SILVANO FASHION GROUP

CONSOLIDATED INTERIM REPORT FOR Q4 AND 12 MONTHS 2011

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 Q4 2011 and 12 months 2011 were as follows:

In thousands of EUR	**Q4 2011 (excluding hyperinflation effect)**	**Q4 2010**	**Change, %**
Sales revenue	25 834	20 857	23.9%
Earnings before interest, taxes and depreciation (EBITDA)	7 332	3 579	204.8%
Net profit for the period	10 823	2 948	367%
Net profit attributable to owners of the Company	8 909	2 621	340%
Earnings per share (EUR)	0.22	0.07	314%
Hyperinflation adjustment of EBITDA for 12 months[1]	**-8 786**		

In thousands of EUR	**2011**	**2010**	**Change, %**
Sales revenue	107 768	93 292	15.5%
Earnings before interest, taxes and depreciation (EBITDA)	29 581	19 415	52.4%
Net profit for the period	42 336	15 064	181.0%
Net profit attributable to owners of the Company	38 832	12 240	217.3%
Earnings per share (EUR)	0.98	0.31	216%
Operating cash flow for the period	22 570	16 854	33.9%

In thousands of EUR	**31.12.2011**	**31.12.2010**	**Change, %**
Total assets	68 506	65 085	5.3%
Total current assets	51 901	49 974	3.9%
Total equity attributable to equity holders of the Company	42 245	42 042	0.5%
Loans and borrowings	20	36	-44.4%
Cash and cash equivalents	17 958	21 468	-16.3%

Margin analysis	**Q4 2011**	**Q4 2010**	**Change, %**
Gross profit margin	56.3%	39.8%	41.4%
EBITDA margin	28.4%	20.8%	36.5%
Net profit margin	41.8%	16.1%	159.6%
Net profit margin attributable to owners of the Company	34.4%	13.1%	162.6%

Margin analysis	**2011**	**2010**	**Change, %**
Gross profit margin	43.3%	39.8%	8.8%
EBITDA margin	27.4%	20.8%	31.9%
Net profit margin	39.3%	16.1%	143.3%
Net profit margin attributable to owners of the Company	36.0%	13.1%	174.6%

Financial ratios	**31.12.2011**	**31.12.2010**	**Change, %**
ROA	58.1%	20.5%	183.6%
ROE	92.1%	33.4%	175.9%
Price to earnings ratio (P/E)	3.6	8.8	-59.0%
Current ratio	3.6	4.1	-12.3%
Quick ratio	2.1	2.8	-25.0%

[1] As of December 2011, the economy of Republic of Belarus was considered as hyperinflationary for the purpose of IFRS reporting. This has an effect on the financial statements for the whole financial year. All annual adjustments have been reflected in adjusted Q4 numbers.

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 been financially the strongest in our history, and we have reached the pre-crisis sales levels with positive operating cash flow and insignificant net debt.

The growth in business volumes was well supported by the low cost production environment, more specifically, the production cost in EUR terms in Belarus. Unfortunately, the inflationary environment in Belarus, and the classification of the country under the "hyperinflationary" environment terms by the International Accounting Standards in Q4 2011, has made the interpretation of the interim reports complicated (we have elaborated on this in more detail in Note 16 of the report). Therefore, we are outlining the key business drivers for 2011 that should guide the investors in their investment decisions:

- Total sales reached 107.7M EUR, an increase of 15.5% compared to 2010;
- EBITDA, probably the best indicator for businesses' ability to generate cash, advanced to 29.6M EUR, an increase by 52%;
- Production volume reached nearly 22 million units, representing a 19% increase a year;
- Points of sale: total number of shops (own + franchise) advanced to 473 points of sale, an increase of 61 stores a year, or 15%;
- Cash distribution to shareholders reached a record of 0.29 euros per share.

Our sales mix by regions has not changed significantly. Russia remains our core market with more than 62% of the Group's total sales. Thanks to our strong own local retail network and extremely high brand awareness in Belarus, the country is generating 22% of the total sales. The next significant market is Ukraine with almost 5% of the Group sales, followed by other CIS countries. The sales in the Baltics reached 5.8% from the total, significant part of this is considered re-export to Russia. The fastest growth of franchise stores in Russia implies to likely improving sales there.

Economic situation in Russia, the Group's key market, stayed firm throughout the whole year. Q4 strengthening of the Russian rouble against Euro and other currencies is a positive factor to our business. Russian retails sales data indicates nearly 7% growth for the country, the best figure since the crisis in 2008. This is best summarised as sustainable economic growth, low inflation and a federal budget surplus. We estimate a CPI growth of around 5%, stable RUB/EUR and RUB/USD environment for 2012.

