Annual Report 2012

Silvano Fashion Group

AS Silvano Fashion Group

Consolidated Annual Report 2012

(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, Estonia
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`s Confirmation to the Management Report

The Management Board acknowledges its responsibility and confirms, to the best of its knowledge, that the Management Report as set out on pages 4 to 15 is an integral part of Consolidated Annual Report of AS Silvano Fashion Group for 2012 and gives a true and fair view of the trends and results of operations, main risks and uncertainties of AS Silvano Fashion Group and its subsidiaries as a group.

Märt Meerits
Member of the Management board
25 April 2013

Aleksei Kadõrko
Member of the Management board
25 April 2013

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", "Aveline", "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 2012 compared to 2011 and 31.12.2012 compared to 31.12.2011 were as follows:

in thousands of EUR	**2012**	**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 to 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	75 837	68 485	10.7%
Total current assets	55 847	51 881	7.6%
Total equity attributable to equity holders of the Parent company	51 396	42 464	21.0%
Loans and borrowings	47	20	135.0%
Cash and cash equivalents	16 260	17 967	-9.5%

Margin analysis, %	**2012**	**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 to 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 amortization + 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 stable in 2012. Though these markets are not isolated from the global, macroeconomic environment, the trend in consumers' spending has remained positive. 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.

With regards to the business, we were able to increase our sales in most of our core markets. We estimate that year 2013 shall be no exception to this trend, with slight deceleration in the tempo of the growth. On the cost side, the numbers indicate that the stabilization of the economy of Belarus, our main source of production, has levied its toll in proportionally higher production costs – labor, materials, energy & utilities, distribution and administrative expenses. For the foreseeable future, this appears to be one of the main priorities of the SFG management to maintain the profitability of the business by focusing on the costs, working capital management, efficiency in distribution and increasing the efficiency on administrative side.

The key business drivers for 2012 that shall also have an impact on the plans for 2013 were as follows:

- Increasing sales throughout the whole core markets of SFG, measured both in units sold and in sales prices;
- Tougher cost environment and pressure on the business margins;
- Continuous focus on the development of the franchise sales network based on existing wholesale customers and new business partners.

Our sales mix by regions remains largely unchanged. Russia is our number one market with 60.8% of the Group's total sales. Thanks to our strong own local retail network and extremely high brand awareness in Belarus, the country is generating 25.5% of the total sales. The next significant market is Ukraine with 5.1% of the Group's sales, whereas the total sales in other CIS countries increased to 6%. The actual sales in the Baltic countries reached 2.6% from the total.

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 3.5% during 2012. The International Monetary Fund estimates growth rates slightly below 4% mark also for 2013 and 2014. Our key challenge here is to develop our sales geography into underdeveloped regions currently not covered by our Milavitsa and Lauma branded stores, yet closely monitoring the profitability of the business.

In Belarus, our number 2 market, the annual GDP growth remains slightly below the modest 2% whilst the end of 2012 was affected by smaller volume in construction and trade. Nevertheless, production volumes are rising, thus indicating favorable environment also for the Group for 2013. 2012 sales in Belarus totaled 31 494 thousand EUR compared to 23 702 thousand EUR in 2011.

The reflection of the Ukrainian economy by the State Statistics Service showed modest real GDP 0.2% increase in GDP for 2012. EBRD has lowered its forecast for GDP growth in 2013 to 1% from the previous 2.5%. Ukrainian sales totaled 6 357 thousand EUR for 2012 compared to 5 353 thousand in 2011. Acquisition of Ukrainian trading company in the end of 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.

Given the modest optimism on the Baltic consumer markets, our sales in the region totaled 3 172 thousand EUR in 2012, compared to 3 063 thousand EUR in 2011.

Among the other remaining markets, Kazakhstan contributed 2 726 thousand EUR and the other markets 4 632 thousand EUR in 2012.

On the store openings, in 2012 net increase (including openings and store closures primarily due to relocations) for Milavitsa branded stores was 77 units and 9 units under the Lauma Lingerie brand. The Group therefore operated directly and via franchise a total of 582 stores by the end of 2012, net increase of 86 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.

Outlook for 2013

Similar to the growth estimates for the emerging economies, the core markets for Silvano Fashion Group continue to grow in 2013. Nevertheless, the growth story is not going to be similar to that of the last years as the global economic slump, currently smoothened by excessive quantitative easing by the central banks globally, has its impact on the economies in the Russian speaking hemisphere. Stalling prices for oil and other core commodities shall have an influence on the Russian economy that correspondingly affects the neighboring economies in the unified customs area, namely Belarus and Kazakhstan. Once this said, the given economies seem in much better shape than most of the economies in the Eurozone. This obviously leads to tougher competition for the region's consumer markets, including the apparel market.

What we see is that the competition among the branded producers and franchise chains in the lingerie segment is not exclusion to this. Nevertheless, given our extremely strong brand recognition, quality of the products and, to great extent focus on the sales of classic products, we are fully equipped with the necessary tools to grow our market share in Russia and neighboring countries, and maintain our position in Belarus.

In order to adjust to the market situation described above, Silvano Fashion Group shall focus on the following strategic objectives in 2013 (and beyond):

- Facilitate growth by continuing store openings across all core markets;
- Focus on improvements in the cost structure of production: efficiency in purchasing of the materials, and usage of materials; efficiency in the production outsourcing model with the focus of lowering the labor costs per unit of production;
- Focus on the optimization of the administrative and overhead costs;
- Investing responsibly – that means strict monitoring of the return on investments.

In retail, similar to 2012, the main focus for 2013 will be on the franchising partners' retail networks, i.e. Milavitsa and Lauma Lingerie branded stores in Russia, Ukraine and other CIS countries The Group's own retail network continues to grow in Belarus and Latvia. The Group will continue supporting its franchising model by enhancing brand awareness and recognition, supplementing collections, and performing consumer campaigns and other marketing measures for all the markets.

In wholesale, the main focus for 2013 shall continuously be on upgrading the existing wholesale network, strengthening relationships with existing dealers, exploring new markets and new product niches, and improving planning and logistics for wholesale distribution. The Group restructures its planning principles to assist trading partners in placing more precise orders by reducing the lead-time from orders to actual shipments.

Financial performance

Positive effect of the devaluation on the cost side has been leveled out by increased expenses for labor, outsourcing, and utilities and to some extent materials sourced from Belarus. Group applies hyperinflationary accounting rules according to IAS 29 on business conducted in Belarus.

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%, 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).

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 75 837 thousand EUR representing an increase of 10.7% as compared to the position as of 31 December 2011.

Property, plant and equipment balance increased by 2 838 thousand EUR as compared to 31 December 2011.

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 EUR thousand 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 8 933 thousand EUR and amounted to 51 395 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	2012	2011	Change	2012 % from sales	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	2012	2011	Change	2012 % from sales	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 32% 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 totaled approximately 18% for 12 months 2012 over the same period last year.

As of 31 December 2012 there were altogether 582 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 55 own retail outlets 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. 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.

Investments

During 12 months 2012 the Group's investments totaled 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 totaled 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 were completed in 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).

Information on SFG shares

Key share details	2008	2009	2010	2011	2012
Number of shares outstanding at year end	40 000 000	40 000 000	39 607 000	39 500 000	39 400 000
Weighted average number of shares	39 915 000	39 607 000	39 598 000	39 423 964	39 481 086
Year-end share price, in EUR	0.51	0.78	2.73	3.05	2.74
Earnings per share, in EUR	-0.19	-0.06	0.31	0.55	0.36
Dividend per share, in EUR	n/a	0.05	0.05	0.25*	n/a
Dividend / Net profit	n/a	n/a	0.16	n/a	n/a
P/E ratio	n/a	n/a	8.81	5.55	7.61

* Further to 0.25 EUR dividend declared for 2011, the company provided in-kind dividends (capital reduction) in amounts of EUR 0.14 (declared on 17.03.11) and EUR 0.10 (declared on 30.06.11)

Share price performance and trading history

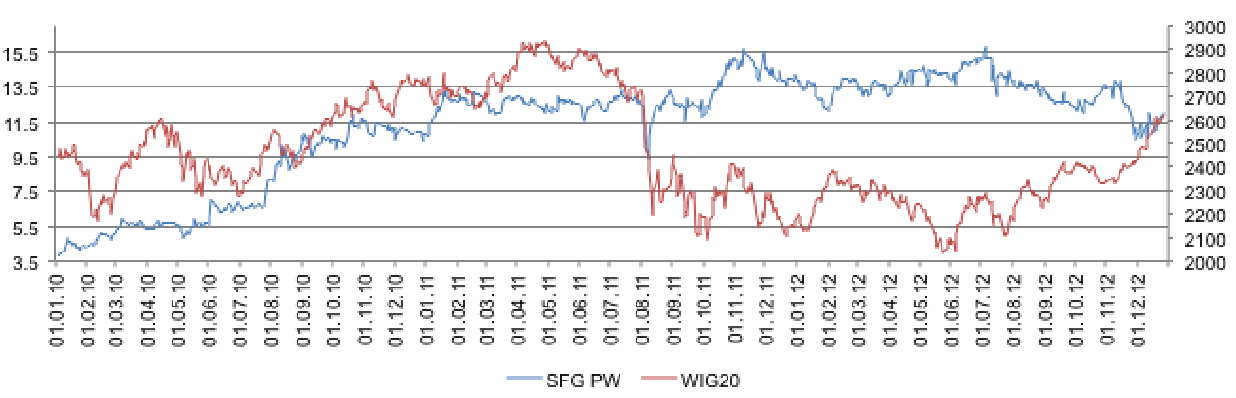
In 2012, SFG's share price decreased by 10.3% and the Group's market capitalization decreased by EUR 12.71 million (10.5%) while OMX Tallinn Index grew by 38.2%.

