

A woman with dark hair, wearing a large, wide-brimmed straw hat and a black lace bikini, is kneeling on a sandy beach. She is smiling and looking towards the camera. Her right hand is resting on her knee, and her left hand is resting on the brim of her hat. The background shows a clear blue sky and some greenery on the right side.

CONSOLIDATED INTERIM REPORT
FOR Q4 AND 12 MONTHS 2012

Silvano Fashion Group

AS Silvano Fashion Group

Consolidated Interim Financial Report for Q4 and 12 months of 2012 (unaudited)

(translation of the Estonian original)*

Beginning of the reporting period	1 January 2012
End of the reporting period	31 December 2012
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 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. 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, other CIS countries 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 Tulika 15/17, 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 December 2012, the Group employed 3 211 people (as of 31 December 2011: 3 300 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 31.12.2012	Ownership interest 31.12.2011
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities owned by Silvano Fashion Group				
SP ZAO Milavitsa	Belarus	Manufacturing and wholesale	81.12%	80.92%
AS Lauma Lingerie	Latvia	Manufacturing, wholesale and retail	100%	100%
ZAO Linret	Russia	Wholesale	100%	100%
France Style Lingerie S.a.r.l.	France	Holding	100%	100%
OÜ Linret EST	Estonia	Holding	100%	100%
OOO Torgovaja Kompanija “Milavitsa”	Ukraine	Wholesale	100%	26%
ZAO Stolichnaja Torgovaja Kompanija “Milavitsa”	Russia	Wholesale	50%	50%
SOOO Torgovaja Kompanija “Milavitsa”	Belarus	Retail and wholesale	50%	50%
Milavitsa-logistik OOO	Belarus	Logistics	50%	50%
Entities owned by Milavitsa				
OAO Yunona	Belarus	Manufacturing and wholesale	58.33%	58.33%
ChP Gimil	Belarus	Manufacturing and wholesale	100%	52%
ZAO Stolichnaja Torgovaja Kompanija “Milavitsa”	Russia	Wholesale	50%	50%
SOOO Torgovaja Kompanija “Milavitsa”	Belarus	Retail and wholesale	50%	50%
Milavitsa-logistik OOO	Belarus	Logistics	50%	50%

Selected Financial Indicators

Summarized selected financial indicators of the Group for 12m 2012 compared to 12m 2011 and 31.12.2012 compared to 31.12.2011 were as follows:

in thousands of EUR	12m 2012	12m 2011	Change
Revenue	123 519	103 558	19.3%
EBITDA	22 130	29 840	-25.8%
Net profit for the period	16 093	25 629	-37.2%
Net profit attributable equity holders of the Parent company	14 151	21 501	-34.2%
Earnings per share (EUR)	0.36	0.55	-34.7%
Operating cash flow for the period	4 907	28 080	-82.5%

in thousands of EUR	31.12.2012	31.12.2011	Change
Total assets	75 841	68 485	10.7%
Total current assets	55 847	51 881	7.6%
Total equity attributable to equity holders of the Parent company	51 400	42 464	21.0%
Loans and borrowings	47	20	135.0%
Cash and cash equivalents	16 260	17 967	-9.5%

Margin analysis, %	12m 2012	12m 2011	Change
Gross profit	34.2	44.8	-23.6%
EBITDA	17.9	28.8	-37.8%
Net profit	13.0	24.7	-47.4%
Net profit attributable equity holders of the Parent company	11.5	20.8	-44.8%

Financial ratios, %	31.12.2012	31.12.2011	Change
ROA	18.3	32.2	-43.3%
ROE	28.8	50.9	-43.4%
Price to earnings ratio (P/E)	7.6	5.5	38.7%
Current ratio	4.6	3.6	26.9%
Quick ratio	2.6	2.1	21.7%

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

General economic sentiment in the core markets of Silvano Fashion Group remained unchanged for the last quarter of the year. Though these markets are not isolated from the global, macroeconomic environment, the trend in consumers' spending has remained stable. There are signs of cost inflation that may, in the near future, somewhat hinder the consumption patterns, yet these changes have, if any, a modest influence on our sales volumes in 2013.

On the store openings, Q4 2012 the net increase (including openings and store closures primarily due to relocation) for Milavitsa stores was 25 units and 4 units under the Lauma Lingerie brand. The Group therefore operated directly and via franchise a total of 584 stores by the end of 2012, net increase of 87 stores during 2012. This tempo of openings corresponds to net store openings for 2011 (85 units), and primarily serves for the stable growth of sales through own and franchise networks as opposed to less predictable wholesale component. Total geography of our franchise partners now covers more than 20 countries, including Milavitsa and Lauma Lingerie branded stores.

