Consolidated Interim Report for Q3 and 9 months 2012

Silvano Fashion Group

AS Silvano Fashion Group

Consolidated Interim Financial Report
for Q3 and 9 months of 2012 (unaudited)

(translation of the Estonian original)*

Beginning of the reporting period	1 January 2012
End of the reporting period	30 September 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.*

Contents

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 30 September 2012 the Group employed 3 222 people (as of 31 December 2011: 3 300 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.09.2012	Ownership interest 31.12.2011
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities owned by 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-Logistik OOO	Belarus	Logistics	50%	50%
Entities owned by SP ZAO Milavitsa				
OAO Junona	Belarus	Manufacturing and wholesale	58.33%	58.33%
SP Gimil OOO	Belarus	Manufacturing and wholesale	100%	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%

Selected Financial Indicators

Summarized selected financial indicators of the Group for 9m 2012 compared to 9m 2011 and 30.09.2012 compared to 31.12.2011 were as follows:

in thousands of EUR	**9m 2012**	**9m 2011**	**Change**
Revenue	97 907	86 549	13.1%
EBITDA	20 942	31 049	-32.6%
Net profit for the period	14 555	33 646	-56.7%
Net profit attributable equity holders of the Parent company	12 485	27 638	-54.8%
Earnings per share (EUR)	0.32	0.70	-54.7%
Operating cash flow for the period	8 107	22 402	-63.8%

in thousands of EUR	**30.09.2012**	**31.12.2011**	**Change**
Total assets	73 933	68 485	8.0%
Total current assets	55 801	51 881	7.6%
Total equity attributable to equity holders of the Parent company	49 071	42 464	15.6%
Loans and borrowings	58	20	190.0%
Cash and cash equivalents	17 944	17 967	-0.1%

Margin analysis, %	**9m 2012**	**9m 2011**	**Change**
Gross profit	36.3	51.1	-29.1%
EBITDA	21.4	35.9	-40.4%
Net profit	14.9	38.9	-61.8%
Net profit attributable equity holders of the Parent company	12.8	31.9	-60.1%

Financial ratios, %	**30.09.2012**	**31.12.2011**	**Change**
ROA	17.9	32.2	-44.4%
ROE	28.8	50.9	-43.3%
Price to earnings ratio (P/E)	8.9	5.5	60.9%
Current ratio	4.6	3.6	27.4%
Quick ratio	3.0	2.1	40.8%

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

We reported that the core markets the Group enjoy recovery in consumption and contribute to steady, organic growth of our business already in Q2 report, and that has not changed for Q3. Our Q3 sales numbers exceed those for both 2011 and 2010 comparable numbers. In June 2012 a 500th store was opened under Milavitsa franchise. By end of Q3 total number of stores operated by Group and by franchise partners reached a total of 555. Geography of our franchise partners now covers more than 20 countries.

Russia, our core market in terms of total sales and total number of stores, showed 12% growth in sales for 9 months compared to previous year. Belarus, our number 2 market, matched the growth rate of Russia. The CIS (Commonwealth of Independent States) markets growth stands beyond 20% on average for the period. Demand in Ukraine and the Baltic States is solid.

On our main market, Russia's economic growth is undisputable, though with some deceleration. By *Rosstat* preliminary data, the country's GDP in Q3 advanced by 2.8%, which indicates a cumulative GDP growth from the beginning of the year by 3.8%. This also confirms the forecast data (according to EIU/Planet Retail data) on Russia, Turkey and Poland that are thought to be the fastest growing retail markets after China (Russia's retail growth averages nearly 14% for near future).

Belarus economy showed seasonally weaker numbers for the GDP growth, yet exceeding the averages for the EU. By *Belstat*, Q3 GDP growth stood at 1.9%, for 9 months 2012: 2.5%. The inflation (consumer price index) rose by 16.1% from the beginning of the year, contributing continuously to the consumer demand. Sales in Belarus totalled 24 508 thousand EUR for 9 months 2012, a growth of 12% over the sales of the comparable period last year.