Tallinn Stock Exchange trading history	2008	2009	2010	2011	2012
High, in EUR	4.35	0.85	3.19	3.55	3.65
Low, in EUR	0.40	0.20	0.78	2.55	2.36
Average, in EUR	2.13	0.45	1.84	3.12	3.18
Last, in EUR	0.51	0.78	2.73	3.05	2.74
Traded volume	10 351 740	6 414 182	9 286 160	11 766 505	9 792 762
Turnover, in EUR million	15.53	2.85	17.93	36.84	30.35
Market capitalization, in EUR million	20.40	31.20	108.13	120.67	107.96

Share price development and reference OMX Tallinn (TALSE) index on Tallinn Stock Exchange during 2010-2012, EUR

Warsaw Stock Exchange trading history	2009	2010	2011	2012
High, in PLN	3.76	12.48	16.48	15.85
Low, in PLN	1.11	3.65	9.4	10.00
Last, in PLN	3.7	10.75	13.85	12.00
Traded volume	7 167 676	6 430 640	6 959 987	3 579 510
Turnover, in PLN million	32.5	98.7	87.5	46.8

Share price development and reference WIG-20 index on Warsaw Stock Exchange during 2010-2012, PLN



Shareholder structure

As of 31 December 2012 AS Silvano Fashion Group had 2 119 shareholders (as of 31 December 2011- 1 893 shareholders).

A complete list of the Company's shareholders is available on the website of the Estonian Central Register of Securities (www.e-register.ee).

The distribution of shares as of 31 December:

	2012			2011		
Shareholdings	**Number of shareholders**	**%**	**Number of shares**	**Number of shareholders**	**%**	**Number of shares**
>10%	3	0.1%	22 582 612	3	0.2%	25 446 045
1.0–10.0%	10	0.5%	8 570 099	6	0.3%	6 809 147
0.1–1.0%	34	1.6%	4 714 253	28	1.5%	4 485 072
<0.1%	2 072	97.8%	3 533 036	1 856	98.0%	2 759 736
Total	**2 119**	**100.0%**	**39 400 000**	**1 893**	**100.0%**	**39 500 000**

Largest shareholders of Silvano Fashion Group

	31.12.12	**31.12.11**
Toomas Tool	20.30%	22.78%
AS SEB Pank Clients	20.30%	20.46%
Krajowy Depozyt Papierow Wartošciowych S.A.	16.71%	21.18%
BP2S PARIS/CLIENT ASSETS	3.93%	4.90%
Mellon Treaty Omnibus	3.91%	2.93%
UNICREDIT BANK AUSTRIA AG	3.43%	2.53%
LHV PENSIONIFOND L	2.25%	1.86%
BP2S LUXEMBOURG /ABERDEEN GLOBAL	1.79%	0.93%
Central Securities Depository of Lithuania	1.63%	1.19%
FIREBIRD REPUBLICS FUND LTD	1.33%	0%

Because the allocation of voting rights does not necessarily coincide with legal ownership, the shareholders' register of the Company may not include full details of persons who hold over 5% of voting rights represented by its shares. As of 31.12.2012, the known key investors of SFG were:

- Mr. Stephan Balkin, holding 8 000 000 shares (20.30% of all votes);
- Mr. Toomas Tool, holding 8 000 000 shares (20.30% of all votes);
- Funds managed by Pioneer Pekao Investment Management SA, holding 2 013 473 shares (5.11% of all votes).

Shares held by the members of the Management board and the Supervisory Board

Supervisory board	Number of shares held as of 31.12.2012
Mr. Toomas Tool, Chairman of the Supervisory Board	8 000 000
Mr. Stephan Balkin	8 000 000
Mr. Pavel Daneyko	15 946
Mr. Ants Susi	2 000
Mr. Risto Mägi	0
Management Board	
Mr. Märt Meerits	3 000
Mr. Aleksei Kadõrko	1 000

Dividends

Silvano Fashion Group is under no permanent or fixed obligation of paying dividends to its shareholders. Recommendations of the Management Board and the Supervisory Board for profit allocation are based on financial performance, requirements for current capital management, investment needs and strategic considerations.

Corporate Governance Report

The shares of AS Silvano Fashion Group have been admitted to trading on the Nasdaq OMX Tallinn Stock Exchange and the Warsaw Stock Exchange. Two corporate governance codes apply to the Company: (i) the Corporate Governance Recommendations adopted by the NASDAQ OMX Tallinn Stock Exchange and the Estonian Financial Supervision Authority (hereinafter CGR); (ii) the Code of Best Practice for WSE Listed Companies.

According to CGR, the Company shall describe its management practices in corporate governance recommendations report and confirm its compliance or not with CGR. If the Company does not comply with CGR, the Company shall explain in the report the reasons for its non-compliance. The Code of Best Practice for WSE Listed Companies provides the same obligation which is applicable to the Company due to its listing on the Warsaw Stock Exchange.

I Summary

The Management Board and the Supervisory Board of the Parent company confirm, to the best of their knowledge that the management practices were in compliance with CGR in all substantial matters during the reporting year. If the management practices deviated, in the Management Board's and/or the Supervisory Board's opinion, from particular provisions of CGR during 2012 such a deviation is explained below.

II General Meeting of Shareholders

The highest directing body of a Company is the General Meeting of Shareholders. The competence of the General Meeting, the procedure for calling a meeting and passing of decisions is set forth in the Articles of Association of the Parent company.

One annual general meeting of the shareholders was held on 30.06.2012. The substantial facts related to the general meeting are set out below.

The Annual General Meeting was held on 30.06.2012 in Tallinn. The agenda of the Annual General Meeting included 7 items: (i) approval of the 2011 Annual Report; (ii) distribution of profits; (iii) appointment of the auditor; (iv) cancellation of the own shares; (v) amendment of the Articles of Association; (vi) election of the new supervisory board member to replace the resigned member; (vii) supervisory board remuneration. The general meeting passed the resolutions on all items in the agenda.

The meeting was attended by Mr. Meerits from the management board, Mr. Susi and Mr. Mägi from the Supervisory Board, Mr. Hintsov, sworn auditor responsible for the 2011 audit, and Notary-in-Public.

The notice calling the annual general meeting was published on 06.06.2012 in the newspaper "Eesti Päevaleht", on the NASDAQ OMX Tallinn Stock Exchange website, on the Warsaw Stock Exchange website and on the Company's website. The notice was published in Estonian and English language.

The resolutions of the general meeting were published on Tallinn and Warsaw stock exchanges and on Parent company's website.

III Management Board

As of 31 December 2012 the management board had 2 members: Mr. Märt Meerits and Mr. Aleksei Kadõrko.

Upon assuming the office, member of the Management Board has executed a/the service contract(s) with the Company or with a company belonging to the Group governing the service assignments of that member. Those contracts specify the rights, obligations and liability of the member of the management board, and lay down the provisions governing payment of principal remuneration. The amount of the remuneration was agreed upon in line with the service assignments and activities entrusted to the relevant member of the management board, the current state of the business, and the future trends.

The Parent company does not comply with the requirement to publish the remuneration, bonus system and other payments and benefits received by the individual members of the Management Board on the web page of the Company and in this report (section 2.2.7 of CGR). The Parent company is of the opinion that such disclosure may impair the rights of the members of the Management Board and the Parent company itself. Breakdown of aggregated amounts paid to the members of the managing bodies is included in the Consolidated Annual Report of the Group.

Members of the Management Board have informed the Parent company of their participation in other business entities, which are not members of the Group or management bodies thereof. No members of the Management Board are in direct competition with the Group. There is no conflict of the interest between the members of the Management Board and the Group and certain interest held by the members of Management Board, and their participation in managing bodies do not constitute a breach of the prohibition from competition.

Moreover, the members of the Management Board have assumed the obligation to refrain from any breach of the non-competition obligation under their respective agreements.

Furthermore, the internal work procedure rules of the Group stipulate that no member of the Management Board or any employee shall demand or accept in their own personal interest any money or other benefits from any third persons in connection with their job, nor grant any third persons unlawful or unreasonable favors.

IV Supervisory Board

The task of the Supervisory Board is to plan the operations of the Parent company, organize the business and carry out supervision over the activities of the Management Board. The General Meeting of Shareholders elects the members of the Supervisory Board of the Parent company.

The Supervisory Board of the Parent company consists of 5 members: Mr. Toomas Tool (Chairman), Mr. Stephan Balkin, Mr. Pavel Daneyko, Mr. Risto Mägi and Mr. Ants Susi.

The current composition of the Supervisory Board is available on the Parent company's website.

