



## **AS Silvano Fashion Group**

### **Consolidated Interim Financial Report for Q3 and 9 months of 2015 (unaudited)**

(translation of the Estonian original)\*

Beginning of the reporting period	01 January 2015
End of the reporting period	30 September 2015
Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 15/17, 10613 Tallinn
Telephone	+372 684 5000
Fax	+372 684 5300
E-mail	info@silvanofashion.com
Website	<a href="http://www.silvanofashion.com">www.silvanofashion.com</a>
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	AS PricewaterhouseCoopers

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

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## Management Report

### General information about AS Silvano Fashion Group

AS Silvano Fashion Group (hereinafter “the Group”) is a holding company that controls group of enterprises involved in the design, manufacturing and marketing of women’s lingerie. The Group’s income is generated by sales of “Milavitsa”, “Alisee”, “Lauma Lingerie”, “Laumelle” and “Hidalgo” branded products through wholesales channel, franchised sales and own retail operated via “Milavitsa” and “Lauma Lingerie” retail stores. Key sales markets for the Group are Russia, Belarus, other CIS countries, Ukraine and the Baltics.

The parent company of the Group is AS Silvano Fashion Group (hereinafter “the Parent company”), which is domiciled in Estonia. AS Silvano Fashion Group registered address is Tulika 15/17, Tallinn, Estonia.

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

As of 30 September 2015, the Group employed 2 029 people (as of 31 December 2014: 2 749 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.09.2015	Ownership interest 31.12.2014
<b>Parent company</b>				
AS Silvano Fashion Group	Estonia	Holding		
<b>Entities belonging to the Silvano Fashion Group</b>				
ZAO “Silvano Fashion”	Russia	Wholesale	100%	100%
OOO “Silvano Fashion”	Belarus	Retail and wholesale	100%	100%
TOV “Silvano Fashion”	Ukraine	Wholesale	100%	100%
SIA “Silvano Fashion”	Latvia	Retail	100%	100%
SP ZAO “Milavitsa”	Belarus	Manufacturing and wholesale	84.90%	83.73%
OAO “Yunona”	Belarus	Manufacturing and wholesale	58.33%	58.33%
OOO “Gimil”	Belarus	Manufacturing and wholesale	100%	100%
AS “Lauma Lingerie”	Latvia	Manufacturing and wholesale	100%	100%
SARL “France Style Lingerie”	France	Holding	100%	100%
SARL “Alisee”	Monaco	Holding	99%	99%
ZAO “Stolichnaja Torgovaja Kompanija “Milavitsa”	Russia	Holding	100%	100%
OOO “Baltsped logistik”	Belarus	Logistics	50%	50%

## Selected Financial Indicators

Summarized selected financial indicators of the Group for 9 months of 2015 compared to 9 months of 2014 and 30.09.2015 compared to 31.12.2014 were as follows:

in thousands of EUR	9m 2015	9m 2014	Change
Revenue	51 871	87 139	-40.5%
EBITDA	13 484	13 025	3.5%
Net profit for the period	8 331	9 235	-9.8%
Net profit attributable equity holders of the Parent company	7 908	8 431	-6.2%
Earnings per share (EUR)	0.21	0.22	-2.5%
Operating cash flow for the period	14 264	7 621	87.2%

in thousands of EUR	30.09.2015	31.12.2014	Change
Total assets	51 141	67 339	-24.1%
Total current assets	37 819	47 005	-19.5%
Total equity attributable to equity holders of the Parent company	39 981	46 753	-14.5%
Loans and borrowings	0	0	NA
Cash and cash equivalents	20 058	13 308	50.7%

Margin analysis, %	9m 2015	9m 2014	Change
Gross profit	46.2	33.9	36.4%
EBITDA	26.0	14.9	73.9%
Net profit	16.1	10.6	51.5%
Net profit attributable equity holders of the Parent company	15.2	9.7	57.6%

Financial ratios, %	30.09.2015	31.12.2014	Change
ROA	13.6	11.9	14.1%
ROE	18.9	17.2	10.2%
Price to earnings ratio (P/E)	6.0	5.0	18.8%
Current ratio	4.9	3.6	35.6%
Quick ratio	3.1	1.6	94.7%

### Underlying formulas:

EBITDA = net profit for the period + depreciation and amortisation + net financial income + income tax expense + gain on net monetary position

Gross profit margin = gross profit / revenue

EBITDA margin = EBITDA / revenue

Net profit margin = net profit / revenue

Net profit margin attributable to equity holders of the Parent company = net profit attributable to equity holders of the Parent company / revenue

ROA (return on assets) = net profit attributable to owners of the Company for the last 4 quarters/ average total assets

ROE (return on equity) = net profit attributable to owners of the Company for the last 4 quarters/ average equity attributable to equity holders of the Company

EPS (earnings per share) = net profit attributable to owners of the Company/ weighted average number of ordinary shares

Price to earnings ratio = Share price at the end of reporting period/earnings per share, calculated based on the net profit attributable to owners of the Company for the last 4 quarters

