
   – The shares held by the shareholders are not subject to cancellation.
   – The Company shall make no payments to the shareholders in connection with the cancellation of the Company´s own shares.
   – To convert the share capital reduced by the cancellation of the own shares and the nominal value of the shares into Euros as follows:
     – The amount of the share capital as being converted into euros is 25,245,101.17 euros and the nominal value of each share is 64 cents.
     – To reduce the share capital by 5,495,101.17 Euros to 19,750,000 Euros in order to meet the requirements set forth in § 223(1) and § 223(2) of the Commercial Code.
     – The share capital shall be reduced by means of decreasing the nominal value of each share by 14 cents to 50 cents.
     – The conversion of the nominal value of shares into euros shall not affect the rights attached to shares nor the relation of the nominal value of shares to the share capital. The rounding of the results of the conversion of shares' nominal value has no legal effect.
     – After the conversion and the reduction of the share capital the new amount of share capital shall be 19,750,000 Euros, which is divided into 39,500,000 A-shares with nominal value of 50 cents each share.
     – To pay to the shareholders 14 cents per each share for the decrease of the nominal value of share. This amount shall be paid to the shareholders within three months after entry of the decrease of share capital in the Commercial Register provided that the claims of creditors submitted during the term are secured or satisfied.
     – The list of shareholders entitled to receive the payment related to reduction of the nominal value of shares shall be fixed at 23:59 on 31 March 2011 (Estonian time).

Changes in the management board

On 15 March 2011, Silvano Fashion Group supervisory board decided to call back Baiba Gegere and Norberto Rodriguez Lopez from the management board of the Company.

Cancellation of own shares and decrease of share capital of SP ZAO Milavitsa.

On 28 March 2011 Annual General Meeting of SP ZAO Milavitsa decided to cancel the 256 shares bought back, which constitutes 2.6% of all shares in SP ZAO Milavitsa and to decrease share capital of SP ZAO Milavitsa respectively. As the result stake of AS Silvano Fashion Group in SP ZAO Milavitsa increased from 78.35% to 80.44% as at 31 March 2011.

General information and approval of the management board for the consolidated interim report for H1 2011

The Group is an international lingerie distribution group involved in the design, manufacturing and marketing of women's lingerie. The Group's income is generated by sales of "Milavitsa", "Alisee", "Hidalgo", "Lauma Lingerie" and "Laumelle" branded products through wholesales channel, franchised sales and own retail operated under the "Milavitsa" and "Lauma Lingerie" retail chains. Key sales markets for the Group are Russia, Belarus, Ukraine, Baltics and other markets.

The parent company of the Group is AS Silvano Fashion Group, a company domiciled in Estonia. AS Silvano Fashion Group registered address is Tulika 15/17, 10613 Tallinn, Estonia.

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

As of 30 June 2011, the Group employed 3,206 people (as of 31 December 2010: 3,193 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.06.2011	Ownership interest 31.12.2010
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Subsidiaries of AS Silvano Fashion Group				
SP ZAO Milavitsa	Belarus	Manufacturing	80.44%	78.35%
AS Lauma Lingerie	Latvia	Manufacturing, wholesale and retail	100%	100%
France Style Lingerie s.a.r.l.	France	Holding	100%	100%
Milavitsa Logistic OOO	Belarus	Logistics	50%	49%
Subsidiaries of SP ZAO Milavitsa				
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	Russia	Wholesale	100%	100%
OAO Junona	Belarus	Manufacturing and wholesale	58.33%	58.33%
SP Gimil OOO	Belarus	Manufacturing and wholesale	52%	52%
SOOO Torgovaja Kompanija Milavitsa	Belarus	Wholesale and retail	51%	51%
Milavitsa Logistic OOO	Belarus	Logistics	50%	51%
Subsidiary of SOOO Torgovaja Kompanija Milavitsa				
OÜ Linret EST	Estonia	Holding	100%	100%
Subsidiary of OÜ Linret EST				
ZAO Linret	Russia	Wholesale and retail	100%	100%
Associate of France Style Lingerie S.A.R.L.				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Wholesale and retail	49%	49%

Management declaration regarding the consolidated interim report for H1 2011

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

The board of AS Silvano Fashion Group also confirms that the consolidated interim report for H1 2011 set out on pages 13-30 is true and complete, and:

1. the accounting policies applied in the preparation of the consolidated interim report comply with the International Financial Reporting Standards, as adopted by the European Union;

2. the consolidated interim report gives a true and fair overview of the assets, obligations, equity, economic results and cash flows of the Group;

