



CONSOLIDATED INTERIM REPORT
FOR Q3 AND 9 MONTHS 2011

SILVANO FASHION GROUP

COMPANY PROFILE

Business name	AS Silvano Fashion Group
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Core activities	Design, manufacturing and distribution of women's lingerie

Contents

Management Report.....	3
General information and approval of the management board for the consolidated interim report for 9 months of 2011	12
Consolidated statement of financial position	14
Consolidated income statement for 9 months 2011	15
Consolidated statement of comprehensive income for 9 months 2011	16
Consolidated income statement for Q3 2011	17
Consolidated statement of comprehensive income for Q3 2011	18
Consolidated statement of cash flows	19
Consolidated statement of changes in equity	20
Accounting methods and valuation principles used for preparing the consolidated interim report	21
Notes to the consolidated interim report	22
Note 1. Cash and cash equivalents	22
Note 2. Prepayments	22
Note 3. Trade receivables.....	22
Note 4. Other receivables.....	22
Note 5. Inventories.....	23
Note 6. Investment property.....	23
Note 7. Property, plant and equipment.....	24
Note 8. Intangible assets	25
Note 8. Intangible assets	25
Note 9. Loans and borrowings	26
Note 10. Other payables.....	26
Note 11. Earnings per share	26
Note 12. Owners' equity	27
Note 13. Sales revenue	30
Note 14. Transactions with related parties	30
Note 15. Operating segments	31

Management Report

Selected Financial Indicators

In summary, the selected financial indicators of AS Silvano Fashion Group for Q3 2011 and 9 months 2011 were as follows:

<i>In thousands of EUR</i>	Q3 2011	Q3 2010	Change, %
Sales revenue	30,355	25,672	18.2%
Earnings before interest, taxes and depreciation (EBITDA)	12,516	6,016	108.0%
Net profit for the period	8,355	4,342	92.4%
Net profit attributable to owners of the Company	6,915	3,448	100.6%
Earnings per share (EUR)	0.18	0.09	100.0%
Operating cash flow for the period	6,500	8,917	-27.1%

<i>In thousands of EUR</i>	9 months 2011	9 months 2010	Change, %
Sales revenue	86,549	72,435	19.5%
Earnings before interest, taxes and depreciation (EBITDA)	31,049	15,836	96.1%
Net profit for the period	33,646	12,116	177.7%
Net profit attributable to owners of the Company	27,638	9,619	187.3%
Earnings per share (EUR)	0.70	0.24	191.7%
Operating cash flow for the period	22,402	16,111	39.0%

<i>In thousands of EUR</i>	30.09.2011	31.12.2010	Change, %
Total assets	62,852	65,085	-3.4%
Total current assets	53,296	49,974	6.6%
Total equity attributable to equity holders of the Company	39,834	42,042	-5.3%
Loans and borrowings	43	36	19.4%
Cash and cash equivalents	23,014	21,468	7.2%

Margin analysis	Q3 2011	Q3 2010	Change, %
Gross profit margin	56.3%	39.4%	42.9%
EBITDA margin	41.2%	23.4%	76.1%
Net profit margin	27.5%	16.9%	62.7%
Net profit margin attributable to owners of the Company	22.8%	13.4%	70.1%

Margin analysis	9 months 2011	9 months 2010	Change, %
Gross profit margin	51.1%	40.2%	27.1%
EBITDA margin	35.9%	21.9%	63.9%
Net profit margin	38.9%	16.7%	132.9%
Net profit margin attributable to owners of the Company	31.9%	13.3%	139.8%

Financial ratios	30.09.2011	31.12.2010	Change, %
ROA	49.4	20.5	141.0%
ROE	77.3	33.4	131.4%
Price to earnings ratio (P/E)	3.6	8.8	-59.1%
Current ratio	3.5	4.1	-14.6%
Quick ratio	2.5	2.8	-10.7%

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

Year 2011 has so far been great success to SFG. Strong consumer demand in our core market Russia combined with the lowering production cost per unit due to currency devaluation in Belarus created ideal conditions for improvements in sales and gross margin at the same time. The seasonality effect of the third quarter is a further contributor to the increase in sales, both in volume and in monetary terms. The same parallel can be drawn with Q3 in 2010.

Economic situation in Russia, the Group's key market, stayed firm throughout the whole three quarters. Nevertheless, Russian economy is not isolated from the global economy, thus the expectations of the consumers and the retailers about the outlook of the future have deteriorated. One of the indicators is the volatility and trend of the currency pairs EUR/USD and EUR/RUB whereas Russian rouble has weakened throughout the whole Q3. Despite oil and gas prices that continue to support Russian economy, the world financial markets uncertainty and up-coming political campaign in Russia resulted in vulnerable economic situation in the country in Q3, probably extended into Q4 2011.

In Ukraine, the infamous gas deal court case might result in slowing down of US and EU financial support of the Ukrainian economy with certain pressure on the Ukrainian authorities, which can eventually worsen consumer demand.

The Belarusian consumer market has been affected by *de facto* devaluation of the local currency and multiple exchange rates since Q2 2011. Q3 2011 retail sales were partially driven by the willingness to get rid of local currency and convert it into consumer goods.

The Baltic markets have recovered from the bottom but the growth outlook is vague. Nevertheless, 2 new Milavitsa and 1 new Lauma Lingerie franchise store have been opened in Estonia, which ascertains that there is hope for improvement. Our own retail network sales stalled in Latvia (9 month y-o-y unit sales dropped by 1.2%, compensated by slightly higher mark-ups at the stores).

At the end of the reporting period the Group and its franchising partners operated 462 Milavitsa and Lauma Lingerie outlets, including 53 stores operated directly by the Group and the rest by franchising partners.