Current ratio = current assets / current liabilities

Quick ratio = (current assets – inventories) / current liabilities

## **Business environment**

The business environment for our core markets remained intact for the 3<sup>rd</sup> quarter of the year. Clearly enough for both the supply and demand side, the retailers in our core markets have to great extent adjusted their price point, reflected in somewhat higher price inflation in the consumer segment. The low demand for the base materials, including oil, created worrying assumptions with regards to the value of the national currencies in our core markets – Russia, Belarus, Kazakhstan et al. Nevertheless, the countries indicated that some gunpowder is still left, somewhat winning back the losses against the major currencies of the world. On average, in Q3 2015 the Russia's rouble traded at 46% discount to EUR compared to the Q3 in the previous year, the Belarus rouble retreated by 33% in the respective period, and the Ukrainian Hryvnia depreciated for about 42%. This, in short, means that consumers in those markets had less purchasing power to satisfy for the need to re-stock compared to their liquidity in the same period a year ago.

On the other hand, we have notified some healthier trends in the economies of our core markets, i.e. that the rent prices, affecting the profitability of our own shops and the franchise business, have started to retreat. When previously the dropping customer traffics at stores remained unnoticed by landlords, the current indicates much more flexibility to meet the outcry of the retailers regarding the rental cost. Whether and to which extent this tendency shall compensate for the less business is yet unclear.

Further to the tendencies noted above, we see the customers returning to the stores. It is probably too early to call it breaking point, but at least it signals that the buyers are out there. More business is noted in the cheaper segment of the product offering.

Unfortunately we saw the consumption of the Group's products deteriorating for Russia's consumer market. The Q3 2015 sales totalled 8 746 thousand EUR against 17 037 thousand EUR in the respective period a year ago. When aggregated, the 9m 2015 sales reached 27 086 thousand EUR in 2015 compared to 47 582 thousand EUR during 9m of 2014, indicating a backdrop of 43.1%. Notwithstanding the heavy windfalls, the Group's financial position and the profitability speak of the timely downsizing process that has enabled to retain the profit generation ability in general.

In Belarus, the Q3 2015 sales totalled 5 817 thousand EUR, retreating from the Q3 sales in the previous year of 10 980 thousand EUR. Given that last year included significant sales discounts, the profitability of sales eventually increased. The total sales for 9m in 2015 reached 16 986 thousand EUR compared to 26 491 thousand EUR a year ago, which is 35.9% less in EUR terms than in the previous year.

In Ukraine, the sales continue to stall, outpaced by Kazakhstan by total sales volume. We sold in Ukraine for 611 thousand EUR in Q3 2015, down from 1 183 thousand EUR in Q3 of 2014. 9m 2015 aggregated sales in the region totalled 1 412 thousand EUR, down from 2 489 thousand EUR a year ago, which is 64% less.

The market continued to contract also on our other main markets, including the Baltics where we also conduct own retail operations.

We continue to monitor the development of the currency rates, especially the Russia's Rouble, Belarus Rouble and Ukrainian Hryvnia. The more stable the currencies, the more we see our intermediaries becoming more aggressive on purchases. On the cost side, we are keeping tight control over the overhead costs and continue monitoring the efficiency of our capital usage (especially the inventory and purchasing planning). The more successful we are there, the better we become on the performance of the owners capital that has been entrusted with us by the shareholders.

## Financial performance

The Group's sales amounted to 51 871 thousand EUR during 9 months of 2015, representing a 40.5% decrease as compared to the same period of previous year. Overall, wholesales decreased by 42.8% and retail sales decreased by 29.6%, measured in EUR.

The Group's reported gross profit margin during 9 months of 2015 continued to improve, increasing year-to-year to 46.2%, reported gross margin was 33.9% in the respective period of previous year. Consolidated operating profit for 9 months of 2015 amounted to 11 544 thousand EUR, compared to 10 659 thousand EUR in 9 months of 2014 (the contribution of the Q3 2015 was 4 341 thousand EUR compared to 2 803 thousand EUR in Q3 2014). The consolidated operating profit margin was 22.3% for 9 months of 2015 (12.2% in 9 months of 2014). Consolidated EBITDA for 9 months of 2015 was 13 484 thousand EUR, which is 26.0% in margin terms (13 025 thousand EUR and 14.9% for 9 months of 2014).

During 9 months of 2015 the Group continued with internal restructuring, which will allow us to streamline internal management and intragroup capital allocation. This brought 2.4 million EUR of additional income tax expense. As a result reported consolidated net profit attributable to equity holders of the Parent company for 9 months of 2015 amounted to 7 908 thousand EUR, compared to net profit of 8 431 thousand EUR in 9 months of 2014, net profit margin attributable to equity holders of the Parent company for 9 months of 2015 was 15.2% against 9.7% in 9 months of 2014.

## Financial position

As of 30 September 2015 consolidated assets amounted to 51 141 thousand EUR representing decrease by 24.1% as compared to the position as of 31 December 2014.

Trade and other receivables decreased by 3 245 thousand EUR as compared to 31 December 2014 and amounted to 3 661 thousand EUR as of 30 September 2015. Inventory balance decreased by 12 374 thousand EUR and amounted to 14 088 thousand EUR as of 30 September 2015.