The Belarusian consumer market stabilized in Q4, so did the currency. The dual exchange rate policy was abolished, leading to more transparent exchange rates.

Ukraine has surprised us with exceptionally strong local currency and buoyant demand. At the time of release of the current report, there is no clarity on the Ukraine-Russian gas deal, having significant impact on the consumer spending ability and economy as a whole. We nevertheless anticipate inflation for 2012 around 8%.

The Baltic markets have recovered from the bottom, reflected also in the retail statistics. We would, nevertheless, anticipate significant changes in the consumer demand for 2012.

At the end of the reporting period the Group and its franchising partners operated 473 Milavitsa and Lauma Lingerie outlets, including 54 stores operated directly by the Group and the rest by franchising partners.

2011 sales demonstrated annual increase of 15.5% compared to 2010. 2011 EBITDA climbed to EUR 29,581 thousand, an increase of 52.4% compared to 2010.

Financial performance

The Group sales amounted to EUR 107,768 thousand in 2011, representing a 15.5% increase compared to the previous year. Overall wholesales increased by 20.4% and retail sales decreased by 6.8%. 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.

The Group gross margin increased in 2011 and reached 43.3% compared to 39.8% 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 27,911 thousand during 2011, compared to EUR 17,658 thousand in 2010. The consolidated operating profit margin was 25% (18.9% in 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. Consolidated net profit from foreign exchange rate fluctuations amounted to EUR 17,551 thousand in 2011.

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 38,832 thousand in 2011, compared to EUR 12,240 thousand in 2010; net profit margin attributable to equity holders was 36% against 13.1% in 2010.

In 2011, Group's return on equity (ROE) amounted to 92.1% (33.4% in 2010) and return on assets (ROA) reached 58.1% (20.5% in 2010).

Financial position

As of 31 December 2011 consolidated assets amounted to EUR 68,506 thousand representing an increase of 5.3% compared to the year-end. Trade receivables decreased by EUR 195 thousand, reflecting effective debtors management, and totalled EUR 9,447 thousand as of 31 December 2011. Inventory balance increased by EUR 5,801 thousand, reaching EUR 21,593 thousand.

Current liabilities increased by EUR 4,356 thousand in 2011. The main constituent for the increase was income tax liability. 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 decreased by EUR 16 thousand to EUR 20 thousand as of 31 December 2011.

Tax liabilities and other payables, including payables to employees, amounted to EUR 1,980 thousand. Provisions amounted to EUR 1,194 thousand as of 31 December 2011.

Sales

Sales by business segments

	2011 EUR thousand	2010 EUR thousand	Change EUR thousand	2011 percentage from sales	2010 percentage from sales
Wholesale	92,202	76,536	15,666	85.5%	82.0%
Retail	15,222	16,345	-1123	14.1%	17.5%
Other operations	344	411	-67	0.4%	0.5%
Total	**107,768**	**93,292**	**14,476**	**100.0%**	**100.0%**

Sales by markets

In 12 months 2011, the Group focused mainly on the Russian, Belarusian, Ukrainian and other CIS countries' markets. The share of the Baltics sale has for reporting purposes increased significantly due to increased re-exporting activities of Baltic wholesalers via Baltic countries towards Russia.

Total sales by markets

	2011 EUR thousand	2010 EUR thousand	Change EUR thousand	2011 percentage from sales	2010 percentage from sales
Russia	67,172	53,721	13,451	62.3%	57.6%
Belarus	23,786	25,531	-1,745	22.0%	27.4%
Baltics	6,316	4,814	1,502	5.8%	5.2%
Ukraine	5,356	4,636	720	5.0%	4.9%
Other markets	5,158	3,752	1,406	4.9%	4.9%
Total	**107,768**	**93,292**	**15,314**	**100.0%**	**100.0%**

The majority of lingerie sales revenue in 12 months of 2011 in the amount of EUR 67,172 thousand was generated in the Russian market, accounting for 62.3% of all sales compared to EUR 53,721 thousand in 12 months of 2010 (an increase of 25% y-o-y). The second largest region was Belarus, where sales reached EUR 23,786 thousand, contributing 22% of lingerie sales (both retail and wholesale) compared to EUR 25,531 thousand in 12 months of 2010 (a decrease of 6.8% y-o-y).

The most considerable sales growth (in percentage terms) took place on Ukrainian and other markets, whilst Russia remains the core market with solid sales growth.

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 12 months of 2011 in the field of marketing and franchising.