9m 2011 sales demonstrated annual increase of 19.5% compared to 9m 2010. 9m 2011 EBITDA climbed to EUR 31,049 thousand, an increase of 96.1% compared to 9m 2010; 9m 2011 normalized net profit (excluding effect of foreign exchange, mainly due to the devaluation of Belarusian rouble) stood at EUR 20,967 thousand and up by 82.1% compared to 9m 2010.

Third quarter sales amounted to EUR 30,355 thousand, EBITDA - to EUR 12,516 thousand, and normalized net profit (excluding effect of foreign exchange) - to EUR 9,964 thousand.

Financial performance

The Group sales amounted to EUR 86,549 thousand in 9 months 2011, representing a 19.5% increase compared to the previous year. Overall wholesales increased by 22.9% and retail sales by 4.7%. 9 month 2010 retail sales include retail sales generated in Russia in the amount of EUR 1,268 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 16.0%.

The Group gross margin increased in 9 months 2011 and reached 51.1% compared to 40.2% in the respective period of the previous year. Positive effect was observed in Q2 and Q3 2011 mainly due to devaluation of Belarusian rouble, which generates cost savings in Euro terms in Belarus.

The consolidated operating profit amounted to EUR 30,008 thousand during 9 months of 2011, compared to EUR 14,511 thousand in 9 months of 2010. The consolidated operating profit margin was 34.7% (20.0% in 9 months of 2010). Significant growth in operating profit margin is mainly explained by the fact that most of the Group's revenue is denominated in Russian roubles and Euros whereas significant part of the costs is linked to Belarusian rouble.

SFG foresees the positive cost effect to continue also in Q4 due to the devaluation of Belarusian rouble that has positive effect on the gross margins, hence also on the profitability of the Group.

Consolidated net profit from foreign exchange rate fluctuations amounted to EUR 12,679 thousand in 9 months of 2011. The main constituents to the foreign exchange gain in the amount of EUR 12,485 thousand are sales denominated in Russian roubles and short-term deposits denominated in Euros.

Effective tax rate for 9 months 2011 amounted to 22.5% (23.0% in 9 months 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.

All dividend and capital reduction payments to SFG shareholders during the reporting period have been carried out without any additional tax burden to the Group.

Consolidated net profit attributable to equity holders amounted to EUR 27,638 thousand in 9 months of 2011, compared to EUR 9,619 thousand in 9 months of 2010; net profit margin attributable to equity holders was 31.9% against 13.3% in 9 months of 2010.

In 9 months of 2011, Group's return on equity (ROE) amounted to 77.3% (33.4% in 2010) and return on assets (ROA) reached 49.4% (20.5% in 2010).

Financial position

As of 30 September 2011 consolidated assets amounted to EUR 62,852 thousand representing a decrease of 3.4% 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 rouble being another factor, decreasing the value of assets based in Belarus in EUR terms.

Property, plant and intangibles balances decreased by EUR 3,758 thousand compared to the year-end; the key reason being the impact of the foreign exchange rate decrease in the monetary amount of EUR 6,207 thousand.

Trade receivables increased by EUR 1,571 thousand as compared to 31 December 2010 and totalled EUR 11,213 thousand as of 30 September 2011. Inventory balance decreased by EUR 644 thousand and totalled EUR 15,148 thousand as of 30 September 2011. Reduction in inventory balance is partially related to the seasonality 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 22,161 thousand in 9 months 2011. Since currency translation reserve affects directly owners' equity, on the overall basis, equity attributable to equity holders decreased by EUR 2,208 thousand and amounted to EUR 39,834 thousand as of 30 September 2011.

Current liabilities increased by EUR 3,361 thousand in 9 months 2011. The main constituent for the increase was income tax liability that increased from EUR 608 thousand to EUR 4,391 thousand. Most of the income tax was recognized in Belarus as a result of higher operating profits and gains from currency exchange fluctuations both originating from devaluation of BYR.

Current and non-current loans and borrowings increased by EUR 7 thousand to EUR 43 thousand as of 30 September 2011. Loans received and loans repaid in 9 months 2011 amounted to EUR 711 thousand and EUR 681 thousand respectively, including finance lease liabilities repaid in the amount of EUR 7 thousand.

Tax liabilities and other payables, including payables to employees, amounted to EUR 8,594 thousand. Provisions amounted to EUR 233 thousand as of 30 September 2011.

Sales

Sales by business segments

	9 months 2011 EUR thousand	9 months 2010 EUR thousand	Change EUR thousand	9 months 2011 percentage from sales	9 months 2010 percentage from sales
Wholesale	72,634	59,098	13,536	83.9%	81.6%
Retail	13,621	13,006	615	15.8%	17.9%
Other operations	294	331	-37	0.3%	0.5%
Total	86,549	72,435	14,114	100.0%	100.0%

Sales by markets

In 9 months 2011, the Group focused mainly on the Baltics, Russian, Belarusian and Ukrainian markets.

Total sales by markets

	9 months 2011	9 months 2010	Change	9 months 2011	9 months 2010
	EUR	EUR	EUR	percentage	percentage
	thousand	thousand	thousand	from sales	from sales
Russia	53,199	41,186	12,013	61.5%	56.9%
Belarus	21,868	20,019	1,849	25.3%	27.6%
Baltics	2,306	4,267	-1,961	2.7%	5.8%
Ukraine	4,811	3,806	1,005	5.6%	5.3%
Other markets	4,365	3,157	1,208	4.9%	4.4%
Total	86,549	72,435	14,114	100.0%	100.0%

The majority of lingerie sales revenue in 9 months of 2011 in the amount of EUR 53,199 thousand was generated in the Russian market, accounting for 61.5% of all sales compared to EUR 41,186 thousand in 9 months of 2010 (an increase of 29.2% y-o-y). Sales in Russia for 9 months of 2011 comprise wholesale only, but include both retail sales and wholesale for 9 months of 2010. The second largest region was Belarus, where sales reached EUR 21,868 thousand, contributing 25.3% of lingerie sales (both retail and wholesale) compared to EUR 20,019 thousand in 9 months of 2010 (an increase of 9.2% y-o-y)

Sales in the major markets demonstrated positive trend in terms of pieces sold in 9 months of 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 9 months of 2011 in the field of marketing and franchising.