The reflection of the Ukrainian economy by the State Statistics Service showed real GDP decrease by 1.3% in Q3 2012 compared to year earlier. Ukrainian sales totalled 5 740 thousand EUR for 9 months 2012, showing an improvement of 19% year-to-year basis.

Baltic economies continue performing well. Estonia's GDP growth amounted to 3.4% in the Q3 2012. Latvia's GDP shows higher growth rates compared to Eurozone countries, whereas the Q3 2012 GDP growth was 5.3%. Lithuania's preliminary GDP growth indication is 4.4% for Q3 2012. Our sales in the region totalled 2 530 thousand EUR in 9 months 2012, up from 2 306 thousand EUR in 9 months of 2011.

At the end of the reporting period the Group and its franchising partners operated 555 Milavitsa and Lauma Lingerie stores, an increase of 93 stores over the number a year ago, including 56 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.

Financial performance

Positive effect of the devaluation on the cost side has been levelled out by increased expenses for labour, utilities and to some extent materials sourced from Belarus. But main impact on results is coming from hyperinflationary accounting, which requires us to apply certain accounting methods that have negative influence on Group`s reported 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 (9 m 2012 inflation rate in Belarus was more than 16%). 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 97 907 thousand EUR during 9 months 2012, representing a 13.1% increase as compared to the same period of previous year. Overall, wholesales increased by 12.6% and retail sales – by 16.1%.

The Group's reported gross profit margin during 9 months 2012 decreased and was 36.3%, as compared to 51.1% in the respective period of previous year. Consolidated operating profit for 9 months 2012 amounted to 19 044 thousand EUR, compared to 30 008 thousand EUR in 9 months 2011. The consolidated operating profit margin was 19.5% (34.7% in 9 months 2011). Consolidated net financial income amounted to 874 thousand EUR in 9 months 2012, respective amount in 9 months 2012 was 13 407 thousand EUR.

Effective tax rate for 9 months 2012 amounted to 31% (23% in 9 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 9m 2011. This is due to the facts that the Group fully utilized accumulated tax losses in Russia and the Parent company collected dividends from its subsidiary.

Consolidated net profit attributable to equity holders of the Parent company amounted to 12 485 thousand EUR in 9 months 2012, compared to 27 638 thousand EUR in 9 months 2011; net profit margin attributable to equity holders of the Parent company was 12.8% against 31.9% in 9 months 2011.

Financial position

As of 30 September 2012 consolidated assets amounted to 73 933 thousand EUR representing an increase of 8.0% as compared to the position as of 31 December 2011.

Property, plant and intangibles balances increased by 1 241 thousand EUR as compared to 31 December 2011 the key reason being the hyperinflation effect on opening balance.

Trade receivables increased by 5 126 thousand EUR as compared to 31 December 2011 and amounted to 17 241 thousand EUR as of 30 September 2012. Inventory balance decreased by 1 722 EUR thousand and amounted to 19 826 thousand EUR as of 30 September 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 4 121 thousand EUR as of 30 September 2012. On the overall basis, equity attributable to equity holders of the Parent company increased by 6 607 thousand EUR and amounted to 49 071 thousand EUR as of 30 September 2012.

Current liabilities increased by 2 241 thousand EUR in 9 months 2012. Current and non-current loans and borrowings increased by 38 thousand EUR to 58 thousand EUR as of 30 September 2012.

Sales structure

Sales by markets

in thousands of EUR	**9m 2012**	**9m 2011**	**Change**	**9m 2012 % from sales**	**9m 2011 % from sales**
Russia	59 560	53 199	6 361	60.8%	61.5%
Belarus	24 508	21 868	2 640	25.0%	25.3%
Ukraine	5 740	4 811	929	5.9%	5.6%
Baltics	2 530	2 306	224	2.6%	2.7%
Other markets	5 568	4 365	1 203	5.7%	5.0%
Total	**97 907**	**86 549**	**11 358**	**100.0%**	**100.0%**

Sales in the major markets demonstrated a positive trend in terms of pieces sold in 9 months 2012 as compared to the respective period in 2011.

