



COMPANY PROFILE

Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 15/17, 10613 Tallinn
Telephone	+372 684 5000
Fax	+372 684 5300
E-mail	info@silvanofashion.com
Website	www.silvanofashion.com
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	AS Deloitte Audit Eesti

Contents

Management Report.....	4
General information and approval of the management board for the consolidated interim report for Q1 2012	9
Consolidated statement of financial position	11
Consolidated income statement.....	12
Consolidated statement of comprehensive income	13
Consolidated statement of cash flows	14
Consolidated statement of changes in equity	15
Accounting methods and valuation principles used for preparing the consolidated interim report	16
Notes to the consolidated interim report	17
Note 1. Property, plant and equipment.....	17
Note 2. Intangible assets	18
Note 3. Investment property.....	18
Note 4. Inventories.....	19
Note 5. Trade receivables.....	19
Note 6. Other receivables.....	19
Note 7. Prepayments	19
Note 8. Cash and cash equivalents	20
Note 9. Loans and borrowings	20
Note 10. Other payables.....	20
Note 11. Earnings per share	20
Note 12. Owners' equity	21
Note 13. Sales revenue.....	23
Note 14. Transactions with related parties	23
Note 15. Operating segments	23

Management Report

Selected Financial Indicators

In summary, the selected financial indicators of AS Silvano Fashion Group for Q1 2012 and Q1 2011 were as follows:

Statement of comprehensive income	Q1 2012	Q1 2011	Change
<i>In thousands of EUR</i>			
Sales revenue	29 088	25 455	14.3%
Earnings before interest, taxes and depreciation (EBITDA)	7 425	6 060	22.5%
Net profit for the period	6 132	6 291	-2.5%
Net profit attributable to owners of the Company	5 333	5 089	4.8%
Earnings per share (EUR)	0.14	0.13	8.6%
Operating cash flow for the period	-5 379	1 410	-481.5%
Statement of financial position			
<i>In thousands of EUR</i>			
Total assets	75 924	68 485	10.9%
Total current assets	58 629	51 881	13.0%
Total equity attributable to equity holders of the Company	49 725	42 464	17.1%
Loans and borrowings	90	20	350.0%
Cash and cash equivalents	14 150	17 967	-21.2%
Margin analysis			
<i>In %</i>			
Gross profit	41.7	41.4	0.7%
EBITDA	25.5	23.8	7.1%
Net profit	21.1	24.7	-14.6%
Net profit attributable to owners of the Company	18.3	20.0	-8.5%
Financial ratios			
ROA	30.1%	32.2%	-6.5%
ROE	46.2%	50.9%	-9.2%
Price to earnings ratio (P/E)	5.9	5.5	7.3%
Current ratio	4.4	3.6	22.2%
Quick ratio	2.5	2.1	19.0%

Underlying formulas:

Gross 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

Effective from 2011, Silvano Fashion Group consolidated results include the effect of hyperinflation, which, in short means that our income and expenses shall be inflated by the CPI growth factor of the hyperinflationary environment, and then translated into euro – our reporting currency – at the period-end exchange rates. The same is applied to the non-monetary assets and liabilities of our balance sheet. Most of our expenses are in the (hyper)inflationary environment (Belarus), which, in essence, is good for our cost structure (in foreign currency, our expenses typically are lagging behind the inflation). Common sense in this situation is that the profitability of the business should increase. Therefore, the reader should be wary that hyperinflation adjusted numbers need to be analyzed carefully.

Q1 2012 shows a healthy growth in sales compared to Q1 2011, the clean growth (without hyperinflation correction) was 13.3%. The reasons behind this are higher demand on our core markets (i.e. Russia and Belarus) in Q1 2012, recording sales of the swimwear (having higher than average margins), strong Russian ruble and higher prices in Belarus. Due to IAS 29 adjustments in the production cost and change in inventories, our reported EBITDA growth was adjusted downwards, but still showing a growth of 22.5% over the last year and reaching EUR 7 425 thousand. Hyperinflation had also an adverse effect on the accounted gross profit margin (41.7%) and EBITDA margin (25.5%). Net profit for Q1 2012 totaled EUR 6 132 thousand.

Russian economy, the Group's major market, is continuing to over perform our budgeted expectations. Russian economy advanced by 4.9% (GDP growth by Rosstat), Russian ruble remained strong throughout the whole quarter. As a result retail sales in Russia have shown continuous improvement during Q1 2012. The Group's sales in Russia in Q1 2012 grew by 15.4% compared to the sales level of Q1 2011, reaching EUR 18 609 thousand and representing 64% from the Group's total sales.

The Belarusian market was strong in Q1 2012, the consumer segment was influenced by a modest 5% consumer price index growth and very stable currency environment. In Q1 retail operations in Belarus demonstrated an increase of 5.7% in EUR terms, reaching EUR 3 926 thousand (the clean result without hyperinflation effect was EUR 3 806 thousand). Clearly, Q1 2011 comparable base numbers are very strong because of the last year's devaluation expectations. The Belarusian market, including wholesale, accounted for 22.7% from the Group's total sales.

Ukraine continues behind Russia, but also behind Belarus in economic recovery and development. By the Ukrainian State Statistics Service, the country's GDP advanced by 1.8% during Q1, 2012. The Group sold for EUR 1 574 thousand in Q1 2012 in Ukraine, a modest decrease by 1% compared to 2011. The management shall dedicate more attention on this market in the near future.