Acquisition of Ukrainian trading company in Q4 2012 (previously 74% not owned by the Group) does not facilitate immediate improvement of the Group's EBITDA, but it is expected to increase the control over the sales channels and the development of the franchise network of both Milavitsa and Lauma stores in Ukraine.

The last quarter of 2012 for the Group was the period of building up the stocks in order to meet the demand in our core markets during first half of 2013. Combined with the seasonally lower sales, its primary effect lies in the increased inventories that tie up cash at least until the end of the Q1 2013. Nevertheless, due to the expected increasing business volumes this pattern is unavoidable for Group's production companies in Latvia and Belarus.

Russia, our core market in terms of total sales and total number of stores (348 stores in total), showed 75 138 thousand EUR in sales for 2012 compared to 66 283 thousand in 2011. By the data of Ministry of Economy the Russia's GDP advanced by 2.2% during the last quarter of 2012, up by 3.5% in 2012. The International Monetary Fund estimates growth rates slightly below 4% mark also for 2013 and 2014.

In Belarus, our number 2 market, the annual GDP growth remains slightly below the modest 2% whilst the Q4 was affected by smaller volume in construction and trade. Nevertheless, production volumes are rising, thus indicating favourable environment also for the Group for 2013. The preliminary CPI indicator (affecting the hyperinflationary accounting) amounted to 21.5% for the whole year. 2012 hyperinflation adjusted sales in Belarus totalled 31 494 thousand EUR compared to 23 702 thousand EUR in 2011.

The reflection of the Ukrainian economy by the State Statistics Service showed real GDP decrease by 2.7% in Q4 2012 compared to year earlier, resulting a modest 0.2% increase in GDP for 2012. EBRD has lowered its forecast for GDP growth to 1% from the previous 2.5%. Ukrainian sales totalled 6 357 thousand EUR for 2012 compared to 5 353 thousand in 2011.

Baltic economies continue performing well. Estonia's preliminary GDP guidance is 3.7% in the Q4 2012. Latvia's GDP continues buoyant and reached 5.1% in Q4 2012, the early guidance for 2012 GDP figure stands at 5.7%. Lithuania's preliminary GDP growth indication is 3.1% for Q4 2012 and 3.4% for the whole year. Our sales in the region totalled 3 172 thousand EUR in 2012, compared to 3 063 thousand EUR in 2011.

Financial performance

Positive effect of the devaluation on the cost side has been levelled out by increased expenses for labour, outsourcing, utilities and to some extent materials sourced from Belarus. But main impact on reported results is coming from hyperinflationary accounting, which requires us to apply certain accounting methods that have negative influence on Group's financial results and margins in 2012. Mainly this is due to the fact that Group's major part of production expenses is generated in Belarus and Group has to hyperinflate them according to IAS 29 (12 m 2012 inflation rate in Belarus was more than 21%). But on the other hand Group's sales in Russia are conducted via its subsidiaries and are not hyperinflated.

The Group's sales amounted to 123 519 thousand EUR during 12 months 2012, representing a 19% increase as compared to the same period of previous year. Overall, wholesales increased by 17% and retail sales – by 32%.

The Group's reported gross profit margin during 12 months 2012 decreased and was 34.2% (adjusted for hyperinflation accounting), as compared to 44.8% in the respective period of previous year. Consolidated operating profit for 12 months 2012 amounted to 19 522 thousand EUR, compared to 27 885 thousand EUR in 12 months 2011. The consolidated operating profit margin was 16% (27% in 12 months 2011). Consolidated net financial income amounted to 1 060 thousand EUR in 12 months 2012, respective amount in 12 months 2011 was 18 330 thousand EUR.

Effective tax rate for 12 months 2012 amounted to 27,6% (26% in 12 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 12 months 2011. This is due to the following facts: the Group fully utilized accumulated tax losses in

one of Russian subsidiaries, the Parent company collected dividends from its subsidiary SP ZAO Milavitsa, application of hyperinflation adjustments to financial statements.

Consolidated net profit attributable to equity holders of the Parent company amounted to 14 151 thousand EUR in 12 months 2012, compared to 21 501 thousand EUR in 12 months 2011; net profit margin attributable to equity holders of the Parent company was 11.5% against 20.8% in 12 months 2011.

Financial position

As of 31 December 2012 consolidated assets amounted to 75 841 thousand EUR representing an increase of 10.7% as compared to the position as of 31 December 2011.