Equity attributable to equity holders of the Parent company decreased by 6 772 thousand EUR and amounted to 39 981 thousand EUR as of 30 September 2015. Current liabilities decreased by 5 301 thousand EUR during 9 months of 2015.

## Sales structure

### Sales by markets

in thousands of EUR	9m 2015	9m 2014	Change	9m 2015 % from sales	9m 2014 % from sales
Russia	27 086	47 582	-43.1%	52.2%	54.6%
Belarus	16 986	26 491	-35.9%	32.7%	30.4%
Ukraine	1 383	3 848	-64.0%	2.7%	4.4%
Baltics	1 412	2 489	-43.3%	2.7%	2.9%
Other markets	5 003	6 728	-25.6%	9.6%	7.7%
<b>Total</b>	<b>51 871</b>	<b>87 139</b>	<b>-40.5%</b>	<b>100.0%</b>	<b>100.0%</b>

The majority of lingerie sales revenue during 9 months of 2015 in the amount of 27 086 thousand EUR was generated in Russia, accounting for 52.2% of total sales. The second largest market was Belarus, where sales reached 16 986 thousand EUR, contributing 32.7% of lingerie sales (both retail and wholesale). Volumes in Ukraine decreased significantly to 1 383 thousand EUR, the drop was also remarkable in the Other markets and the Baltics.

### Sales by business segments

in thousands of EUR	9m 2015	9m 2014	Change, %	9m 2015, % from sales	9m 2014, % from sales
Wholesale	39 122	68 450	-42.8%	75.4%	78.6%
Retail	12 722	18 065	-29.6%	24.5%	20.7%
Other operations	27	624	-95.7%	0.1%	0.7%
<b>Total</b>	<b>51 871</b>	<b>87 139</b>	<b>-40.5%</b>	<b>100.0%</b>	<b>100.0%</b>

During 9 months of 2015 wholesale revenue amounted to 39 122 thousand EUR, representing 75.4% of the Group's total revenue (9 months of 2014: 78.6%). The main wholesale regions were Russia, Ukraine, Belarus, Kazakhstan and Moldova.

Total lingerie retail sales of the Group in 9 months of 2015 amounted to 12 722 thousand EUR, representing 24.5% of the Group's total revenue.

As of 30 September 2015 there were altogether 693 Milavitsa and Lauma branded shops. Own retail operations were conducted in Belarus and Latvia. As of the end of Q3 2015 the Group operated 66 own retail outlets. As of 30 September 2015, there were 593 Milavitsa branded shops operated by Milavitsa trading partners. Additionally, as of 30 September 2015, there were 34 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners.

#### **Own & franchise store locations, geography**

	Own	Franchise	Total
Russia	0	376	376
Ukraine	0	92	92
Belarus	56	8	64
Baltics	10	25	35
Kazakhstan	0	56	56
Moldova	0	26	26
Other regions	0	44	44

#### **Investments**

During 9 months of 2015 the Group's investments into property, plant and equipment totalled 390 thousand EUR. Investments were made into equipment and facilities to maintain effective production for future periods.

#### **Personnel**

As of 30 September 2015, the Group employed 2 029 employees including 373 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes during 9 months of 2015 amounted to 11 673 thousand EUR. The remuneration of key management of the Group, including the key executives of the all subsidiaries, totalled 1 000 thousand EUR.

#### **Decisions made by governing bodies during 9 months 2015**

On June 29, 2015 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted following decisions.

- The Meeting approved the 2014 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.10 EUR per share (record date 13.07.2015, payment completed on 15.07.2015).
- The Meeting decided to re-appoint AS PricewaterhouseCoopers as the Group's auditor for financial year 2015.
- The Meeting decided to cancel the 1 000 000 own shares acquired within the own share buy-back programme as approved by the shareholders of AS Silvano Fashion Group on 30th of June 2014;
- The Meeting decided to adopt a share buy-back program in the following: effective period until 29.06.2016; maximum number of shares to be acquired not more than 1 000 000; maximum share price 2.00 EUR per share.

#### **Shares of AS Silvano Fashion Group**

As of 30 September 2015 registered share capital of AS Silvano Fashion Group amounted to 11 700 thousand EUR divided into 39 000 000 ordinary shares with a nominal value of 0.30 EUR each. The share register is electronic and maintained at the Estonian Central Register of Securities. The Company has been listed on Tallinn Stock Exchange main list (since 21.11.2006) and on Warsaw Stock Exchange (since 23.07.2007).

As of 30 September 2015 AS Silvano Fashion Group had 1 898 shareholders (as of 31 December 2014 – 1 772 shareholders).