The majority of sales revenue during 9 months 2012 in the amount of 59 560 thousand EUR was generated in Russia, accounting for 60.8% of total sales. The second largest market was Belarus, where sales reached 24 508 thousand EUR, contributing 25% of total sales as compared to 21 868 thousand EUR in 9 months 2011. Out of the 5 568 thousand EUR sales in the other markets major part is attributed to Kazakhstan and Moldova.

Sales by business segments

in thousands of EUR	**9m 2012**	**9m 2011**	**Change**	**9m 2012 % from sales**	**9m 2011 % from sales**
Wholesale	81 759	72 634	9 125	83.5%	83.9%
Retail	15 817	13 621	2 196	16.2%	15.7%
Other operations	331	294	37	0.3%	0.3%
Total	**97 907**	**86 549**	**11 358**	**100.0%**	**100.0%**

During 9 months 2012, wholesale revenue amounted to 81 759 thousand EUR, representing 83.5% of the Group's total revenue (9 months 2011: 83.9%). The main wholesale regions were Russia, Belarus, Ukraine, Kazakhstan, Moldova and the Baltic States.

Total lingerie retail sales of the Group in 9 months 2012 amounted to 15 817 thousand EUR, representing a 16% increase as compared to the previous year. Certain part of the growth is attributable to inflationary environment in Belarus, growth of sales measured in units totalled approximately 12.5% for 9 months 2012 over the same period last year.

As of 30 September 2012 there were altogether 555 Milavitsa and Lauma branded shops. Own retail operations are conducted in Belarus and Latvia. As of the end of 9 months 2012 the Group operated 56 own retail outlets (net increase of 2 stores in Q3 2012) with a total area of 4 914 square meters. As of 30 September 2012, there were 471 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, Belgium and Italy, resulting in net increase of 15 shops in Q3 2012, and increase by 81 shops compared to the end of Q3 2011. Additionally, as of 30 September 2012, there were 28 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Lithuania, Latvia, Estonia, Belarus and Albania. For Lauma Lingerie, the Group expects openings in Ukraine and Russia in the near future.

Production

Total volume of production of the Group amounted to 17 092 thousand pieces during 9 months 2012, representing a 11.6% increase as compared to respective period in the previous year.

Investments

During 9 months 2012 the Group's investments totalled 1 102 thousand EUR with investments into retail amounting to 151 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 30 September 2012, the Group employed 3 222 employees including 396 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes in 9 months 2012 amounted to 15 933 thousand EUR. The remuneration of key management of the Group totalled EUR 374 thousand EUR.

Decisions made by governing bodies during 9 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 15 November 2012).

Shares of AS Silvano Fashion Group

As of 30 September 2012 registered share capital of AS Silvano Fashion Group amounted to 15 800 thousand EUR divided into 39 400 000 ordinary shares with a nominal value of 0.40 EUR each and 100 000 own shares reserved for elimination 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 23 October 2012, the Commercial Register recorded the amendment in the share capital according to the resolutions of the shareholders' meeting from 30 June 2012. The amended share capital totals 15 760 thousand EUR divided into 39 400 000 ordinary shares with a nominal value of 0.40 EUR each.

As of 30 September 2012 AS Silvano Fashion Group had 2 034 shareholders (as of 31 December 2011- 1 893 shareholders).