In terms of lingerie brands, the sales mix did not change substantially compared to Q3 2011.

Wholesale

In 12 months of 2011, wholesale revenue amounted to EUR 92,202 thousand, representing 85.5% of the Group's total revenue (12 months of 2010: 82%). The main wholesale regions were Russia, Belarus, Ukraine and other markets. Substantial growth has been achieved in Russia, Ukraine and Kazakhstan mainly due to the success of the local wholesale partners.

Retail operations

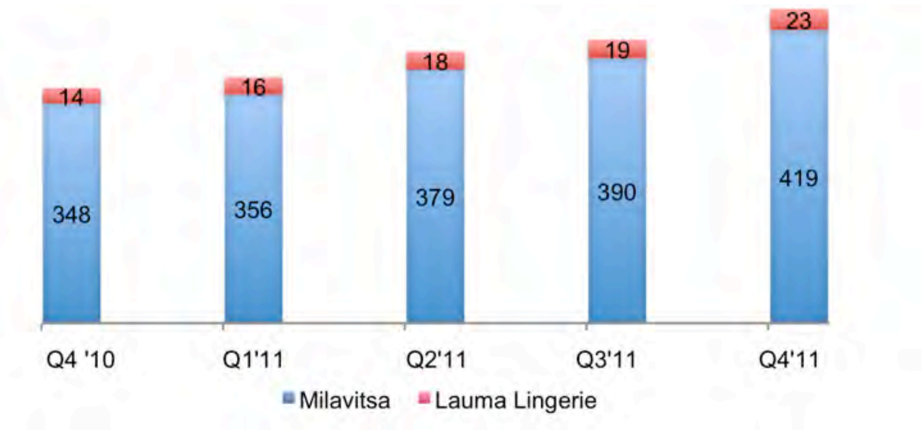
Total lingerie retail sales of the Group in 12 months of 2011 amounted to EUR 15,222 thousand, representing a 6.8% decrease compared to the previous year.

Own retail operations were conducted solely in Belarus and Latvia. As of 31 December 2011 the Group operated 54 own retail outlets with a total area of approximately 4,700 square meters.

Number of own stores as of:

	31.12.2011	**31.12.2010**
Latvia	9	8
Belarus	45	42
Total stores	**54**	**50**
Total sales area, sq m	**approx. 4,700**	**4,253**

As of 31 December 2011, there were 419 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Belarus, Ukraine, Moldavia, Kazakhstan, Uzbekistan, Kyrgyzstan, Latvia, Azerbaijan, Armenia, Germany, Georgia, Slovenia, Iran, Estonia and South Africa, resulting in net increase of 71 shops during 12 months 2011. Additionally, as of 31 December 2011, there were 23 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Lithuania, Latvia, Estonia and Albania.



Franchise stores, source: SFG

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 86% growth in local currency terms, but a negative -6.8% decrease in EUR terms as compared to 12 months 2010 mainly due to devaluation processes and hyperinflation recalculations.

Having mentioned standstill in the volumes sold via own retail stores in the Baltics, retail sales increased by 7% and amounted to EUR 800 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.

Own stores by concept

Market	**Milavitsa stores**	**Lauma Lingerie stores**	**Total**	**Sales area, sq m**
Belarus	45	0	44	
Latvia	0	9	9	
Total	**45**	**9**	**54**	**4,700**

Production, sourcing, purchasing and logistics

The total volume of production in SP ZAO Milavitsa amounted to 20,406 thousand pieces in 12 months of 2011, representing 18.6% increase compared to the respective period in the previous year. The total production volume in Lauma Lingerie amounted to 1,531 thousand pieces in 12 months of 2011, showing an increase of 31.9% compared to the respective period in the previous year.

Investment

In 2011, the Group investments totalled EUR 4,158 thousand. Most of investments were made into equipment and facilities to maintain effective production and to add capacity.

Personnel

As of 31 December 2011, the Group employed more than 3,200 employees including more than 2000 in production and more than 400 in retail. The rest were employed in wholesale, administration and support operations.

Total salaries and wages in 2011 amounted to EUR 15,959 thousand. The remuneration of the members of the Management Board and Supervisory Board of the parent company totalled EUR 98 thousand.

Key Events in 12 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 of 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 31 December 2011.

General information and approval of the management board for the consolidated interim report for 12 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.