As of 30 September 2015 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

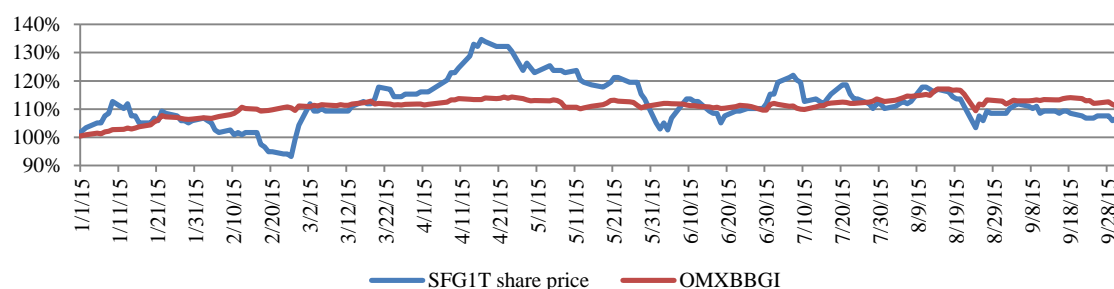
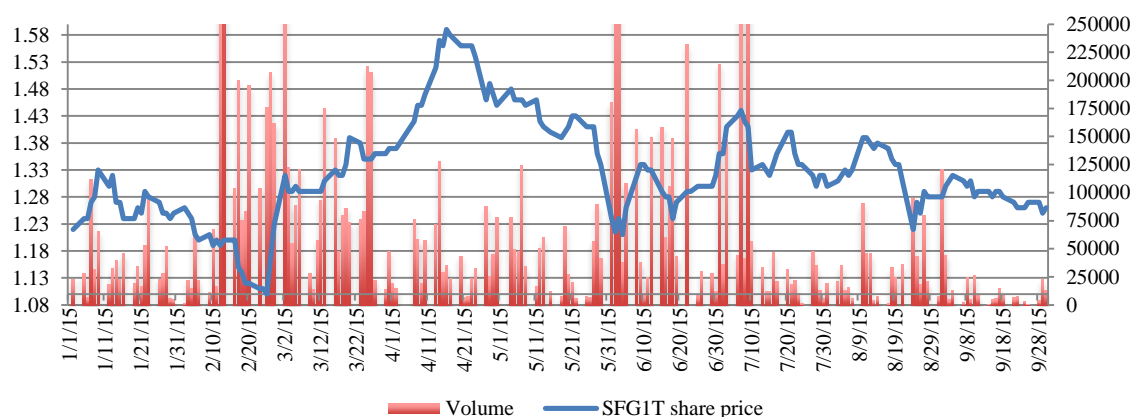
Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>19 898 349</b>	<b>51.02%</b>
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	8 003 605	20.52%
AS SEB PANK CLIENTS	8 000 000	20.51%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	3 894 744	9.99%
<b>Other shareholders</b>	<b>19 101 651</b>	<b>48.98%</b>
<b>Total number of shares</b>	<b>39 000 000</b>	<b>100.00%</b>

As of 31 December 2014 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>21 436 264</b>	<b>54.96%</b>
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	8 004 565	20.52%
AS SEB PANK CLIENTS	8 000 000	20.51%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	5 431 699	13.93%
<b>Other shareholders</b>	<b>17 563 736</b>	<b>45.04%</b>
<b>Total number of shares</b>	<b>39 000 000</b>	<b>100.00%</b>

### Share price development and turnover on the Tallinn Stock Exchange during 9 months 2015 (EUR)

During 9 months of 2015 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 1.61 EUR and 1.10 EUR, respectively.

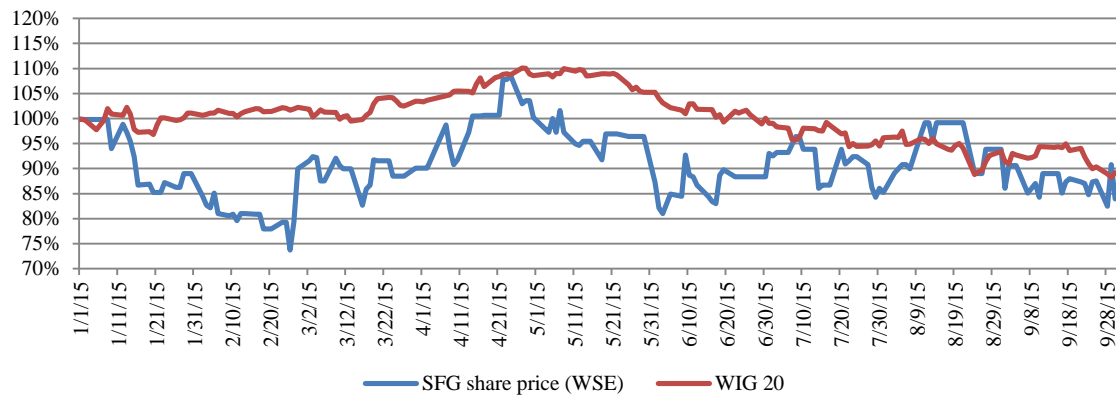


### Share price development on the Warsaw Stock Exchange during 9 months 2015 (PLN)

During 9 months of 2015, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 6.70 PLN and 4.51 PLN respectively.



AS Silvano Fashion Group Consolidated Interim Financial Report for Q3 and 9 months of 2015



## Declaration of the Management Board

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q3 and 9 months of 2015 (hereinafter “the Interim Report”).