The Baltic retail market has clearly recovered from its worst, our Q1 2012 sales improved by 17.5% in the region. Due to minor net exposure (1.8% from the Group's total sales), the positive development does not have substantial effect on our profit numbers.

Overall, Q1 sales demonstrated an increase of 14.3% as compared to Q1 2011, whereas most of the growth originates from the "other markets", which significance shall receive more attention in the future reports.

At the end of the reporting period the Group and its franchising partners operated 514 Milavitsa and Lauma Lingerie stores, including 55 stores operated directly by the Group and the rest by franchising partners. The Group's retail focus remains similar to previous year by promoting and supporting franchising partners mixed with own retail development in home markets (Belarus and Baltics).

Financial performance

The Group sales amounted to EUR 29 088 thousand in Q1 2012, representing a 14.3% increase as compared to the previous year. Overall wholesale increased by 15.8% and retail sales – by 6.6%.

The Group's gross margin in Q1 2012 increased and was 41.7%, as compared to 41.4% in the respective period of previous year. Such an insignificant growth of gross margin is explained by following hyperinflation adjustments on gross profit:

- Hyperinflation adjustment on inventories (-EUR 1 million);
- Hyperinflation adjustment on sales (+ EUR 0.2 million);
- Hyperinflation adjustment on income statement in terms of cost of production (-EUR 1 million).

The consolidated operating profit in Q1 2012 amounted to EUR 6 844 thousand, compared to EUR 5 619 thousand in Q1 2011. The consolidated operating profit margin was 23.5% (22.1% in Q1 2011). Hyperinflation effect on operating profit beside mentioned above effect on gross profit is also caused by the hyperinflation adjustment on income statement in terms of administrative, sales and other operating expenses in the amount of approximately EUR 60 thousand.

AS Silvano Fashion Group Consolidated Interim Report for Q1 2012

Consolidated net profit from foreign exchange rate fluctuations amounted to EUR 386 thousand in Q1 2012. SP ZAO Milavitsa accrued a foreign exchange gain in the amount of EUR 388 thousand that was mainly caused by sales denominated in Russian ruble, which appreciated against Belarusian ruble in Q1 2012 by 4.8%.

Effective tax rate for Q1 2012 amounted to 18.4% (16.3% in Q1 2011). Notwithstanding the decrease of income tax rate in Belarus from 24% to 18% starting from 1 January 2012, the fact that company fully utilized accumulated tax losses in Russia and hyperinflation adjustments to financial statements (which are not taxable), effective tax rate increased compared to Q1 2011.

Gain on net monetary position in Q1 2012 amounted to EUR 78 thousand and was recognized as a result of following hyperinflation adjustments:

Description of adjustments	Amount (in EUR thousands)
adjustment to property, plant and equipment and intangible assets	702
adjustment to inventories	212
adjustment to equity of Belarusian subsidiaries	-2 047
adjustment to income statement	1 117
adjustment to other non-monetary assets	94
Total	78

Consolidated net profit attributable to equity holders amounted to EUR 5 333 thousand in Q1 2012, compared to EUR 5 089 thousand in Q1 2011; net profit margin attributable to equity holders was 18.3% against 20.0% in Q1 2011.

Financial position

As of 31 March 2012 consolidated assets amounted to EUR 75 924 thousand representing an increase of 10.9% as compared to the position as of 31 December 2011.

Property, plant and intangibles balances increased by EUR 597 thousand as compared to 31 December 2011 the key reason being the hyperinflation effect on opening balance amounted to EUR 816 thousand.

Trade receivables increased by EUR 7 651 thousand as compared to 31 December 2011 and amounted to EUR 17 115 thousand as of 31 March 2012. Inventory balance increased by EUR 2 883 thousand and amounted to EUR 24 431 thousand as of 31 March 2012. Increase in trade debtors and stock balance was in line with the seasonality trend of the business.

Hyperinflation effect on opening balance had a positive impact on the Group's equity attributable to equity holders, in the amount EUR 1 924 thousand in Q1 2012. On the overall basis, equity attributable to equity holders increased by EUR 7 261 thousand and amounted to EUR 49 725 thousand as of 31 March 2012.

Current liabilities decreased by EUR 974 thousand in Q1 2012. Decrease in current liabilities is explained by settling of corporate income tax liability for 2011 by Belarusian subsidiaries in March 2012.

Current and non-current loans and borrowings increased by EUR 70 thousand to EUR 90 thousand as of 31 March 2012. Loans received and loans repaid in Q1 2012 amounted to EUR 100 thousand and EUR 26 thousand respectively.

Tax liabilities and other payables, including payables to employees, amounted to EUR 6 784 thousand. Provisions amounted to EUR 320 thousand as of 31 March 2012.

Sales

Sales by business segments

	Q1 2012 EUR thousand	Q1 2011 EUR thousand	Change EUR thousand	Q1 2012 percentage from sales	Q1 2011 percentage from sales
Wholesale	24 874	21 472	3 402	85.5%	84.4%
Retail	4 123	3 869	254	14.2%	15.2%
Other operations	91	114	-23	0.3%	0.4%
Total	29 088	25 455	3 633	100.0%	100.0%

Sales by markets

In Q1 2012, the Group focused mainly on the Baltics, Russian, Belarusian and Ukrainian markets.