SFG-held Lauma Lingerie demonstrated an increase in sales during 9 months 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 72.8% of total lingerie sales revenue in 9 months of 2011 (9 months of 2010: 72.6%) and amounted to EUR 62,794 thousand. “Lauma Lingerie” core brand accounted for 8.5% of total lingerie sales (9 months of 2010: 8.0%) and amounted to EUR 7,332 thousand. Other brands such as “Alisee”, “Aveline”, “Hidalgo” and “Laumelle” comprised 18.7% of total lingerie sales in 9 months of 2011 (9 months of 2010: 19.4%), amounting to EUR 16,129 thousand.

Wholesale

In 9 months of 2011, wholesale revenue amounted to EUR 72,634 thousand, representing 83.9% of the Group’s total revenue (9 months of 2010: 81.6%). 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.

Logistics and production issues caused significant undersupply of wholesalers by Milavitsa in August which was partially recovered in September. By the beginning of October some Russian wholesalers were overstocked by Milavitsa products.

Lower than expected retail sales and wholesales in August-October coupled by the negative macroeconomic forecast and rouble foreign exchange rate fluctuations in Russia led to moderate outlook for Q3-2012 by Milavitsa trading partners.

Retail operations

Total lingerie retail sales of the Group in 9 months of 2011 amounted to EUR 13,621 thousand, representing a 4.7% increase compared to the previous year.

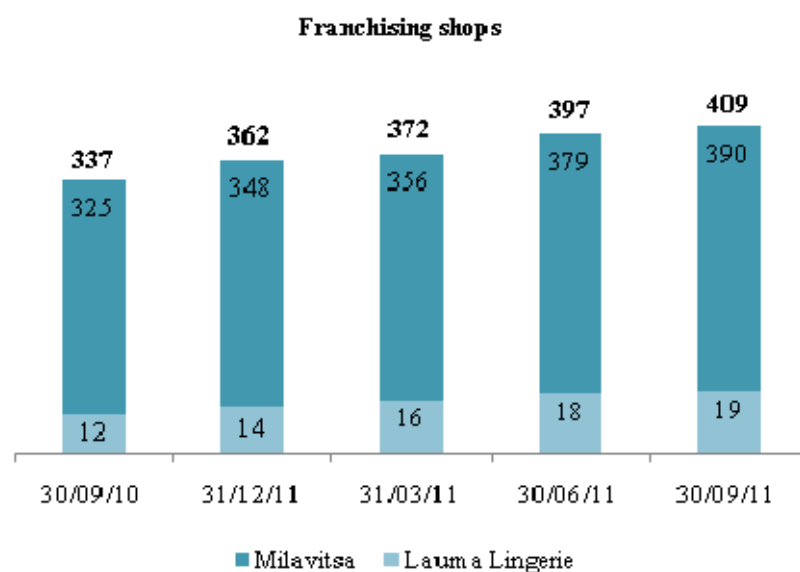
Own retail operations were conducted solely in Belarus and Latvia. As of 30 September 2011 the Group operated 53 own retail outlets with a total area of 4,689 square meters. In 9 months of 2011 5 new own lingerie stores were opened, including 4 stores under Milavitsa brand name in Belarus and 1 store under Lauma Lingerie brand name in Latvia, 2 stores under Milavitsa brand name were closed.

Number of own stores as of:

	30.09.2011	31.12.2010
Latvia	9	8
Belarus	44	42
Total stores	53	50
Total sales area, sq m	4,689	4,253

The 400th landmark reached

As of 30 September 2011, there were 390 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Belarus, Ukraine, Moldavia, Kazakhstan, Uzbekistan, Kyrgyzstan, Latvia, Azerbaijan, Armenia, Germany, Georgia, Slovenia, Iran and Estonia, resulting in net increase of 42 shops during 9 months 2011. Additionally, as of 30 September 2011, there were 19 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Lithuania, Latvia, Estonia and Albania, of which 6 were opened and 1 was closed due to store relocation in 9 months 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 and Iran became the 16th country where Milavitsa established franchised retail operations. Retail operations in Cyprus were terminated decreasing the number of countries with active franchised retail operations.



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 68.8% growth in local currency terms and a 17.0% growth in EUR terms as compared to 9 months 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, though not that significantly. Sales in some Belarusian shops dropped after the most recent price increase. Additional price increase has been scheduled for November 2011.

Having mentioned standstill in the volumes sold via own retail stores in the Baltics, retail sales remained at the level of previous year and amounted to EUR 604 thousand. Improvement of the efficiency of sales and increase in both volume and sales revenue shall be addressed during 2012 and beyond.

Own retail operations in Russia were fully terminated in H1 2010. As a result 9 months of 2010 retail sales include retail sales generated in Russia in the amount of EUR 1,268 thousand, while 9 months of 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	44	0	44	4,212
Latvia	0	9	9	477
Total	44	9	53	4,689

Production, sourcing, purchasing and logistics

The total volume of production in SP ZAO Milavitsa amounted to 15,309 thousand pieces in 9 months of 2011, representing a 22.3% increase compared to the respective period in the previous year. The total production volume in Lauma Lingerie amounted to 1,214 thousand pieces in 9 months of 2011, showing an increase of 35.2% compared to the respective period in the previous year.