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

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

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



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Aleksei Kadõrko  
Member of the Management Board  
November 26, 2015



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Jarek Särgava  
Member of the Management Board  
November 26, 2015

**Consolidated Statement of Financial Position**

in thousands of EUR	Note	30.09.15	31.12.14
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		20 058	13 308
Current loans granted		12	329
Trade and other receivables	2	3 661	6 906
Inventories	3	14 088	26 462
<b>Total current assets</b>		<b>37 819</b>	<b>47 005</b>
<b>Non-current assets</b>			
Long-term receivables		0	241
Investments in associates		71	84
Available-for-sale investments		379	525
Deferred tax asset		374	649
Intangible assets		460	687
Investment property		1 160	1 638
Property, plant and equipment	4	10 878	16 510
<b>Total non-current assets</b>		<b>13 322</b>	<b>20 334</b>
<b>TOTAL ASSETS</b>		<b>51 141</b>	<b>67 339</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	5	6 455	9 703
Tax liabilities		1 282	3 335
<b>Total current liabilities</b>		<b>7 737</b>	<b>13 038</b>
<b>Non-current liabilities</b>			
Deferred tax liability		0	283
<b>Total non-current liabilities</b>		<b>0</b>	<b>283</b>
<b>Total liabilities</b>		<b>7 737</b>	<b>13 321</b>
<b>Equity</b>			
Share capital	6	11 700	11 700
Share premium		13 066	13 066
Treasury shares	6	-1 858	-585
Statutory reserve capital		1 306	1 306
Unrealised exchange rate differences		-10 195	-5 649
Retained earnings		25 962	26 915
<b>Total equity attributable to equity holders of the Parent company</b>		<b>39 981</b>	<b>46 753</b>
Non-controlling interest		3 425	7 265
<b>Total equity</b>		<b>43 406</b>	<b>54 018</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51 143</b>	<b>67 339</b>

## Consolidated Income Statement

in thousands of EUR	Note	3Q 2015	3Q 2014	9m 2015	9m 2014
Revenue	8	17 373	32 479	51 871	87 139
Cost of goods sold		-8 972	-22 110	-27 893	-57 605
<b>Gross Profit</b>		<b>8 401</b>	<b>10 369</b>	<b>23 978</b>	<b>29 534</b>
Distribution expenses		-2 312	-5 184	-7 095	-12 777
Administrative expenses		-1 544	-2 186	-4 809	-5 652
Other operating income		78	206	324	597
Other operating expenses		-282	-402	-854	-1 043
<b>Operating profit</b>		<b>4 341</b>	<b>2 803</b>	<b>11 544</b>	<b>10 659</b>
Currency exchange income/(expense)		1 938	140	907	-500
Other finance income/(expenses)		73	171	333	420
<b>Net financial income</b>		<b>2 011</b>	<b>311</b>	<b>1 240</b>	<b>-80</b>
Profit (loss) from associates using equity method		1	-2	1	-1
<b>Profit before tax and gain/(loss) on net monetary position</b>		<b>6 353</b>	<b>3 112</b>	<b>12 785</b>	<b>10 578</b>
Income tax expense		-1 074	-1 954	-4 454	-4 768
<b>Profit before gain/(loss) on net monetary position</b>		<b>5 279</b>	<b>1 158</b>	<b>8 331</b>	<b>5 810</b>
Gain on net monetary position		0	2 444	0	3 425
<b>Profit for the period</b>		<b>5 279</b>	<b>3 602</b>	<b>8 331</b>	<b>9 235</b>
Attributable to :					
Equity holders of the Parent company		5 152	3 406	7 908	8 431
Non-controlling interest		127	196	423	804
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.14	0.09	0.21	0.22

## Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	3Q 2015	3Q 2014	9m 2015	9m 2014
<b>Profit for the period</b>		<b>5 279</b>	<b>3 602</b>	<b>8 331</b>	<b>9 235</b>
Exchange rate differences attributable to foreign operations		-2 838	-1 347	-5 156	-1 347
<b>Total comprehensive income for the period</b>		<b>2 441</b>	<b>2 255</b>	<b>3 175</b>	<b>7 888</b>
Attributable to :					
Equity holders of the Parent company		2 241	2 163	3 362	7 192
Non-controlling interest		200	92	-187	696