In accordance with Sec 3.2.2.I CGR more than one-half of the members of the supervisory board were independent. The Company is currently complying with the requirement of having at least half members of the Supervisory Board as independent members as set out in Section 3.2.2 of CGR.

The members of the Supervisory Board elect and appoint the chairman of the supervisory board. Mr. Toomas Tool serves as the chairman of the supervisory board from 15 November 2012.

The remuneration of the members of the Supervisory Board has been approved by the resolution of the General Meeting of Shareholders dated 30.06.2012. This constitutes of EUR 1 000 as gross monthly remuneration for each supervisory board member and EUR 2 500 as gross monthly remuneration for the Chairman of the Supervisory Board. No severance pay is paid to resigning members of the supervisory board.

The Management Board of the Parent company is not aware of any conflicts of interests between the Supervisory Board members and the Group.

Altogether 3 meetings of the Supervisory Board were held in the reporting year. Each member of the Supervisory Board of the Company participated in more than one-half of the meetings of the Supervisory Board held during their term of office.

V Co-operation of Management Board and Supervisory Board

The Management Board and the Supervisory Board work in close co-operation. The Management Board and the Supervisory Board hold joint meetings when matters concerning the Group's strategy are discussed, and the parties continuously exchange information pertaining to the strategic development of the Group. At such meetings the Management Board informs the Supervisory Board of any deviations from the Group's plans and targets and the reasons thereof. Meetings of the Chairman of the Supervisory Board and the Chairman of the Management Board are held to exchange information when needed. With respect to exchange of information, the internal rules governing the keeping, disclosure of internal information, as well as transactions with the shares of the Parent company are applied.

VI Disclosure of Information

Since listing of the shares the Parent company on the Nasdaq OMX Tallinn Stock Exchange and the Warsaw Stock Exchange the Parent company has been adhering to the information disclosure requirements stipulated in the stock exchange to procure an equal treatment to the Parent company's shareholders.

The website of the Parent company can be found at the address www.silvanofashion.com and the information targeted at shareholders is available at the easily found section http://www.silvanofashion.com /investors.html where the materials related to the General Meetings, including notices, agendas, resolutions, annual reports, information on the candidates to the Supervisory Board, and auditors and other materials related to the agenda items have been published. The materials are available in English language.

The Parent company has disclosed on its website all the facts and assessment pertaining to the Group, which have been disclosed to financial analysts or other persons. Moreover, the website of the Parent Company provides presentations made to analysts or investors and general directions of the Group's strategy.

The Parent company publishes all its announcements in the Estonian and the English languages on the parent company's webpage and the webpage of the Tallinn Stock Exchange and in English language on Warsaw stock exchange.

VII Financial Reporting and Auditing

Consolidated Annual Report of the Group has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. The auditor (AS PricewaterhouseCoopers) is auditing this Consolidated Annual Report of the Group for the first time.

The Group does not disclose the amount of the fee paid to the auditor, inasmuch as, in the opinion of the Group, the non-disclosure thereof does not affect the reliability of the auditor's report prepared following the auditing.

Corporate Social Responsibility

AS Silvano Fashion Group is aware of its special responsibility towards society and the environment. Accordingly, in addition to economic growth, its corporate strategy and business operations are also oriented to ecological and social values. For the Group, this responsibility translates into numerous areas of involvement designed to promote the health and professional development of employees as well as activities to protect the environment and the ecosystem.

Economic responsibility

AS Silvano Fashion Group continually works with its employees and business partners to ensure the sustained success of the Group. For this purpose the business strategy focuses on the long-term enhancement of brand value, without neglecting the short-term requirements of the consumer and capital markets.

Ecological responsibility

AS Silvano Fashion Group acknowledges its responsibility for preserving environment for future generations, aims at improving living standards of both its employees and people living in the area of the Group's operations, seeks to enhance the quality of goods produced and thus commits to the following:

1. Observe both national and international legislation on environment protection.
2. Produce goods with maximum ecological efficiency, consume materials and energy resources efficiently.
3. Reduce the level of environmental impact and waste products by improving current and adopting new resource saving, low waste or non-waste technologies.
4. Constantly improve employees' knowledge on environment and ecology.
5. Improve current environmental management system through its ongoing development and performance evaluation.
6. Regularly inform the public and partners on the measures taken by management and employees to protect environment and increase ecological efficiency of production process.

Social responsibility

AS Silvano Fashion Group acknowledges its responsibility for life and health of its employees as well as business partners, aims at improving safety and quality of working conditions and thus commits to the following:

1. Observe both national and international legislation on labor rights protection.
2. Guarantee safe working conditions to its employees: detect and analyze related risks on a regular basis; take all possible actions and allocate necessary funds to minimize negative impact of dangerous and harmful factors in the workplace.
3. Constantly improve quality of working conditions and guarantee social support to the employees through the Program of Health Promotion.
4. Take care of employees' health by preventing work-related diseases, providing medical support within the framework of the Program of Health Promotion.
5. Use modern equipment and new technologies to ensure safe working conditions and high level of labor productivity.
6. Ensure employees' satisfaction, motivation and dedication by investing in professional training and education.
7. Carry out standardized employee performance reviews in all business areas in order to identify and promote personal development and career opportunities for each employee.

Besides that, AS Silvano Fashion Group and its largest subsidiary SP ZAO Milavitsa are conscious of a certain responsibility for the general development of the region and well-being of the local community in Belarus, focusing mainly on children, youth and sportsmen by supporting their educational efforts, spending their leisure time in good surroundings and professional sport development.

Quality management

A high quality business and management model is one of the assets of AS Silvano Fashion Group. The objective is to develop business processes, practices and systems based on the principles of continuous improvement and in accordance with the customers’ needs and expectations. Quality development is a continuous process where every employee has a central role to play. The Group particularly emphasizes the handling of customer feedback so that the necessary information reaches the relevant employees with minimum delay and that corrective and preventive action can be effectively implemented.

Consolidated Financial Statements

Consolidated Statement of Financial Position

in thousands of EUR	Note	31.12.2012	31.12.2011
ASSETS			
Current assets			
Cash and cash equivalents	5,7	16 260	17 967
Prepayments		243	251
Trade and other receivables	5,8	14 746	12 115
Inventories	9	24 598	21 548
Total current assets		**55 847**	**51 881**
Non-current assets			
Long-term receivables		1	14
Investments in associates	10	164	127
Available-for-sale investments	5,8,11	492	424
Deferred tax asset	15	231	236
Intangible assets	12	443	170
Investment property	13	1 618	1 430
Property, plant and equipment	14	17 041	14 203
Total non-current assets		**19 990**	**16 604**
TOTAL ASSETS		**75 837**	**68 485**
LIABILITIES AND EQUITY			
Current liabilities			
Borrowings	5,8	47	20
Trade and other payables	5,8	11 171	10 391
Tax liabilities		1 008	4 001
Total current liabilities		**12 226**	**14 412**
Non-current liabilities			
Deferred tax liability	15	2 162	1 921
Total non-current liabilities		**2 162**	**1 921**
Total liabilities		**14 388**	**16 333**
Equity			
Share capital	16	15 760	15 800
Share premium		13 822	14 070
Treasury shares		-20	-308
Statutory reserve capital		1 306	231
Other reserves		0	63
Unrealised exchange rate differences		15	72
Retained earnings		20 513	12 536
Total equity attributable to equity holders of the Parent company		**51 396**	**42 464**
Non-controlling interest in equity		10 053	9 688
Total equity		**61 449**	**52 152**
TOTAL EQUITY AND LIABILITIES		**75 837**	**68 485**

Notes on pages 20 to 50 are integral part of these Consolidated Financial Statements.

Consolidated Income Statement

in thousands of EUR	Note	2012	2011
Revenue	18	123 519	103 558
Cost of goods sold	19	-81 280	-57 200
Gross Profit		**42 239**	**46 358**
Distribution expenses	21	-14 533	-10 796
Administrative expenses	22	-7 902	-6 416
Other operating income	20	1 556	954
Other operating expenses	23	-1 838	-2 215
Operating profit		**19 522**	**27 885**
Currency exchange income/(expense)	24	475	17 536
Other finance income/(expenses)	24	585	794
Net financial income		**1 060**	**18 330**
Profit from associates using equity method	10	34	77
Profit before tax and gain (loss) on net monetary position		**20 616**	**46 292**
Income tax expense	15	-5 682	-12 017
Profit before gain/(loss) on net monetary position		**14 934**	**34 275**
Gain (loss) on net monetary position		1 159	-8 646
Profit for the period		**16 093**	**25 629**
Attributable to :			
Equity holders of the Parent company		14 151	21 501
Non-controlling interest		1 942	4 128
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)		0.36	0.55

Consolidated Statement of Comprehensive Income

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

Notes on pages 20 to 50 are integral part of these Consolidated Financial Statements.

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**

Notes on pages 20 to 50 are integral part of these Consolidated Financial Statements.