Total sales by markets

	Q1 2012	Q1 2011	Change	Q1 2012	Q1 2011
	EUR	EUR	EUR	percentage	percentage
	thousand	thousand	thousand	from sales	from sales
Russia	18 609	16 128	2 481	64.0%	63.4%
Belarus	6 594	6 165	429	22.7%	24.2%
Baltics	524	446	78	1.8%	1.7%
Ukraine	1 574	1 567	7	5.4%	6.2%
Other markets	1 787	1 149	638	6.1%	4.5%
Total	29 088	25 455	3 633	100.0%	100.0%

The majority of lingerie sales revenue in Q1 2012 in the amount of EUR 18 609 thousand was generated in the Russian market, accounting for 64.0% of all sales in Q1 2012 as compared to EUR 16 128 thousand in Q1 2011. The second largest region was Belarus, where sales reached EUR 6 594 thousand, contributing 22.7% of lingerie sales (both retail and wholesale) as compared to EUR 6 165 thousand in Q1 2011.

Sales in the major markets demonstrated a positive trend in terms of pieces sold in Q1 2012 as compared to the respective period in 2011.

In terms of lingerie brands, “Milavitsa” core brand accounted for 73.9% of total lingerie sales revenue in Q1 2012 (Q1 2011: 74.7%) and amounted to EUR 21 429 thousand. “Lauma Lingerie” core brand accounted for 6.4% of total lingerie sales (Q1 2011: 6.8%) and amounted to EUR 1 870 thousand. Other brands such as “Alisee”, “Aveline”, “Hidalgo” and “Laumelle” comprised 19.7% of total lingerie sales in Q1 2012 (Q1 2011: 18.5%), amounting to EUR 5 698 thousand.

Wholesale

In Q1 2012, wholesale revenue amounted to EUR 24 874 thousand, representing 85.5% of the Group’s total revenue (Q1 2011: 84.4%). The main wholesale regions were Russia, Belarus, Ukraine, Kazakhstan, Moldova and the Baltic States. Substantial growth has been achieved in Russia, Kazakhstan and Moldova mainly due to the success of the Milavitsa wholesale partners.

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

Retail operations

Total lingerie retail sales of the Group in Q1 2012 amounted to EUR 4 123 thousand, representing a 6.6% increase as compared to the previous year.

Retail operations were conducted in Belarus and Latvia. At the end of Q1 2012 the Group operated 55 own retail outlets with a total area of 4 751 square meters. As of 31 March 2012, there were 436 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Belarus, Ukraine, Moldavia, Kazakhstan, Uzbekistan, Kyrgyzstan, Latvia, Azerbaijan, Armenia, Germany, South Africa, Lithuania, Estonia, Georgia and Slovenia, resulting in net increase of 16 shops during Q1 2012. Additionally, as of 31 March 2012, there were 23 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Lithuania, Latvia, Estonia and Albania.

In Q1 2012 1 new own lingerie store under Milavitsa brand was opened in Belarus.

Number of own stores as of:

	31.03.2012	31.12.2011
Latvia	9	9
Belarus	46	45
Total stores	55	54
Total sales area, sq. m	4 751	4 754

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 5.7% growth in EUR terms as compared to Q1 2011. The growth was mainly due to the number of new shops opened in the recent years.

In the Baltics, retail sales increased by 3% as compared to the previous year and amounted to EUR 197 thousand.

Own stores by concept

Market	Milavitsa stores	Lauma Lingerie stores	Total	Sales area, sq. m
Belarus	46	0	46	4 284
Latvia	0	9	9	467
Total	46	9	55	4 751

Production, sourcing, purchasing and logistics

The total volume of production in SP ZAO Milavitsa amounted to 5 285 thousand pieces in Q1 2012, representing a 7.3% increase as compared to the respective period in the previous year. The total production volume in Lauma Lingerie amounted to 382 thousand pieces in Q1 2012, showing an increase of 1.1% as compared to the respective period in the previous year.

Investment

In Q1 2012, the Group's investments totaled EUR 368 thousand with investments into retail amounting to EUR 54 thousand. Other investments were made in equipment and facilities to maintain effective production and to add capacity for 2012.

Personnel

As of 31 March 2012, the Group employed 3 328 employees including 446 in retail and 2 152 in production. The rest were employed in wholesale, administration and support operations.

Total salaries and related taxes in Q1 2012 amounted to EUR 4 825 thousand. The remuneration of the members of the Management Board and Supervisory Board totaled EUR 130 thousand.

Key Events in Q1 2012

On 28 March 2012 Annual General Meeting of SP ZAO Milavitsa decided to cancel the treasury shares, and to decrease share capital of SP ZAO Milavitsa respectively. As the result stake of AS Silvano Fashion Group in SP ZAO Milavitsa shall increase from 80.91% to 81.12%. This change does not affect the distribution of the profits on the Group level between the majority and the minority shareholder in Q1 2012.