**Consolidated Statement of Cash Flows**

in thousands of EUR	9m 2015	9m 2014
<b>Cash flow from operating activities</b>		
<b>Profit for the period</b>	<b>8 331</b>	<b>9 235</b>
Adjustments for:		
Depreciation and amortization of non-current assets	1 940	2 366
Share of profit of equity accounted investees	-1	-1
(Gains)/ losses on the sale of PPE and IA	4	49
Net finance income / costs	-1 240	251
Gain / loss on net monetary position	0	-2 462
Provision for impairment losses on trade receivables	-11	1 268
Income tax expense	4 454	4 768
Change in inventories	8 764	981
Change in trade and other receivables	3 334	-1 892
Change in trade and other payables	-5 631	-4 865
Interest paid	0	-19
Income tax paid	-5 681	-2 059
<b>Net cash from operating activities</b>	<b>14 264</b>	<b>7 621</b>
<b>Cash flow from investing activities</b>		
Interest received	246	438
Dividends received	2	0
Proceeds from disposal of property, plant and equipment	9	77
Loans granted	0	-281
Acquisition of property, plant and equipment	-169	-258
Acquisition of intangible assets	-197	-131
Acquisition of shares of a subsidiary	0	-200
<b>Net cash used in/from investing activities</b>	<b>-109</b>	<b>-355</b>
<b>Cash flow from financing activities</b>		
Repayment of borrowings	0	-77
Dividends paid	-6 036	-5 789
Acquisition of own shares	-1 273	-940
<b>Net cash used in/ from financing activities</b>	<b>-7 309</b>	<b>-6 806</b>
<b>Increase in cash and cash equivalents</b>	<b>6 845</b>	<b>459</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>13 308</b>	<b>19 165</b>
Effect of translation to presentation currency	0	2 101
Effect of exchange rate fluctuations on cash held	-95	649
<b>Cash and cash equivalents at the end of period</b>	<b>20 058</b>	<b>22 374</b>

## Consolidated Statement of Changes in Equity

in thousands of EUR	Share Capital	Share Premium	Treasury shares	Statutory reserve capital	Unrealised exchange rate differences	Retained earnings	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
<b>Balance as at 31 December 2013</b>	<b>11 820</b>	<b>13 822</b>	<b>-224</b>	<b>1 306</b>	<b>-1 215</b>	<b>26 861</b>	<b>52 370</b>	<b>10 485</b>	<b>62 855</b>
Effect of hyperinflation on opening balances	0	0	0	0	0	3 361	3 361	6	3 367
Profit for the period	0	0	0	0	0	8 431	8 431	804	9 235
Other comprehensive income for the period	0	0	0	0	-1 239	0	-1 239	-108	-1 347
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1 239</b>	<b>8 431</b>	<b>7 192</b>	<b>696</b>	<b>7 888</b>
<b>Transactions with owners, recognised directly in equity</b>									
Dividends paid	0	0	0	0	0	-3 897	-3 897	-1 892	-5 789
Change in non-controlling interest	0	0	0	0	0	318	318	-318	0
Purchase of treasury shares	0	0	-940	0	0	0	-940	0	-940
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>-940</b>	<b>0</b>	<b>0</b>	<b>-3 579</b>	<b>-4 519</b>	<b>-2 210</b>	<b>-6 729</b>
<b>Balance as at 30 September 2014</b>	<b>11 820</b>	<b>13 822</b>	<b>-1 164</b>	<b>1 306</b>	<b>-2 454</b>	<b>35 074</b>	<b>58 404</b>	<b>8 977</b>	<b>67 381</b>
<b>Balance as at 31 December 2014</b>	<b>11 700</b>	<b>13 066</b>	<b>-585</b>	<b>1 306</b>	<b>-5 649</b>	<b>26 915</b>	<b>46 753</b>	<b>7 265</b>	<b>54 018</b>
Effect of translation on opening balances	0	0	0	0	0	-5 400	-5 400	-468	-5 868
Profit for the period	0	0	0	0	0	7 908	7 908	423	8 331
Other comprehensive income for the period	0	0	0	0	-4 546	0	-4 546	-610	-5 156
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4 546</b>	<b>7 908</b>	<b>3 362</b>	<b>-187</b>	<b>3 175</b>
<b>Transactions with owners, recognised directly in equity</b>									
Dividends paid	0	0	0	0	0	-3 791	-3 791	-2 244	-6 035
Dividends declared	0	0	0	0	0	0	0	-611	-611
Change in non-controlling interest	0	0	0	0	0	330	330	-330	0
Purchase of treasury shares	0	0	-1 273	0	0	0	-1 273	0	-1 273
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>-1 273</b>	<b>0</b>	<b>0</b>	<b>-3 461</b>	<b>-4 734</b>	<b>-3 185</b>	<b>-7 919</b>
<b>Balance as at 30 September 2015</b>	<b>11 700</b>	<b>13 066</b>	<b>-1 858</b>	<b>1 306</b>	<b>-10 195</b>	<b>25 962</b>	<b>39 981</b>	<b>3 425</b>	<b>43 406</b>

## Notes to the Interim Report

### Note 1 Summary of significant accounting policies

AS Silvano Fashion Group is a company registered in Estonia. This Interim Report of the Group is prepared for the reporting period ended 30 September 2015 and comprises parent company and its subsidiaries.

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

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

#### Basis for preparation

This Interim Report of AS Silvano Fashion Group for 9 months of 2015 ended on 30 September 2015 has been prepared in accordance with IAS 34 “Interim financial reporting” as adopted by the European Union. The Interim Report should be read in conjunction with the Annual Report for the financial year ended on 31 December 2014, which have been prepared in accordance with IFRS as adopted by the European Union.

