Consolidated Interim Report for Q2 and 6 months 2012

Silvano Fashion Group

AS Silvano Fashion Group

Consolidated Interim Financial Report
for Q2 and 6 months of 2012 (unaudited)

(translation of the Estonian original)*

Beginning of the reporting period	1 January 2012
End of the reporting period	30 June 2012

Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Jõe 2b, 10151 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 PricewaterhouseCoopers

** This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

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Management Report

General information about AS Silvano Fashion Group

AS Silvano Fashion Group (hereinafter "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 textile clothing. The Group's income is generated by sales of "Milavitsa", "Alisee", "Lauma Lingerie", "Laumelle" and "Hidalgo" 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 and the Baltics.

The parent company of the Group is AS Silvano Fashion Group (hereinafter "the Parent company"), which is domiciled in Estonia. AS Silvano Fashion Group registered address is Jõe 2b, 10151 Tallinn, Estonia.

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

As of 30 June 2012, the Group employed 3 332 people (as of 31 December 2011: 3 300 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.06.2012	Ownership interest 31.12.2011
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities of AS Silvano Fashion Group				
SP ZAO Milavitsa	Belarus	Manufacturing	81.12%	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%
Entities of SP ZAO Milavitsa				
OAO 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%

* as of the date of this report 100% of the shares of Gimil have been transferred to SP ZAO Milavitsa

Decisions made by governing bodies during 6 months 2012

On 30 June 2012 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted following decisions.

- The Meeting approved the 2011 Annual Report.
- The Meeting decided to transfer 5% of the net profit for 2011, or 1 075 thousand EUR, to statutory legal reserve and to distribute dividends in the amount 0.25 EUR per share.
- The Meeting decided to appoint AS PricewaterhouseCoopers as the Group`s auditor for financial year 2012.
- The Meeting decided to cancel 100 000 own shares held by the Parent company, effectively reducing the total number of shares to 39.4 million, all necessary registration proceedings will be completed during 3Q 2012.
- The Meeting decided to amend the Articles of Association of the Parent company.
- The Meeting decided to elect Mr Toomas Tool as the new member of Supervisory Board of the Parent company instead of the resigned member (Mr Otto Tamme had submitted his resignation on 5 April 2012).
- The Meeting decided to amend principles of remuneration paid to the members of the Supervisory Board.

On 28 March 2012 Annual General Meeting of SP ZAO Milavitsa decided to cancel its treasury shares and respectively to decrease share capital of SP ZAO Milavitsa. As the result ownership percentage of the Parent company in SP ZAO Milavitsa increased from 80.91% to 81.12%.

According to the shareholders meeting`s resolution from 10.07.2012, all shares of Gimil Plc. (reorganized) were transferred to SP ZAO Milavitsa. This transaction does not have significant impact on the Group's consolidated financial results.

Selected Financial Indicators

Summarized selected financial indicators of the Group for 6m 2012 compared to 6m 2011 and 30.06.2012 compared to 31.12.2011 were as follows:

in thousands of EUR	**6m 2012**	**6m 2011**	**Change**
Revenue	65 501	56 194	16.6%
EBITDA	15 424	18 533	-16.8%
Net profit for the period	10 974	25 291	-56.6%
Net profit attributable equity holders of the Parent company	9 661	20 723	-53.4%
Earnings per share (EUR)	0.25	0.53	-53.7%
Operating cash flow for the period	2 323	15 902	-85,4%

in thousands of EUR	**30.06.2012**	**31.12.2011**	**Change**
Total assets	84 086	68 485	22.8%
Total current assets	65 847	51 881	26.9%
Total equity attributable to equity holders of the Parent company	49 725	42 464	17.1%
Loans and borrowings	33	20	65.0%
Cash and cash equivalents	21 858	17 967	21.7%

Margin analysis, %	**6m 2012**	**6m 2011**	**Change**
Gross profit	38.8	48.3	-19.6%
EBITDA	23.5	33.0	-28.6%
Net profit	16.8	45.0	-62.8%
Net profit attributable equity holders of the Parent company	14.7	36.9	-60.0%

Financial ratios, %	**30.06.2012**	**31.12.2011**	**Change**
ROA	24.2	32.2	-24.9%
ROE	39.5	50.9	-22.4%
Price to earnings ratio (P/E)	7.2	5.5	31.8%
Current ratio	2.8	3.6	-22.7%
Quick ratio	1.8	2.1	-15.4%

Underlying formulas:

EBITDA = net profit for the period + depreciation and amortisation + net financial income + income tax expense + gain on net monetary position
Gross profit margin = gross profit / revenue
EBITDA margin = EBITDA / revenue
Net profit margin = net profit / revenue
Net profit margin attributable to equity holders of the Parent company = net profit attributable to equity holders of the Parent company / 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 environment

Whilst the Western economies show signs of fragility and almost non-existent growth, the core markets the Group enjoy recovery in consumption and contribute to steady, organic growth of our business. In June 2012 a 500th store was opened under Milavitsa franchise. In April 2012 the 300-store landmark was reached in Russia, our core market. Total geography of our franchise partners now covers more than 20 countries, including Milavitsa and Lauma Lingerie branded stores. Evidently the openings contribute to the sales growth in the future.