Investment

In 9 months of 2011, the Group investments totalled EUR 3,541 thousand with investments into retail amounting to EUR 118 thousand. Other investments were made into equipment and facilities to maintain effective production and to add capacity.

Personnel

As of 30 September 2011, the Group employed 3,244 employees including 416 in retail and 2,062 in production. The rest were employed in wholesale, administration and support operations.

Total salaries and wages in 9 months 2011 amounted to EUR 13,440 thousand. The remuneration of the members of the Management Board and Supervisory Board of the parent company totalled EUR 77 thousand.

Key Events in 9 months of 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.

Under the new buy-back program, which was approved by the Annual General Meeting of Shareholders on 30 June 2011 and started from 1 July 2011, AS Silvano Fashion Group has acquired 7,106 shares in total for the total amount of 19,486 Euros, resulting in an average acquisition cost of 2.7422 Euros per share.

Annual General Meeting of Shareholders

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

1. Approved the 2010 Annual Report.
2. Profit Distribution:
 - Approved the profit for 2010 in the amount of 12,240,000 Euros.
 - Allocated 164,000 Euros to the compulsory reserve.
 - Decided upon dividends of 0.05 Euros per share.
3. Appointed Deloitte Audit Eesti Ltd. as the Auditor whose authority is valid until the next annual general meeting.
4. Revoked a bonus for all the supervisory board members jointly in the amount of 2.5 per cent from the dividend declared, stepping into force retroactively for the 2011 financial year.
5. Adopted a 'Buy-Back' Program until the 30 June of 2012 with maximum price of 4.50 Euros per share and a maximum of 10% of the share capital to be acquired.
6. Reduction of Share Capital by 0.10 Euros per share and Amendments of the Articles of Association related thereto.

Registration of the reduction of the share capital

As of June 30, 2011, the new share capital of 19,750,000 Euros, divided into 39,500,000 common shares with par value of 0.50 Euros, was registered.

As of October 11, 2011, a new decrease of share capital to 15,800,000 Euros, which is divided into 39,500,000 ordinary shares with nominal value of 0.40 Euros per share, was registered.

Extraordinary General Meeting of Shareholders

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

1. Amendment of the Articles of Association
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.

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 256 shares bought back and to decrease share capital of SP ZAO Milavitsa respectively. On 28 August 2011 Extraordinary Meeting of Shareholders of SP ZAO Milavitsa decided to cancel 56 shares bought back 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% as of 31 December 2010 to 80.92% as of 30 September 2011.

Amendments in the Group structure

During Q3 SFG Group management worked towards amendments of the Group structure. As a result of these actions SFG acquired:

- 50% of ZAO Stolichnaya Torgovaja Kompanija Milavitsa on 6 July 2011 from SP ZAO Milavitsa
- 100% of OÜ Linret EST on 30 September 2011 from SOOO Torgovaja Kompanija Milavitsa
- 1% of SOOO Torgovaja Kompanija Milavitsa from SP ZAO Milavitsa and 49% of SOOO Torgovaja Kompanija Milavitsa from France Style Lingerie S.A.R.L. on 30 September 2011

General information and approval of the management board for the consolidated interim report for 9 months of 2011

The Group is an international lingerie distribution group involved in the design, manufacturing and marketing of women's lingerie. The Group 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 September 2011, the Group employed 3,244 people (as of 31 December 2010: 3,193 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.09.2011	Ownership interest 31.12.2010
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Subsidiaries of AS Silvano Fashion Group				
AS Lauma Lingerie	Latvia	Manufacturing, wholesale and retail	100%	100%
France Style Lingerie s.a.r.l.	France	Holding	100%	100%
OÜ Linret EST	Estonia	Holding	100%	0%
ZAO Stolichnaya Torgovaja Kompanija Milavitsa	Russia	Wholesale	50%	0%
SP ZAO Milavitsa	Belarus	Manufacturing	80.92%	78.35%
Milavitsa Logistik OOO	Belarus	Logistics	50%	49%
SOOO Torgovaja Kompanija Milavitsa	Belarus	Wholesale and retail	50%	0%
Subsidiaries of SP ZAO Milavitsa				
ZAO Stolichnaya Torgovaja Kompanija Milavitsa	Russia	Wholesale	50%	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	50%	51%
Milavitsa Logistik OOO	Belarus	Logistics	50%	51%
Subsidiary of SOOO Torgovaja Kompanija Milavitsa				
OÜ Linret EST	Estonia	Holding	0%	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	0%	49%

Management declaration regarding the consolidated interim report for 9 months 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 9 months 2011 set out on pages 14-33 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 November 2011