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

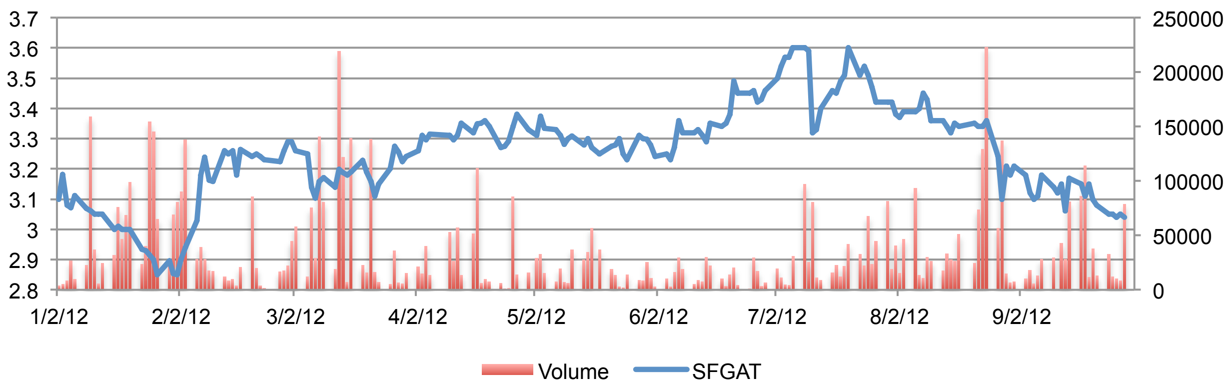
Name	Number of shares	Shareholding
Major shareholders	**23 769 325**	**60.32%**
TOOMAS TOOL	8 400 000	21.32%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8 000 000	20.30%
KRAJOWY DEPOZYT PAPIEROW WARTOŠCIOWYCH S.A. [J]	7 369 325	18.70%
Other shareholders	15 630 675	39.68%
Total number of shares	**39 400 000**	**100.00%**

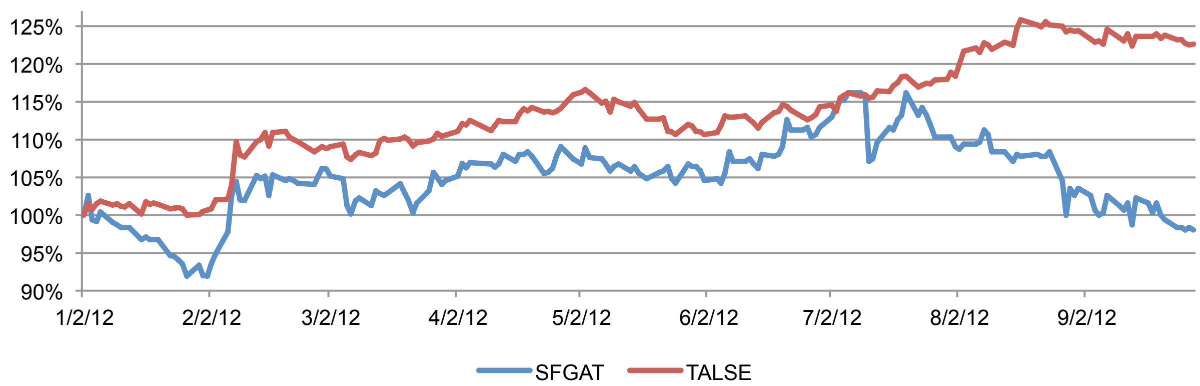
As of 31 December 2011 shareholders whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
Major shareholders	**25 446 045**	**64.42%**
TOOMAS TOOL	9 000 000	22.78%
KRAJOWY DEPOZYT PAPIEROW 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 9 months 2012 (EUR)