General information and approval of the management board for the consolidated interim report for Q1 2012

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

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

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

As of 31 March 2012, the Group employed 3 328 people (as of 31 December 2011: 3 300 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 31.03.2012	Ownership interest 31.12.2011
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Subsidiaries of AS Silvano Fashion Group				
SP ZAO Milavitsa	Belarus	Manufacturing	80.92%	80.92%
AS Lauma Lingerie	Latvia	Manufacturing, wholesale and retail	100%	100%
ZAO Linret	Russia	Wholesale and retail	100%	100%
France Style Lingerie s.a.r.l.	France	Holding	100%	100%
OÜ Linret EST	Estonia	Holding	100%	100%
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	Russia	Wholesale	50%	50%
SOOO Torgovaja Kompanija Milavitsa	Belarus	Wholesale and retail	50%	50%
Milavitsa Logistic OOO	Belarus	Logistics	50%	50%
Subsidiaries of SP ZAO Milavitsa				
OAQ Junona	Belarus	Manufacturing and wholesale	58.33%	58.33%
SP Gimil OOO	Belarus	Manufacturing and wholesale	52%	52%
ZAO Stolichnaja Torgovaja Kompanija Milavitsa	Russia	Wholesale	50%	50%
SOOO Torgovaja Kompanija Milavitsa	Belarus	Wholesale and retail	50%	50%
Milavitsa Logistic OOO	Belarus	Logistics	50%	50%

Management declaration regarding the consolidated interim report for Q1 2012

The management 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 management board of AS Silvano Fashion Group also confirms that the consolidated interim report for Q1 2012 set out on pages 11-25 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 Management Board
18 May 2012

Consolidated statement of financial position

Unaudited

<i>In thousands of EUR</i>		31.03.2012	31.12.2011	31.03.2011
ASSETS				
Current assets				
Cash and cash equivalents	8	14 150	17 967	21 479
Prepayments	7	569	251	447
Trade receivables	5	17 115	9 464	12 571
Other receivables	6	666	345	1 254
Corporate income tax asset		0	44	55
Other tax receivables		1 695	2 259	1 040
Non-current assets classified as held for sale		3	3	18
Inventories	4	24 431	21 548	17 300
Total current assets		58 629	51 881	54 164
Non-current assets				
Other receivables		6	14	34
Available-for-sale financial assets		449	424	343
Deferred tax asset		229	236	1 735
Investments in equity accounted investees		136	127	115
Investment property	3	1 505	1 430	1 197
Property, plant and equipment	1	14 711	14 203	10 584
Intangible assets	2	259	170	519
Total non-current assets		17 295	16 604	14 527
TOTAL ASSETS		75 924	68 485	68 691
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables		6 911	7 427	7 915
Corporate income tax payable		800	3 679	736
Other tax payable		1 387	322	699
Other payables	10	2 021	999	1 286
Deferred income		1	0	8
Loans and borrowings	9	90	20	220
Accrued expenses		1 908	1 506	2 112
Provisions		320	459	390
Total current liabilities		13 438	14 412	13 366
Non-current liabilities				
Deferred tax liability		2 576	1 921	0
Total non-current liabilities		2 576	1 921	0
Total liabilities		16 014	16 333	13 366
Equity				
Share capital at par value		15 800	15 800	25 313
Share premium		14 070	14 070	14 130
Other reserves		67	63	0
Statutory capital reserve		231	231	67
Retained earnings		19 793	12 536	19 992
Own shares		-308	-308	-371
Translation reserve		72	72	-14 708
Total equity attributable to equity holders of the Company	12	49 725	42 464	44 423
Non-controlling interest		10 185	9 688	10 902
Total equity		59 910	52 152	55 325
TOTAL LIABILITIES AND EQUITY		75 924	68 485	68 691

Consolidated income statement

Unaudited

<i>In thousands of EUR</i>	Q1 2012	Q1 2011	
Revenue			
Sales revenue	29 088	25 455	
Costs of goods sold	-16 959	-14 908	
Gross Profit	11 563	10 547	
Other operating income	352	313	
Distribution costs	-3 145	-2 840	
Administrative expenses	-1 769	-1 688	
Other operating expenses	-723	-713	
Operating profit	6 844	5 619	
Finance income and finance costs			
Interest expenses	-3	-4	
Gains on conversion of foreign currencies	386	1 630	
Other financial income	189	251	
Net finance income	572	1 877	
Share of profit/(loss) of equity accounted investees	3	17	
Profit before tax	7 419	7 513	
Income tax expense	-1 365	-1 222	
Gain before loss on net monetary position	6 054	6 291	
Gain on net monetary position	78	0	
Profit for the period	6 132	6 291	
<i>Attributable to</i>			
Owners of the Company	5 333	5 089	
Non-controlling interest	799	1 202	
Earnings per share			
Basic earnings per share (EUR)	11	0.14	0.13
Diluted earnings per share (EUR)	11	0.14	0.13

Consolidated statement of comprehensive income

Unaudited

<i>In thousands of EUR</i>	Q1 2012	Q1 2011
Profit for the period	6 132	6 291
Other comprehensive income		
Foreign currency translation differences for foreign operations	87	-3 760
Other comprehensive income for the period	87	-3 760
Total comprehensive income	6 219	2 531
Total comprehensive income attributable to:		
Owners of the Company	5 333	1 968
Non-controlling interest	886	563