Consolidated statement of financial position

Unaudited

<i>In thousands of EUR</i>		30.09.2011	31.12.2010	30.09.2010
ASSETS				
Current assets				
Cash and cash equivalents	1	23,014	21,468	21,233
Assets classified as held for sale		14	20	45
Prepayments	2	504	288	713
Trade receivables	3	11,213	9,642	8,920
Other receivables	4	1,608	1,188	406
Corporate income tax asset		0	59	103
Other tax receivables		1,795	1,517	1,091
Inventories	5	15,148	15,792	12,382
Total current assets		53,296	49,974	44,893
Non-Current assets				
Investments in equity accounted investees		65	106	129
Other receivables		35	32	661
Available-for-sale financial assets		193	370	359
Deferred tax asset		335	1,324	1,212
Investment property	6	706	1,299	1,265
Property, plant and equipment	7	7,914	11,446	10,618
Intangible assets	8	308	534	513
Total non-current assets		9,556	15,111	14,757
TOTAL ASSETS		62,852	65,085	59,650
LIABILITIES AND EQUITY				
Current liabilities				
Loans and borrowings	9	43	36	66
Trade payables		6,993	7,681	6,338
Corporate income tax payable		4,391	608	881
Other tax payable		1,554	712	632
Other payables	10	926	1,131	1,071
Provisions		233	136	181
Accrued expenses		1,283	1,757	1,230
Deferred income		7	8	1
Total current liabilities		15,430	12,069	10,400
Non-current liabilities				
Loans and borrowings	9	0	0	286
Deferred tax liability		433	0	0
Other liabilities		0	0	0
Total non-current liabilities		433	0	286
Total liabilities		15,863	12,069	10,686
Equity				
Share capital at per value		19,750	25,313	25,565
Share premium		14,060	14,130	14,271
Own shares		-289	-311	-450
Statutory capital reserve		231	67	67
Other reserves		7	453	349
Translation reserve		-33,749	-11,588	-12,743
Retained earnings		39,824	13,978	11,416
Total equity attributable to equity holders of the Company	12	39,834	42,042	38,475
Non-controlling interest		7,155	10,974	10,489
Total equity		46,989	53,016	48,964
TOTAL LIABILITIES AND EQUITY		62,852	65,085	59,650

Consolidated income statement for 9 months 2011

Unaudited

<i>In thousands of EUR</i>		9 months 2011	9 months 2010
Revenue			
Sales revenue	13	86,549	72,435
Costs of goods sold		-42,311	-43,340
Gross Profit		44,238	29,095
Other operating income		468	453
Distribution costs		-8,029	-7,238
Administrative expenses		-4,858	-6,250
Other operating expenses		-1,811	-1,549
Operating profit		30,008	14,511
Finance income and finance costs			
Interest expenses		-14	-72
Gains on conversion of foreign currencies		12,679	603
Other financial income		742	695
Net finance income		13,407	1,226
Share of profit/(loss) of equity accounted investees		13	-9
Profit before tax		43,428	15,728
Income tax expense		-9,782	-3,612
Profit for the period		33,646	12,116
<i>Attributable to</i>			
Owners of the Company		27,638	9,619
Non-controlling interest		6,008	2,497
Earnings per share			
Basic earnings per share (EUR)	11	0.70	0.24
Diluted earnings per share (EUR)	11	0.70	0.24

Consolidated statement of comprehensive income for 9 months 2011

Unaudited

<i>In thousands of EUR</i>	9 months 2011	9 months 2010
Profit for the period	33,646	12,116
Other comprehensive income		
Foreign currency translation differences for foreign operations	-29,763	-929
Other comprehensive income/loss for the period	-29,763	-929
Total comprehensive income/loss	3,883	11,187
Total comprehensive income/loss attributable to:		
Owners of the Company	5,477	8,798
Non-controlling interest	-1,594	2,389

Consolidated income statement for Q3 2011

Unaudited

<i>In thousands of EUR</i>	Q3 2011	Q3 2010
Revenue		
Sales revenue	30,355	25,672
Costs of goods sold	-13,254	-15,559
Gross Profit	17,101	10,113
Other operating income	65	81
Distribution costs	-2,421	-2,488
Administrative expenses	-1,857	-1,995
Other operating expenses	-647	-130
Operating profit	12,241	5,581
Finance income and finance costs		
Interest expenses	-2	-8
Loss on conversion of foreign currencies	-1,609	-242
Other financial income	243	341
Net finance income	-1,368	91
Share of profit/(loss) of equity accounted investees	-1	69
Profit before tax	10,872	5,741
Income tax expense	-2,517	-1,399
Profit for the period	8,355	4,342
<i>Attributable to</i>		
Owners of the Company	6,915	3,448
Non-controlling interest	1,440	894
Earnings per share		
Basic earnings per share (EUR)	11	0.18
Diluted earnings per share (EUR)	11	0.18

Consolidated statement of comprehensive income for Q3 2011

Unaudited

<i>In thousands of EUR</i>	Q3 2011	Q3 2010
Profit for the period	8,355	4,342
Other comprehensive income		
Foreign currency translation differences for foreign operations	-2,118	-4,067
Other comprehensive income/loss for the period	-2,118	-4,067
Total comprehensive income/loss	6,237	275
Total comprehensive income/loss attributable to:		
Owners of the Company	8,051	210
Non-controlling interest	-1,814	65

Consolidated statement of cash flows

Unaudited

In thousands of EUR

	Notes	9 months 2011	9 months 2010
Cash flows from operating activities			
Profit for the period		33,646	12,116
Adjustments for:			
Depreciation of fixed assets and investment property	6,7	969	1,229
Amortization of intangible assets	8	72	96
Impairment of property, plant and equipment	7	0	8
Impairment losses on intangible assets	8	0	29
Impairment losses on other assets		0	148
Net finance income		-13,407	-1,226
Share of (profit)/loss of equity accounted investees		-13	9
(Gains)/ losses on the sale of property, plant and equipment		-18	-24
Income tax expense		9,782	3,612
Change in inventories		-8,383	4,903
Change in trade and other receivables		2,139	966
Change in trade and other payables		529	-3,075
Interests paid		-14	-74
Income tax paid		-2,900	-2,606
Net cash from operating activities		22,402	16,111
Cash flow from investing activities			
Interest received		908	721
Dividends received		4	5
Proceeds from sale of property, plant and equipment		28	270
Loans granted		-138	-95
Proceeds from repayments of loans granted		54	19
Proceeds from disposal of investments		0	8
Acquisition of property, plant and equipment	7	-3,403	-1,419
Acquisition of intangible assets	8	-81	-79
Acquisition of other non-current assets	6	-57	0
Acquisition of shares by subsidiary		-198	-120
Net cash used in investing activities		-2,883	-690
Cash flow from financing activities			
Proceeds from borrowings	9	711	668
Repayment of borrowings	9	-674	-2,078
Repayment of finance lease	9	-7	-51
Dividends paid		-3,899	-2,112
Acquisition of own shares		-287	0
Reduction of share capital		-5,526	0
Net cash used in/ from financing activities		-9,682	-3,573
Increase in cash and cash equivalents		9,837	11,848
Cash and cash equivalents at the beginning of period	1	21,468	9,838
Effect of exchange rate fluctuations on cash		-8,291	-453
Cash and cash equivalents at the end of period	1	23,014	21,233