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**
Purchase of 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**
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**
Purchase of non-controlling interest	0	0	0	0	-63	0	-20	**-83**	-207	**-290**
Cancellation of treasury shares	-40	-248	288	0	0	0	0	**0**	0	**0**
Total transactions with owners, recognised directly in equity	**-40**	**-248**	**288**	**1 075**	**-63**	**0**	**-10 943**	**-9 931**	**-3 029**	**-12 960**
Balance as at 31 December 2012	**15 765**	**13 822**	**-20**	**1 306**	**0**	**14**	**20 513**	**51 395**	**10 053**	**61 449**

Notes on pages 20 to 50 are integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Note 1 General information

AS Silvano Fashion Group (the "Parent company") and its subsidiaries (together "the Group") manufacture, distribute and sell women's lingerie. The Group has manufacturing plants in Belarus and Latvia. The Group's income is generated by sales of "Milavitsa", "Alisee", "Lauma Lingerie", "Laumelle" and "Hidalgo" branded products through wholesales channels, 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 is a public limited company, which is listed on NASDAQ OMX Tallinn Stock Exchange and on Warsaw Stock Exchange. The Parent company is incorporated and domiciled in Estonia. The address of its registered office is Tulika 15/17, 10613 Tallinn, registration number is 10175491. There is no controlling shareholder. These financial statements were authorised for issue by the Management Board of AS Silvano Fashion Group on 25 April 2013.

Note 2 Summary of significant accounting policies

Principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of AS Silvano Fashion Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The consolidated financial statements have been prepared under historical cost convention, as modified by application of IAS 29 "Financial Reporting in Hyperinflationary Economies".

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group`s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.2 Changes in accounting policy and disclosures

a) New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the group.

b) New standards and interpretation not yet adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Group have not early adopted.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014), 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 The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements and the timing of its adoption by the Group and the Parent.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014), 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 judgments 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. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements and the timing of its adoption by the Group and the Parent.

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements and the timing of its adoption by the Group and the Parent.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), 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 and the Parent expect the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2014). The amendments clarify the transition guidance in IFRS 1 "Consolidated Financial Statements". Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements and the timing of its adoption by the Group and the Parent.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

2.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Supervisory Board of the Parent company.

2.4 Foreign currency transactions

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "currency exchange income /(expense)". All other foreign exchange gains and losses are presented in the income statement within "other operating income" or "other operating profit).

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c) Group companies

The results and financial position of all the Group entities (except for Belorussian entities that have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

d) Hyperinflation in Belarus

As a result of Belarusian economy being hyperinflationary in 2011 and in accordance with IAS 29 for entities incorporated in Belarus all amounts after restatement for hyperinflation effect (i.e., assets, liabilities, equity items, income and expenses) are translated to the presentation currency at the closing rate.

2.5 Hyperinflationary accounting

The economic environment in Belarus deteriorated significantly since the second quarter of 2011. Cumulative inflation in the last three years now exceeds 100%. IAS 29 states that a cumulative inflation rate over three years at or approaching 100% is an indicator that an economy is hyperinflationary. Numerous characteristics of the economic environment provided in IAS 29 “Financial Reporting in Hyperinflationary Economies” have been met.

Therefore economy of the Republic of Belarus is considered to be hyperinflationary as defined by IAS 29. IAS 29 and IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies” require the financial statements to be restated in the reporting period in which an entity identifies the existence of a hyperinflationary economy. IAS 29 has been applied as if the economy had always been hyperinflationary. This standard requires that financial statements of the entity, whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of the measuring unit current at the end of the reporting period.

The restatement was made using the Consumer Price Index (“CPI”), published by the National Statistical Committee of the Republic of Belarus. The change CPI for the five year period ended 31 December 2012 was as follows:

Year	% change
2008	13.3
2009	10.1
2010	9.9
2011	108.7
2012	21.8

Monetary assets and liabilities of Belarusian subsidiaries are not restated because they are already expressed in terms of the monetary unit current at reporting date. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current at reporting date) and components of equity are restated by applying the relevant indexes. The restated amount of a non-monetary item is reduced in accordance with appropriate IFRS, when it exceeds its recoverable amount. Items the Group presents in the income statement and in the statement of comprehensive income are restated by applying the change in the price index from the month when the items of income and expenses were initially recorded in the financial statements. The effect of inflation on the Group’s and the Parent’ net monetary position is included in the consolidated income statement as gain or loss on net monetary position.

Tangible and intangible assets, share capital and share premium of Belarusian subsidiaries were indexed using indexes, calculated from the date of purchase or contribution.

Data of Belarusian subsidiaries included in the consolidated income statements have been indexed by the change in the CPI using the following assumptions:

- inflation has occurred evenly during the month;
- income and expenses have accrued evenly over the month.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings:	
Production buildings	30-75 years
Other buildings	20-50 years
Plant and equipment:	
Sewing equipment	7-10 years
Vehicles	5-7 years
Other equipment	5-10 years
Other equipment and fixtures:	
Computers, tools and other items of equipment	3-5 years
Store furnishings	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating expenses" in the income statement.

2.7 Intangible assets

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 to 10 years.

2.8 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the investment property. The estimated useful lives used are 50 years.

Investment property is derecognized when either it has been disposed of or when an investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

2.9 Impairment of non-financial assets

Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and "long-term receivables" in the balance sheet.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.10.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Impairment of financial assets

a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.16 Share capital

Ordinary shares are classified as equity. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Parent company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

In accordance with effective legislation, in Estonia corporate income tax is not levied on profits earned. Therefore, deferred tax assets and liabilities do not arise. Instead of profit earned, income tax is levied on dividends and other distributions. From 1 January 2008 the tax rate is 21/79 of the amount distributed as the net dividend. The income tax payable on dividends is recognized in the income statement of the period in which the dividends are declared, irrespective of the period for which the dividends are declared or in which they are paid.

The Group's foreign entities pay tax on corporate profits in accordance with the laws of their domicile. In Latvia the tax rate is 15%, in France - 33.33%, in Russia - 20%, in Belarus - 18% and in Ukraine – 19%. There have been no changes in tax rates in the countries where the Group operates.

2.19 Provisions

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Rental income from investment property is recognized in profit or loss on straight line basis over the term of the lease.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease income from operating leases is recognized in the consolidated income statement on a straight-line basis over the lease term as other income.

Note 3 Critical accounting estimates, judgments and uncertainties

The preparation of consolidated financial statements in accordance with IFRS as adopted in the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Unrecognized deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available in the period when deductible temporary differences realize against which those differences can be utilized. Estimation of probability is based on management forecast of timing of realization of temporary differences and future taxable profit.

Useful lives of property, plant and equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any one of these conditions or estimates may result in adjustments to estimates of useful lives of property, plant and equipment.

Provisions

Provisions are recognized when the Group and the Parent have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Parent will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. As a result of this estimation the Group hasn`t made any material provisions.

Amount of inventory write-off to net realizable value

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. However actual selling price at the time of transaction may differ from the estimates. The need for and extent of writing down inventories is determined as follows: in case of finished goods on the basis of their sales potential, date of model origination and net realizable value; in case of raw and other materials on the basis of their usability in the production of finished goods and generation of revenue; and in case of work in progress on the basis of their stage of completion which can be measured reliably.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Uncertainties in operating environment

Emerging markets including Republic of Belarus are subject to economical, political, social, legal and legislative risks, which are different from the risks of more developed markets. As previously, estimated or actual financial difficulties in countries with developing economies or increase of investment risks levels of in these countries could adversely affect the economy and investment climate in the Republic of Belarus.

Laws and regulations affecting businesses in Belarus continue to change rapidly. Tax, currency and customs legislation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Belarus. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial system continues to face serious problems. In many countries the rates of economic growth have reduced. Moreover, the uncertainty increased regarding the creditworthiness of several Eurozone countries and financial institutions which carry significant risks for the sovereign debt of these countries. These problems can result in slower global growth rate and the growth rate of the Belarusian economy, adversely affect the availability and cost of capital for the Group and the Parent, as well as the business of the Group and the Parent in general, results of its operations, financial position and prospects of development.

Devaluation of Belarusian rouble – in the year 2011 the National Bank performed phased devaluation of Belarusian rouble (in May and in October 2011), which as of 31 December 2011 resulted in 172% decrease of exchange rates to the currency basket compared to the 31 December 2010. In 2012 Belarusian rouble was stable and the exchange rate to the currency basket decreased only by 5.2%.

During the year 2011 the National Bank of the Republic of Belarus gradually increased the refinancing rate, which was 45% as of 31 December 2011. In 2012 they started to decrease the refinancing rate and it was 30% as of 31 December 2012. In September 2011 the Standard & Poor’s Rating Services downgraded long-term credit rating of the Republic of Belarus for national and foreign currency liabilities from B to B-. However the rating became stable since mid of 2012.

Inflation – starting from 1 January 2011 the economy of Republic of Belarus was recognized hyperinflationary for the purpose of IFRS reporting. According to statistical data, consumer price index for the year ended 31 December, 2012, amounted to 21.8% (108.7% for the year ended 31 December 2011).

Note 4 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

Note 5 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and fair value interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Management Board has an overall responsibility for establishment and oversight of the Group's risk management framework. The achievement of risk management goals in the Group is organized in such a way that risk management is part of normal business operations and management. Risk management is a process of identifying, assessing and managing business risks that can prevent or jeopardize the achievement of business goals.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mostly from the Group's receivables from customers.