Consolidated statement of cash flows

Unaudited

<i>In thousands of EUR</i>	Notes	Q1 2012	Q1 2011
Cash flow from operating activities			
Profit for the period		6 132	6 291
Adjustments for:			
Depreciation of property, plant and equipment and investment property	1,3	550	412
Amortization of intangible assets	2	31	29
Share of profit of equity accounted investees		-3	-17
(Gains)/ losses on the sale of property, plant and equipment		8	-2
Net finance income / costs		-572	-1 877
Loss on net monetary position		-78	0
Income tax expense		1 365	1 222
Change in inventories		-2 506	-2 655
Change in trade and other receivables		-7 508	-3 111
Change in trade and other payables		800	2 670
Interest paid		-7	-4
Income tax paid		-3 591	-1 548
Net cash from operating activities		-5 379	1 410
Cash flow from investing activities			
Interest received		237	348
Proceeds from sale of property, plant and equipment		7	4
Loans granted		0	-66
Proceeds from repayments of loans granted		12	66
Proceeds from disposal of investments		0	0
Acquisition of property, plant and equipment	1	-254	-354
Acquisition of intangible assets	2	-114	-49
Acquisition of shares by subsidiary		0	-54
Net cash used in/from investing activities		-112	-105
Cash flow from financing activities			
Proceeds from borrowings	9	100	265
Repayment of borrowings	9	-26	-67
Repayment of finance lease	9	0	-2
Dividends paid		0	-108
Acquisition of own shares		0	-60
Net cash used in/ from financing activities		74	28
Increase/decrease in cash and cash equivalents		-5 417	1 333
Cash and cash equivalents at the beginning of period	8	17 967	21 468
Effect of Hyperinflation		1 669	0
Effect of exchange rate fluctuations on cash		-69	-1 322
Cash and cash equivalents at the end of period	8	14 150	21 479

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 2010	25 313	14 130	-311	67	-11 587	453	13 977	42 042	10 974	53 016
Profit for the period	0	0	0	0	0	0	5 089	5 089	1 202	6 291
Other comprehensive income										
Effect on consolidation of foreign subsidiaries	0	0	0	0	-3 121	0	0	-3 121	-639	-3 760
Total other comprehensive income	0	0	0	0	-3 121	0	0	-3 121	-639	-3 760
Total comprehensive income	0	0	0	0	-3 121	0	5 089	1 968	563	2 531
Transactions with owners, recorded directly in equity										
Re-purchase of own shares	0	0	-60	0	0	0	0	-60	0	-60
Dividends paid	0	0	0	0	0	0	0	0	-108	-108
Re-purchase of own shares by subsidiary	0	0	0	0	0	197	0	197	-251	-54
Change in non-controlling interest without a change in control	0	0	0	0	0	-650	926	276	-276	0
Total transactions with owners	0	0	-60	0	0	-453	926	413	-635	-222
Balance as of 31 March 2011	25 313	14 130	-371	67	-14 708	0	19 992	44 423	10 902	55 325
Balance as of 31 December 2011	15 800	14 070	-308	231	72	63	12 536	42 464	9 688	52 152
Effect of Hyperinflation on opening balance	0	0	0	0	0	0	1 924	1 924	465	2 389
Profit for the period	0	0	0	0	0	0	5 333	5 333	799	6 132
Other comprehensive income										
Effect on consolidation of foreign subsidiaries	0	0	0	0	0	0	0	0	87	87
Total other comprehensive income	0	0	0	0	0	0	0	0	87	87
Total comprehensive income	0	0	0	0	0	0	5 333	5 333	886	6 219
Transactions with owners, recorded directly in equity										
Dividends paid	0	0	0	0	0	0	0	0	-850	-850
Change in non-controlling interest	0	0	0	0	0	4	0	4	-4	0
Total transactions with owners	0	0	0	0	0	4	0	4	-854	-850
Balance as of 31 March 2012	15 800	14 070	-308	231	72	67	19 793	49 725	10 185	59 910

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

Basis for preparation

This Interim Report has been made pursuant to the requirements of IAS 34 “Interim Financial Reporting” of the International Accounting Standards and the International Financial Reporting Standards (IFRS) adopted by the European Union. The same accounting methods were used in the preparation of interim reports as in the Annual Report for the financial year, which ended on 31 December 2011.

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 Q1 2011.

The Group’s performance is not significantly affected by any seasonal or cyclical factors. Nevertheless revenue during vacation period and holidays are usually higher.

This Interim Report has not been audited.

Notes to the consolidated interim report

Note 1. Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
Cost as of 31 December 2010	5 288	13 467	3 516	309	22 580
Movements in Q1 2011					
Acquisition	0	1	12	341	354
Transfers and reclassifications	0	97	154	-251	0
Disposals	-1	-94	-49	0	-144
Effect of movements in foreign exchange on cost	-444	-958	-217	-26	-1 645
Cost as of 31 March 2011	4 843	12 513	3 416	373	21 145
Cost as of 31 December 2011	6 516	18 207	4 179	302	29 204
Effect of Hyperinflation on opening balance	383	1 023	208	7	1 621
Movements in Q1 2012					
Acquisition	0	0	9	245	254
Transfers and reclassifications	10	234	115	-359	0
Disposals	0	-22	-58	-4	-84
Cost as of 31 March 2012	6 909	19 442	4 453	191	30 995
Accumulated depreciation as of 31 December 2010	1 323	7 944	1 867	0	11 134
Movements in Q1 2011					
Depreciation	39	246	120	0	405
Disposals	0	-94	-48	0	-142
Effect of movements in foreign exchange on accumulated depreciation	-154	-566	-116	0	-836
Accumulated depreciation as of 31 March 2011	1 208	7 530	1 823	0	10 561
Accumulated depreciation as of 31 December 2011	1 970	10 556	2 475	0	15 001
Effect of Hyperinflation on opening balance	116	573	122	0	811
Movements in Q1 2012					
Depreciation	48	350	143	0	541
Disposals	0	-20	-49	0	-69
Accumulated depreciation as of 31 March 2012	2 134	11 459	2 691	0	16 284
Carrying amounts					
As of 31 March 2011	3 635	4 983	1 593	373	10 584
As of 31 December 2011	4 546	7 651	1 704	302	14 203
As of 31 March 2012	4 775	7 983	1 762	191	14 711

The Group didn't have any binding commitments to purchase property plant and equipment as of 31 March 2012.