The most vibrant growth we saw in the CIS markets (CIS stands for Commonwealth of Independent States). For instance, our sales in Kazakhstan, Moldova, Kyrgyzstan and other CIS markets are improving steadily (y-o-y growth above 40%). Strong presence in the Belarus retail market, stabilization of the economy and the currency led to improved sales (both in pieces and in net sales) there. In Russia, our key market, solid demand contributed to a 14.7% sales growth compared to the sales data for 6 months 2011. Ukraine's total sales improved by 16% on comparable period basis, the Group expects further improvement in the growth rate there. Baltic consumer markets are generally in a better shape than a year ago, the markets comprise slightly below 3% of the Group's total sales. Overall, the Group increased its sales for 6 months 2012 to 65 501 thousand EUR, an increase of 16.6% compared to the same period of prior year. Q2 2012 added 36 413 thousand EUR in sales, an increase of 18.5% compared to Q2 2011.

On our core markets, Russia's economic growth is undisputable, though with some deceleration. By *Rosstat* preliminary data, the country's GDP in Q2 2012 advanced by 4.0% year-to-year (4.9% for Q1 2012 compared to Q1 2011). Russia's ruble, slightly losing against the Euro in Q2 after strong appreciation in Q1 2012, contributes to healthy retail demand. However, the Group's sales in Russia for 6 months 2012 totaled 39 813 thousand EUR, a 14.6% growth compared to the same period a year ago.

Belarus economy showed somewhat more modest numbers for the GDP growth. By *Belstat*, Q2 GDP growth stood at 2.7%, for 6 months 2012: 2.9%. Nevertheless, the price inflation pushes the consumption, hence the sales in Belarus have improved compared to 2011. The hyperinflation adjusted sales in Belarus totaled 15 516 thousand EUR for 6 months 2012, a growth of 17.5% over the sales of the comparable period last year.

The reflection of the Ukrainian economy by the State Statistics Service showed real GDP growth by 2.5% during first 6 months 2012 compared to year earlier. The year-to-year GDP growth for Q2 2012 was 3%. Ukrainian sales totaled 4 015 thousand EUR for 6 months 2012, showing an improvement of 14.0% year-to-year basis.

Baltic economies are still the top performers in the Eurozone. Estonia's GDP growth amounted to 2% in the Q2 2012. Latvia's GDP shows the highest growth rates in the Eurozone, whereas the Q2 2012 GDP growth was 5.1%. Lithuania's GDP growth stood at 2.1% in the Q2 2012. Our sales in the region totaled 1 825 thousand EUR in 6 months 2012, up from 1 798 thousand EUR in 6 months of 2011. The new additions to the Group's sales team are expected to strengthen our position in the Baltics in the future.

At the end of the reporting period the Group and its franchising partners operated 533 Milavitsa and Lauma Lingerie stores, an increase of 84 stores over the number a year ago, including 54 stores operated directly by the Group and the rest of them by franchising partners. The Group's retail focus remains similar to previous year - promoting and supporting franchising partners mixed with own retail development. In the wholesales segment, the sales improved by notable 16% year-to-year.

Financial performance

Positive effect of the devaluation on the cost side has been leveled out by increased expenses for labor, utilities and to some extent materials sourced from Belarus. Further to this, hyperinflationary accounting requires us to apply certain accounting methods that have negative impact on Group`s financial results and margins in 2012 (see also an analysis below).

The Group`s sales amounted to 65 501 thousand EUR during 6 months 2012, representing a 16.6% increase as compared to the same period of previous year. Overall, wholesales increased by 16% and retail sales – by 20%.

Higher sales volumes required us to build up larger stocks, which are expected to decrease significantly during Q3 2012. As normal course of business, we shall start building up the inventories in Q4 2012.

The Group's gross profit margin during 6 months 2012 decreased and was 38.8%, as compared to 48.3% in the respective period of previous year. Such decrease of gross margin is explained by last year`s devaluation of Belarusian ruble and following adjustments on gross profit of 6m 2012 caused by application of hyperinflationary accounting:

- Hyperinflation adjustment on sales (**+1 million EUR** in 6m 2012; **+0.8 million EUR** in Q2 2012);
- Hyperinflation adjustment on cost of goods sold (**-4.6 million EUR** in 6m 2012; **-2.6 million EUR** in Q2 2012);

Consolidated operating profit for 6 months 2012 amounted to 14 243 thousand EUR, compared to 17 767 thousand EUR in 6 months 2011. The consolidated operating profit margin was 21.7% (31.6% in 6m 2011). There is also a hyperinflationary effect on operating profit besides mentioned above effect on gross profit, it is also caused by the hyperinflationary adjustments to income statement in terms of administrative, sales and other operating expenses.

Consolidated net financial income amounted to -154 thousand EUR in 6 months 2012. SP ZAO Milavitsa accrued a foreign exchange loss in the amount of 412 thousand EUR that was mainly caused by appreciation of Belarusian ruble against Euro in 6 months 2012.

Effective tax rate for 6 months 2012 amounted to 22.6% (22.3% in 6 months 2011). Notwithstanding the decrease of income tax rate in Belarus from 24% to 18% starting from 1 January 2012, effective tax rate increased compared to 6m 2011. This is due to the following facts: the Group fully utilized accumulated tax losses in Russia, the Parent company collected dividends from its subsidiary, application of hyperinflation adjustments to financial statements (which are not taxable).