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a quality rating are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of each local entity. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The carrying amount of financial assets (except for available-for-sale financial assets) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

in thousands of EUR	**31.12.12**	**31.12.11**
Cash and bank	16 260	17 967
Trade receivables from third parties	12 056	7 710
Trade receivables from related parties	528	2 320
Other receivables	210	263
Total	**29 054**	**28 260**

Maximum exposure to credit risk for cash and cash equivalents was as follows:

in thousands of EUR	**31.12.2012**	**31.12.2011**
Fitch rating A-AAA	7 361	12 113
Fitch rating B-BBB	0	3 100
Not rated	8 899	2 754
of those not rated, within EU	4 102	0
Total cash equivalents	**16 260**	**17 967**

The ageing of trade receivables (other financial assets are all not past due) at the reporting date was:

in thousands of EUR	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	10 188	0	8 664	0
Overdue 1-30 days	1701	0	699	0
Overdue 31-90 days	206	0	95	-27
Overdue 91-180 days	345	-345	423	-392
More than 180 days	144	-144	149	-147
Total	**12 584**	**-489**	**10 030**	**-566**

Not past due trade receivables are towards wholesale customers. There is no substantial risk concentration in trade receivables.

Trade receivables that have been considered impaired because debtors are experiencing significant financial difficulties and the probability of payments is low. Movements in the allowance for the impairment in respect of trade receivables and other receivables during the year were as follows:

in thousands of EUR	2012	2011
Balance at the beginning of period	**-566**	**-545**
Impairment losses for the period	-6	-52
Impairment losses reversed	9	25
Effect of movements in exchange rates	74	6
Balance at the end of period	**-489**	**-566**

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasting is performed in the operating entities of the group in and aggregated by group finance. Group finance monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group’s financing plans, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

As of 31 December 2012 and 31 December 2011, the Group’s current assets exceeded its current liabilities.

The table below analyses Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

in thousands of EUR **As of 31 December 2012**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities						
Borrowings	47	47	47	0	0	0
Trade payables	7 810	7 810	7 810	0	0	0
Other payables	1 114	1 114	1 114	0	0	0
Total	**8 971**	**8 971**	**8 971**	**0**	**0**	**0**

in thousands of EUR **As of 31 December 2011**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities						
Borrowings	20	20	0	0	0	0
Trade payables	7 427	7 427	7 386	41	0	0
Other payables	796	796	796	0	0	0
Total	**8 243**	**8 243**	**8 182**	**41**	**0**	**0**

Market risks

Market risks are risks that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and cash that are denominated in a currency other than respective functional currencies of the Group entities. In the Group's markets, sale and purchase prices are fixed in the following currencies: EUR (Euro), LVL (Latvian lats), RUB (Russian roubles), BYR (Belarusian roubles). Other purchase and sales transactions are mainly in Euro and in US dollars. Intra-group transactions are primarily in Russian roubles, Belarusian roubles and Euros.

Most materials required for the manufacturing of women's lingerie are imported from EU member states. Those purchases are mainly in Euros.

Most of the Group's wholesale sales transactions are in RUB. The Group's retail sales prices are fixed in the currency of the retail market. Fluctuations in the exchange rates of local currencies affect both the Group's revenue and expenses. Rapid changes in the market's economic environment and increases or decreases in the value of its currency may have a significant impact on the Group's operations and the customers' purchasing power.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept on a minimal level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is the most exposed to currency risks arising from fluctuations in the exchange rates of BYR. The Group has addressed this risk by keeping money in more stable currencies such as EUR or RUB. Currency risk management includes maintaining an appropriate balance in BYR which corresponds to the amount required to fulfill liabilities to Belarusian suppliers. The Group does not use hedging to reduce currency risks.

The Group is also exposed to currency risks arising from fluctuations in the exchange rates of EUR, USD, RUB and UAH (Ukrainian hryvna). During the reporting year, the exchange rates of currencies affecting the Group's operating results changed as follows against EUR: Ukrainian hryvna -3% (2011: +2.6%), US dollar -2.3% (2011: +1.4%), Belarusian rouble -5% (2011: -171.9%) and Russian rouble +2.8% (2011: +2.5%). Latvian lats are pegged to the EUR.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

in thousands of EUR **as at 31 December 2012**	**Total**	**EUR**	**BYR**	**RUB**	**LVL**	**USD**	**Other**
Cash and cash equivalents	**16 260**	9 517	3 653	2 555	49	80	406
Trade receivables	**11 988**	1 146	1 418	7 975	65	0	1 384
Available for sale financial assets	**492**	0	492	0	0	0	0
Other receivables	**188**	38	131	14	3	0	2
Borrowings	**-47**	0	-47	0	0	0	0
Trade payables	**-7 805**	-4 984	-1 801	-144	-277	-115	-484
Other payables	**-1 114**	-38	-1 007	-4	-61	0	-4
Statement of financial position exposure	**19 962**	**5 679**	**2 839**	**10 396**	**-221**	**-35**	**1 304**

in thousands of EUR **as at 31 December 2011**	**Total**	**EUR**	**BYR**	**RUB**	**LVL**	**USD**	**Other**
Cash and cash equivalents	**17 967**	10 635	2 292	4 878	35	2	125
Trade receivables	**9 464**	1 534	1 121	5 952	299	0	558
Available for sale financial assets	**424**	0	424	0	0	0	0
Other receivables	**156**	0	92	15	49	0	0

Borrowings	**-20**	0	-20	0	0	0	0
Trade payables	**-7 427**	-5 031	-1 604	-289	-171	-328	-4
Other payables	**-796**	-48	-503	-194	-51	0	0
Statement of financial position exposure	**19 768**	**7 090**	**1 802**	**10 362**	**161**	**-326**	**679**

The Group's main exposure to currency risk related to assets or liabilities in foreign currencies relates to its operations in Belarus. A 10 percent weakening of BYR against the following currencies as of 31 December 2012 would affect profit or loss by the amounts presented below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

Effect on profit before tax
in thousands of EUR

	2012	2011
EUR	-289	22
RUB	1 310	656
Total	**1 021**	**678**

Effect on capital before tax
in thousands of EUR

	2012	2011
EUR	-237	18
RUB	1 074	538
Total	**837**	**556**

A 10 percent strengthening of BYR against the EUR and RUB currencies would have had the equal but the opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Exposure to the interest rate risk arises from deposits with fixed interest rates. Management estimates that interest rate risk is not significant as Group does not have material long-term deposits or borrowings.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group manages total equity including non-controlling interest as capital. The externally imposed capital requirements arise from Estonian Commercial code, requiring a certain minimum level of owner's equity to be maintained. Those requirements are incorporated into the management of capital and have been met for all reporting periods. There were no changes in the Group's approach or external requirements to capital management during the year. There are no plans to engage significant external capital.

Note 6 Group entities and business combinations

	Location	Main activity	Ownership interest 31.12.2012	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 and wholesale	81.12%	80.92%
AS Lauma Lingerie	Latvia	Manufacturing, wholesale and retail	100%	100%
ZAO Linret	Russia	Wholesale	100%	100%
ZAO Stolichnaja Torgovaja Kompanija	Russia	Wholesale	50%	50%

Milavitsa				
SOOO Torgovaja Kompanija Milavitsa	Belarus	Wholesale and retail	50%	50%
OOO Torgovaja Kompanija Milavitsa	Ukraine	Wholesale	100%	26%
Milavitsa-logistik OOO	Belarus	Logistics	50%	50%
OÜ Linret EST	Estonia	Holding	100%	100%
Entities owned by SP ZAO Milavitsa				
OAO Yunona	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%

Transactions during 2012

On 24 December 2012 AS Silvano Fashion Group acquired 74% stake of OOO Torgovaja Kompanija Milavitsa (Ukraine). The amount paid for the acquisition was immaterial for the group. As a result of the acquisition, the Group is expected to increase its presence in this market. Impact of acquisition on 2012 numbers is minimal as it was done in the end of 2012. Should the acquisition have taken place in the beginning of 2012 than consolidated revenue and profit for 2012 would be bigger approximately by EUR 700 thousand and EUR 120 thousand respectively

Note 7 Cash and cash equivalents

in thousands of EUR

As of 31 December	**2011**	**2011**
Short-term deposits in all currencies	13 305	15 682
Current bank accounts in other currencies than EUR	1 119	1 516
Cash in transit	481	461
Current bank accounts in EUR	1 319	276
Cash on hand	36	32
Total	**16 260**	**17 967**

Note 8 Financial assets and financial liabilities

in thousands of EUR

Assets	**2012**	**2011**
Available-for-sale financial assets	492	424
Trade receivables, net	11 988	9 464
Other receivables	188	156
Cash and cash equivalents	16 260	17 967
Total	**28 928**	**28 011**

in thousands of EUR

Liabilities	**2012**	**2011**
Borrowings	47	20
Trade payables	7 805	7 427
Other payables	1 114	796
Total	**8 966**	**8 243**

Other payables do not include Customer advances for products and services as these liabilities do not represent to financial instruments. Other receivables do not include VAT on unpaid invoices and Prepaid expenses as these assets do not relate to financial instruments whereas it includes Other long-term receivables.