Consolidated statement of changes in equity

Unaudited

<i>In thousands of EUR</i>	Equity attributable to equity holders of the Company							Total	Non-controlling interest	Total equity
	Share capital	Share premium	Own shares	Capital reserve	Translation reserve	Other reserves	Accumulated profit (losses)			
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	9,619	9,619	2,497	12,116
Other comprehensive income										
Effect on consolidation of foreign subsidiaries	0	0	0	0	-821	0	0	-821	-108	-929
Total other comprehensive income	0	0	0	0	-821	0	0	-821	-108	-929
Total comprehensive income	0	0	0	0	-821	0	9,619	8,798	2,389	11,187
Transactions with owners, recorded directly in equity										
Re-purchase of own shares by subsidiary	0	0	0	0	0	349	0	349	-469	-120
Dividends paid	0	0	0	0	0	0	-1,980	-1,980	-132	-2,112
Total transactions with owners	0	0	0	0	0	349	-1,980	-1,631	-601	-2,232
Balance as of 30 September 2010	25,565	14,271	-450	67	-12,743	349	11,416	38,475	10,489	48,964
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	27,638	27,638	6,008	33,646
Other comprehensive income										
Effect on consolidation of foreign subsidiaries	0	0	0	0	-22,161	0	0	-22,161	-7,602	-29,763
Total other comprehensive income	0	0	0	0	-22,161	0	0	-22,161	-7,602	-29,763
Total comprehensive income	0	0	0	0	-22,161	0	27,638	5,477	-1,594	3,883
Transactions with owners, recorded directly in equity										
Increase of statutory reserve	0	0	0	164	0	0	-164	0	0	0
Change in non-controlling interest	0	0	0	0	0	0	-446	-446	446	0
Cancellation of own shares by subsidiary	0	0	0	0	0	-740	990	250	-250	0
Re-purchase of own shares by subsidiary	0	0	0	0	0	294	0	294	-492	-198
Cancellation of own shares	-68	-39	309	0	0	0	-202	0	0	0
Re-purchase of own shares	0	0	-287	0	0	0	0	-287	0	-287
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	-1,929	-3,899
Total transactions with owners	-5,563	-70	22	164	0	-446	-1,792	-7,685	-2,225	-9,910
Balance as of 30 September 2011	19,750	14,060	-289	231	-33,749	7	39,824	39,834	7,155	46,989

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 9 months of 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. Cash and cash equivalents

<i>In thousands of EUR</i>	30.09.2011	31.12.2010
Short-term deposits	16,504	16,438
Bank accounts in foreign currencies	5,043	1,391
Bank accounts in EUR	1,084	3,232
Cash in transit	368	385
Cash on hand	15	22
Total	23,014	21,468

As of 30 September 2011, cash placed in short-term deposits with the maturity from 1 to 3 months amounted to EUR 16,504 thousand. The interest rates were in the range from 0.5% to 9.0% per annum for deposits denominated in EUR, 33% per annum for deposits denominated in Belarusian roubles and from 2.85% to 8.0% per annum for deposits denominated in Russian roubles.

Note 2. Prepayments

<i>In thousands of EUR</i>	30.09.2011	31.12.2010
Prepayments for advertising and marketing expenses	325	167
Prepayments for rent	10	28
Prepayments to customs	45	21
Prepayments to other suppliers	124	72
Total	504	288

Note 3. Trade receivables

<i>In thousands of EUR</i>	30.09.2011	31.12.2010
Trade receivables	11,755	10,190
Impairment of receivables	-542	-548
Total	11,213	9,642

Note 4. Other receivables

Other short-term receivables

<i>In thousands of EUR</i>	30.09.2011	31.12.2010
VAT on unpaid invoices	652	99
Guarantees withheld	27	42
Loans to third parties	762	757
Prepaid expenses	53	140
Employees receivables	13	12
Due from customers for contract work	8	23
Miscellaneous receivables	120	185
Impairment of other receivables	-27	-70
Total	1,608	1,188

Note 5. Inventories

<i>In thousands of EUR</i>	30.09.2011	31.12.2010
Raw and other materials	5,320	4,816
Work in progress	2,179	1,972
Finished goods	7,235	8,744
Other inventories	414	260
Total	15,148	15,792

Inventories are shown at their carrying values that are determined as the lower of cost and net realizable value. As of 30 September 2011 the write-downs of raw materials to net realizable value amounted to EUR 345 thousand, whereas as of 31 December 2010 those amounted to EUR 552 thousand. As of 30 September 2011 the write-downs of finished goods to net realizable value amounted to EUR 357 thousand, whereas as of 31 December 2010 write-downs amounted to EUR 354 thousand.

Note 6. Investment property

<i>In thousands of EUR</i>	9 months 2011	9 months 2010
As of the beginning of period	1,299	1,284
Acquisition	57	0
Depreciation	-15	-22
Effect of movements in exchange rates	-635	3
Total	706	1,265

As of 30 September 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 September 2011 is not significantly different from fair value.