Consolidated net profit attributable to equity holders of the Parent company amounted to 9 661 thousand EUR in 6 months 2012, compared to 20 723 thousand EUR in 6 months 2011; net profit margin attributable to equity holders of the Parent company was 14.7% against 36.9% in 6 months 2011.

Financial position

As of 30 June 2012 consolidated assets amounted to 84 086 thousand EUR representing an increase of 22.8% as compared to the position as of 31 December 2011.

Property, plant and intangibles balances increased by 1 262 thousand EUR as compared to 31 December 2011 the key reason being the hyperinflation effect on opening balance amounting to 1 483 thousand EUR.

Trade receivables increased by 7 635 thousand EUR as compared to 31 December 2011 and amounted to 17 665 thousand EUR as of 30 June 2012. Inventory balance increased by 2 259 EUR thousand and amounted to 23 807 thousand EUR as of 30 June 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 of the Parent company comprising 4 162 thousand EUR in 6 months 2012. On the overall basis, equity attributable to equity holders of the Parent company increased by 3 885 thousand EUR and amounted to 46 349 thousand EUR as of 30 June 2012.

Current liabilities increased by 9 252 thousand EUR in 6 months 2012. Increase in current liabilities is explained by recognition of a liability to pay dividends in the amount of 9 875 thousand EUR, dividends were paid out in full in July 2012. Current and non-current loans and borrowings increased by 12 thousand EUR to 33 thousand EUR as of 30 June 2012.

Sales structure

Sales by markets

in thousands of EUR	6m 2012	6m 2011	Change	6m 2012 % from sales	6m 2011 % from sales
Russia	39 813	34 738	5 075	60.8%	61.8%
Belarus	15 516	13 203	2 313	23.7%	23.5%
Ukraine	4 015	3 521	494	6.1%	6.3%
Baltics	1 825	1 798	27	2.8%	3.2%
Other markets	4 332	2 934	1 398	6.6%	5.2%
Total	**65 501**	**56 194**	**9 307**	**100.0%**	**100.0%**

The majority of lingerie sales revenue during 6 months 2012 in the amount of 39 813 thousand EUR was generated in Russia, accounting for 60.8% of total sales in 6 months 2012. The second largest market was Belarus, where sales reached 15 516 thousand EUR, contributing 23.7% of lingerie sales (both retail and wholesale) as compared to 13 203 thousand EUR in 6 months 2011.

Sales in the major markets demonstrated a positive trend in terms of pieces sold in 6 months 2012 as compared to the respective period in 2011.

Sales by business segments

in thousands of EUR	6m 2012	6m 2011	Change	6m 2012 % from sales	6m 2011 % from sales
Wholesale	55 332	47 679	7 653	84.5%	84.8%
Retail	9 966	8 308	1 658	15.2%	14.8%
Other operations	203	207	-4	0.3%	0.4%
Total	**65 501**	**56 194**	**9 307**	**100.0%**	**100.0%**

During 6 months 2012, wholesale revenue amounted to 55 332 thousand EUR, representing 84.5% of the Group's total revenue (6 months 2011: 84.8%). The main wholesale regions were Russia, Belarus, Ukraine, Kazakhstan, Moldova and the Baltic States.

Total lingerie retail sales of the Group in 6 months 2012 amounted to 9 966 thousand EUR, representing a 20% increase as compared to the previous year. Significant part of the growth is attributable to inflationary environment in Belarus, growth of sales measured in units totaled approximately 11% for 6 months 2012 over the same period last year.

Own retail operations were conducted in Belarus and Latvia. As of the end of 6 months 2012 the Group operated 54 own retail outlets with a total area of 4 700 square meters. As of 30 June 2012, there were 456 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Belarus, Ukraine, Moldova, Kazakhstan, Uzbekistan, Kyrgyzstan, Latvia, Azerbaijan, Armenia, Germany, South Africa, Lithuania, Estonia, Georgia, United Arab Emirates, Iran, Slovenia and Belgium, resulting in net increase of 84 shops compared to the end of Q2 2011. Additionally, as of 30 June 2012, there were 23 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Lithuania, Latvia, Estonia and Albania. For Lauma Lingerie, the Group expects openings in Belarus, Ukraine and Russia in the near future.

Production

Total volume of production of the Group amounted to 11 976 thousand pieces during 6 months 2012, representing a 6.7% increase as compared to respective period in the previous year.

Investments

During 6 months 2012 the Group's investments totaled 535 thousand EUR with investments into retail amounting to 92 thousand EUR. Other investments were made into equipment and facilities to maintain effective production and to add capacity for 2012.

Personnel

As of 30 June 2012, the Group employed 3 332 employees including 464 in retail and 2136 in production. The rest were employed in wholesale, administration and support operations.

Total salaries and related taxes in 6 months 2012 amounted to 10 456 thousand EUR. The remuneration of key management of the Group totaled EUR 180 thousand EUR.