Note 9 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**

The Group creates 100% provision for all obsolete inventories. As of 31 December 2012 the Group's write-downs of raw materials to net realizable value amounted to EUR 985 thousand (2011: EUR 397 thousand). As of 31 December 2012 the Group's write-downs of finished goods to net realizable value amounted to EUR 174 thousand (2011: EUR 200 thousand). The write-downs are included in cost of goods sold.

Note 10 Investments in associates

Interests in associates are held by AS Silvano Fashion Group and its subsidiary SP ZAO Milavitsa. Equity method is applied based on the latest (from 2012) available financial results of the associates. Summary of financial information for equity accounted investees:

As of 31 December 2012

In thousands of EUR	Owner-ship	Total assets	Total liabilities	Equity	**Group's share in equity**	Revenue	Expenses	Profit	**Group's share in profit**
OOO Torgovyj Dom Milavitsa – Novosibirsk	25%	1 771	1 159	612	**153**	5 994	5 885	109	**27**
ZOO Torgovyj Dom Milavitsa – Tjumen	25%	230	188	42	**10**	1 317	1 294	23	**6**
OOO Uralskoje Predstavitelstvo Torgovyj Dom Milavitsa, Ufa	35%	9	5	4	**2**	94	90	4	**1**
		2 010	**1 352**	**658**	**165**	**7 405**	**7 269**	**136**	**34**

As of 31 December 2011

in thousands of EUR	Owner -ship	Total assets	Total liabilities	Equity	**Group's share in equity**	Revenue	Expenses	Profit	**Group's share in profit**
OOO Torgovyj Dom Milavitsa – Novosibirsk	25%	1 148	661	487	**121**	6 978	6 684	294	**74**
ZOO Torgovyj Dom Milavitsa – Tjumen	25%	191	171	20	**5**	1 148	1 136	12	**3**
TOV Torgovaja Kompanija Milavitsa, Kiev	26%	0	0	0	**0**	0	0	0	**0**
OOO Uralskoje Predstavitelstvo Torgovyj Dom Milavitsa, Ufa	35%	13	11	2	**1**	125	124	1	**0**
		1 352	**843**	**509**	**127**	**8 251**	**7 944**	**308**	**77**

Note 11 Available for sale investments

Details of the Group's available-for-sale financial assets

			Ownership as of		Carrying value	
in thousands of EUR	**Domicile**	**Core activity**	**2012**	**2011**	**31.12.12**	**31.12.11**
OJSC Svitanok	Belarus	Manufacturing	11.3726%	11.3730%	465	401
CJSC Minsk Transit Bank	Belarus	Financing	0.0600%	0.0600%	14	12
OJSC Belvnesheconombank	Belarus	Financing	0.4700%	0.0059%	13	11
Total					**492**	**424**

Other investments are stated at cost, adjusted for hyperinflation effect according to IAS 29, because the shares are not traded in an active market and their fair value cannot be measured reliably. OAO Belvnesheconombank, ZAO Minsk Transit Bank and OAO Svitanok are profitable companies and value of these investments has no signs of impairment.

Note 12 Intangible assets

in thousands of EUR	Software	Trademarks	Projects in progress	Total
31.12.2010				
Cost	630	34	458	**1 122**
Accumulated amortization	-467	-15	-106	**-588**
Net book amount	**163**	**19**	**352**	**534**
Movements during 2011				
Effect of hyperinflation on opening balances and unrealised exchange rates differences	6	15	-54	**-33**
Acquisition	0	0	110	**110**
Transfers and reclassifications	58	7	-65	**0**
Disposals	0	0	0	**0**
Impairment loss	0	0	-309	**-309**
Amortization	-126	-6	0	**-132**
Closing net book amount	**101**	**35**	**34**	**170**
31.12.2011				
Cost	637	56	343	**1 036**
Accumulated amortization	-536	-21	-309	**-866**
Net book amount	**101**	**35**	**34**	**170**
Movements during 2012				
Effect of hyperinflation on opening balances	15	5	6	**26**
Acquisition	6	0	445	**451**
Transfers and reclassifications	294	0	-282	**12**
Disposals	-2	0	-1	**-3**
Amortization	-184	-9	0	**-193**
Unrealised exchange rate differences	-2	-2	-16	**-20**
Closing net book amount	**228**	**29**	**186**	**443**
31.12.2012				
Cost	1 001	63	545	**1 609**
Accumulated amortization	-773	-34	-359	**-1 166**
Net book amount	**228**	**29**	**186**	**443**

Impairment loss of EUR 309 thousand during 2011 was caused by write off of investments in the retail software which was being developed for SP ZAO Milavitsa. The project was finished after the conclusion that the result of product development would not be able to meet initial goal.

As of 31 December 2012 the cost of fully amortized items of intangible assets still in use amounted to EUR 256 thousand (2011: 256).

Note 13 Investment property

in thousands of EUR	2012	2011
31.12.2011		
Cost	1 566	1 393
Accumulated depreciation	-136	-94
Net book amount	**1 430**	**1 299**
Effect of hyperinflation on opening balances and change in exchange rates of presentation currency	229	128
Acquisitions	0	35
Depreciation	-41	-32
Closing net book amount	**1 618**	**1 430**
31.12.2012		
Cost	1 817	1 566
Accumulated depreciation	-199	-136
Net book amount	**1 618**	**1 430**

As of 31 December 2012 and 31 December 2011 investment property of the Group consisted of premises located at Nemiga 8, Minsk (Belarus) (728.3 sq. m.) acquired in 2007 and two more properties in Minsk and Mogilev (Belarus) that were transferred from property, plant and equipment in 2009, because the buildings were no longer used by the Group and were leased to a third party.

The investment property is recognized at cost less accumulated depreciation and any impairment losses. Rental income generated by the investment property and recognized in consolidated income statement amounted to EUR 285 thousand (2011: EUR 223 thousand). According to management estimates, the carrying value of investment property as of 31 December 2012 is not significantly different from the fair value. The fair values estimated by the management for information purposes only are based on the available market data (including information about recent transactions) on similar objects in similar conditions. The Group did not involve external expert in the assessment of the fair value of investment property.

Note 14 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction and prepayments	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**

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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	-71	-18	**-676**
Closing net book amount	**5 133**	**8 490**	**1 959**	**1 459**	**17 041**
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**

As of 31 December 2012 the cost of fully depreciated items of property, plant and equipment still in use amounted to EUR 7 098 thousand (2011: EUR 5 550 thousand).

Note 15 Taxes

Income tax expense comprises the following:

in thousands of EUR	2012	2011
Current income tax	5 739	9 716
Deferred tax	-57	2 301
Income tax expense	**5 682**	**12 017**

Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's 2012 income is 18% (2011 – 24%) . The income tax rate applicable to the income of subsidiaries ranges from 15% to 20% (2011: from 15% to 24%). Reconciliation between the expected and the actual taxation charge is provided below.

in thousands of EUR	2012	2011
Profit before tax	**21 775**	**37 646**
Theoretical income tax at the statutory tax rate*	4 028	8 975
Non-deductible expenses	544	321
Reversal of statutory revaluation	-587	-1 203
Forex gain recognition	-255	-2 123
IAS 29 – loss on tax base of assets and liabilities	1 037	5 507
IAS 29 – restatement of current income tax	224	3 126
IAS 29 – restatement of dividends	-223	-343
Effect of different rates of subsidiaries operating in other jurisdictions	62	-1 702
Effect of change in income tax rate	0	-640
Effect of tax incentives received	0	-604
Effect of other permanent differences	-27	132
Withholding tax on intra-group dividends	1 161	660

Other adjustments	-283	-89
Income tax expense for the year	**5 681**	**12 017**

* *The theoretical income tax rate for the Group in 2012 was 18.5% (2011: 23.84%).*

Deferred tax arises from temporary differences between the carrying amount of an asset or a liability in the statement of financial position and its tax base. The Group's deferred tax asset and liability are attributable to the following assets and liabilities:

in thousands of EUR	1 January 2012	Effect of hyperinflation on opening balances and change in exchange rates	Charged to profit or loss	31 December 2012
Effect from deductible temporary differences:				
Property, plant and equipment	-17	0	22	5
Inventories	60	1	18	79
Trade and other accounts receivable	77	1	-23	55
Other temporary differences	116	3	-26	93
Deferred tax asset	**236**	**5**	**-9**	**232**
Effect from taxable temporary differences:				
Property, plant and equipment	-139	-22	160	-1
Inventories	-281	-44	428	103
Trade and other accounts receivable	-41	-7	-5	-53
Deferred income	-1 508	-241	-407	-2,156
Other temporary differences	48	7	-110	-55
Deferred tax liability	**-1 921**	**-307**	**66**	**-2 162**
Net deferred tax position	**-1 685**	**-302**	**57**	**-1 930**

in thousands of EUR	1 January 2011	Effect of hyperinflation on opening balances and change in exchange rates	Charged to profit or loss	31 December 2011
Effect from deductible temporary differences:				
Property, plant and equipment	741	-538	-220	-17
Inventories	290	-133	-97	60
Trade and other accounts receivable	-11	22	66	77
Other temporary differences	304	-58	-130	116
Deferred tax asset	**1 324**	**-707**	**-381**	**236**
Effect from taxable temporary differences:				
Property, plant and equipment	0	0	-139	-139
Inventories	0	0	-280	-280
Trade and other accounts receivable	0	0	-41	-41
Deferred income	0	0	-1 508	-1 508
Other temporary differences	0	0	47	47
Deferred tax liability	**0**	**0**	**-1 921**	**-1 921**
Net deferred tax position	**1 324**	**-707**	**-2 302**	**-1 685**

Note 16 Equity

As of 31 December 2012 share capital of AS Silvano Fashion Group amounted to EUR 15 760 thousand, which is divided into 39 400 000 shares with a nominal value of EUR 0.4 each.