The Group comprises the following companies:

	Location	Main activity	Ownership interest 31.12.2011	Ownership interest 31.12.2010
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Subsidiaries of AS Silvano Fashion Group				
SP ZAO Milavitsa	Belarus	Manufacturing	80.92%	78.35%
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%
Milavitsa Logistik OOO	Belarus	Logistics	50%	49%
SOOO Torgovaja Kompanija Milavitsa	Belarus	Wholesale and retail	50%	0%
ZAO Stolichnaya Torgovaja Kompanija Milavitsa	Russia	Wholesale	50%	0%
ZAO Linret	Russia	Wholesale and retail	100%	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%

Management declaration regarding the consolidated interim report for 12 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 12 months 2011 set out on pages 12-28 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 give 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
February 29, 2012

Consolidated statement of financial position

Unaudited

In thousands of EUR		**31.12.2011**	**31.12.2010**
ASSETS			
Current assets			
Cash and cash equivalents	1	17 958	21 468
Assets classified as held for sale		3	20
Prepayments	2	251	288
Trade receivables	3	9 447	9 642
Other receivables	4	309	1 188
Corporate income tax asset		0	59
Other tax receivables		2 302	1 517
Inventories	5	21 593	15 792
Total current assets		**51 901**	**49 974**
Non-Current assets			
Investments in equity accounted investees		127	106
Other receivables		14	32
Available-for-sale financial assets		424	370
Deferred tax asset		237	1 324
Investment property	6	1 430	1 299
Property, plant and equipment	7	14 204	11 446
Intangible assets	8	169	534
Total non-current assets		**16 605**	**15 111**
TOTAL ASSETS		**68 506**	**65 085**
LIABILITIES AND EQUITY			
Current liabilities			
Loans and borrowings	9	20	36
Trade payables		7 311	7 681
Corporate income tax payable		3 679	608
Other tax payable		321	712
Other payables	10	977	1 131
Deferred tax liability		1 980	0
Provisions		1 194	136
Accrued expenses		937	1 757
Deferred income		0	8
Total current liabilities		**16 419**	**12 069**
Non-current liabilities			
Loans and borrowings	9	0	0
Deferred tax liability		0	0
Other liabilities		0	0
Total non-current liabilities		**0**	**0**
Total liabilities		**16 419**	**12 069**
Equity			
Share capital at per value		15 800	25 313
Share premium		14 070	14 130
Own shares		-308	-311
Statutory capital reserve		231	67
Other reserves		453	453
Translation reserve		2 782	-11 588
Retained earnings		9 217	13 978
Total equity attributable to equity holders of the Company	12	**42 245**	**42 042**
Non-controlling interest		9 842	10 974
Total equity		**52 087**	**53 016**
TOTAL LIABILITIES AND EQUITY		**68 506**	**65 085**

Consolidated income statement for 2011
Unaudited

In thousands of EUR		**12 months 2011 (including hyperinflation effect)**	**12 months 2010**
Revenue			
Sales revenue	13	107 768	93 292
Costs of goods sold		-61 076	-56 132
Gross Profit		**46 692**	**37 160**
Other operating income		866	1 176
Distribution costs		-10 815	-9 986
Administrative expenses		-6 372	-8 146
Other operating expenses		-2 460	-2 546
Operating profit		**27 911**	**17 658**
Finance income and finance costs			
Interest income/(expense)		290	-75
Gains on conversion of foreign currencies		17 551	805
Other financial income		-121	1 004
Net finance income		**17 720**	**1 734**
Share of profit/(loss) of equity accounted investees		86	-36
Profit before tax		**45 717**	**19 356**
Income tax expense		-11 462	-4 292
Profit for the period		**34 255**	**15 064**
Loss/ gain on net monetary position		8 081	0
Profit for the period		**42 336**	**15 064**
Attributable to			
Owners of the Company		38 832	12 240
Non-controlling interest		3 504	2 824
Earnings per share			
Basic earnings per share (EUR)	11	0.98	0.31
Diluted earnings per share (EUR)	11	0.98	0.31

Consolidated income statement for Q4 2011

Unaudited

In thousands of EUR		**Q4 2011 (adjusted with hyperinflation)**	**Q4 2011 (non-adjusted)**	**Q4 2010**
Revenue				
Sales revenue		21 219	21 804	20 857
Cost of goods sold		-18 765	-13 559	-12 792
Gross Profit		**2 454**	**12 274**	**8 065**
Other operating income		398	527	723
Distribution costs		-2 786	-3 281	-2 748
Administrative expenses		-1 514	-1 730	-1 896
Other operating expenses		-649	-589	-997
Operating profit		**-2 097**	**7 201**	**3 147**
Finance income and finance costs				
Interest expenses		304	-51	-3
Loss on conversion of foreign currencies		4 872	6197	202
Other financial income		-863	-659	309
Net finance income		**4 313**	**5 677**	**508**
Share of profit/(loss) of equity accounted investees		73	38	-27
Profit before tax		**2 289**	**12 917**	**3 628**
Income tax expense		-1 680	-2 094	-680
Profit for the period		**609**	**10 283**	**2 948**
Loss/ gain on net monetary position		8 081	0	0
Profit for the period		**8 690**	**10 823**	**2 948**
Attributable to				0
Owners of the Company		11 194	8 909	2 621
Non-controlling interest		-2 504	1 984	327
Earnings per share				
Basic earnings per share (EUR)	11	0.08	0.22	0.07
Diluted earnings per share (EUR)	11	0.08	0.22	0.07