Note 2. Intangible assets

Intangible assets

<i>In thousands of EUR</i>	Software	Trademarks	Goodwill	Projects in progress	Total
Cost as of 31 December 2010	630	34	0	458	1 122
Movements in Q1 2011					
Acquisition	0	0	0	49	49
Transfer	36	1	0	-37	0
Disposals	0	0	0	0	0
Effect of movements in foreign exchange on cost	-34	-3	0	-34	-71
Cost as of 31 March 2011	632	32	0	436	1 100
Cost as of 31 December 2011	637	56	0	343	1 036
Effect of Hyperinflation on opening balance	29	2	0	19	50
Movements in Q1 2012					
Acquisition	0	0	0	114	114
Transfer	118	0	0	-118	0
Disposals	-2	0	0	0	-2
Cost as of 31 March 2012	782	58	0	358	1 198
Accumulated amortization as of 31 December 2010	467	15	0	106	588
Movements in Q1 2011					
Amortization	28	1	0	0	29
Disposals	0	0	0	0	0
Effect of movements in foreign exchange on amortization	-27	-1	0	-8	-36
Accumulated amortization as of 31 March 2011	468	15	0	98	581
Accumulated amortization as of 31 December 2011	536	21	0	309	866
Effect of Hyperinflation on opening balance	24	1	0	19	44
Movements in Q1 2012					
Amortization	29	2	0	0	31
Disposal	-2	0	0	0	-2
Accumulated amortization as of 31 March 2012	587	24	0	328	939
Carrying amounts					
As of 31 March 2011	164	17	0	338	519
As of 31 December 2011	101	35	0	34	170
As of 31 March 2012	195	34	0	30	259

The Group didn't have any binding commitments to purchase intangible assets as of 31 March 2012.

Note 3. Investment property

<i>In thousands of EUR</i>	Q1 2012	Q1 2011
As of beginning of period	1 430	1 299
Effect of hyperinflation on opening balances	84	0
Acquisitions	0	0
Depreciation	-9	-7
Effect of movements in exchange rates	0	-95
Total	1 505	1 197

As of 31 March 2012 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 March 2012 is not significantly different from fair value.

Note 4. Inventories

<i>In thousands of EUR</i>	31.03.2012	31.12.2011
Raw and other materials	5 891	6 334
Work in progress	3 082	3 040
Finished goods	15 072	11 676
Other inventories	386	498
Total	24 431	21 548

Inventories are shown at their carrying values, which are determined as the lower of cost, and net realizable value. As of 31 March 2012 the write-downs of raw materials to net realizable value amounted to EUR 395 thousand, whereas as of 31 December 2011 those amounted to EUR 397 thousand. As of 31 March 2012 the write-downs of finished goods to net realizable value amounted to EUR 201 thousand, whereas as of 31 December 2011 write-downs amounted to EUR 200 thousand.

Note 5. Trade receivables

<i>In thousands of EUR</i>	31.03.2012	31.12.2011
Trade receivables from third parties	14 860	8 756
Trade receivables from related parties	2 815	1 274
Impairment of receivables	-560	-566
Total	17 115	9 464

Note 6. Other receivables

Other short-term receivables

<i>In thousands of EUR</i>	31.03.2012	31.12.2011
Current loans to related parties	281	0
VAT on unpaid invoices	166	85
Prepaid expenses	62	80
Loans to third parties	57	63
Employees receivables	20	7
Due from customers for contract work	5	4
Interest on current loans to related parties	3	0
Guarantees withhold	0	16
Miscellaneous receivables	75	109
Impairment of other receivables	-3	-19
Total	666	345

Note 7. Prepayments

<i>In thousands of EUR</i>	31.03.2012	31.12.2011
Prepayments for advertising and marketing expenses	353	56
Prepayments to customs	75	97
Prepayments for rent	27	43
Prepayments to other suppliers	114	55
Total	569	251

Note 8. Cash and cash equivalents

<i>In thousands of EUR</i>	31.03.2012	31.12.2011
Short-term deposits	11 400	15 682
Bank accounts in foreign currencies	1 246	1 516
Bank accounts in EUR	1 313	276
Cash in transit	171	461
Cash on hand	20	32
Total	14 150	17 967

Note 9. Loans and borrowings

The Group has the following debts as of 31 March 2012:

<i>In thousands of EUR</i>					31.03.2012	31.12.2011		
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*+ 9.00%	2012	22	0	20	0
Secured bank loan	SP ZAO Milavitsa	EUR	9.5%	2012	68	0	0	0
Total interest bearing liabilities					90	0	20	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 Q1 2012 the Group received loans in the amount of EUR 100 thousand, in Q1 2011 in the amount of EUR 265 thousand. The Group settled loans and finance lease liabilities in Q1 2012 in the amount of EUR 26 thousand, in Q1 2011 in the amount of EUR 69 thousand.

Loan collateral

Fixed assets of OAO Junona for the book value of EUR 374 thousand secure the loan provided to OAO Junona by OAO Belarusbank.