Shares of AS Silvano Fashion Group

As of 30 June 2012 registered share capital of AS Silvano Fashion Group amounted to 15 800 thousand EUR divided into 39 500 000 ordinary shares with a nominal value of 0.40 EUR each. The share register is electronic and maintained at the Estonian Central Register of Securities. The Company has been listed on Tallinn Stock Exchange main list (since 21.11.2006) and on Warsaw Stock Exchange (since 23.07.2007).

As of 30 June 2012 AS Silvano Fashion Group had 1 978 shareholders (as of 31 December 2011- 1 893 shareholders).

As of 30 June 2012 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

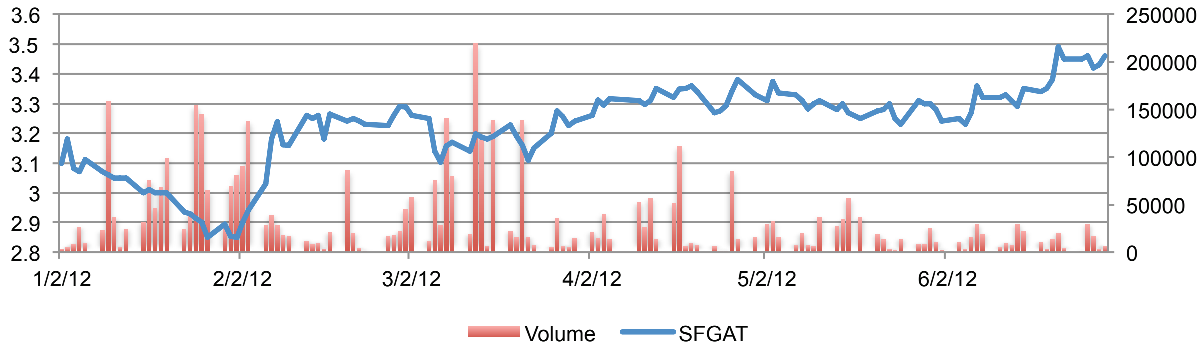
Name	Number of shares	Shareholding
Major shareholders	**24 672 193**	**62.46%**
TOOMAS TOOL	8 500 000	21.52%
KRAJOWY DEPOZYT PAPIEROW WARTOŠCIOWYCH S.A. [J]	8 172 193	20.69%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8 000 000	20.25%
Other shareholders	14 827 807	37.54%
Total number of shares	**39 500 000**	**100.00%**

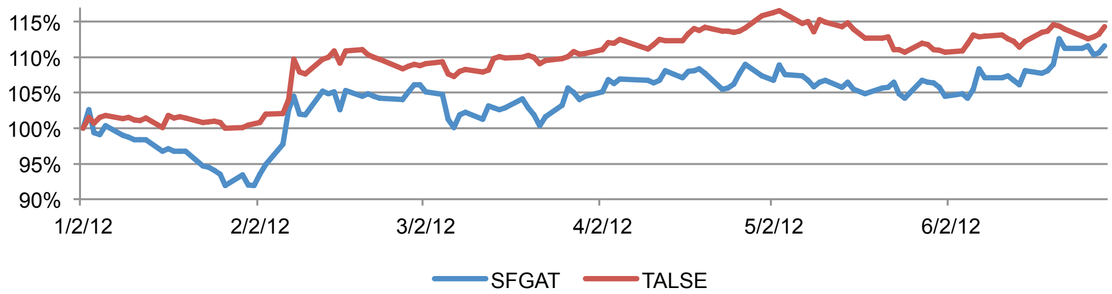
As of 31 December 2011 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

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%**

Share price development and turnover on the Tallinn Stock Exchange during 6 months 2012 (EUR)

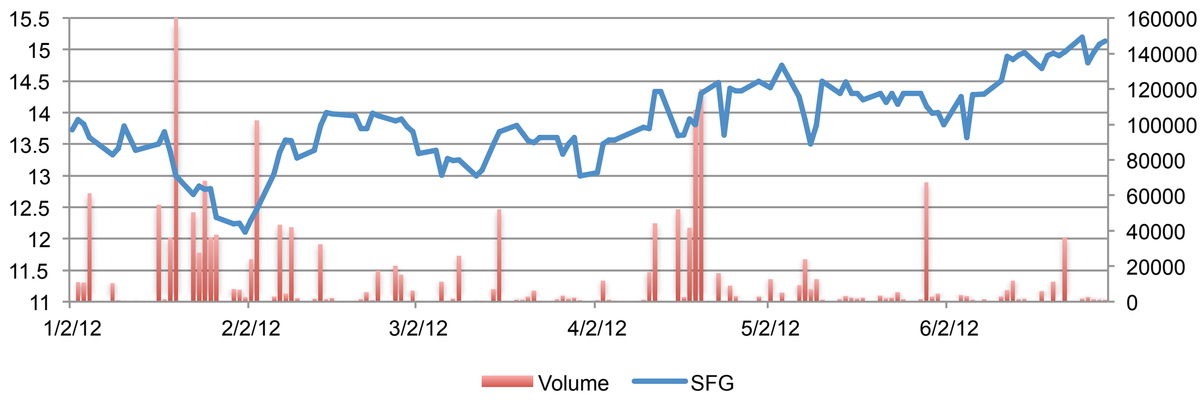
During 6 months 2012 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 3.50 EUR and 2.83 EUR, respectively.