Consolidated statement of cash flows

Unaudited

In thousands of EUR	Notes	2011	2010
Cash flows from operating activities			
Profit for the period		**42 336**	**15 064**
Adjustments for:			
Depreciation of fixed assets and investment property	6,7	1 664	1 632
Amortization of intangible assets	8	131	126
Impairment of property, plant and equipment	7	4	-59
Impairment losses on intangible assets	8	309	25
Impairment losses on other assets		16	31
Net finance income		-17 720	-1 734
Share of (profit)/loss of equity accounted investees		-86	36
Gain on net monetary position		-8 081	
(Gains)/ losses on the sale of property, plant and equipment		2	24
Income tax expense		11 462	4 292
Change in inventories		-5 244	1 784
Change in trade and other receivables		555	-22
Change in trade and other payables		2 699	-633
Interests paid		-28	-78
Income tax paid		-5 324	-3 633
Net cash from operating activities		**22 695**	**16 854**
Cash flow from investing activities			
Interest received		995	995
Dividends received		15	15
Proceeds from sale of property, plant and equipment		33	279
Loans granted		-138	-119
Proceeds from repayments of loans granted		779	86
Proceeds from disposal of investments		65	8
Acquisition of property, plant and equipment	7	-4 158	-2 305
Acquisition of intangible assets	8	-121	-114
Acquisition of other non-current assets	6	-37	0
Acquisition of shares by subsidiary		-492	-138
Net cash used in investing activities		**-3 059**	**-1 293**
Cash flow from financing activities			
Proceeds from borrowings	9	1 393	765
Repayment of borrowings	9	-1 406	-2 489
Repayment of finance lease	9	-3	-53
Dividends paid		-3 899	-2 112
Acquisition of own shares		-306	-311
Reduction of share capital		-9 466	0
Net cash used in/ from financing activities		**-13 687**	**-4 200**
Increase in cash and cash equivalents		**5 949**	**11 361**
Cash and cash equivalents at the beginning of period	1	**21 468**	**9,838**
Effect of exchange rate fluctuations on cash		-9 459	269
Cash and cash equivalents at the end of period	1	**17 958**	**21 468**

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	12 240	**12 240**	2 824	**15 064**
Other comprehensive income										
Effect on consolidation of foreign subsidiaries	0	0	0	0	322	0	0	322	172	**504**
Total other comprehensive income	**0**	**0**	**0**	**0**	**322**	0	**0**	**322**	**172**	**504**
Total comprehensive income	**0**	**0**	**0**	**0**	**322**	0	**12 240**	**12 572**	**2 996**	**15 568**
Transactions with owners, recorded directly in equity										
Re-purchase of own shares	0	0	-311	0	0	453	0	**142**	-591	**-449**
Cancelation of own shares	-252	-141	450	0	3	0	-60	**0**	0	**0**
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 31 December 2010	**25 313**	**14 130**	**-311**	**67**	**-11 588**	**453**	**13 978**	**42 042**	**10 974**	**53 016**
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	38 832	**38 832**	3 504	**42 336**
Other comprehensive income										
Effect of hyperinflation on opening balances	0	0	0	0	0	0	-37 725	**-37 725**	-4 160	**-41 885**
Effect on consolidation of foreign subsidiaries	0	0	0	0	14 369	0	0	**14 369**	-1 592	**12 777**
Total other comprehensive income	**0**	**0**	**0**	**0**	**14 369**	**0**	**-37 725**	**-23 356**	**-5 751**	**-29 107**
Total comprehensive income	**0**	**0**	**0**	**0**	**14 369**	**0**	**1 107**	**15 476**	**-2 247**	**13 229**
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	-3 531	**-3 531**	3 531	**0**
Re-purchase of own shares by subsidiary	0	0	0	0	0	0	0	**0**	-492	**-492**
Cancellation of own shares	-68	-39	309	0	0	0	-202	**0**	0	**0**
Re-purchase of own shares	0	0	-306	0	0	0	0	**-306**	0	**-306**
Reduction of share capital	-9 445	-21	0	0	0	0	0	**-9 466**	0	**-9 466**
Dividends paid	0	0	0	0	0	0	-1,970	**-1,970**	-1,924	**-3,894**
Total transactions with owners	**-9 513**	**-60**	**3**	**164**	**0**	**0**	**-5 867**	**-15 273**	**1 115**	**-14 158**
Balance as of 31 December 2011	**15 800**	**14 070**	**-308**	**231**	**2 782**	**453**	**9 217**	**42 245**	**9 842**	**52 087**