Property, plant and equipment balances increased by 2 838 thousand EUR as compared to 31 December 2011 key reasons being the hyperinflation effect on opening balance and investments into new logistics centre in Belarus.

Trade and other receivables increased by 2 631 thousand EUR as compared to 31 December 2011 and amounted to 14 746 thousand EUR as of 31 December 2012. Inventory balance increased by 3 050 thousand EUR and amounted to 24 598 thousand EUR as of 31 December 2012. Changes in trade debtors and stock balance were 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 4 769 thousand EUR as of 31 December 2012. On the overall basis, equity attributable to equity holders of the Parent company increased by 8 938 thousand EUR and amounted to 51 400 thousand EUR as of 31 December 2012.

Current liabilities decreased by 2 186 thousand EUR in 12 months 2012. Current and non-current loans and borrowings increased by 27 thousand EUR to 47 thousand EUR (attributable only to OAO Yunona) as of 31 December 2012.

Sales structure

Sales by markets

in thousands of EUR	12m 2012	12m 2011	Change	12m 2012 % from sales	12m 2011 % from sales
Russia	75 138	66 283	8 855	60.8%	64.0%
Belarus	31 494	23 702	7 792	25.5%	22.9%
Ukraine	6 357	5 353	1 004	5.1%	5.2%
Baltics	3 172	3 063	109	2.6%	3.0%
Other markets	7 358	5 157	2 201	6.0%	5.0%
Total	123 519	103 558	19 961	100.0%	100.0%

Sales in the major markets demonstrated a positive trend in terms of monetary revenue and pieces sold in 12 months 2012 as compared to the respective period in 2011.

The majority of lingerie sales revenue during 12 months 2012 in the amount of 75 138 thousand EUR was generated in Russia, accounting for 60.8% of total sales during 12 months 2012. The second largest market was Belarus, where sales reached 31 494 thousand EUR, contributing 25.5% of lingerie sales (both retail and wholesale) as compared to 23 702 thousand EUR in 12 months 2011. Out of the 7 358 thousand EUR sales in the other markets major part is attributed to Kazakhstan and Moldova.

Sales by business segments

in thousands of EUR	12m 2012	12m 2011	Change	12m 2012 % from sales	12m 2011 % from sales
Wholesale	102 862	88 006	14 856	83.3%	85.0%
Retail	20 167	15 226	4 941	16.3%	14.7%
Other operations	490	326	164	0.4%	0.3%
Total	123 519	103 558	19 961	100.0%	100.0%

During 12 months 2012, wholesale revenue amounted to 102 862 thousand EUR, representing 83.3% of the Group's total revenue (12 months 2011: 85%). The main wholesale regions were Russia, Ukraine, Belarus, Kazakhstan, Moldova and the Baltic States.

Total lingerie retail sales of the Group in 12 months 2012 amounted to 20 167 thousand EUR, representing a 19% increase as compared to the previous year. Certain part of the growth is attributable to inflationary environment in Belarus, however growth of sales measured in units totalled approximately 18% for 12 months 2012 over the same period last year.

As of 31 December 2012 there were altogether 584 Milavitsa and Lauma branded shops. Own retail operations were conducted in Belarus and Latvia. As of the end of 12 months 2012 the Group operated 58 own retail outlets (net increase of 2 stores in Q4 2012) with a total area of 5 015 square meters. As of 31 December 2012, there were 497 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Ukraine, Moldova, Kazakhstan, Uzbekistan, Kyrgyzstan, Latvia, Azerbaijan, Armenia, Germany, South Africa, Lithuania, Estonia, Georgia, United Arab Emirates, Iran, Slovenia, Belgium and Italy, resulting in net increase of 26 shops in Q4 2012, and increase by 76 shops compared to the end of Q4 2011. Additionally, as of 31 December 2012, there were 30 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Lithuania, Latvia, Estonia, Belarus and Albania. For Lauma Lingerie, the Group expects further openings in Russia in the near future.

Production

Total volume of production of the Group amounted to 23.8 million pieces during 12 months 2012, representing a 2% increase as compared to respective period in the previous year.

Investments

During 12 months 2012 the Group's investments totalled 2 971 thousand EUR with investments into retail amounting to 298 thousand EUR. Other investments were made into equipment and facilities to maintain effective production and to add capacity for production and logistics for future periods.

Personnel

As of 31 December 2012, the Group employed 3 211 employees including 392 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes in 12 months 2012 amounted to 22 547 thousand EUR. The remuneration of key management of the Group totalled 654 thousand EUR.