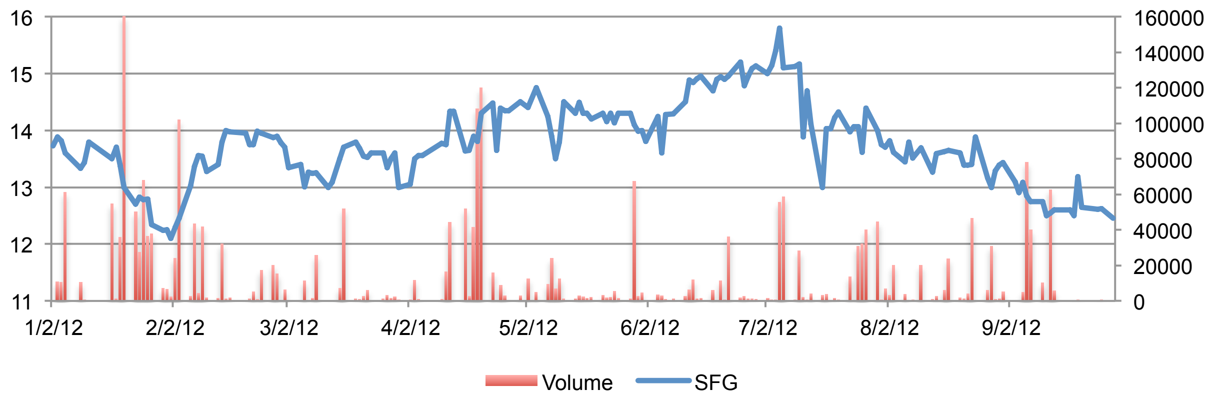
During 9 months 2012 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 3.65 EUR and 2.83 EUR, respectively.

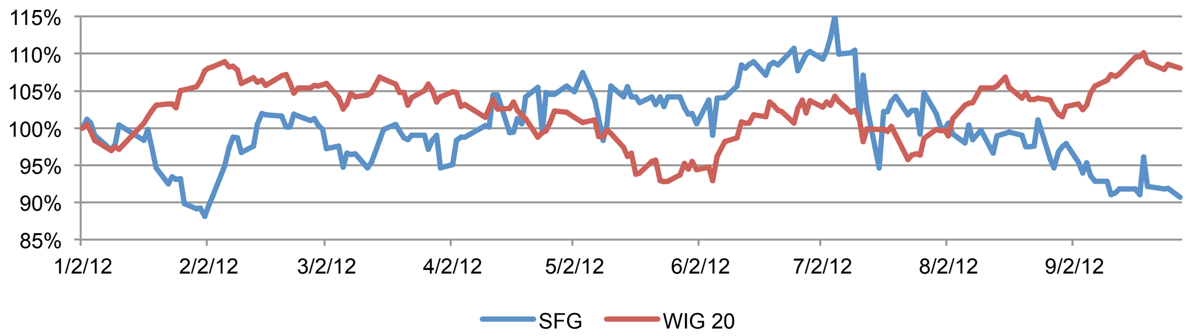




Share price development on the Warsaw Stock Exchange during 9 months 2012 (PLN)

During 9 months 2012, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 15.85 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 Q3 and 9 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
15 November 2012

Aleksei Kadõrko
Member of the Management Board
15 November 2012

Consolidated Statement of Financial Position

in thousands of EUR	Note	30.09.2012	31.12.2011
ASSETS			
Current assets			
Cash and bank		17 944	17 967
Prepayments		790	251
Trade and other receivables	2	17 241	12 115
Inventories	3	19 826	21 548
Total current assets		**55 801**	**51 881**
Non-current assets			
Long-term receivables		2	14
Investment in associates		143	127
Other investments		483	424
Deferred tax asset		186	236
Intangible assets		273	170
Investment property		1 601	1 430
Property, plant and equipment	4	15 444	14 203
Total non-current assets		**18 132**	**16 604**
TOTAL ASSETS		**73 933**	**68 485**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings		58	20
Trade on other payables	5	10 241	10 391
Tax liabilities		1 872	4 001
Total current liabilities		**12 171**	**14 412**
Non-current liabilities			
Deferred tax liability		2 742	1 921
Total non-current liabilities		**2 742**	**1 921**
Total liabilities		**14 913**	**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		28	72
Retained earnings		18 175	12 536
Total equity attributable to equity holders of the Parent company		**49 071**	**42 464**
Non-controlling interest in equity		9 949	9 688
Total equity		**59 020**	**52 152**
TOTAL EQUITY AND LIABILITIES		**73 933**	**68 485**