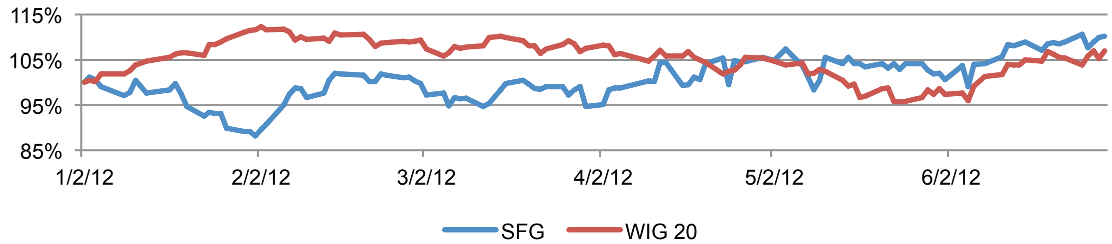




Share price development on the Warsaw Stock Exchange during 6 months 2012 (PLN)

During 6 months 2012, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 15.50 PLN and 12.00 PLN respectively.





Declaration of the Management Board

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q2 and 6 months 2012 (hereinafter "the Interim Report").

Members of the Management Board confirm that according to their best knowledge the Interim Report gives a true and fair view of financial position of the Group, its financial performance and its cash flows in accordance with International Financial Reporting Standards, as adopted by EU, and IAS 34 "Interim Financial Reporting".

Furthermore, Members of the Management Board confirm that in their opinion the Interim Report provides a fair review of significant developments in the Group's activities that occurred during the reporting period and their impact and describes significant risks and uncertainties that may affect the Group during future reporting periods.

The Interim Report has not been audited or otherwise reviewed by the auditors.

Märt Meerits
Member of the Management Board
24 August 2012

Aleksei Kadõrko
Member of the Management Board
24 August 2012

W. Alexander Frisenberg
Member of the Management Board
24 August 2012

Consolidated Statement of Financial Position

in thousands of EUR	Note	30.06.2012	31.12.2011
ASSETS			
Current assets			
Cash and bank		21 858	17 967
Prepayments		349	251
Trade and other receivables	2	19 833	12 115
Inventories	3	23 807	21 548
Total current assets		**65 847**	**51 881**
Non-current assets			
Long-term receivables		3	14
Investment in associates		254	127
Other investments		483	424
Deferred tax asset		190	236
Intangible assets		235	170
Investment property		1 609	1 430
Property, plant and equipment	4	15 465	14 203
Total non-current assets		**18 239**	**16 604**
TOTAL ASSETS		**84 086**	**68 485**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings		33	20
Trade on other payables	5	21 615	10 391
Tax liabilities		2 016	4 001
Total current liabilities		**23 664**	**14 412**
Non-current liabilities			
Deferred tax liability		2 767	1 921
Total non-current liabilities		**2 767**	**1 921**
Total liabilities		**26 431**	**16 333**
Equity			
Share capital	6	15 800	15 800
Share premium		14 070	14 070
Treasury shares	6	-308	-308
Statutory reserve capital		1 306	231
Other reserves		0	63
Unrealised exchange rate differences		72	72
Retained earnings		15 409	12 536
Total equity attributable to equity holders of the Parent company		**46 349**	**42 464**
Non-controlling interest in equity		11 306	9 688
Total equity		**57 655**	**52 152**
TOTAL EQUITY AND LIABILITIES		**84 086**	**68 485**

Consolidated Income Statement

in thousands of EUR	Note	Q2 2012	Q2 2011	6m 2012	6m 2011
Revenue	8	36 413	30 739	65 501	56 194
Cost of goods sold		-23 103	-14 149	-40 062	-29 057
Gross Profit		**13 310**	**16 590**	**25 439**	**27 137**
Distribution expenses		-3 802	-2 768	-6 947	-5 608
Administrative expenses		-2 251	-1 313	-4 020	-3 001
Other operating income		207	90	559	403
Other operating expenses		-65	-451	-788	-1 164
Operating profit		**7 399**	**12 148**	**14 243**	**17 767**
Currency exchange income/(expense)		-852	12 658	-466	14 288
Other finance income/(expenses)		126	240	312	487
Net financial income		**-726**	**12 898**	**-154**	**14 775**
Profit from associates using equity method		119	-3	122	14
Profit before tax		**6 792**	**25 043**	**14 211**	**32 556**
Income tax expense		-1 843	-6 043	-3 208	-7 265
Profit before gain/(loss) on net monetary position		**4 949**	**19 000**	**11 003**	**25 291**
Gain on net monetary position		-107	0	-29	0
Profit for the period		**4 842**	**19 000**	**10 974**	**25 291**
Attributable to :					
Equity holders of the Parent company		4 328	15 634	9 661	20 723
Non-controlling interest		514	3 366	1 313	4 568
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.11	0.40	0.25	0.53

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	Q2 2012	Q2 2011	6m 2012	6m 2011
Profit for the period		**4 842**	**19 000**	**10 974**	**25 291**
Exchange rate differences attributable to foreign companies		11	-23 885	98	-27 645
Total comprehensive income for the period		**4 853**	**-4 885**	**11 072**	**-2 354**
Attributable to :					
Equity holders of the Parent company		4 328	-4 542	9 661	-2 574
Non-controlling interest		525	-343	1 411	220