As the Belarus economy has ceased to be hyperinflationary starting from 01.01.2015, the Group has discontinued the preparation and presentation of financial statements by applying IAS 29 “Financial Reporting in Hyperinflationary Economies”. The amounts expressed in the measuring unit current (e.g. inventory, property, plant and equipment) as at 31.12.2014 are the basis for the carrying amounts in its subsequent financial statements. Other accounting policies applied are consistent with those of the Annual Report for the financial year ended on 31 December 2014, as described in respective Annual Report. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

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

#### New standards and interpretations

In additions to disclosures already made in the Annual Report for the financial year ended on 31 December 2014 there are no new IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2015 and that would be expected to have a material impact on the group.

### Note 2 Trade and other receivables

in thousands of EUR	30.09.15	31.12.14
Trade receivables from third parties	3 331	5 920
Trade receivables from related parties	0	165
Impairment of receivables	-1 084	-1 182
Tax prepayments	1 115	1 347
Other receivables	299	656
<b>Total</b>	<b>3 661</b>	<b>6 906</b>

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

### Note 3 Inventories

in thousands of EUR	30.09.15	31.12.14
Raw and other materials	2 528	4 379
Work in progress	704	1 602
Finished goods	10 269	19 474
Other inventories	587	1 007
<b>Total</b>	<b>14 088</b>	<b>26 462</b>

#### Note 4 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
<b>31.12.13</b>					
Cost	8 091	25 633	5 482	194	<b>39 400</b>
Accumulated depreciation	-2 756	-14 847	-3 640	0	<b>-21 243</b>
<b>Net book amount</b>	<b>5 335</b>	<b>10 786</b>	<b>1 842</b>	<b>194</b>	<b>18 157</b>
<b>Movements during 9m 2014</b>					
Effect of hyperinflation on opening balances	697	1 301	205	25	<b>2 228</b>
Additions	0	6	93	159	<b>258</b>
Disposals	0	-643	-133	650	<b>-126</b>
Reclassifications	6	630	96	-563	<b>169</b>
Depreciation	-201	-1 432	-525	0	<b>-2 158</b>
Unrealised exchange rate differences	-135	-269	-42	-156	<b>-602</b>
<b>Closing net book amount</b>	<b>5 702</b>	<b>10 379</b>	<b>1 536</b>	<b>309</b>	<b>17 926</b>
<b>30.09.14</b>					
Cost	8 948	27 471	5 630	160	<b>42 209</b>
Accumulated depreciation	-3 246	-16 943	-4 094	0	<b>-24 283</b>
<b>Net book amount</b>	<b>5 702</b>	<b>10 528</b>	<b>1 536</b>	<b>160</b>	<b>17 926</b>
<b>31.12.2014</b>					
Cost	8 556	26 737	5 424	24	<b>40 741</b>
Accumulated depreciation	-3 169	-16 985	-4 077	0	<b>-24 231</b>
<b>Net book amount</b>	<b>5 387</b>	<b>9 752</b>	<b>1 347</b>	<b>24</b>	<b>16 510</b>
<b>Movements during 9m 2015</b>					
Additions	0	53	265	72	<b>390</b>
Disposals	0	2	-12	-1	<b>-11</b>
Reclassifications	0	12	72	-86	<b>-2</b>
Depreciation	-161	-1 156	-356	0	<b>-1 673</b>
Unrealised exchange rate differences	-1 481	-2 529	-322	-4	<b>-4 324</b>
<b>Closing net book amount</b>	<b>3 745</b>	<b>6 134</b>	<b>994</b>	<b>5</b>	<b>10 878</b>
<b>30.09.2015</b>					
Cost	6 177	19 650	4 214	5	<b>30 046</b>
Accumulated depreciation	-2 432	-13 516	-3 220	0	<b>-19 168</b>
<b>Net book amount</b>	<b>3 745</b>	<b>6 134</b>	<b>994</b>	<b>5</b>	<b>10 878</b>

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 30 September 2015.



## Note 5 Trade and other payables

in thousands of EUR	30.09.15	31.12.14
Trade payables	4 650	5 829
Accrued expenses	450	1 333
Provisions	60	203
Other payables	1 295	2 338
<b>Total</b>	<b>6 455</b>	<b>9 703</b>

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

## Note 6 Equity

### Shares

As of 30 September 2015 registered share capital of AS Silvano Fashion Group amounted to 11 700 thousand EUR divided into 39 000 000 shares with a nominal value of 0.30 EUR each (as of 31 December 2014, 11 700 thousand EUR, 39 000 000 shares and 0.30 EUR nominal value, respectively). All shares of AS Silvano Fashion Group are ordinary shares and all are registered. Each ordinary share gives a shareholder one vote in General Meeting of Shareholders. No share certificates are issued for registered shares. The share register is electronic and maintained at the Estonian Central Depository for Securities. All shares have been paid for.

As of 30 September 2015 AS Silvano Fashion Group had 1 898 shareholders (as of 31 December 2014 – 1 772 shareholders).