Note 7. Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost as of 31 December 2009	4,690	12,016	4,826	349	21,881
Movements in 9 months 2010					
Acquisition	0	0	172	1,247	1,419
Transfers and reclassifications	277	152	327	-756	0
Transfers to assets held for sale	0	0	-698	0	-698
Disposals	0	-50	-1,641	-8	-1,699
Effect of movements in foreign exchange on cost	-5	13	201	-24	185
Cost as of 30 September 2010	4,962	12,131	3,187	808	21,088
Cost as of 31 December 2010	5,288	13,467	3,516	309	22,580
Movements in 9 months 2011					
Acquisition	0	6	70	3,327	3,403
Transfers and reclassifications	111	2,333	284	-2,728	0
Disposals	0	-75	-89	0	-164
Effect of movements in foreign exchange on cost	-2,929	-6,859	-1,472	-305	-11,565
Cost as of 30 September 2011	2,470	8,872	2,309	603	14,254
Accumulated depreciation as of 31 December 2009	1,106	6,868	3,154	0	11,128
Movements in 9 months 2010					
Depreciation	117	730	360	-	1,207
Transfers to assets held for sale	0	0	-584	0	-584
Disposals	0	-49	-1,371	-8	-1,428
Impairment loss	0	0	0	8	8
Effect of movements in foreign exchange on accumulated depreciation	-3	-19	161	0	139
Accumulated depreciation as of 30 September 2010	1,220	7,530	1,720	0	10,470
Accumulated depreciation as of 31 December 2010	1,323	7,944	1,867	0	11,134
Movements in 9 months 2011					
Depreciation	81	576	297	0	954
Disposals	0	-74	-80	0	-154
Effect of movements in foreign exchange on accumulated depreciation	-1,020	-3,777	-797	0	-5,594
Accumulated depreciation as of 30 September 2011	384	4,669	1,287	0	6,340
Carrying amounts					
As of 31 December 2009	3,584	5,148	1,672	349	10,753
As of 30 September 2010	3,742	4,601	1,467	808	10,618
As of 31 December 2010	3,965	5,523	1,649	309	11,446
As of 30 September 2011	2,086	4,203	1,022	603	7,914

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

Note 8. Intangible assets

<i>In thousands of EUR</i>	Software	Trademarks	Goodwill	Projects in progress	Total
Cost as of 31 December 2009	597	108	0	354	1,059
Movements in 9 months 2010					
Acquisition	4	0	0	75	79
Transfer	4	3	0	-7	0
Disposals	-1	-85	0	0	-86
Effect of movements in foreign exchange on cost	1	5	0	-4	2
Cost as of 30 September 2010	605	31	0	418	1,054
Cost as of 31 December 2010	630	34	0	458	1,122
Movements in 9 months 2011					
Acquisition	0	0	0	81	81
Transfer	35	1	0	-36	0
Disposals	0	0	0	0	0
Effect of movements in foreign exchange on cost	-232	-17	0	-232	-481
Cost as of 30 September 2011	433	18	0	271	722
Accumulated amortization as of 31 December 2009	349	40	0	100	489
Movements in 9 months 2010					
Amortization	82	14	0	0	96
Disposals	-1	-73	0	0	-74
Impairment loss	0	29	0	0	29
Effect of movements in foreign exchange on amortization	-2	3	0	0	1
Accumulated amortization as of 30 September 2010	428	13	0	100	541
Accumulated amortization as of 31 December 2010	467	15	0	106	588
Movements in 9 months 2011					
Amortization	69	3	0	0	72
Disposal	0	0	0	0	0
Effect of movements in foreign exchange on amortization	-187	-8	0	-51	-246
Accumulated amortization as of 30 September 2011	349	10	0	55	414
Carrying amounts					
As of 31 December 2009	248	68	0	254	570
As of 30 September 2010	177	18	0	318	513
As of 31 December 2010	163	19	0	352	534
As of 30 September 2011	84	8	0	216	308

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

Note 9. Loans and borrowings

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

<i>In thousands of EUR</i>					30.09.2011	31.12.2010		
Bank	Company	Currency	Nominal interest rate	Year of maturity	Short term	Long term	Short term	Long term
Secured bank loan	Junona OAO	BYR	BYRIBOR*+ 7.00%	2011	41	0	27	0
Finance lease liabilities	SP Gimil OOO	USD	14.50%	2012	2	0	9	0
Total interest bearing liabilities					43	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 9 months 2011 the Group received loans in the amount of EUR 711 thousand, in 9 months 2010 in the amount of EUR 668 thousand. The Group settled loans and finance lease liabilities in 9 months 2011 in the amount of EUR 681 thousand, in 9 months 2010 in the amount of EUR 2,129 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 30 thousand.

Note 10. Other payables

<i>In thousands of EUR</i>	30.09.2011	31.12.2010
Payables related to employees	607	600
Customer prepayments for goods and services	115	277
Other payables	204	254
Total	926	1,131

Note 11. Earnings per share

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

<i>In thousands of shares</i>	9 months 2011	9 months 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	-66	-393
Weighted average number of ordinary shares	39,434	39,607

	9 months 2011	9 months 2010
Profit for the period, attributable to owners, EUR thousand	27,638	9,619
Basic earnings per share (EUR)	0.70	0.24
Diluted earnings per share (EUR)	0.70	0.24

<i>In thousands of shares</i>	Q3 2011	Q3 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	-100	-393
Weighted average number of ordinary shares	39,400	39,607

	Q3 2011	Q3 2010
Profit for the period, attributable to owners, EUR thousand	6,915	3,448
Basic earnings per share (EUR)	0.18	0.09
Diluted earnings per share (EUR)	0.18	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 September 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 Depository 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 September 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 September 2011 AS Silvano Fashion Group had 1,977 shareholders.