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 12 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

In thousands of EUR	**31.12.2011**	**31.12.2010**
Short-term deposits	14 842	16 438
Bank accounts in foreign currencies	1 624	1 391
Bank accounts in EUR	1 007	3 232
Cash in transit	454	385
Cash on hand	31	22
Total	**17 958**	**21 468**

As of 31 December 2011, cash placed in short-term deposits with the maturity from 1 to 3 months amounted to EUR 14 842 thousand.

Note 2. Prepayments

In thousands of EUR	**31.12.2011**	**31.12.2010**
Prepayments for advertising and marketing expenses	56	167
Prepayments for rent	43	28
Prepayments to customs	92	21
Prepayments to other suppliers	60	72
Total	**251**	**288**

Note 3. Trade receivables

In thousands of EUR	**31.12.2011**	**31.12.2010**
Trade receivables	10 014	10 190
Impairment of receivables	-567	-548
Total	**9 447**	**9 642**

Note 4. Other receivables

Other short-term receivables

In thousands of EUR	**31.12.2011**	**31.12.2010**
VAT on unpaid invoices	85	99
Guarantees withheld	0	42
Loans to third parties	62	757
Prepaid expenses	81	140
Employees receivables	8	12
Due from customers for contract work	4	23
Miscellaneous receivables	72	185
Impairment of other receivables	-3	-70
Total	**309**	**1 188**

Note 5. Inventories

In thousands of EUR	**31.12.2011**	**31.12.2010**
Raw and other materials	6 334	4 816
Work in progress	3 040	1 972
Finished goods	11 719	8 744
Other inventories	500	260
Total	**21 593**	**15 792**

Note 6. Investment property

In thousands of EUR	**12 months 2011**	**12 months 2010**
As of the beginning of period	1 299	1 284
Acquisition	35	0
Depreciation	-32	-22
Effect of movements in exchange rates	-128	3
Total	**1 430**	**1 265**

As of 31 December 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 31 December 2011 is not significantly different from fair value.

Note 7. 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 2010					
Acquisition	0	0	213	2 092	**2 305**
Transfers and reclassifications	418	1 123	558	-2 099	**0**
Transfers to assets held for sale	0	0	-662	0	**-662**
Disposals	0	-56	-1 583	-43	**-1,682**
Effect of movements in foreign exchange on cost	180	384	164	10	**738**
Cost as of 31 December 2010	**5 288**	**13 467**	**3 516**	**309**	**22 580**
Cost as of 31 December 2010	**5 288**	**13 467**	**3 516**	**309**	**22 580**
Movements in 2011					
Acquisition	0	3	83	4 072	**4 158**
Transfers and reclassifications	288	3 019	594	-3 901	**0**
Disposals	0	-252	-210	0	**-463**
Effect of movements in foreign exchange on cost	941	1 964	146	-178	**2 873**
Cost as of 31 December 2011	**6 516**	**18 204**	**4 182**	**300**	**29 202**
Accumulated depreciation as of 31 December 2009	**1 106**	**6 868**	**3 154**	**0**	**11 128**
Movements in 2010					
Depreciation	156	975	471	0	**1 602**
Transfers to assets held for sale	0	0	-553	0	**-553**
Disposals	0	-55	-1 314	0	**-1 369**
Impairment loss	0	-59	0	0	**-59**
Effect of movements in foreign exchange on accumulated depreciation	61	215	109	0	**385**
Accumulated depreciation as of 31 December 2010	**1 323**	**7 944**	**1 867**	**0**	**11 134**
Accumulated depreciation as of 31 December 2010	**1 323**	**7 944**	**1 867**	**0**	**11 134**
Movements in 2011					
Depreciation	169	1 096	399	0	**1 664**
Disposals	0	-250	-178	0	**-428**
Impairment loss		4	16	0	**20**
Effect of movements in foreign exchange on accumulated depreciation	478	1 716	360	0	**2 554**
Accumulated depreciation as of 31 December 2011	**1 964**	**10 560**	**2 470**	**0**	**14 998**
Carrying amounts					
As of 31 December 2009	**3 584**	**5 148**	**1 672**	**349**	**10 753**
As of 31 December 2010	**3 965**	**5 523**	**1 649**	**309**	**11 446**
As of 31 December 2011	**4 548**	**7 644**	**1 712**	**300**	**14 204**

The Group didn’t have any binding commitments to purchase property plant and equipment as of 31 December 2011.