3. AS Silvano Fashion Group and its subsidiaries (except those identified in the report as dormant) are going concerns.

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

Märt Meerits
Member of the Board
8 August 2011

Consolidated statement of financial position

Unaudited

In thousands of EUR		**30.06.2011**	**31.12.2010**	**30.06.2010**
ASSETS				
Non-current assets				
Property, plant and equipment	1	7,447	11,446	11,231
Intangible assets	2	328	534	577
Investment property	3	713	1,299	1,414
Investments in equity accounted investees		69	106	70
Available-for-sale financial assets		206	370	399
Deferred tax asset		361	1,324	1,331
Other receivables		52	32	654
Total non-current assets		**9,176**	**15,111**	**15,676**
Current assets				
Inventories	4	12,861	15,792	16,724
Corporate income tax asset		0	59	51
Other tax receivables		1,437	1,517	1,336
Trade receivables	5	13,426	9,642	11,942
Other receivables	6	1,270	1,188	614
Prepayments	7	188	288	602
Cash and cash equivalents	8	20,626	21,468	16,911
Assets classified as held for sale		15	20	71
Total current assets		**49,823**	**49,974**	**48,251**
TOTAL ASSETS		**58,999**	**65,085**	**63,927**
LIABILITIES AND EQUITY				
Equity				
Share capital at per value		19,750	25,313	25,565
Share premium		14,060	14,130	14,271
Own shares		-276	-311	-450
Statutory capital reserve		231	67	67
Other reserves		90	453	0
Translation reserve		-34,885	-11,588	-9,505
Retained earnings		33,291	13,978	9,948
Total equity attributable to equity holders of the Company	12	**32,261**	**42,042**	**39,896**
Non-controlling interest		10,388	10,974	10,893
Total equity		**42,649**	**53,016**	**50,789**
Non-current liabilities				
Loans and borrowings	9	0	0	316
Deferred tax liability		415	0	0
Other liabilities		0	0	0
Total non-current liabilities		**415**	**0**	**316**
Current liabilities				
Loans and borrowings	9	67	36	148
Trade payables		7,231	7,681	6,978
Corporate income tax payable		2,862	608	773
Other tax payable		886	712	1,472
Other payables	10	2,856	1,131	1,361
Provisions		481	136	486
Accrued expenses		1,544	1,757	1,597
Deferred income		8	8	7
Total current liabilities		**15,935**	**12,069**	**12,822**
Total liabilities		**16,350**	**12,069**	**13,138**
TOTAL LIABILITIES AND EQUITY		**58,999**	**65,085**	**63,927**

Consolidated income statement for 6 months 2011

Unaudited

In thousands of EUR		**H1 2011**	**H1 2010**
Revenue			
Sales revenue	13	56,194	46,763
Costs of goods sold		-29,057	-27,781
Gross Profit		**27,137**	**18,982**
Other operating income		403	372
Distribution costs		-5,608	-4,750
Administrative expenses		-3,001	-4,255
Other operating expenses		-1,164	-1,419
Operating profit		**17,767**	**8,930**
Finance income and finance costs			
Interest expenses		-12	-64
Gains on conversion of foreign currencies		14,288	845
Other financial income		499	354
Net finance income		**14,775**	**1,135**
Share of profit/(loss) of equity accounted investees		14	-78
Profit before tax		**32,556**	**9,987**
Income tax expense		-7,265	-2,213
Profit for the period		**25,291**	**7,774**
Attributable to			
Owners of the Company		20,723	6,171
Non-controlling interest		4,568	1,603
Earnings per share			
Basic earnings per share (EUR)	11	0.53	0.16
Diluted earnings per share (EUR)	11	0.53	0.16

Consolidated statement of comprehensive income for 6 months 2011

Unaudited

In thousands of EUR	**H1 2011**	**H1 2010**
Profit for the period	**25,291**	**7,774**
Other comprehensive income		
Foreign currency translation differences for foreign operations	-27,645	3,138
Other comprehensive income/loss for the period	**-27,645**	**3,138**
Total comprehensive income/loss	**-2,354**	**10,912**
Total comprehensive income/loss attributable to:		
Owners of the Company	-2,574	8,588
Non-controlling interest	220	2,324

Consolidated income statement for Q2 2011

Unaudited

In thousands of EUR		**Q2 2011**	**Q2 2010**
Revenue			
Sales revenue		30,739	26,696
Costs of goods sold		-14,149	-15,914
Gross Profit		**16,590**	**10,782**
Other operating income		90	206
Distribution costs		-2,768	-2,366
Administrative expenses		-1,313	-1,983
Other operating expenses		-451	-554
Operating profit		**12,148**	**6,085**
Finance income and finance costs			
Interest expenses		-8	-22
Gains on conversion of foreign currencies		12,658	-460
Other financial income		248	171
Net finance income		**12,898**	**-311**
Share of profit/(loss) of equity accounted investees		-3	-1
Profit before tax		**25,043**	**5,773**
Income tax expense		-6,043	-1,109
Profit for the period		**19,000**	**4,664**
Attributable to			
Owners of the Company		15,634	3,697
Non-controlling interest		3,366	967
Earnings per share			
Basic earnings per share (EUR)	11	0.40	0.09
Diluted earnings per share (EUR)	11	0.40	0.09