Consolidated Statement of Cash Flows

In thousands of EUR	**6m 2012**	**6m 2011**
Cash flow from operating activities		
Profit for the period	**10 974**	**25 291**
Adjustments for:		
Depreciation and amortization of non-current assets	1 181	766
Share of profit of equity accounted investees	-122	-14
(Gains)/ losses on the sale of property, plant and equipment	-25	-18
Net finance income / costs	154	-14 775
Loss on net monetary position	29	0
Income tax expense	3 208	7 265
Change in inventories	-1 713	-4 767
Change in trade and other receivables	-7 598	1 753
Change in trade and other payables	1 449	2 589
Interest paid	-7	-11
Income tax paid	-5 208	-2 177
Net cash from operating activities	**2 323**	**15 902**
Cash flow from investing activities		
Interest received	353	602
Dividends received	0	15
Proceeds from sale of property, plant and equipment	81	26
Loans granted	0	-148
Proceeds from repayments of loans granted	48	40
Acquisition of property, plant and equipment	-535	-2 089
Acquisition of intangible assets	-133	-67
Acquisition of shares by subsidiary	0	-135
Net cash used in/from investing activities	**-185**	**-1 756**
Cash flow from financing activities		
Proceeds from borrowings	151	724
Repayment of borrowings	-142	-654
Repayment of finance lease	0	-4
Dividends paid	-850	-108
Acquisition of own shares	0	-274
Reduction of share capital	0	-5 526
Net cash used in/ from financing activities	**-841**	**-5 842**
Increase in cash and cash equivalents	**1 297**	**8 304**
Cash and cash equivalents at the beginning of period	**17 967**	**21 468**
Effect of Hyperinflation	2 551	0
Effect of exchange rate fluctuations on cash	44	-9 146
Cash and cash equivalents at the end of period	**21 858**	**20 626**

Consolidated Statement of Changes in Equity

in thousands of EUR	Share Capital	Share Premium	Treasury shares	Statutory reserve capital	Other reserves	Unrealised exchange rate differences	Retained earnings	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
Balance as at 31 December 2010	**25 313**	**14 130**	**-311**	**67**	**453**	**-11 587**	**13 977**	**42 042**	**10 974**	**53 016**
Profit for the period	0	0	0	0	0	0	20 723	20 723	4 568	**25 291**
Other comprehensive income for the period	0	0	0	0	0	-23 297		-23 297	-4 348	**-27 645**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**-23 297**	**20 723**	**-2 574**	**220**	**-2 354**
Transactions with owners, recognised directly in equity										
Increase in statutory reserve capital	0	0	0	164	0	0	-164	**0**	0	**0**
Acquisition of treasury shares	0	0	-274	0	0	0	0	**-274**	0	**-274**
Cancellation of treasury shares	-68	-39	309	0	0	0	-202	**0**	0	**0**
Decrease of share capital	-5 495	-31	0	0	0	0		**-5 526**	0	**-5 526**
Dividends paid	0	0	0	0	0	0	-1 970	**-1 970**	-108	**-2 078**
Acquisition of treasury shares of a subsidiary	0	0	0		287	0	0	**287**	-422	**-135**
Cancellation of treasury shares of a subsidiary	0	0	0	0	-650	0	926	**276**	-276	**0**
Total transactions with owners, recognised directly in equity	**-5 563**	**-70**	**35**	**164**	**-363**	**0**	**-1 410**	**-7 207**	**-806**	**-8 013**
Balance as at 30 June 2011	**19 750**	**14 060**	**-276**	**231**	**90**	**-34 884**	**33 290**	**32 261**	**10 388**	**42 649**
Balance as at 31 December 2011	**15 800**	**14 070**	**-308**	**231**	**63**	**72**	**12 536**	**42 464**	**9 688**	**52 152**
Effect of hyperinflation on opening balances	0	0	0	0	0	0	4 162	**4 162**	1 057	**5 219**
Profit for the period	0	0	0	0	0	0	9 661	**9 661**	1 313	**10 974**
Other comprehensive income for the period	0	0	0	0	0	0	0	**0**	98	**98**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**0**	**9 661**	**9 661**	**1 411**	**11 072**
Transactions with owners, recognised directly in equity										
Increase in statutory reserve capital	0	0	0	1 075	0	0	-1 075	**0**	0	0
Dividends paid	0	0	0	0	0	0	0	**0**	-850	**-850**
Dividends declared	0	0	0	0	0	0	-9 875	**-9 875**	0	**-9 875**
Change in non-controlling interest	0	0	0	0	-63	0	63	**0**	0	**0**
Total transactions with owners, recognised directly in equity	**0**	**0**	**0**	**1 075**	**-63**	**0**	**-10 950**	**-9 938**	**-850**	**-10 788**
Balance as at 30 June 2012	**15 800**	**14 070**	**-308**	**1 306**	**0**	**72**	**15 409**	**46 349**	**11 306**	**57 655**

Notes to the Interim Report

Note 1 Summary of significant accounting policies

AS Silvano Fashion Group is a company registered in Estonia. This Interim Report of the Group is prepared for the reporting period ended 30 June 2012 and comprises parent company and its subsidiaries.