Note 8. Intangible assets

In thousands of EUR	Software	Trademarks	Projects in progress	Total
Cost as of 31 December 2009	**597**	**108**	**354**	**1,059**
Movements in 2010				
Acquisition	16	0	98	**114**
Transfer	4	3	-7	**0**
Disposals	-3	-84	0	**-87**
Effect of movements in foreign exchange on cost	18	7	11	**36**
Cost as of 31 December 2010	**630**	**34**	**458**	**1 122**
Cost as of 31 December 2010	**630**	**34**	**458**	**1 122**
Movements in 2011				
Acquisition	0	11	110	**121**
Transfer	58	7	-65	**0**
Disposals	-34	-3	-39	**-76**
Effect of movements in foreign exchange on cost	-17	7	-122	**-132**
Cost as of 31 December 2011	**640**	**56**	**342**	**1 038**
Accumulated amortization as of 31 December 2009	**349**	**40**	**100**	**489**
Movements in 2010				
Amortization	110	16	0	**126**
Disposals	-2	-67	0	**-69**
Impairment loss	0	25	0	**25**
Effect of movements in foreign exchange on amortization	12	1	4	**17**
Accumulated amortization as of 31 December 2010	**467**	**15**	**106**	**588**
Accumulated amortization as of 31 December 2010	**467**	**15**	**106**	**588**
Movements in 2011				
Amortization	125	6	0	**131**
Disposal	-34	-3	-39	**-76**
Impairment loss	0	0	309	**309**
Effect of movements in foreign exchange on amortization	-23	3	-67	**-87**
Accumulated amortization as of 31 December 2011	**537**	**21**	**309**	**867**
Carrying amounts				
As of 31 December 2009	**248**	**68**	**254**	**570**
As of 31 December 2010	**163**	**19**	**352**	**534**
As of 31 December 2011	**103**	**35**	**33**	**171**

The Group didn't have any binding commitments to purchase intangible assets as of 31 December 2011.

Note 9. Loans and borrowings

The Group has the following debts as of 31 December 2011:

In thousands of EUR

					31.12.2011		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	16	0	27	0
Finance lease liabilities	SP Gimil OOO	USD	14.50%	2012	0	0	9	0
Total interest bearing liabilities					**16**	**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.

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

In thousands of EUR	**31.12.2011**	**31.12.2010**
Payables related to employees	527	600
Customer prepayments for goods and services	203	277
Other payables	247	254
Total	**977**	**1 131**

Note 11. Earnings per share

The calculation of basic earnings per share as of 31 December 2011 (31 December 2010) was based on the profit attributable to owners and a weighted average number of ordinary shares.

In thousands of shares	**2011**	**2010**
Number of ordinary shares at the beginning of the period	39,607	40,000
Cancellation of shares	-107	-393
Effect of own shares held	-66	-9
Weighted average number of ordinary shares	**39,434**	**39,598**

	2011	2010
Profit for the period, attributable to owners, EUR thousand	38,832	12,240
Basic earnings per share (EUR)	0.98	0.31
Diluted earnings per share (EUR)	0.98	0.31

In thousands of shares	Q4 2011	Q4 2010
Number of ordinary shares at the beginning of the period	39,607	40,000
Cancellation of shares	-107	-393
Effect of own shares held	-66	-37
Weighted average number of ordinary shares	**39,434**	**39,570**

	Q4 2011	Q4 2010
Profit for the period, attributable to owners, EUR thousand	11,194	2,621
Basic earnings per share (EUR)	0.28	0.07
Diluted earnings per share (EUR)	0.28	0.07

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 31 December 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 31 December 2011 the amount of shares acquired since 01.07.2011 totalled 7,106 shares; Silvano held a total of 107,106 treasury shares at acquisition cost of 308,426 euros.

As of 31 December 2011 AS Silvano Fashion Group had 1,893 shareholders.

As of 31 December 2011 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
Major shareholders	**25,446,045**	**64.42%**
TOOMAS TOOL	9,000,000	22.78%
KRAJOWY DEPOZYT PAPIEROW WARTOŠCIOWYCH S.A. [J]	8,366,045	21.18%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8,080,000	20.46%
Other shareholders	**14,053,955**	**35.58%**
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 31 December 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 12 months 2011 (EUR)

During 12 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.