Consolidated statement of comprehensive income for Q2 2011

Unaudited

In thousands of EUR	**Q2 2011**	**Q2 2010**
Profit for the period	**19,000**	**4,664**
Other comprehensive income		
Foreign currency translation differences for foreign operations	-23,885	3,319
Other comprehensive income/loss for the period	**-23,885**	**3,319**
Total comprehensive income/loss	**-4,885**	**7,983**
Total comprehensive income/loss attributable to:		
Owners of the Company	-4,542	6,401
Non-controlling interest	-343	1,582

Consolidated statement of cash flows

Unaudited

In thousands of EUR	Notes	H1 2011	H1 2010
Cash flows from operating activities			
Profit for the period		**25,291**	**7,774**
Adjustments for:			
Depreciation of fixed assets and investment property	1,3	714	823
Amortization of intangible assets	2	52	67
Impairment of property, plant and equipment	1	0	8
Impairment losses on intangible assets	2	0	4
Impairment losses on other assets		0	140
Net finance income		-14,775	-1,135
Share of (profit)/loss of equity accounted investees		-14	78
(Gains)/ losses on the sale of property, plant and equipment		-18	44
Income tax expense		7,265	2,213
Change in inventories		-4,767	1,920
Change in trade and other receivables		1,753	-1,648
Change in trade and other payables		2,589	-1,690
Interests paid		-11	-64
Income tax paid		-2,177	-1,340
Net cash from operating activities		**15,902**	**7,194**
Cash flow from investing activities			
Interest received		602	399
Dividends received		15	4
Proceeds from sale of property, plant and equipment		26	286
Loans granted		-148	-95
Proceeds from repayments of loans granted		40	12
Proceeds from disposal of investments		0	8
Acquisition of property, plant and equipment	1	-2,089	-518
Acquisition of intangible assets	2	-67	-38
Acquisition of shares by subsidiary		-135	0
Net cash used in investing activities		**-1,756**	**58**
Cash flow from financing activities			
Proceeds from borrowings	9	724	531
Repayment of borrowings	9	-654	-1,843
Repayment of finance lease	9	-4	-48
Dividends paid		-108	-132
Acquisition of own shares		-274	0
Reduction of share capital		-5,526	0
Net cash used in/ from financing activities		**-5,842**	**-1,492**
Increase in cash and cash equivalents		**8,304**	**5,760**
Cash and cash equivalents at the beginning of period	8	**21,468**	**9,838**
Effect of exchange rate fluctuations on cash		-9,146	1,313
Cash and cash equivalents at the end of period	8	**20,626**	**16,911**

Consolidated statement of changes in equity

Unaudited

In thousands of EUR	Equity attributable to equity holders of the Company									
	Share capital	**Share premium**	**Own shares**	**Capital reserve**	**Translation reserve**	**Other reserves**	**Accumulated profit (losses)**	**Total**	**Non-controlling interest**	**Total equity**
Balance as of 31 December 2009	**25,565**	**14,271**	**-450**	**67**	**-11,922**	**0**	**3,777**	**31,308**	**8,701**	**40,009**
Profit for the period	0	0	0	0	0	0	6,171	**6,171**	1,603	**7,774**
Other comprehensive income										
Effect on consolidation of foreign subsidiaries	0	0	0	0	2,417	0	0	**2,417**	721	**3,138**
Total other comprehensive income	**0**	**0**	**0**	**0**	**2,417**	**0**	**0**	**2,417**	**721**	**3,138**
Total comprehensive income	**0**	**0**	**0**	**0**	**2,417**	**0**	**6,171**	**8,588**	**2,324**	**10,912**
Transactions with owners, recorded directly in equity										
Dividends paid	0	0	0	0	0	0	0	**0**	-132	**-132**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	0	**0**	**0**	**-132**	**-132**
Balance as of 30 June 2010	**25,565**	**14,271**	**-450**	**67**	**-9,505**	**0**	**9,948**	**39,896**	**10,893**	**50,789**
Balance as of 31 December 2010	**25,313**	**14,130**	**-311**	**67**	**-11,588**	**453**	**13,978**	**42,042**	**10,974**	**53,016**
Profit for the period	0	0	0	0	0	0	20,723	**20,723**	4,568	**25,291**
Other comprehensive income										
Effect on consolidation of foreign subsidiaries	0	0	0	0	-23,297	0	0	**-23,297**	-4,348	**-27,645**
Total other comprehensive income	**0**	**0**	**0**	**0**	**-23,297**	**0**	**0**	**-23,297**	**-4,348**	**-27,645**
Total comprehensive income	**0**	**0**	**0**	**0**	**-23,297**	**0**	**20,723**	**-2,574**	**220**	**-2,354**
Transactions with owners, recorded directly in equity										
Increase of statutory reserve	0	0	0	164	0	0	-164	**0**	0	**0**
Cancellation of own shares by subsidiary	0	0	0	0	0	-650	926	**276**	-276	**0**
Re-purhase of own shares by subsidiary	0	0	0	0	0	287	0	**287**	-422	**-135**
Cancellation of own shares	-68	-39	309	0	0	0	-202	**0**	0	**0**
Re-purchase of own shares	0	0	-274	0	0	0	0	**-274**	0	**-274**
Reduction of share capital	-5,495	-31	0	0	0	0	0	**-5,526**	0	**-5,526**
Dividends paid	0	0	0	0	0	0	-1,970	**-1,970**	-108	**-2,078**
Total transactions with owners	**-5,563**	**-70**	**35**	**164**	**0**	**-363**	**-1,410**	**-7,207**	**-806**	**-8,013**
Balance as of 30 June 2011	**19,750**	**14,060**	**-276**	**231**	**-34,885**	**90**	**33,291**	**32,261**	**10,388**	**42,649**

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 that ended on 31 December 2010.