Decisions made by governing bodies during 12 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.

As of 12 November 2012, the supervisory board of Silvano Fashion Group released Mr. Alexander Frisenberg from the duties of the board member based on the mutual consent. The same supervisory board meeting appointed Mr. Toomas Tool as the new Chairman of the supervisory board (effective from November 15, 2012).

In December 2012, Silvano Fashion Group was given a green light by the Antimonopoly Committee of Ukraine to acquire the remaining 74% of the shares in the Trading Company "Milavitsa", Ukraine, it did not own yet. Consequently, Silvano Fashion Group owns 100% of the shares in the trading company as of end of the financial year.

Shares of AS Silvano Fashion Group

As of 31 December 2012 registered share capital of AS Silvano Fashion Group amounted to 15 760 thousand EUR divided into 39 400 000 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 31 December 2012 AS Silvano Fashion Group had 2 119 shareholders (as of 31 December 2011- 1 893 shareholders).

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

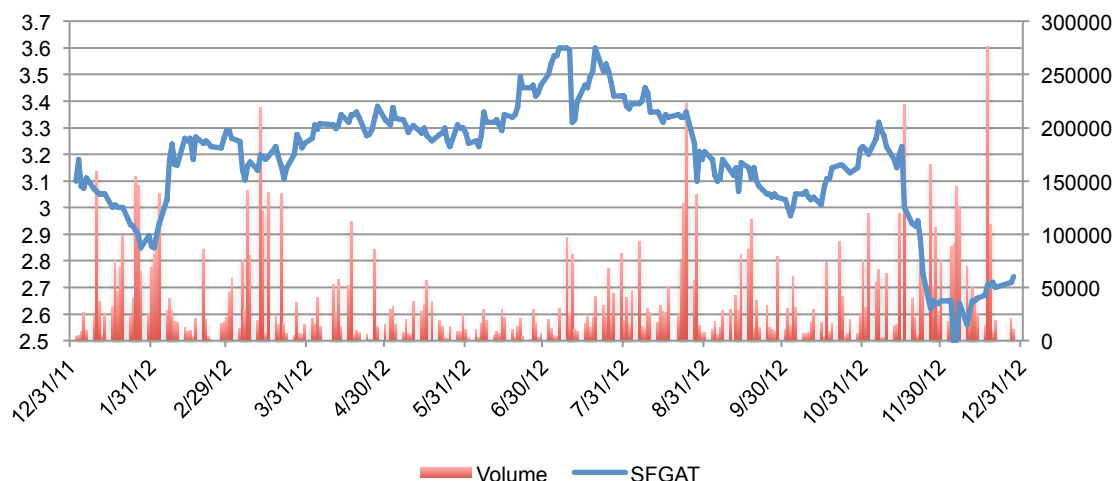
Name	Number of shares	Shareholding
Major shareholders	22 582 612	57.32%
TOOMAS TOOL	8 000 000	20.30%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8 000 000	20.30%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	6 582 612	16.71%
Other shareholders	16 817 388	42.68%
Total number of shares	39 400 000	100.00%

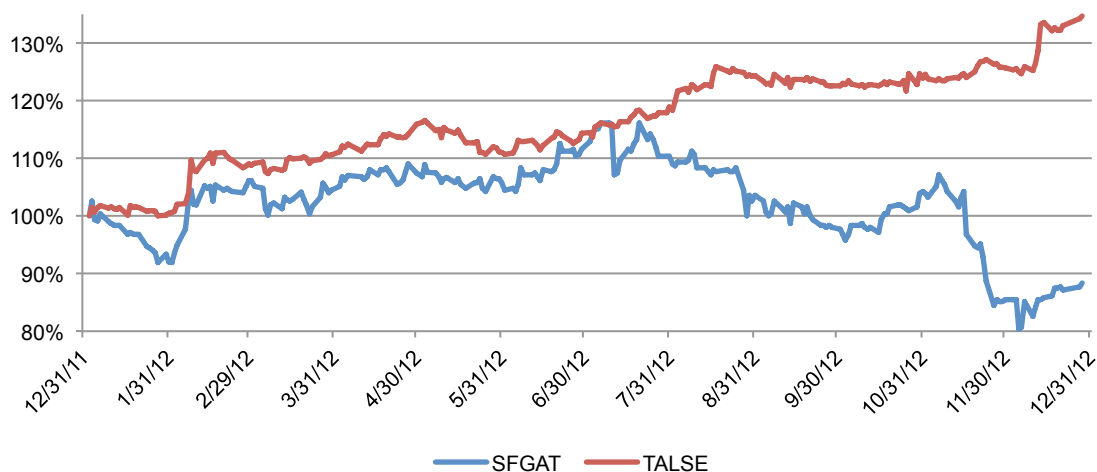
As of 31 December 2011 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
Major shareholders	25 446 045	64.42%
TOOMAS TOOL	9 000 000	22.78%
KRAJOWY DEPOZYT PAPIEROW 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%