## Note 7 Earnings per share

The calculation of basic earnings per share for 9 months 2015 (9 months 2014) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	9m 2015	9m 2014
Number of ordinary shares at the beginning of the period	39 000	39 400
Effect of own shares held at the beginning of the period	-340	-88
Number of ordinary shares at the end of the period	39 000	39 400
Effect of own shares held at the end of the period	-1 309	-560
<b>Weighted average number of ordinary shares for the period</b>	<b>38 129</b>	<b>39 076</b>

in thousands of EUR	9m 2015	9m 2014
Profit for the period attributable to equity holders of the Parent company	7 908	8 431
Basic earnings per share (EUR)	0.21	0.22
Diluted earnings per share (EUR)	0.21	0.22

Diluted earnings per share do not differ from basic earnings per share as the Group has no financial instruments issued that could potentially dilute the earnings per share.

## Note 8 Revenue

in thousands of EUR	9m 2015	9m 2014
Revenue from wholesale	39 113	68 450
Revenue from retail	12 722	18 065
Subcontracting and services	27	102
Other sales	9	522
<b>Total</b>	<b>51 871</b>	<b>87 139</b>

## Note 9 Transactions with related parties

The following parties are considered to be related;

- a) Shareholders owning, directly or indirectly, a voting power in the parent company or its 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.

<b>Sales of goods and services</b>		
in thousands of EUR	<b>9m 2015</b>	<b>9m 2014</b>
Associates	630	2 405
<b>Total</b>	<b>630</b>	<b>2 405</b>

<b>Balances with related parties</b>		
in thousands of EUR	<b>30.09.2015</b>	<b>30.09.2014</b>
Trade receivables from associates	0	318
<b>Total</b>	<b>0</b>	<b>318</b>

<b>Benefits to key management of the group (incl. management of subsidiaries)</b>		
in thousands of EUR	<b>9m 2015</b>	<b>9m 2014</b>
Remunerations and benefits	1 000	905
<b>Total</b>	<b>1 000</b>	<b>905</b>

## Note 10 Operating segments

The Group's operating segments have been determined based on regular reports being monitored and analysed by Management and Supervisory Boards of the parent company on an on-going basis.

The Management and Supervisory Board consider 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 9m 2015

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	12 722	39 122	51 844	27		51 871
Intersegment revenues	0	32 630	32 630	3 950	-36 580	0
<b>EBITDA</b>	<b>2 790</b>	<b>9 668</b>	<b>12 458</b>	<b>1 026</b>		<b>13 484</b>
Amortization and depreciation	-118	-1 163	-1 281	-659	0	-1 940
<b>Operating income, EBIT</b>	<b>2 671</b>	<b>8 260</b>	<b>11 177</b>	<b>367</b>	<b>0</b>	<b>11 544</b>
Profit from associates using equity method	0	1	1	0	0	1
Net financial income	-147	93	-54	1 294	0	1 240
Income tax	-136	-1 557	-1 693	-2 761	0	-4 454
Gain on net monetary position	0	0	0	0	0	0
<b>Net profit</b>	<b>2 388</b>	<b>6 797</b>	<b>9 431</b>	<b>-1 100</b>	<b>0</b>	<b>8 331</b>
Investments in associates	0	71	71	0	0	71
Other operating segments assets	2 925	27 620	30 545	20 525	0	51 070
Reportable segments liabilities	673	6 701	7 374	363	0	7 737
Capital expenditures	27	501	528	58	0	586
Number of employees as of reporting date	373	1 652	2 025	4		2 029

### Operating segments 9m 2014

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	18 065	68 450	86 515	624	0	87 139
Intersegment revenues	0	10 889	10 889	0	-10 889	0
<b>EBITDA</b>	<b>2 211</b>	<b>10 947</b>	<b>13 158</b>	<b>-133</b>	<b>0</b>	<b>13 025</b>
Amortization and depreciation	-229	-1 511	-1 740	-626	0	-2 366
<b>Operating income, EBIT</b>	<b>1 982</b>	<b>9 435</b>	<b>11 417</b>	<b>-758</b>	<b>0</b>	<b>10 659</b>
Profit from associates using equity method	0	-1	-1	0	0	-1
Net financial income	121	654	775	-855	0	-80
Income tax	-327	-3 574	-3 901	-867	0	-4 768
Gain on net monetary position	-196	3 063	2 867	558	0	3 425
<b>Net profit</b>	<b>1 580</b>	<b>8 909</b>	<b>11 159</b>	<b>-1 307</b>	<b>0</b>	<b>9 235</b>
Investments in associates	0	115	115	0	0	115
Other operating segments assets	8 664	57 266	65 930	13 069	0	78 999
Reportable segments liabilities	2 067	4 553	6 620	5 113	0	11 733
Capital expenditures	49	199	248	141	0	389
Number of employees as of reporting date	472	2 335	2 807	4		2 811

**Revenue and non-current assets breakdown by geographical areas**

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

in thousands of EUR	<b>Sales revenue 9m 2015</b>	<b>Sales revenue 9m 2014</b>	<b>Non-current assets 30.09.2015</b>	<b>Non-current assets 31.12.2014</b>
Russia	27 086	47 582	192	423
Belarus	16 986	26 491	12 754	19 434
Ukraine	1 383	3 848	2	2
Baltics	1 412	2 489	374	475
Other countries	5 003	6 728	0	0
<b>Total</b>	<b>51 871</b>	<b>87 139</b>	<b>13 322</b>	<b>20 334</b>