Note 10. Other payables

<i>In thousands of EUR</i>	31.03.2012	31.12.2011
Payables related to employees	626	527
Customer prepayments for goods and services	246	203
Other payables	1 149	269
Total	2 021	999

Note 11. Earnings per share

The calculation of basic earnings per share at 31 March 2012 (31 March 2011) was based on the profit attributable to owners and a weighted average number of ordinary shares.

<i>In thousands of shares</i>	Q1 2012	Q1 2011
Number of ordinary shares at the beginning of the period	39 500	39 607
Effect of own shares held	-107	-134
Weighted average number of ordinary shares	39 393	39 473

	Q1 2012	Q1 2011
Profit for the period, attributable to owners, EUR thousand	5 333	5 089
Basic earnings per share (EUR)	0.14	0.13
Diluted earnings per share (EUR)	0.14	0.13

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 March 2012 registered share capital of AS Silvano Fashion Group amounted to EUR 15 800 thousand divided into 39 500 000 shares with a nominal value of EUR 0,40 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.

As of 31 March 2012 the amount of shares bought back is 107 106 the average price per share was 2.7757 EUR, the cost in total was 370 911 EUR.

As of 31 March 2012 AS Silvano Fashion Group had 2 067 shareholders.

As of 31 March 2012 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
Major shareholders	24 760 433	62.68%
TOOMAS TOOL	8 500 000	21.52%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	8 260 433	20.91%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8 000 000	20.25%
Other shareholders	14 739 567	37.32%
Total number of shares	39 500 000	100.00%

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 WARTOŚCIOWYCH 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%

Legal Reserve

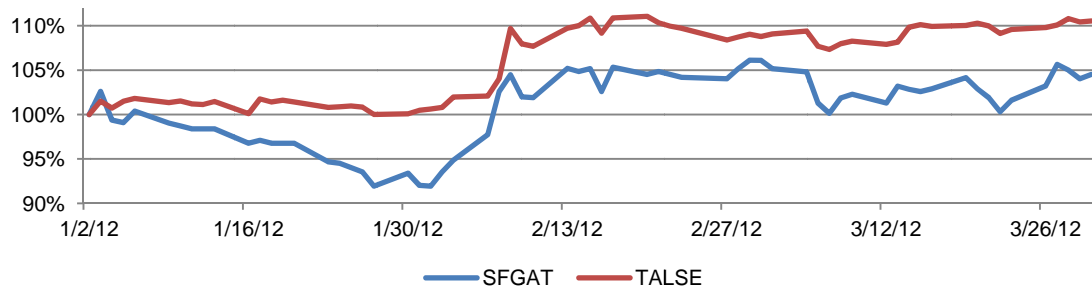
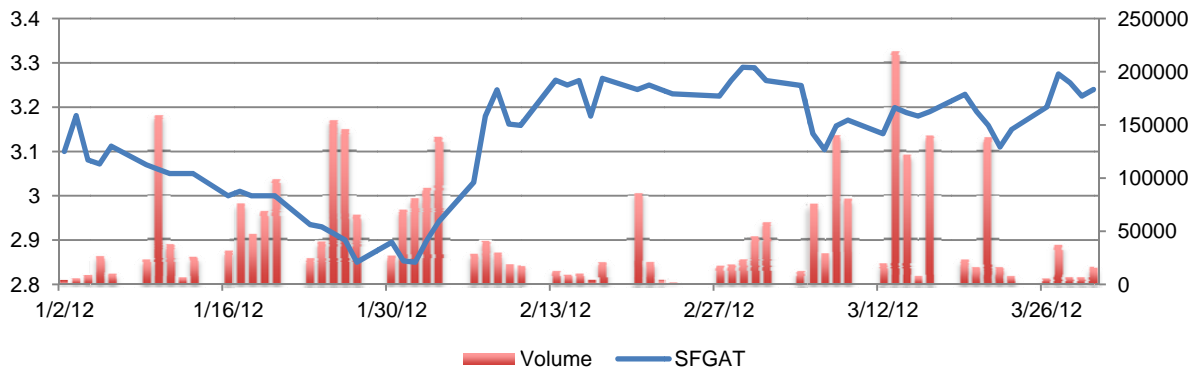
The reserve indicated under the owners' equity is a legal reserve established pursuant to the Commercial Code, which can be used for covering losses or increasing the share capital by way of a bonus issue based on a decision of the shareholders. The minimum legal reserve amount is 1/10 of the share capital.

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 Q1 2012 (EUR)