Share price development and turnover on the Tallinn Stock Exchange during 12 months 2012 (EUR)

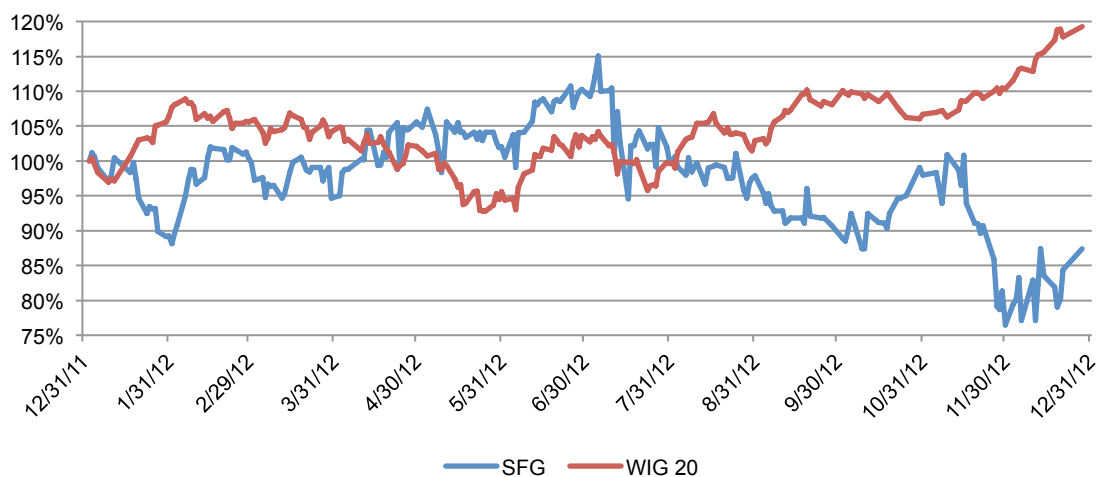
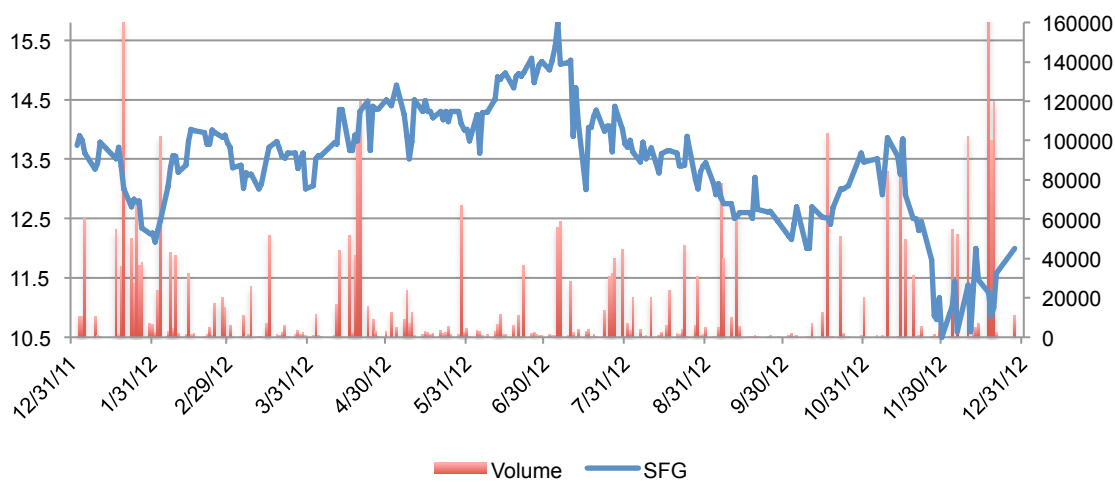
During 12 months 2012 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 3.65 EUR and 2.36 EUR, respectively.





Share price development on the Warsaw Stock Exchange during 12 months 2012 (PLN)

During 12 months 2012, the highest and lowest prices of the AS Silvano Fashion Group' share on the Warsaw Stock Exchange were 15.85 PLN and 10.00 PLN respectively.