Consolidated Income Statement

in thousands of EUR	Note	Q3 2012	Q3 2011	9m 2012	9m 2011
Revenue	8	32 406	30 355	97 907	86 549
Cost of goods sold		-22 347	-13 254	-62 409	-42 311
Gross Profit		**10 059**	**17 101**	**35 498**	**44 238**
Distribution expenses		-2 982	-2 421	-9 929	-8 029
Administrative expenses		-1 738	-1 857	-5 758	-4 858
Other operating income		-63	65	496	468
Other operating expenses		-475	-647	-1 263	-1 811
Operating profit		**4 801**	**12 241**	**19 044**	**30 008**
Currency exchange income/(expense)		920	-1 609	454	12 679
Other finance income/(expenses)		108	241	420	728
Net financial income		**1 028**	**-1 368**	**874**	**13 407**
Profit from associates using equity method		-113	-1	9	13
Profit before tax		**5 716**	**10 872**	**19 927**	**43 428**
Income tax expense		-2 902	-2 517	-6 110	-9 782
Profit before gain/(loss) on net monetary position		**2 814**	**8 355**	**13 817**	**33 646**
Gain on net monetary position		767	0	738	0
Profit for the period		**3 581**	**8 355**	**14 555**	**33 646**
Attributable to :					
Equity holders of the Parent company		2 824	6 915	12 485	27 638
Non-controlling interest		757	1 440	2 070	6 008
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.07	0.18	0.32	0.70

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	Q3 2012	Q3 2011	9m 2012	9m 2011
Profit for the period		**3 581**	**8 355**	**14 555**	**33 646**
Exchange rate differences attributable to foreign companies		-157	-2 118	-59	-29 763
Total comprehensive income for the period		**3 424**	**6 237**	**14 496**	**3 883**
Attributable to :					
Equity holders of the Parent company		2 780	8 051	12 441	5 477
Non-controlling interest		644	-1 814	2 055	-1 594

Consolidated Statement of Cash Flows

in thousands of EUR	**9m 2012**	**9m 2011**
Cash flow from operating activities		
Profit for the period	**14 555**	**33 646**
Adjustments for:		
Depreciation and amortization of non-current assets	1 898	1 041
Share of profit of equity accounted investees	-9	-13
(Gains)/ losses on the sale of property, plant and equipment	-21	-18
Net finance income / costs	-874	-13 407
Gain / loss on net monetary position	-1 436	0
Income tax expense	6 110	9 782
Change in inventories	1 722	-8 383
Change in trade and other receivables	-5 621	2 139
Change in trade and other payables	-150	529
Interest paid	-13	-14
Income tax paid	-8 054	-2 900
Net cash from operating activities	**8 107**	**22 402**
Cash flow from investing activities		
Interest received	504	908
Dividends received	0	4
Proceeds from sale of property, plant and equipment	77	28
Loans granted	-126	-138
Proceeds from repayments of loans granted	50	54
Acquisition of property, plant and equipment	-1 102	-3 403
Acquisition of intangible assets	-220	-81
Acquisition of other non-current assets	0	-57
Acquisition of shares by subsidiary	0	-198
Net cash used in/from investing activities	**-817**	**-2 883**
Cash flow from financing activities		
Proceeds from borrowings	230	711
Repayment of borrowings	-183	-674
Repayment of finance lease	0	-7
Dividends paid	-12 597	-3899
Acquisition of own shares	0	-287
Reduction of share capital	0	-5 526
Net cash used in/ from financing activities	**-12 550**	**-9 682**
Change in cash and cash equivalents	**-5 261**	**9 837**
Cash and cash equivalents at the beginning of period	**17 967**	**21 468**
Effect of Hyperinflation	4 998	0
Effect of exchange rate fluctuations on cash	240	-8 291
Cash and cash equivalents at the end of period	**17 944**	**23 014**