This Interim Report shows results in thousands of Euros (EUR).

The comparative data presented in the Interim Report are the financial ratios of AS Silvano Fashion Group for H1 2010.

The Group’s performance is not significantly affected by any seasonal or cyclical factors. Nevertheless the Group has seasonal trends with increased level of operations during second and third quarters. The trend is typical for all lingerie business: demand during summer months is higher; women prefer to renew their wardrobe more often than during the rest of the year; in addition the assortment of the collections is increased due to swimwear.

This Interim Report has not been audited.

Notes to the consolidated interim report

Note 1. Property, plant and equipment

In thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost as of 31 December 2009	**4,690**	**12,016**	**4,826**	**349**	**21,881**
Movements in H1 2010					
Acquisition	0	0	159	359	**518**
Transfers and reclassifications	54	30	252	-336	**0**
Transfers to assets held for sale	0	0	-696	0	**-696**
Disposals	0	-22	-1,620	0	**-1,642**
Effect of movements in foreign exchange on cost	1,372	1,705	561	39	**3,677**
Cost as of 30 June 2010	**6,116**	**13,729**	**3,482**	**411**	**23,738**
Cost as of 31 December 2010	**5,288**	**13,467**	**3,516**	**309**	**22,580**
Movements in H1 2011					
Acquisition	0	6	35	2,048	**2,089**
Transfers and reclassifications	0	1,183	224	-1,407	**0**
Disposals	0	-82	-84	0	**-166**
Effect of movements in foreign exchange on cost	-2,687	-6,155	-1,350	-342	**-10,534**
Cost as of 30 June 2011	**2,601**	**8,419**	**2,341**	**608**	**13,969**
Accumulated depreciation as of 31 December 2009	**1,106**	**6,868**	**3,154**	**0**	**11,128**
Movements in H1 2010					
Depreciation	77	486	246	0	**809**
Transfers to assets held for sale	0	0	-581	0	**-581**
Disposals	0	0	0	8	**8**
Impairment loss	0	-22	-1,345	0	**-1,367**
Effect of movements in foreign exchange on accumulated depreciation	969	1,164	377	0	**2,510**
Accumulated depreciation as of 30 June 2010	**2,152**	**8,496**	**1,851**	**8**	**12,507**
Accumulated depreciation as of 31 December 2010	**1,323**	**7,944**	**1,867**	**0**	**11,134**
Movements in H1 2011					
Depreciation	66	420	216	0	**702**
Disposals	0	-81	-77	0	**-158**
Effect of movements in foreign exchange on accumulated depreciation	-944	-3,487	-725	0	**-5,156**
Accumulated depreciation as of 30 June 2011	**445**	**4,796**	**1,281**	**0**	**6,522**
Carrying amounts					
As of 30 June 2010	**3,964**	**5,233**	**1,631**	**403**	**11,231**
As of 31 December 2010	**3,965**	**5,523**	**1,649**	**309**	**11,446**
As of 30 June 2011	**2,156**	**3,623**	**1,060**	**608**	**7,447**

The Group didn't have any binding commitments to purchase property plant and equipment as of 30 June 2011.

Note 2. Intangible assets

In thousands of EUR	**Software**	**Trademarks**	**Goodwill**	**Projects in progress**	**Total**
Cost as of 31 December 2009	**597**	**108**	**0**	**354**	**1,059**
Movements in H1 2010					
Acquisition	3	0	0	35	**38**
Transfer	4	0	0	-4	**0**
Disposals	-1	-41	0	0	**-42**
Effect of movements in foreign exchange on cost	51	12	0	42	**105**
Cost as of 30 June 2010	**654**	**79**	**0**	**427**	**1,160**
Cost as of 31 December 2010	**630**	**34**	**0**	**458**	**1,122**
Movements in H1 2011					
Acquisition	0	0	0	67	**67**
Transfer	41	1	0	-42	**0**
Disposals	0	0	0	0	**0**
Effect of movements in foreign exchange on cost	-219	-16		-212	**-447**
Cost as of 30 June 2011	**452**	**19**	**0**	**271**	**742**
Accumulated amortisation as of 31 December 2009	**349**	**40**	**0**	**100**	**489**
Movements in H1 2010					
Amortisation	55	12	0	0	**67**
Disposals	-1	-28	0	0	**-29**
Impairment loss	0	4	0	0	**4**
Effect of movements in foreign exchange on amortisation	35	5	0	12	**52**
Accumulated amortisation as of 30 June 2010	**438**	**33**	**0**	**112**	**583**
Accumulated amortisation as of 31 December 2010	**467**	**15**	**0**	**106**	**588**
Movements in H1 2011					
Amortisation	50	2	0	0	**52**
Disposal	0	0	0	0	**0**
Effect of movements in foreign exchange on amortisation	-172	-7	0	-47	**-226**
Accumulated amortisation as of 30 June 2011	**345**	**10**	**0**	**59**	**414**
Carrying amounts					
As of 30 June 2010	**216**	**46**	**0**	**315**	**577**
As of 31 December 2010	**163**	**19**	**0**	**352**	**534**
As of 30 June 2011	**107**	**9**	**0**	**212**	**328**