The minimum share capital and maximum share capital in accordance with articles of association of AS Silvano Fashion Group amount to EUR 15 000 thousand and EUR 60 000 thousand respectively (the maximum number of shares is 150 000 thousand).
All issued shares have been fully paid for.

As of 31 December	**2012**	**2011**
Share capital, in thousands of EUR	15 760	15 800
Number of shares	39 400 000	39 500 000
Par value of a share, in EUR	0.4	0.4

All shares issued by AS Silvano Fashion Group are registered ordinary shares. Each ordinary share grants the holder one vote at the general meeting of shareholders. The Company does not issue share certificates to shareholders. The Company's share register is electronic and maintained at the Estonian Central Register of Securities.

Each ordinary share grants the holder the right to participate in profit distributions in proportion to the number of shares held. General Meeting decides the amount that will be distributed as dividends on the basis of the Parent company's approved annual report.

Changes in share capital during 2011

Based on the decisions of extraordinary shareholders meeting on 17 March 2011 and annual general meeting on 30 June 2011 the share capital of AS Silvano Fashion Group was gradually reduced during 2011 to from EUR 25 313 to EUR 15 800 thousand. The nominal value of the share was reduced from EUR 0.63 to EUR 0.4. Among other reasons, the change in nominal value of the share was driven by introduction of euro in Estonia and relevant requirements for share capital established by the Commercial Code. Total amount of cash distributed to shareholders as consequence of share capital reduction amounted to EUR 9 466 thousand. First share capital reduction was registered in Estonian commercial registry on 30 June 2011 and the second one on 11 October 2011.

Date	**Total number of shares**	**Share capital at par value**	**Share premium**
			In thousands of EUR
31 December 2010	**39 607 000**	**25 313**	**14 130**
Reduction of share capital	0	-9 445	-21
Cancelation of shares	-107 000	-68	-39
31 December 2011	**39 500 000**	**15 800**	**14 070**

Cancelation of shares in 2012 and 2011

On 30 June 2012 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. 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 were completed by the end of 2012.

The Extraordinary Shareholder Meeting held on 17 March 2011 decided upon conversion of the share capital into Euros and upon decrease of the share capital by 5 495 101.17 Euros to the amount of 19 750 000 Euros as follows:

1. To cancel 107 000 Company´s own A-shares that have been bought back by the Company under the buy-back program as adopted by the resolution of the extraordinary general meeting of 9th of November 2010 and to reduce the share capital by 1 070 000 kroons (68 385 euros) to 395 000 000 kroons (25 245 101 euros).
2. After the cancellation of the own shares and the reduction of the share capital related thereto, the total number of shares shall be 39 500 000.
3. The shares held by the shareholders are not subject to cancellation.
4. The Company shall make no payments to the shareholders in connection with the cancellation of the Company´s own shares.
5. To convert the share capital reduced by the cancellation of the own shares and the nominal value of the shares into Euros as follows:
   5.1. The amount of the share capital as being converted into euros is 25 245 101.17 euros and the nominal value of each share is 64 cents.

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5.2. To reduce the share capital by 5 495 101.17 euros to 19 750 000 euros in order to meet the requirements set forth in § 223(1) and § 223(2) of the Commercial Code.
5.3. The share capital shall be reduced by means of decreasing the nominal value of each share by 14 cents to 50 cents.
5.4. The conversion of the nominal value of shares into euros shall not affect the rights attached to shares nor the relation of the nominal value of shares to the share capital. The rounding of the results of the conversion of shares' nominal value has no legal effect.
5.5. After the conversion and the reduction of the share capital the new amount of share capital shall be 19 750 000 euros, which is divided into 39 500 000 A-shares with nominal value of 50 cents each share.
5.6. To pay to the shareholders 14 cents per each share for the decrease of the nominal value of share. This amount shall be paid to the shareholders within three months after entry of the decrease of share capital in the Commercial Register provided that the claims of creditors submitted during the term are secured or satisfied.

Effect from repurchase and cancelation of shares by subsidiary in 2011

During 2011 with the approval of the parent company the Group's largest subsidiary SP ZAO Milavitsa acquired 154 shares, 182 shares had been already acquired as at 31 December 2010. Annual general meeting (28 March 2011 and Extraordinary general meeting (22 August 2011) of SP ZAO Milavitsa took decisions to cancel 256 and 56 shares respectively. As of 31 December 2011 SP ZAO Milavitsa still had 24 own shares on the balance sheet.
As a result of above mentioned events SFG's stake in SP ZAO Milavitsa increased from 78.35% as of 31 December 2010 to 80.92% as of 31 December 2011.

The effect of this transaction on the consolidated results of the Group was the decrease in Non-controlling interest by EUR 644 thousand and the increase in the equity attributable to shareholders of the Parent by EUR 478 thousand.

Own Shares

The reserve for the Group's own shares comprises the cost of the Company's shares held by the Group. As of 31 December 2012 AS Silvano Fashion Group held 7 106 own shares (2010: 107 106) acquired under share buy-back program. The buyback took place under the following conditions:

AS Silvano Fashion Group was entitled to buy back its own shares from the date of the approval of the buyback until 30.06.2012;

- The total number of own shares to be bought back by SFG may not exceed 10% of total share capital of SFG;
- The maximum price payable by SFG for one share to be EUR 4.50;
- The maximum amount payable by SFG for its own shares to be 17 775 000 EUR;

The buyback period started on 01.07.2011. During the period from 01.07.2011 to 31.12.2011 number of shares bought back amounted to 7 106, average price per share amounted to 2.7422 EUR resulting in total cost of EUR 19.49 thousand.

As of 31 December 2012 AS Silvano Fashion Group had 2 119 shareholders (31.12.2011: 1 893 shareholders).

Note 17 Earnings per share

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

in thousands of shares	2012	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	-107
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	**39 481**	**39 424**

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In thousands of EUR	2012	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 18 Revenue

in thousands of EUR	2012	2011
Revenue from retail sale	20 167	15 226
Revenue from wholesale	102 862	88 006
Subcontracting and services	294	225
Other sales	196	101
Total	**123 519**	**103 558**

Note 19 Cost of goods sold

in thousands of EUR	2012	2011
Raw materials	51 528	37 214
Purchased goods	2 334	2 314
Purchased services	12 694	9 072
Personnel costs	12 726	9 171
Depreciation and amortization	1 517	1 055
Rent and utilities	616	484
Other production costs	1 123	644
Changes in inventories	-1 258	-2 754
Total	**81 280**	**57 200**

Note 20 Other operating income

in thousands of EUR	2012	2011
Release of unused provisions	308	32
Gain on disposal of property, plant and equipment	24	1
Other income	1 224	921
Total	**1 556**	**954**

Note 21 Distribution expenses

in thousands of EUR	2012	2011
Personnel expenses	4 970	3 806
Advertising and marketing expenses	4 081	3 361
Rent	1 772	872
Storage and packaging	1 066	721
Transportation services	593	362
Depreciation and amortization	477	326
Utilities	419	298
Bad debt expenses	-35	113
Other expenses	1 190	937
Total	**14 533**	**10 796**

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Note 22 Administrative expenses

in thousands of EUR	2012	2011
Personnel costs	4 851	3 653
Depreciation and amortization	516	485
Rent	302	291
Professional services	358	246
IT costs	167	236
Bank and listing fees	266	220
Business trips	216	182
Office expenses	178	148
Communication expenses	95	90
Insurance	93	72
Other expenses	860	793
Total	**7 902**	**6 416**

Note 23 Other operating expenses

in thousands of EUR	2012	2011
Social benefits to employees	1 085	509
Other taxes	286	356
Auxiliary materials	19	119
Impairment of other assets	0	9
Impairment of intangible assets	0	309
Impairment of property plant and equipment	-26	12
Expenses for donations	82	32
Depreciation	98	89
Other expenses	294	780
Total	**1 838**	**2 515**

Social benefits to employees include costs related to the social programs and additional benefits provided to the employees (mainly in Belarus) and expenses related to social infrastructure, maintenance expenses of employee dormitories, first aid station and canteen.

Note 24 Net financial income

in thousands of EUR		
Interest expenses	**2012**	**2011**
Interest expense on bank loans	-16	-28
Interest expense on leases	-1	-1
Total interest expenses	**-17**	**-29**
Other financial income/ expenses		
Interest income on loans	6	10
Interest income on bank deposits	692	979
Dividends received on available-for-sale financial assets	9	3
Other finance income	39	29
Other finance expenses	-145	-198
Total other finance income/ expenses	**601**	**823**
Gains on conversion of foreign currencies	**475**	**17 536**
Net finance income	**1 060**	**18 330**

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Note 25 Operating lease

The Group as a lessee

In 2012 the Group made operating lease payments for stores, office and production premises and plant and equipment. In 2012 operating lease expenses of the Group amounted to EUR 2 690 thousand (2011: EUR 1 647 thousand).