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	27 638	**27 638**	6 008	**33 646**
Other comprehensive income for the period	0	0	0	0	0	-22 161	0	-22 161	-7 602	**-29 763**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**-22 161**	**27 638**	**5 477**	**-1 594**	**3 883**
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	-466	**-466**	466	**0**
Acquisition of treasury shares	0	0	-287	0	0	0	0	**-287**	0	**-287**
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	0	**-5 526**	0	**-5 526**
Dividends paid	0	0	0	0	0	0	-1 970	**-1 970**	-1 929	**-3 899**
Acquisition of treasury shares of a subsidiary	0	0	0		294	0	0	**294**	-492	**-198**
Cancellation of treasury shares of a subsidiary	0	0	0	0	-740	0	990	**250**	-250	**0**
Total transactions with owners, recognised directly in equity	**-5 563**	**-70**	**22**	**164**	**-446**	**0**	**-1 792**	**-7 685**	**-2 225**	**-9 910**
Balance as at 30 September 2011	**19 750**	**14 060**	**-289**	**231**	**7**	**-33 748**	**39 823**	**39 834**	**7 155**	**46 989**
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	4 121	**4 121**	1 381	**5 502**
Profit for the period	0	0	0	0	0	0	12 485	**12 485**	2 070	**14 555**
Other comprehensive income for the period	0	0	0	0	0	-44	**-44**	**-88**	-15	**-103**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**0**	**-44**	**12 441**	**12 397**	**2 055**	**14 452**
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**	-2 974	**-2 974**
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	-22	**-85**	-201	**-286**
Total transactions with owners, recognised directly in equity	**0**	**0**	**0**	**1 075**	**-63**	**0**	**-10 923**	**-9 911**	**-3 175**	**-13 086**
Balance as at 30 September 2012	**15 800**	**14 070**	**-308**	**1 306**	**0**	**28**	**18 175**	**49 071**	**9 949**	**59 020**

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 September 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 9 months ended on 30 September 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	**30.09.12**	**31.12.11**
Trade receivables from third parties	13 241	7 710
Trade receivables from related parties	2 054	2 320
Impairment of receivables	-524	-566
Tax prepayments	1 635	2 388
Other receivables	835	263
Total	**17 241**	**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	**30.09.12**	**31.12.11**
Raw and other materials	5 919	6 334
Work in progress	2 829	3 040
Finished goods	10 721	11 676
Other inventories	357	498
Total	**19 826**	**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 9m 2011					
Additions	0	6	70	3 327	**3 403**
Disposals	0	-1	-9	0	**-10**
Reclassifications between groups	111	2 333	284	-2 728	**0**
Depreciation	-81	-576	-297	0	**-954**
Unrealised exchange rate differences	-1 909	-3 082	-675	-305	**-5 971**
Closing net book amount	**2 086**	**4 203**	**1 022**	**603**	**7 914**
30.09.2011					
Cost	2 470	8 872	2 309	603	**14 254**
Accumulated depreciation	-384	-4 669	-1 287	0	**-6 340**
Net book amount	**2 086**	**4 203**	**1 022**	**603**	**7 914**
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 9m 2012					
Effect of hyperinflation on opening balances	643	1 071	204	7	**1 924**
Additions	0	38	64	1 000	**1 102**
Disposals	0	-2	-50	-3	**-55**
Reclassifications between groups	53	404	301	-758	**0**
Depreciation	-155	-1 128	-466	0	**-1 749**
Unrealised exchange rate differences	1	1	3	0	**5**
Closing net book amount	**5 087**	**8 035**	**1 760**	**548**	**15 429**
30.09.2012					
Cost	7 487	20 877	4 912	548	**33 824**
Accumulated depreciation	-2 401	-12 842	-3 137	0	**-18 380**
Net book amount	**5 086**	**8 035**	**1 776**	**548**	**15 444**

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

Note 5 Trade and other payables

in thousands of EUR	**30.09.12**	**31.12.11**
Trade payables	5 815	7 427
Accrued expenses	1 248	1 506
Provisions	999	459
Other payables	2 179	999
Total	**10 241**	**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 30 September 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 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 30 September 2012 AS Silvano Fashion Group had 2 034 shareholders (as of 31 December 2011: 1 893 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for 9 months 2012 (9 months 2011) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	**9m 2012**	**9m 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	**9m 2012**	**9m 2011**
Profit for the period attributable to equity holders of the Parent company	12 485	27 638
Basic earnings per share (EUR)	0.32	0.70
Diluted earnings per share (EUR)	0.32	0.70