Source: Bloomberg, daily close values SFGAT:ET (EUR)

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 12 months 2011 (PLN)

During 12 months 2011, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were PLN 16.51 and PLN 9.40 respectively.

Source: Bloomberg, daily close values SFG:PW (PLN)

Note 13. Sales revenue

In thousands of EUR	2011	2010
Income from wholesale	92 202	76 536
Income from retail sale	15 222	16 345
Subcontracting and services	225	307
Other sales	119	104
Total sales revenue	**107 768**	**93 292**

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*	**2011**	**2010**
Associated companies	7 356	6 793
Total sales	**8 452**	**6 793**

Balances with related parties *In thousands of EUR*	**31.12.2011**	**31.12.2010**
Receivable from associated companies	831	1,542
Total receivable	**831**	**1,542**

Benefits to members of the management and supervisory board *In thousands of EUR*	**2011**	**2010**
Remuneration and benefits	98	298
Total	**98**	**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

Operating segments 2011

In thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	**14 986**	**92 438**	**107 424**	**344**	**0**	**107 768**
Intersegment revenues	0	10 608	10 608	829	-11 437	**0**
EBITDA	**7 341**	**22 138**	**29 479**	**102**	**0**	**29 581**
Amortization and depreciation	-206	-1 525	-1 731	-64	0	**-1 795**
Operating income/loss, EBIT	**7 135**	**20 613**	**27 748**	**168**	**0**	**27 916**
Interest in the profit or loss of equity accounted investees	0	86	86	0	0	**86**
Financial items, net	59	18 323	18 382	-662	0	**17 720**
Income tax	-788	-10 833	-11 621	159	0	**-11 462**
Net income	**7 832**	**34 504**	**42 336**	**0**	**0**	**42 336**
Investments in associate	0	127	127	0	0	**127**
Other operating segment assets	3 038	55 035	58 073	9 230	0	**67 303**
Reportable segment liabilities	1 224	13 818	15 042	1 383	0	**16 425**
Impairment of assets	0	309	309	0	0	**309**
Capital expenditures	253	4 013	4 266	48	0	**4 314**
Number of employees as of reporting date	482	2 701	3 183	17	0	**3 200**

Operating segments 2010

in thousands of EUR	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 analysed 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 2011**	**Sales revenue 2010**	**Non-current assets 31.12.2011**	**Non-current assets 31.12.2010**
Russia	67 172	53 721	358	99
Belarus	23 786	25 531	14 746	14 448
Ukraine	5 356	4 636	0	0
Baltics	6 316	4 814	859	564
Other countries	5 158	4 590	642	0
Total	**107 768**	**93 292**	**16 605**	**15 111**

Note 16. Impact of hyperinflation

Starting from 1 January 2011 the economy of Republic of Belarus was considered as hyperinflationary for the purpose of IFRS reporting. Consumer price index published by the Ministry of Statistics and Analysis of Republic of Belarus for the year ended December 31, 2011, amounted to 109%. This fact resulted in application of IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). This standard stipulates the special rules and technique of accounting for the entities whose functional currency is the currency of a hyperinflationary economy (Milavitsa, Torgovaja Kompanija Milavitsa Belarus, Gimil, Yunona).

Devaluation of national currency – in the year 2011 the National Bank performed phased devaluation of Belarusian ruble (in May and in October 2011), which as of 31 December 2011 resulted in 171% decrease of exchange rates to the currency basket compared to the 31 December 2010.

The application of IAS 29 resulted in different results of such key performance indicator as EBITDA calculated based on the management accounts and financial information prepared in compliance with IFRS of such. The most significant influence on EBITDA of SFG came from Milavitsa and TKM figures. This decrease came from the following factors:

- indexation of all items in profit and loss accounts by consumer price index mentioned above;
- methodology used for translation of functional currency of the entities (Belarusian ruble) into the presentation currency (EUR) which differs from those applied in preparation of management accounts. The effect is significant due to the devaluation on Belarusian ruble during the year 2011 stated above.
-

The effect of application of IAS 29 on EBITDA is presented below:

In thousands of EUR	Management report info	IAS 29 adjusted	Difference
EBITDA			
SFG	38 367	29 581	-8 786
Milavitsa SP ZAO	25 944	14 621	-11 323
Torgovaja Kompanija, Belarus	4 605	7 327	2 722
Other		185	-185
Total effect			**-8 786**