Minimum non-cancellable operating lease rentals have been calculated on the basis of the non-cancellable periods of operating lease contracts.

in thousands of EUR
As of 31 December

Minimum operating lease rentals	**2012**	**2011**
Payable in less than one year	1 411	953
Payable between one and five years	897	1 371
Payable in over five years	13	20
Total	**2 321**	**2 344**

The contracts on the lease of store premises in Latvia and Belarus are cancellable by giving two to ten months' notice.

The Group as a lessor

The Group as a lessor do not have any non-cancellable operating lease contracts.

The Group leases out machinery and property under the terms of operating lease. In 2012 operating lease income amounted to EUR 304 thousand (2011: EUR 231 thousand). As of 31 December 2012 net book value of property, plant and equipment leased out by the Group equals to EUR 22 thousand (2011: EUR 20 thousand).

Note 26 Operating segments

The Group`s operating segments have been determined based on regular reports being monitored and analysed by Management and Supervisory Boards (chief operational decision maker) of the parent company on an ongoing basis.

The Supervisory Board considers the business primarily from the activity perspective, monitoring separately wholesale and retail activities.

- The wholesale segment includes purchasing and production of women's lingerie, and distribution to external wholesale customers and the retail segment. The Group's manufacturing facilities are located in Latvia and Belarus.
- The retail segment purchases women's lingerie from wholesale segment, and subsequently sells the lingerie through own retail network in Latvia and Belarus.

There is a strong integration between wholesale and retail segments mainly through sales of goods from wholesale segment for subsequent resale in own retail network. The accounting policies of reportable segments are the same. Management estimates that intersegment transactions have been done on arm-length basis.

Primary measures monitored by the Supervisory Board 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. These measures are included in the internal management reports that are reviewed by the Management Board and the Supervisory Board. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segment relative to other entities that operate within the industry.
Interest income and interest expenses are not core activities of operating segments and are not provided to management and are not evaluated by management as performance assessment criteria of segments' performance. Therefore, interest income and interest expenses are presented on net basis.

Unallocated revenues include revenues from services, commissions and rental income.

Operating segments 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 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	**127**
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**

Information about 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 2012	Sales revenue 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**

Note 27 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 significant subsidiaries that gives them significant influence over the parent company or its significant subsidiaries and companies under their control.
b) Associates - enterprises in which parent company or its subsidiaries have significant influence;
c) Members of the Management Board and Supervisory Boards of parent company and its significant subsidiaries and their immediate family members and companies under their control or significant influence.

The Group's owners are legal and physical persons and no sole shareholder has control over the Group's activities. According to management's assessment, the prices applied in transactions with related parties did not differ significantly from the market terms.

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**

Note 28 Separate financial information of the Parent company

Statement of Financial Position

in thousands of EUR	31.12.2012	31.12.2011
ASSETS		
Current assets		
Cash and bank	7 797	6 976
Prepayments	7	0
Trade and other receivables	2 488	2 372
Total current assets	**10 292**	**9 348**
Non-current assets		
Investment in subsidiaries	19 174	19 170
Intangible assets	12	40
Property, plant and equipment	5	3
Total non-current assets	**19 190**	**19 213**
TOTAL ASSETS	**29 482**	**28 561**
LIABILITIES AND EQUITY		
Current liabilities		
Trade on other payables	21	1 361
Tax liabilities	20	15
Total current liabilities	**41**	**1 376**
Total liabilities	**41**	**1 376**
Equity		
Share capital	15 760	15 800
Share premium	13 822	14 070
Treasury shares	-20	-308
Statutory reserve capital	1 306	231
Accumulated losses	-1 426	-2 608
Total equity	**29 441**	**27 185**
TOTAL EQUITY AND LIABILITIES	**29 482**	**28 561**

Income Statement

Statement of Comprehensive Income

in thousands of EUR	2012	2011
Revenue	0	0
Cost of goods sold	0	0
Gross Profit	**0**	**0**
Distribution expenses	0	0
Administrative expenses	-535	-197
Other operating income	1 888	1 353
Other operating expenses	0	-571
Operating profit	**1 352**	**585**
Currency exchange income/(expense)	1	180
Other finance income/(expenses)	12 153	7 775
Net financial income	**12 154**	**7 955**
Profit before tax	**13 506**	**8 540**
Income tax expense	-1 402	0
Profit for the period	**12 104**	**8 540**
Total comprehensive income for the period	**12 104**	**8 540**

Statement of Cash Flows

in thousands of EUR	**2012**	**2011**
Cash flow from operating activities		
Profit for the period	**12 104**	**8 540**
Adjustments for:		
Depreciation and amortization of non-current assets	30	32
Net finance income / costs	-12 154	-7 955
Income tax expense	1 402	0
Change in trade and other receivables	-493	566
Change in trade and other payables	-1 335	-450
Income tax paid	-1 161	0
Net cash from operating activities	**-1 607**	**733**
Cash flow from investing activities		
Interest received	48	1 420
Dividends received	12 185	7 853
Reduction of share capital of a subsidiary	0	960
Loans granted	-570	-1 675
Proceeds from repayments of loans granted	615	7 004
Acquisition of property, plant and equipment	-3	-2
Acquisition of intangible assets	0	-11
Acquisition of shares of subsidiaries	0	-133
Net cash used in/from investing activities	**12 275**	**15 416**
Cash flow from financing activities		
Proceeds from borrowings	0	65
Repayment of borrowings	0	-65
Dividends paid	-9 848	-1 970
Acquisition of own shares	0	-306
Reduction of share capital	0	-9 466
Net cash used in/ from financing activities	**-9 848**	**-11 742**
Increase in cash and cash equivalents	**820**	**4 409**
Cash and cash equivalents at the beginning of period	**6 976**	**2 497**
Effect of exchange rate fluctuations on cash held	1	70
Cash and cash equivalents at the end of period	**7 797**	**6 976**

Statement of Changes in Equity

in thousands of EUR	Share capital	Share premium	Treasury shares	Statutory reserve capital	Accumulated losses	Total
Balance as at 31 December 2010	**25 313**	**14 130**	**-311**	**67**	**-8 810**	**30 389**
Increase in statutory reserve capital	0	0	0	164	-164	**0**
Dividends paid	0	0	0	0	-1 970	**-1 970**
Acquisition of treasury shares	0	0	-306	0	0	**-306**
Cancellation of treasury shares	-68	-39	309	0	-202	**0**
Decrease of share capital	-9 445	-21	0	0	0	**-9 466**
Profit for the period	0	0	0	0	8 540	**8 540**
Balance as at 31 December 2011	**15 800**	**14 070**	**-308**	**231**	**-2 608**	**27 185**
Carrying amount of interests under control or significant influence						**-19 170**
Carrying amount of interests under control or significant influence under the equity method						**41 597**
Adjusted unconsolidated equity as at 31 December 2011						**49 612**
Increase in statutory reserve capital	0	0	0	1 075	-1 075	**0**
Dividends paid	0	0	0	0	-9 848	**-9 848**
Cancellation of treasury shares	-40	-248	288	0	0	**0**
Profit for the period	0	0	0	0	12 104	**12 104**
Balance as at 31 December 2012	**15 760**	**13 822**	**-20**	**1 306**	**-1 427**	29 441
Carrying amount of interests under control or significant influence						**-19 174**
Carrying amount of interests under control or significant influence under the equity method						**43 335**
Adjusted unconsolidated equity as at 31 December 2012						**53 602**

Declaration of the Management Board and the Supervisory Board

The Management Board has prepared the Management Report, the Consolidated Financial Statements and the Profit Allocation Proposal of AS Silvano Fashion Group for the year ended on 31 December 2012.

The Supervisory Board of AS Silvano Fashion Group has reviewed the Consolidated Annual Report, prepared by the Management Board, consisting of the Management Report, the Consolidated Financial Statements, the Management Board's Profit Allocation Proposal and the Independent Auditor's Report, and has approved the Consolidated Annual Report 2012 for presentation at the Annual General Meeting of Shareholders.

Märt Meerits	Member of the Management board	____________	______2013
Aleksei Kadõrko	Member of the Management board	____________	25.04.2013
Toomas Tool	Chairman of the Supervisory Board	____________	______2013
Ants Susi	Member of the Supervisory Board	____________	______2013
Risto Mägi	Member of the Supervisory Board	____________	______2013
Stephan Balkin	Member of the Supervisory Board	____________	______2013
Pavel Daneyko	Member of the Supervisory Board	____________	______2013

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Silvano Fashion Group

We have audited the accompanying consolidated financial statements of AS Silvano Fashion Group and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2012 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AS PricewaterhouseCoopers, Pärnu mnt 15, 10141 Tallinn, Estonia; Audit Company's Registration No.6
T: +372 614 1800, F: +372 614 1900, www.pwc.ee

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Silvano Fashion Group and its subsidiaries as of 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

Tiit Raimla
Auditor's Certificate No.287

26 April 2013

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* *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.*