The principal accounting policies applied in the preparation of this Interim Report are set out below. The policies have been consistently applied to all the years presented unless otherwise stated.

The Interim Report has not been audited or reviewed by external auditors.

Basis for preparation

This Interim Report of AS Silvano Fashion Group for 6 months ended on 30 June 2012 has been prepared in accordance with IAS 34 "Interim financial reporting" as adopted by the European Union. The Interim Report should be read in conjunction with the Annual Report for the financial year ended on 31 December 2011, which have been prepared in accordance with IFRS as adopted by the European Union.

Accounting policies applied are consistent with those of the Annual Report for the financial year ended on 31 December 2011, as described in respective Annual Report. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

This Interim Report is comprised in thousands of Euros (EUR).

The Group's performance is not significantly affected by any seasonal or cyclical factors. Nevertheless revenue during vacation periods and holidays in CIS countries is usually higher compared to other periods.

New standards and interpretations

The following new standards, interpretations and amendments to the existing standards became effective for the Group from 1 January 2012. These have not significantly affected the interim financial statements of the Group.

- Recovery of underlying assets - Amendment to IAS 12. The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.

The Group has not early adopted any of the new standards and interpretations effective for its annual periods beginning on or after 1 January 2013. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.
- Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012, not yet adopted by the EU), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.
- IFRS 10, Consolidated financial statements (effective for annual periods beginning on or after 1 January 2013, not endorsed by the EU yet), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.
- IFRS 11, Joint arrangements,(effective for annual periods beginning on or after 1 January 2013, not endorsed by the EU yet), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of "types" of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.
- IFRS 12, Disclosure of interest in other entities, (effective for annual periods beginning on or after 1 January 2013, not endorsed by the EU yet), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity; it replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires

disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.
- IFRS 13, Fair value measurement, (effective for annual periods beginning on or after 1 January 2013, not endorsed by the EU yet), aims to improve consistency and reduce complexity by providing a precise definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.
There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have material impact on the Group.

Note 2 Trade and other receivables

in thousands of EUR	**30.06.12**	**31.12.11**
Trade receivables from third parties	14 109	7 710
Trade receivables from related parties	3 556	2 320
Impairment of receivables	-519	-566
Tax prepayments	1 861	2 388
Other receivables	826	263
Total	**19 833**	**12 115**

The fair values of trade and other receivables are not materially different from the carrying values based on the expected discounted cash flows. All non-current receivables are due within more than one year from reporting date.

Note 3 Inventories

in thousands of EUR	**30.06.12**	**31.12.11**
Raw and other materials	6 412	6 334
Work in progress	2 963	3 040
Finished goods	14 052	11 676
Other inventories	380	498
Total	**23 807**	**21 548**

Note 4 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
31.12.2010					
Cost	5 288	13 467	3 516	309	**22 580**
Accumulated depreciation	-1 323	-7 944	-1 867	0	**-11 134**
Net book amount	**3 965**	**5 523**	**1 649**	**309**	**11 446**
Movements during 6m 2011					
Additions	0	6	35	2 048	**2 089**
Disposals	0	-1	-7	0	**-8**
Reclassifications between groups	0	1 183	224	-1 407	**0**
Depreciation	-66	-420	-216	0	**-702**
Unrealised exchange rate differences	-1 743	-2 668	-625	-342	**-5 378**
Closing net book amount	**2 156**	**3 623**	**1 060**	**608**	**7 447**
30.06.2011					
Cost	2 601	8 419	2 341	608	**13 969**
Accumulated depreciation	445				
Net book amount					
31.12.2011					
Cost	6 516	18 207	4 179	302	**29 204**
Accumulated depreciation	-1 970	-10 556	-2 475	0	**-15 001**
Net book amount	**4 546**	**7 651**	**1 704**	**302**	**14 203**
Movements during 6m 2012					
Effect of hyperinflation on opening balances	493	825	156	10	**1 483**
Additions	0	38	33	464	**535**
Disposals	0	-2	-45	-4	**-51**
Reclassifications between groups	32	350	226	-608	**0**
Depreciation	-103	-753	-243	0	**-1 099**
Unrealised exchange rate differences	145	240	-1	9	**393**
Closing net book amount	**5 112**	**8 349**	**1 830**	**174**	**15 465**
30.06.2012					
Cost	7 459	20 818	4 826	174	**33 277**
Accumulated depreciation	-2 347	-12 469	-2 996	0	**-17 812**
Net book amount	**5 112**	**8 349**	**1 830**	**174**	**15 465**

The Group didn’t have any binding commitments to purchase property plant and equipment as of 30 June 2012.

Note 5 Trade and other payables

in thousands of EUR	**30.06.12**	**31.12.11**
Trade payables	7 852	7 427
Accrued expenses	1 743	1 506
Provisions	926	459
Other payables	11 094	999
Total	**21 615**	**10 391**

Fair values of trade and other payables are not materially different from book values due to short maturities.

Other payables as at 30.06.12 contain dividends payable to shareholders of the Parent company in the amount of 9 875 thousand EUR.

Note 6 Equity

Shares

As of 30 June 2012 registered share capital of AS Silvano Fashion Group amounted to 15 800 thousand EUR divided into 39 500 000 shares with a nominal value of 0.40 EUR each. All shares of AS Silvano Fashion Group are ordinary shares and all are registered. Each ordinary share gives a shareholder one vote in General Meeting of Shareholders. 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.