Declaration of the Management Board

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q4 and 12 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
25 February 2013



Aleksei Kadõrko
Member of the Management Board
25 February 2013

Consolidated Statement of Financial Position

in thousands of EUR	Note	31.12.2012	31.12.2011
ASSETS			
Current assets			
Cash and bank		16 260	17 967
Prepayments		243	251
Trade and other receivables	2	14 746	12 115
Inventories	3	24 598	21 548
Total current assets		55 847	51 881
Non-current assets			
Long-term receivables		1	14
Investment in associates		168	127
Available-for-sale investments		492	424
Deferred tax asset		231	236
Intangible assets		443	170
Investment property		1 618	1 430
Property, plant and equipment	4	17 041	14 203
Total non-current assets		19 994	16 604
TOTAL ASSETS		75 841	68 485
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings		47	20
Trade on other payables	5	11 171	10 391
Tax liabilities		1 008	4 001
Total current liabilities		12 226	14 412
Non-current liabilities			
Deferred tax liability		2 162	1 921
Total non-current liabilities		2 162	1 921
Total liabilities		14 388	16 333
Equity			
Share capital	6	15 765	15 800
Share premium		13 822	14 070
Treasury shares	6	-20	-308
Statutory reserve capital		1 306	231
Other reserves		0	63
Unrealised exchange rate differences		14	72
Retained earnings		20 513	12 536
Total equity attributable to equity holders of the Parent company		51 400	42 464
Non-controlling interest in equity		10 053	9 688
Total equity		61 453	52 152
TOTAL EQUITY AND LIABILITIES		75 841	68 485

Consolidated Income Statement

in thousands of EUR	Note	Q4 2012	Q4 2011	12m 2012	12m 2011
Revenue	8	25 612	21 219	123 519	103 558
Cost of goods sold		-18 871	-18 765	-81 280	-57 200
Gross Profit		6 741	2 454	42 239	46 358
Distribution expenses		-4 604	-2 786	-14 533	-10 796
Administrative expenses		-2 144	-1 514	-7 902	-6 416
Other operating income		1 060	398	1 556	954
Other operating expenses		-575	-649	-1 838	-2 215
Operating profit		478	-2 097	19 522	27 885
Currency exchange income/(expense)		21	4 872	475	17 536
Other finance income/(expenses)		165	-559	585	794
Net financial income		186	4 313	1 060	18 330
Profit (loss) from associates using equity method		25	73	34	77
Profit before tax		689	2 289	20 616	46 292
Income tax expense		428	-1 680	-5 682	-12 017
Profit before gain/(loss) on net monetary position		1 117	609	14 934	34 275
Gain on net monetary position		421	8 081	1 159	-8 646
Profit for the period		1 538	8 690	16 093	25 629
Attributable to :					
Equity holders of the Parent company		1 666	11 194	14 151	21 501
Non-controlling interest		-128	-2 504	1 942	4 128
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.04	0.08	0.36	0.55

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	Q4 2012	Q4 2011	12m 2012	12m 2011
Profit for the period		1 538	8 690	16 093	25 629
Exchange rate differences attributable to foreign operations		-14		-73	249
Total comprehensive income for the period		1 524		16 020	25 878
Attributable to :					
Equity holders of the Parent company		1 652		14 093	21 620
Non-controlling interest		-128		1 927	4 258

Consolidated Statement of Cash Flows

in thousands of EUR	2012	2011
Cash flow from operating activities		
Profit for the period	16 093	25 629
Adjustments for:		
Depreciation and amortization of non-current assets	2 550	2 285
Share of profit of equity accounted investees	-34	-77
(Gains)/ losses on the sale of property, plant and equipment	-31	-1
Net finance income / costs	-1 055	-18 330
Gain / loss on net monetary position	-2 734	8646
Income tax expense	5 653	12 017
Change in inventories	-2 997	-8 489
Change in trade and other receivables	-4 124	7 067
Change in trade and other payables	801	3 299
Interest paid	-21	-26
Income tax paid	-9 194	-3 940
Net cash from operating activities	4 907	28 080
Cash flow from investing activities		
Interest received	650	979
Dividends received	0	3
Proceeds from sale of property, plant and equipment	100	36
Loans granted	-129	-129
Proceeds from repayments of loans granted	58	57
Acquisition of property, plant and equipment	-2 971	-4 214
Acquisition of intangible assets	-446	-121
Acquisition of other non-current assets	0	-35
Acquisition of shares by subsidiary	0	-166
Net cash used in/from investing activities	-2 738	-3 590
Cash flow from financing activities		
Proceeds from borrowings	319	1704
Repayment of borrowings	-282	-1657
Repayment of finance lease	0	-7
Dividends paid	-12 643	-3 531
Acquisition of own shares	0	-306
Reduction of share capital	0	-9 466
Net cash used in/ from financing activities	-12 606	-13 263
Increase in cash and cash equivalents	-10 437	11 227
Cash and cash equivalents at the beginning of period	17 967	21 468
Effect of hyperinflation on cash	899	-5674
Effect of translation to presentation currency	7 304	-9 054
Effect of exchange rate fluctuations on cash held	527	
Cash and cash equivalents at the end of period	16 260	17 967