The Group didn’t have any binding commitments to purchase intangible assets as of 30 June 2011.

Note 3. Investment property

In thousands of EUR	**H1 2011**	**H1 2010**
As of the beginning of period	1,299	1,284
Depreciation	-12	-14
Effect of movements in exchange rates	-574	144
Total	**713**	**1,414**

As of 30 June 2011 investment property consisted of premises located at Nemiga 8, Minsk (Belarus) (728.3 sq. m.) acquired in 2007 and two other premises in Minsk and Mogilev (Belarus).

According to management estimates, the book value of investment property as of 30 June 2011 is not significantly different from fair value.

Note 4. Inventories

In thousands of EUR	**30.06.2011**	**31.12.2010**
Raw and other materials	4,415	4,816
Work in progress	1,635	1,972
Finished goods	6,347	8,744
Other inventories	464	260
Total	**12,861**	**15,792**

Inventories are shown at their carrying values that are determined as the lower of cost and net realizable value. As of 30 June 2011 the write-downs of raw materials to net realizable value amounted to EUR 298 thousand, whereas as of 31 December 2010 those amounted to EUR 552 thousand. As of 30 June 2011 the write-downs of finished goods to net realizable value amounted to EUR 355 thousand, whereas as of 31 December 2010 write-downs amounted to EUR 354 thousand.

Note 5. Trade receivables

In thousands of EUR	**30.06.2011**	**31.12.2010**
Trade receivables	13,969	10,190
Impairment of receivables	-543	-548
Total	**13,426**	**9,642**

Note 6. Other receivables

Other short term receivables

In thousands of EUR	**30.06.2011**	**31.12.2010**
VAT on unpaid invoices	326	99
Guarantees withheld	30	42
Loans to third parties	759	757
Prepaid expenses	70	140
Employees receivables	12	12
Due from customers for contract work	5	23
Miscellaneous receivables	99	185
Impairment of other receivables	-31	-70
Total	**1,270**	**1,188**

Note 7. Prepayments

In thousands of EUR	**30.06.2011**	**31.12.2010**
Prepayments for advertising and marketing expenses	10	167
Prepayments for rent	10	28
Prepayments to customs	20	21
Prepayments to other suppliers	148	72
Total	**188**	**288**

Note 8. Cash and cash equivalents

In thousands of EUR	**30.06.2011**	**31.12.2010**
Short-term deposits	16,236	16,438
Bank accounts in foreign currencies	3,113	1,391
Bank accounts in EUR	542	3,232
Cash in transit	721	385
Cash on hand	14	22
Total	**20,626**	**21,468**

As of 30 June 2011, cash placed in short-term deposits with the maturity from 1 to 3 months amounted to EUR 16,236 thousand. The interest rates were in the range from 0.5% to 6.5% per annum for deposits denominated in EUR, 20% per annum for deposits denominated in Belarusian Rubles and from 7.15% to 8 % per annum for deposits denominated in Russian rubles.

Note 9. Loans and borrowings

The Group has the following debts as of 30 June 2011:

In thousands of EUR					**30.06.2011**		**31.12.2010**	
Bank	**Company**	**Cur-rency**	**Nominal interest rate**	**Year of maturity**	**Short term**	**Long term**	**Short term**	**Long term**
Secured bank loan	Junona OAO	BYR	BYRIBOR*+ 7.00%	2011	25	0	27	0
Secured bank loan	SP Gimil OOO	BYR	21.00%	2012	38	0	0	0
Finance lease liabilities	SP Gimil OOO	USD	14.50%	2012	4	0	9	0
Total interest bearing liabilities					**67**	**0**	**36**	**0**

* BYRIBOR – BYR Interbank Offered Rate

All fixed rate interest bearing liabilities are to Belarus financial institutions and interest rates are reviewed annually and adjusted based on the State Refinancing Rate.

In H1 2011 the Group received loans in the amount of EUR 724 thousand, in H1 2010 in the amount of EUR 531 thousand. The Group settled loans and finance lease liabilities in H1 2011 in the amount of EUR 658 thousand, in H1 2010 in the amount of EUR 1,891 thousand.

Loan collateral

The loan provided to OAO Junona by OAO Belarusbank is secured by fixed assets of OAO Junona for the book value of EUR 32 thousand. The loan provided to SP Gimil OOO by Minsk Transit Bank are secured by real estate for the book value of EUR 28 thousand.