As of 30 June 2012 the amount of shares bought back was 107 106 and average price paid per share was 2.78 EUR, the cost in total was 370 911 EUR. On 30 June 2012 the Annual General Meeting of Shareholders adopted a decision to cancel 100 000 shares bought back by the parent company, effectively reducing the number of outstanding shares to 39 400 000. The cancellation of shares will be registered with Estonian commercial registrar during 3Q 2012 and respective change in reporting will be applied from Q3 2012.

On 30 June 2012 the Annual General Meeting of Shareholders adopted a decision to pay out dividends in amount of 0.25 EUR per outstanding share. Total amount of dividends was 9 850 thousand EUR. Dividends were paid out to shareholders in full on 16 July 2012.

As of 30 June 2012 AS Silvano Fashion Group had 1 978 shareholders (as of 31 December 2011: 1 893 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for 6 months 2012 (6 months 2011) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	**6m 2012**	**6m 2011**
Number of ordinary shares at the beginning of the period	39 500	39 607
Effect of own shares held at the beginning of the period	-107	-134
Number of ordinary shares at the end of the period	39 500	39 607
Effect of own shares held at the end of the period	-107	-134
Weighted average number of ordinary shares for the period	**39 393**	**39 473**

In thousands of EUR	**6m 2012**	**6m 2011**
Profit for the period attributable to equity holders of the Parent company	9 661	20 723
Basic earnings per share (EUR)	0.25	0.53
Diluted earnings per share (EUR)	0.25	0.53

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 8 Revenue

in thousands of EUR	6m 2012	6m 2011
Revenue from wholesale	55 332	47 679
Revenue from retail	9 966	8 308
Subcontracting and services	150	130
Other sales	53	77
Total	**65 501**	**56 194**

Note 9 Transactions with related parties

The following parties are considered to be related;

a) Shareholders owning, directly or indirectly, a voting power in the parent company or its subsidiaries that gives them significant influence over the parent company or its subsidiaries.
b) Associates - enterprises in which parent company or its subsidiaries have significant influence and which are neither subsidiaries nor joint ventures of the investor;
c) Members of the Management Board and Supervisory Boards of parent company and its subsidiaries and their immediate family members.

The Group's owners are legal and physical persons and no sole shareholder has control over the Group's activities.

Sales of goods and services

in thousands of EUR	6m 2012	6m 2011
Associates	7 331	6 692
Total	**7 331**	**6 692**

Balances with related parties

in thousands of EUR	30.06.12	31.12.11
Trade receivables from associates	3 556	2 320
Total	**3 556**	**2 320**

Benefits to key management of the Group

in thousands of EUR	6m 2012	6m 2011
Remunerations and benefits	182	56
Total	**182**	**56**

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

Note 10 Operating segments

The Group`s segments have been determined based on regular reports currently being monitored and analysed by Management and Supervisory Boards of the parent company. Primary measures monitored are segment revenues, segment EBITDA (which is defined as profit before depreciation, amortisation, net financial income, income tax expense and gain on net monetary position) and segment net profit. The Group has retail operations in Latvia and Belarus. The Group's manufacturing facilities are located also in Latvia and Belarus. Revenues based on geographical areas are also presented below in the current note. Management estimates that intersegment transactions have been done on arm-length basis.

Operating segments 6m 2012

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	**9 966**	**55 332**	**65 298**	**203**	**0**	**65 501**
Intersegment revenues	0	6 976	6 976	598	-7 575	**0**
EBITDA	**1 595**	**13 939**	**15 534**	**-110**	**0**	**15 424**
Amortization and depreciation	-135	-1 005	**-1 140**	-41	0	**-1 181**
Operating income, EBIT	**1 459**	**12 935**	**14 394**	**-151**	**0**	**14 243**
Profit from associates using equity method	0	122	**122**	0	0	**122**
Net financial income	-6	-130	**-136**	-18	0	**-154**
Income tax	-151	-3 048	**-3 199**	-9	0	**-3 208**
Gain on net monetary position	-413	384	**-29**	0	0	**-29**
Net profit	**889**	**10 263**	**11 152**	**-178**	**0**	**10 974**
Investments in associates	0	254	**254**	0	0	**254**
Other operating segments assets	5 798	44 704	**50 502**	33 330	0	**83 832**
Reportable segments liabilities	2 106	12 972	**15 078**	11 353	0	**26 431**
Capital expenditures	92	443	**535**	0	0	**535**
Number of employees as of reporting date	464	2 859	**3 323**	9		**3 332**

Operating segments 6m 2011

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

Revenue and non-current assets breakdown by geographical areas

Revenues in the table below are based on the geographical location of customers, segment assets are based on the geographical location of the assets.

in thousands of EUR	Sales revenue 6m 2012	Sales revenue 6m 2011	Non-current assets 30.06.2012	Non-current assets 31.12.2011
Russia	39 813	34 738	123	233
Belarus	15 516	13 203	17 565	15 933
Ukraine	4 015	3 521	147	0
Baltics	1 825	1 798	404	438
Other countries	4 332	2 934	0	0
Total	**65 501**	**56 194**	**18 239**	**16 604**