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
Effect of hyperinflation on opening balances	0	0	0	0	0	11 541	-21 322	-9 781	-3 492	-13 273
Profit for the period	0	0	0	0	0	0	21 501	21 501	4 128	25 629
Other comprehensive income for the period	0	0	0	0	0	119	0	119	130	249
Total comprehensive income for the period	0	0	0	0	0	119	21 501	21 620	4 258	25 878
Transactions with owners, recognised directly in equity										
Increase in statutory reserve capital	0	0	0	164	0	0	-164	0	0	0
Changes on non-controlling interest	0	0	0	0	0	0	-153	-153	153	0
Acquisition of treasury shares	0	0	-306	0	0	0	0	-306	0	-306
Cancellation of treasury shares	-68	-39	309	0	0	0	-202	0	0	0
Decrease 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	-1 561	-3 531
Acquisition of treasury shares of a subsidiary	0	0	0	0	444	0	0	444	-610	-166
Cancellation of treasury shares of a subsidiary	0	0	0	0	-834	0	868	34	-34	0
Total transactions with owners, recognised directly in equity	-9 513	-60	3	164	-390	0	-1 621	-11 417	-2 052	-13 469
Balance as at 31 December 2011	15 800	14 070	-308	231	63	72	12 536	42 464	9 688	52 152
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	4 769	4 769	1 467	6 236
Profit for the period	0	0	0	0	0	0	14 151	14 151	1 942	16 093
Other comprehensive income for the period	0	0	0	0	0	-58	0	-58	-15	-73
Total comprehensive income for the period	0	0	0	0	0	-58	14 151	14 093	1 927	16 020
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 by subsidiaries	0	0	0	0	0	0	0	0	-2 822	-2 822
Dividends paid	0	0	0	0	0	0	-9 848	-9 848	0	-9 848
Change in non-controlling interest	0	0	0	0	-63	0	-20	-83	-207	-290
Total transactions with owners, recognised directly in equity	0	0	0	1 075	-63	0	-10 943	-9 926	-3 029	-12 955
Balance as at 31 December 2012	15 765	13 822	-20	1 306	0	14	20 513	51 400	10 053	61 453

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 31 December 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 12 months ended on 31 December 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	31.12.12	31.12.11
Trade receivables from third parties	12 056	7 710
Trade receivables from related parties	528	2 320
Impairment of receivables	-489	-566
Tax prepayments	2 441	2 388
Other receivables	210	263
Total	14 746	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	31.12.12	31.12.11
Raw and other materials	6 396	6 334
Work in progress	2 965	3 040
Finished goods	14 751	11 676
Other inventories	486	498
Total	24 598	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 12m 2011					
Effect of hyperinflation on opening balances	463	248	-152	-178	381
Additions	0	0	24	4 190	4 214
Disposals	-1	-2	-32	0	-35
Reclassifications	288	3 028	703	-4 019	0
Depreciation	-169	-1 146	-488	0	-1 803
Closing net book amount	4 546	7 651	1 704	302	14 203
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
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 12m 2012					
Effect of hyperinflation on opening balances	946	1 580	299	12	2 837
Additions	0	108	118	2 745	2 971
Additions from business combination	0	0	7	0	7
Disposals	-7	37	-62	0	-32
Reclassifications	77	1 041	584	-1 582	120
Depreciation	-212	-1 557	-620	0	-2 389
Unrealised exchange rate differences	-217	-370	-65	-18	-670
Closing net book amount	5 133	8 490	1 965	1 459	17 047
31.12.2012					
Cost	7 627	21 855	5 386	1 459	36 327
Accumulated depreciation	-2 494	-13 365	-3 427	0	-19 286
Net book amount	5 133	8 490	1 959	1 459	17 041

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

Note 5 Trade and other payables

in thousands of EUR	31.12.12	31.12.11
Trade payables	7 810	7 427
Accrued expenses	1 580	1 506
Provisions	978	459
Other payables	803	999
Total	11 171	10 391

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

Note 6 Equity

Shares

As of 31 December 2012 registered share capital of AS Silvano Fashion Group amounted to 15 760 thousand EUR divided into 39 400 000 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 Depository for Securities. All shares have been paid for.