Note 10. Other payables

In thousands of EUR	**30.06.2011**	**31.12.2010**
Payables related to employees	559	600
Customer prepayments for goods and services	113	277
Other payables	2,184	254
Total	**2,856**	**1,131**

Note 11. Earnings per share

The calculation of basic earnings per share at 30 June 2011 (30 June 2010) was based on the profit attributable to owners and a weighted average number of ordinary shares.

In thousands of shares	**H1 2011**	**H1 2010**
Number of ordinary shares at the beginning of the period	39,607	40,000
Cancellation of shares	-107	0
Effect of own shares held	-48	-393
Weighted average number of ordinary shares	**39,452**	**39,607**

	H1 2011	**H1 2010**
Profit for the period, attributable to owners, EUR thousand	20,723	6,171
Basic earnings per share (EUR)	0.53	0.16
Diluted earnings per share (EUR)	0.53	0.16

In thousands of shares	**Q2 2011**	**Q2 2010**
Number of ordinary shares at the beginning of the period	39,607	40,000
Cancellation of shares	-107	0
Effect of own shares held	-27	-393
Weighted average number of ordinary shares	**39,473**	**39,607**

	Q2 2011	**Q2 2010**
Profit for the period, attributable to owners, EUR thousand	15,634	3,697
Basic earnings per share (EUR)	0.40	0.09
Diluted earnings per share (EUR)	0.40	0.09

Diluted earnings per share do not differ from basic earnings per share as the Group has no financial instruments issued that could potentially dilute the earnings per share.

Note 12. Owners' equity

Shares

As of 30 June 2011 registered share capital of AS Silvano Fashion Group amounted to EUR 19,750 thousand divided into 39,500,000 shares with a nominal value of EUR 0.50 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 Depositary for Securities. All shares have been paid for.

With reference to the extraordinary shareholder meeting resolutions of Silvano Fashion Group from 17 March 2011, the Registration Department of the Harju County Court has registered the amendments to the capital and bylaws of the company as of 30 June 2011. Effective from 30 June 2011, the share capital of Silvano Fashion Group is 19,750,000 Euros, divided into 39,500,000 common shares with par value of 0.50 Euros.

The annual general meeting of shareholders of Silvano Fashion Group held on 30 June 2011 approved the results of the previous buy-back program and adopted a new Buy-Back Program. The primary purpose of the new Buy-Back Program is to reduce share capital. The Buy-Back Program was adopted under the following conditions:

- SFG is entitled to buy back its own shares starting from 1 July 2011 until 30 June 2012.

- The total nominal value of own shares to be bought back by SFG may not exceed 10 % of the company's share capital and the nominal value of the treasury shares may not exceed 10 % of the company's share capital.
- The maximum price payable by SFG for one share will be 4.50 EUR (four euros and fifty cents).
- The maximum amount payable by SFG for its own shares is 17,775,000 Euros;
- Own shares will be paid for with assets exceeding the share capital, compulsory reserves and share premium.
- The board was authorized, in the case of extreme low liquidity on the relevant market, to exceed the purchase limit of 25 per cent of the average daily volume of the shares provided for in Article 5(2) the Commission Regulation (EC) No 2273/2003 of 22 December 2003 and to purchase the SFG shares in a daily amount of up to 50 per cent of the average daily volume of the shares on the regulated market.
- The board of SFG shall have the right to appoint an investment firm or a credit institution as the lead manager of the buyback program of SFG within one month from the approval of this Buy-Back Program.
- Buyback of own shares will be implemented by SFG in accordance with the Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council regarding exemptions for buyback programs and stabilization of financial instruments.

As of 30 June 2011 the amount of shares bought back was 207,000 the average price per share was 2.8894 EUR, the cost in total was EUR 598,106.

According to the Articles of Association, the minimum share capital and maximum share capital of AS Silvano Fashion Group amount to EUR 15,978 thousand and EUR 63,912 thousand respectively.

As of 30 June 2011 AS Silvano Fashion Group had 1,903 shareholders.

As of 30 June 2011 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
Major shareholders	**27,794,052**	**70.36%**
KRAJOWY DEPOZYT PAPIEROW WARTOŠCIOWYCH S.A. [J]	10,694,052	27.07%
TOOMAS TOOL	9,000,000	22.78%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8,100,000	20.51%
Other shareholders	**11,705,948**	**29.64%**
Total number of shares	**39,500,000**	**100.00%**

As of 31 December 2010 AS Silvano Fashion Group had 1,473 shareholders.

As of 31 December 2010 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
Major shareholders	**29,963,543**	**75.66%**
KRAJOWY DEPOZYT PAPIEROW WARTOŠCIOWYCH S.A. [J]	9,647,397	24.36%
TOOMAS TOOL	9,600,000	24.24%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8,100,000	20.45%
SKANDINAVISKA ENSKILDA BANKEN AB CLIENTS	2,616,146	6.61%
Other shareholders	**9,643,457**	**24.34%**
Total number of shares	**39,607,000**	**100.00%**

Statutory capital reserve

The statutory capital reserve has been created in accordance with the requirements of the Estonian Commercial Code. The capital reserve is created with annual net profit transfers. Every year the parent company has to transfer to the capital reserve at least one twentieth of its net profit for the period until the capital reserve amounts to at least one tenth of its share capital. The reserve may be used for covering losses and for increasing share capital through a bonus issue. The capital reserve may not be distributed to shareholders.