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	9m 2012	9m 2011
Revenue from wholesale	81 759	72 634
Revenue from retail	15 817	13 621
Subcontracting and services	220	181
Other sales	111	113
Total	**97 907**	**86 549**

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	9m 2012	9m 2011
Associates	10 592	8 452
Total	**10 592**	**8 452**

Balances with related parties

in thousands of EUR	9m 2012	9m 2011
Trade receivables from associates	2 054	1 521
Total	**2 054**	**1 521**

Benefits to key management of the group

in thousands of EUR	9m 2012	9m 2011
Remunerations and benefits	374	77
Total	**374**	**77**

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 9m 2012

in thousands of EUR	**Lingerie retail**	**Lingerie wholesale**	**Total segments**	**Unallocated**	**Eliminations**	**Total**
Revenue from external customers	**15 817**	**81 759**	**97 576**	**331**	**0**	**97 907**
Intersegment revenues	0	8 858	8 858	12 403	-21 260	**0**
EBITDA	**2 404**	**18 308**	**20 712**	**173**	**0**	**20 885**
Amortization and depreciation	-226	-1 585	**-1 811**	-30	0	**-1 841**
Operating income, EBIT	**2 178**	**16 723**	**18 901**	**143**	**0**	**19 044**
Profit from associates using equity method	0	9	**9**	0	0	**9**
Net financial income	11	852	**863**	11	0	**874**
Income tax	-268	-5 820	**-6 087**	-23	0	**-6 110**
Gain on net monetary position	-753	1 491	**738**	0	0	**738**
Net profit	**1 169**	**13 255**	**14 424**	**131**	**0**	**14 555**
Investments in associates	0	143	**143**	0	0	**143**
Other operating segments assets	4 903	57 085	**61 989**	11 801	0	**73 790**
Reportable segments liabilities	808	12 617	**13 425**	1 488	0	**14 913**
Capital expenditures	159	944	**1 102**	0	0	**1 102**
Number of employees as of reporting date	396	2 826	3 213	9	0	**3 222**

Operating segments 9m 2011

in thousands of EUR	**Lingerie retail**	**Lingerie wholesale**	**Total segments**	**Unallocated**	**Eliminations**	**Total**
Revenue from external customers	**13 621**	**72 634**	**86 255**	**294**	**0**	**86 549**
Intersegment revenues	0	9 415	9 415	1 062	-10 477	**0**
EBITDA	**5 381**	**25 767**	**31 148**	-99	0	**31 049**
Amortization and depreciation	-132	-870	-1 002	-39	0	**-1 041**
Operating income, EBIT	**5 249**	**24 897**	**30 146**	**-138**	**0**	**30 008**
Profit from associates using equity method	0	13	13	0	0	**13**
Net financial income	-7	13 400	13 393	14	0	**13 407**
Income tax	-726	-9 056	-9 782	0	0	**-9 782**
Net profit	**4 516**	**29 254**	**33 770**	**-124**	**0**	**33 646**
Investments in associates	0	65	65	0	0	**69**
Other operating segments assets	3 605	46 560	50 165	12 622	0	**62 787**
Reportable segments liabilities	1 051	13 461	14 512	1 351	0	**15 863**
Capital expenditures	118	3 365	**3 483**	58	0	**3 541**
Number of employees as of reporting date	518	2 716	3 234	10	0	**3 244**

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 9m 2012**	**Sales revenue 9m 2011**	**Non-current assets 30.09.2012**	**Non-current assets 31.12.2011**
Russia	59 560	53 199	118	233
Belarus	24 508	21 868	17 631	15 933
Ukraine	5 740	4 811	0	0
Baltics	2 530	2 306	382	438
Other countries	5 568	4 365	0	0
Total	**97 907**	**86 549**	**18 132**	**16 604**