As of 30 September 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 was registered with Estonian commercial registrar in October 2012 and respective change in reporting will be applied from Q4 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 31 December 2012 AS Silvano Fashion Group had 2 119 shareholders (as of 31 December 2011: 1 893 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for 12 months 2012 (12 months 2011) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	12m 2012	12m 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	39 400	39 500
Effect of own shares held at the end of the period	-7	-107
Weighted average number of ordinary shares for the period	39 393	39 433

In thousands of EUR	12m 2012	12m 2011
Profit for the period attributable to equity holders of the Parent company	14 151	21 501
Basic earnings per share (EUR)	0.36	0.55
Diluted earnings per share (EUR)	0.36	0.55

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	12m 2012	12m 2011
Revenue from wholesale	102 922	88 006
Revenue from retail	20 167	15 226
Subcontracting and services	293	225
Other sales	137	101
Total	123 519	103 558

Note 9 Transactions with related parties

The following parties are considered to be related;

- 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.
- Associates - enterprises in which parent company or its subsidiaries have significant influence and which are neither subsidiaries nor joint ventures of the investor;
- 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	12m 2012	12m 2011
Associates	12 303	8 336
Total	12 303	8 336

Balances with related parties

in thousands of EUR	31.12.2012	31.12.2011
Trade receivables from associates	528	1 274
Total	528	1 274

Benefits to key management of the group

in thousands of EUR	12m 2012	12m 2011
Remunerations and benefits	654	692
Total	654	692

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 12m 2012

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	20 167	102 862	123 029	490	0	123 519
Intersegment revenues	0	11 706	11 706	155	-11 862	0
EBITDA	2 323	18 249	20 572	1 558	0	22 130
Amortization and depreciation	-315	-2 222	-2 537	-71	0	-2 608
Operating income, EBIT	2 008	16 027	18 035	1 487	0	19 522
Profit from associates using equity method	0	34	34	0	0	34
Net financial income	33	1 059	1 092	-32	0	1 060
Income tax	-173	-5 488	-5 661	-21	0	-5 682
Gain on net monetary position	-801	1 960	1 159	0	0	1 159
Net profit	1 067	13 592	14 659	1 434	0	16 093
Investments in associates	0	168	168	0	0	168
Other operating segments assets	4 039	58 695	62 734	12 939	0	75 673
Reportable segments liabilities	610	12 740	13 350	1 038	0	14 388
Capital expenditures	298	3 120	3 418	0	0	3 418
Number of employees as of reporting date	392	2 810	3 202	9	0	3 211

Operating segments 12m 2011

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	15 226	88 006	103 232	326	0	103 558
Intersegment revenues	0	10 934	10 934	829	-11 763	0
EBITDA	7 343	21 972	29 315	525	0	29 840
Amortization and depreciation	-207	-1 684	-1 891	-64	0	-1 955
Operating income, EBIT	7 136	20 288	27 424	461	0	27 885
Profit from associates using equity method	0	77	77	0	0	77
Net financial income	-6	19 004	18 998	-668	0	18 330
Income tax	-788	-10 516	-11 304	-713	0	-12 017
Gain on net monetary position	-3 121	-6 268	-9 389	743	0	-8 646
Net profit	3 221	22 585	25 806	-177	0	25 629
Investments in associates	0	127	127	0	0	69
Other operating segments assets	3 060	56 049	59 109	9 249	0	68 358
Reportable segments liabilities	734	14 179	14 913	1 420	0	16 333
Impairment of assets	16	314	330	0	0	330
Capital expenditures	253	4 069	4 322	48	0	4 370
Number of employees as of reporting date	516	2 774	3 290	10	0	3 300

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 12m 2012	Sales revenue 12m 2011	Non-current assets 31.12.2012	Non-current assets 31.12.2011
Russia	75 138	66 283	144	233
Belarus	31 494	23 702	19 418	15 933
Ukraine	6 357	5 353	14	0
Baltics	3 172	3 063	418	438
Other countries	7 358	5 157	0	0
Total	123 519	103 558	19 994	16 604