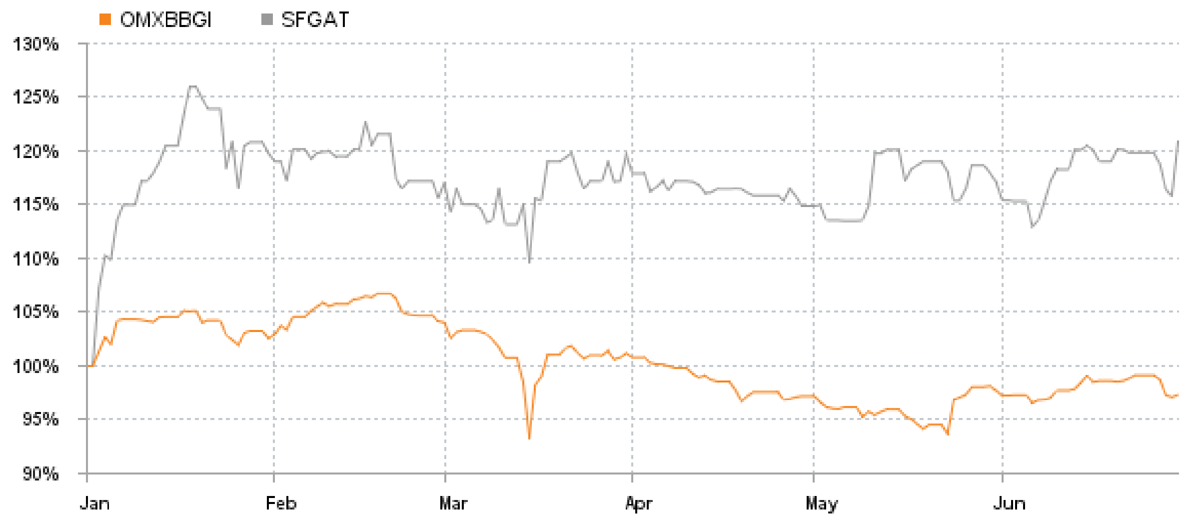
The annual general meeting of shareholders of Silvano Fashion group held on 30 June 2011 decided to allocate EUR 164 thousand to capital reserve. As of 30 June 2011 the capital reserve amounted to EUR 231 thousand.

Information about Shares

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

Share price development and turnover on the Tallinn Stock Exchange in H1 2011 (EUR)

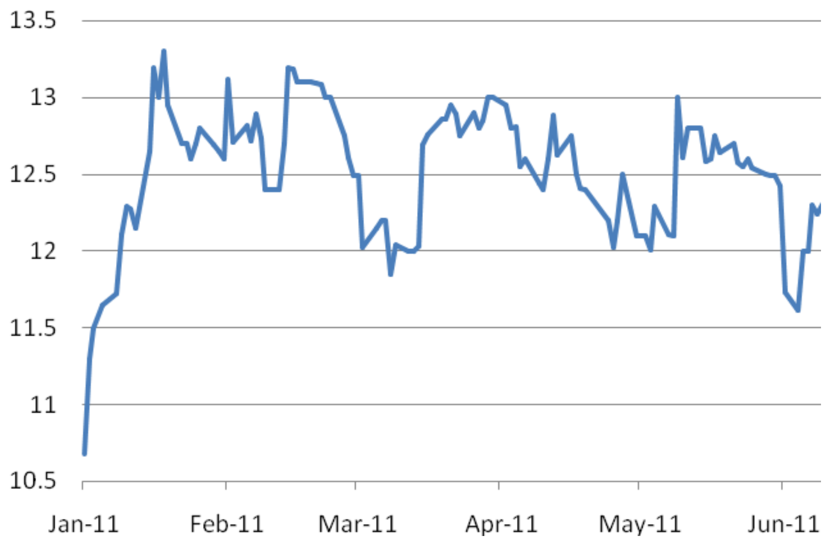
During H1 2011, the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were EUR 3.55 and EUR 2.79, respectively.



From 23 July 2007 the shares of AS Silvano Fashion Group are listed on the basic list of the Warsaw Stock Exchange.

Share price development on the Warsaw Stock Exchange in H1 2011 (PLN)

During H1 2011, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were PLN 13.3 and PLN 10.68 respectively.



Note 13. Sales revenue

In thousands of EUR	H1 2011	H1 2010
Income from wholesale	47,679	38,482
Income from retail sale	8,308	8,053
Subcontracting and services	130	160
Other sales	77	68
Total sales revenue	**56,194**	**46,763**

Sales revenue by countries is presented in Note 15.