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

Name	Number of shares	Shareholding
Major shareholders	25,506,229	64.57%
TOOMAS TOOL	9,000,000	22.78%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	8,406,229	21.28%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8,100,000	20.51%
Other shareholders	13,993,771	35.43%
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 WARTOŚCIOWYCH 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 September 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 9 months 2011 (EUR)

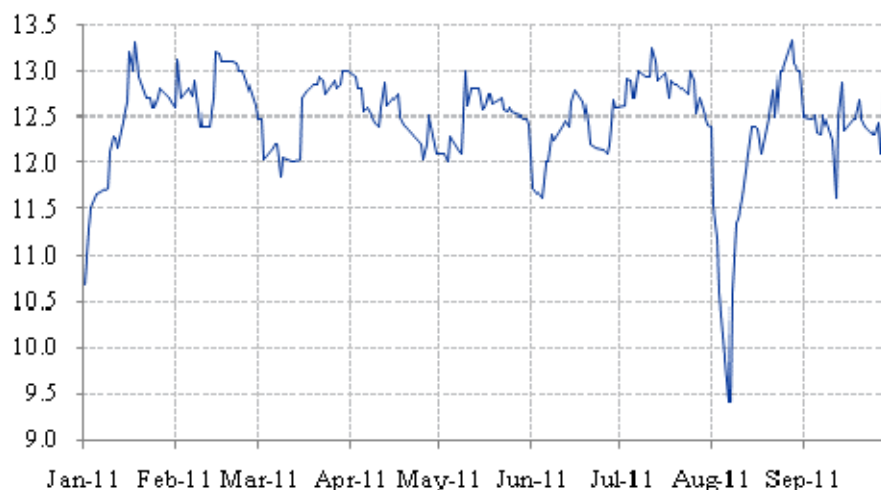
During 9 months 2011, the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were EUR 3.55 and EUR 2.55, respectively.



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 9 months 2011 (PLN)

During 9 months 2011, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were PLN 13.33 and PLN 9.40 respectively.



Note 13. Sales revenue

<i>In thousands of EUR</i>	9 months 2011	9 months 2010
Income from wholesale	72,634	59,098
Income from retail sale	13,621	13,006
Subcontracting and services	181	257
Other sales	113	74
Total sales revenue	86,549	72,435

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	9 months 2011	9 months 2010
<i>In thousands of EUR</i>		
Associated companies	8,452	6,793
Total sales	8,452	6,793

Balances with related parties	30.09.2011	31.12.2010
<i>In thousands of EUR</i>		
Receivable from associated companies	1,521	1,542
Total receivable	1,521	1,542

Benefits to members of the management and supervisory board	9 months 2011	9 months 2010
<i>In thousands of EUR</i>		
Remuneration and benefits	77	298
Total	77	298

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 9 months 2010 was amended respectively.

Operating segments 9 months 2011

<i>In thousands of EUR</i>	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	13,621	72,634	86,255	294	0	86,549
Intersegment revenues	0	9,415	9,415	1,062	-10,477	0
EBITDA	5,381	25,767	31,148	-99	0	31,049
Amortization and depreciation	-132	-870	-1,002	-39	0	-1,041
Operating income/loss, EBIT	5,249	24,897	30,146	-138	0	30,008
Interest in the profit or loss of equity accounted investees	0	13	13	0	0	13
Financial items, net	-7	13,400	13,393	14	0	13,407
Income tax	-726	-9,056	-9,782	0	0	-9,782
Net income	4,516	29,254	33,770	-124	0	33,646
Investments in associate	0	65	65	0	0	65
Other operating segment assets	3,605	46,560	50,165	12,622	0	62,787
Reportable segment liabilities	1,051	13,461	14,512	1,351	0	15,863
Impairment of assets	0	0	0	0	0	0
Capital expenditures	118	3,365	3,483	58	0	3,541
Number of employees as of reporting date	518	2,716	3,234	10	0	3,244

Operating segments 9 months 2010

<i>in thousands of EUR</i>	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	13,006	59,098	72,104	331	0	72,435
Intersegment revenues	0	8,222	8,222	853	-9,075	0
EBITDA	2,044	13,757	15,801	35	0	15,836
Amortization and depreciation	-202	-1,075	-1,277	-48	0	-1,325
Operating income/loss, EBIT	1,842	12,682	14,524	-13	0	14,511
Interest in the profit or loss of equity accounted investees	0	38	38	-47	0	-9
Financial items, net	184	833	1,017	209	0	1,226
Income tax	-278	-3,251	-3,529	-83	0	-3,612
Net income	1,748	10,302	12,050	66	0	12,116
Investments in associate	0	129	129	0	0	129
Other operating segment assets	3,379	51,827	55,206	4,315	0	59,521
Reportable segment liabilities	337	8,719	9,056	1,630	0	10,686
Impairment of assets	136	49	185	0	0	185
Capital expenditures	260	1,237	1,497	1	0	1,498
Number of employees as of reporting date	449	2,696	3,145	10	0	3,155

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.

<i>in thousands of EUR</i>	Sales revenue 9 months 2011	Sales revenue 9 months 2010	Non-current assets 30.09.2011	Non-current assets 30.09.2010
Russia	53,199	41,186	136	98
Belarus	21,868	20,019	8,949	13,649
Ukraine	4,811	3,806	0	0
Baltics	2,306	4,267	470	1,010
Other countries	4,365	3,157	1	0
Total	86,549	72,435	9,556	14,757