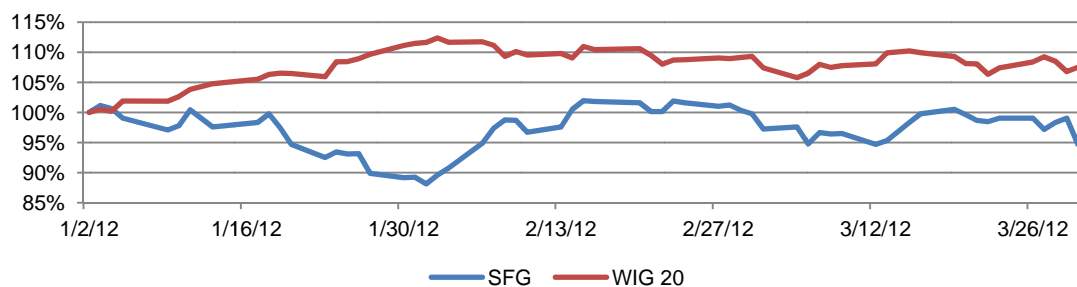
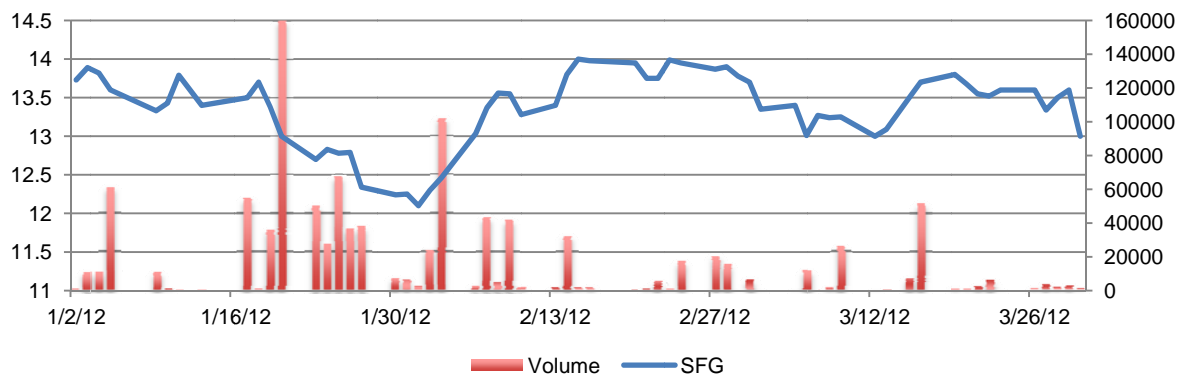
During Q1 2012, the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were EUR 3.40 and EUR 2.83, respectively.



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 Q1 2012 (PLN)

During Q1 2012, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were PLN 14.00 and PLN 12.10 respectively.



Note 13. Sales revenue

<i>In thousands of EUR</i>	Q1 2012	Q1 2011
Income from wholesale	24 874	21 472
Income from retail sale	4 123	3 869
Subcontracting and services	70	72
Other sales	21	42
Total sales revenue	29 088	25 455

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	Q1 2012	Q1 2011
<i>In thousands of EUR</i>		
Associated companies	3 045	2 907
Total sales	3 045	2 907

Balances with related parties	31.03.2012	31.03.2011
<i>In thousands of EUR</i>		
Receivable from associated companies	3 099	2 320
Total receivable	3 099	2 320

Benefits to members of the management and supervisory board	Q1 2012	Q1 2011
<i>In thousands of EUR</i>		
Remuneration and benefits	130	173
Total	130	173

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 we have amended presentation of information in Note 15 Operating segments: 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 Q1 2011 was amended respectively.

Operating segments Q1 2012

<i>In thousands of EUR</i>	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	4 123	24 874	28 997	91	0	29 088
Intersegment revenues	0	3 590	3 590	311	-3 901	0
EBITDA	1 626	5 898	7 524	-99	0	7 425
Amortization and depreciation	-68	-495	-563	-18	0	-581
Operating income/loss, EBIT	1 558	5 403	6 961	-117	0	6 844
Interest in the profit or loss of equity accounted investees	0	3	3	0	0	3
Financial items, net	12	577	589	-17	0	572
Income tax	-171	-1 187	-1 358	-7	0	-1 365
Gain on net monetary position	-52	130	78	0	0	78
Net income	1 347	4 926	6 273	-141	0	6 132
Investments in associate	0	136	136	0	0	136
Other operating segment assets	3 900	62 542	66 442	9 346	0	75 788
Reportable segment liabilities	328	14 203	14 531	1 483	0	16 014
Impairment of assets	0	0	0	0	0	0
Capital expenditures	54	314	368	0	0	368
Number of employees as of reporting date	549	2 771	3 320	8	0	3 328

Operating segments Q1 2011

<i>in thousands of EUR</i>	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	3 869	21 472	25 341	114	0	25 455
Intersegment revenues	0	2 800	2 800	350	-3 150	0
EBITDA	829	5 049	5 878	182	0	6 060
Amortization and depreciation	-54	-372	-426	-15	0	-441
Operating income/loss, EBIT	775	4 677	5 452	167	0	5 619
Interest in the profit or loss of equity accounted investees	0	17	17	0	0	17
Financial items, net	-3	1 734	1 731	146	0	1 877
Income tax	-38	-1 118	-1 156	-66	0	-1 222
Net income	734	5 310	6 044	247	0	6 291
Investments in associate	0	115	115	0	0	115
Other operating segment assets	3 598	31 424	35 022	33 554	0	68 576
Reportable segment liabilities	1 555	10 072	11 627	1 739	0	13 366
Impairment of assets	0	0	0	0	0	0
Capital expenditures	32	370	402	1	0	403
Number of employees as of reporting date	519	2 675	3 194	8	0	3 202

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	Sales revenue	Non-current	Non-current
	Q1 2012	Q1 2011	assets	assets
			31.03.2012	31.12.2011
Russia	18 609	16 128	143	233
Belarus	6 594	6 165	16 758	15 933
Baltics	524	446	394	438
Ukraine	1 574	1 567	0	0
Other countries	1 787	1 149	0	0
Total	29 088	25 455	17 295	16 604