Note 14. Transactions with related parties

Related parties, as defined by IAS 24 Related Party Disclosures, are those counter parties that represent:

(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Parent or its subsidiaries. This includes holding companies, subsidiaries and fellow subsidiaries;

(b) Associates - enterprises in which the Parent or its subsidiaries have significant influence and which are neither subsidiaries nor joint ventures of the investor;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the Parent or its subsidiaries that gives them significant influence over the Parent or its subsidiaries;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Parent or its subsidiaries, including directors and officers of the Parent or its subsidiaries and close members of the families of such individuals; and

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Parent or its subsidiaries and enterprises that have a member of key management in common with the Parent or its subsidiaries.

Sales of goods and services *In thousands of EUR*	**H1 2011**	**H1 2010**
Associated companies	6,692	4,615
Total sales	**6,692**	**4,615**

Balances with related parties *In thousands of EUR*	**30.06.2011**	**31.12.2010**
Receivable from associated companies	2,684	1,542
Total receivable	**2,684**	**1,542**

Benefits to members of the management and supervisory board *In thousands of EUR*	**H1 2011**	**H1 2010**
Remuneration and benefits	56	233
Total	**56**	**233**

According to management's assessment, the prices applied in transactions with related parties did not differ significantly from the market terms.

Note 15. Operating segments

Starting from 1 January 2010 the presentation of information in Note 15 Operating segments: has been amended: operating profit from retail operations is calculated based on the cost of production of lingerie in production companies of the Group, whereas in prior years it was calculated based on the cost of acquisition of lingerie from production companies of the Group. Comparative information for H1 2010 was amended respectively.

Operating segments H1 2011

In thousands of EUR	**Lingerie retail**	**Lingerie wholesale**	**Total segments**	**Unallocated**	**Eliminations**	**Total**
Revenue from external customers	**8,308**	**47,679**	**55,987**	**207**	**0**	**56,194**
Intersegment revenues	0	5,678	5,678	778	-6,456	**0**
EBITDA	**2,818**	**15,580**	**18,398**	**135**	**0**	**18,533**
Amortization and depreciation	-96	-641	-737	-29	0	**-766**
Operating income/loss, EBIT	**2,722**	**14,939**	**17,661**	**106**	**0**	**17,767**
Interest in the profit or loss of equity accounted investees	0	14	14	0	0	**14**
Financial items, net	-3	14,739	14,736	39	0	**14,775**
Income tax	-319	-6,921	-7,240	-25	0	**-7,265**
Net income	**2,400**	**22,771**	**25,171**	**120**	**0**	**25,291**
Investments in associate	0	69	69	0	0	**69**
Other operating segment assets	2,578	49,555	52,133	6,796	0	**58,929**
Reportable segment liabilities	467	12,629	13,096	3,254	0	**16,350**
Impairment of assets	0	0	0	0	0	**0**
Capital expenditures	91	2,064	2,155	1	0	**2,156**
Number of employees as of reporting date	517	2,680	3,197	9	0	**3,206**

Operating segments H1 2010

in thousands of EUR	**Lingerie retail**	**Lingerie wholesale**	**Total segments**	**Unallocated**	**Eliminations**	**Total**
Revenue from external customers	**8,053**	**38,482**	**46,535**	**228**	**0**	**46,763**
Intersegment revenues	0	4,949	4,949	502	-5,451	**0**
EBITDA	**959**	**9,106**	**10,065**	**-245**	**0**	**9,820**
Amortization and depreciation	-148	-711	-859	-31	0	**-890**
Operating income/loss, EBIT	**811**	**8,395**	**9,206**	**-276**	**0**	**8,930**
Interest in the profit or loss of equity accounted investees	0	-31	-31	-47	0	**-78**
Financial items, net	246	-78	168	967	0	**1,135**
Income tax	-124	-2,036	-2,160	-53	0	**-2,213**
Net income	**933**	**6,250**	**7,183**	**591**	**0**	**7,774**
Investments in associate	0	70	70	0	0	**70**
Other operating segment assets	5,230	55,231	60,461	3,396	0	**63,857**
Reportable segment liabilities	1,951	9,986	11,937	1,201	0	**13,138**
Impairment of assets	136	16	152	0	0	**152**
Capital expenditures	210	346	556	0	0	**556**
Number of employees as of reporting date	420	2,718	3,138	3	0	**3,141**

Geographical segments

The Group's manufacturing facilities are based in Belarus and Latvia. Lingerie wholesale and retail operations are analyzed on the basis of geographical segments. Segment revenue is based on the geographical location of customers, segment assets are based on the geographical location of the assets.

in thousands of EUR	**Sales revenue H1 2011**	**Sales revenue H1 2010**	**Non-current assets 30.06.2011**	**Non-current assets 31.12.2010**
Russia	34,738	27,472	169	99
Belarus	13,203	12,036	8,514	14,448
Ukraine	3,521	2,371	0	0
Baltics	1,798	2,672	492	564
Other countries	2,934	2,212	1	0
Total	**56,194**	**46,763**	**9,176**	**15,111**