



CONSOLIDATED INTERIM REPORT FOR Q2  
AND 6 MONTHS OF 2014

**Silvano Fashion Group**

# AS Silvano Fashion Group

## Consolidated Interim Financial Report for Q2 and 6 months of 2014 (unaudited)

(translation of the Estonian original)\*

Beginning of the reporting period	1 January 2014
End of the reporting period	30 June 2014
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.*

## **Contents**

Management Report.....	3
Declaration of the Management Board.....	10
Consolidated Statement of Financial Position.....	11
Consolidated Income Statement.....	12
Consolidated Statement of Comprehensive Income.....	12
Consolidated Statement of Cash Flows.....	13
Consolidated Statement of Changes in Equity.....	14
Notes to the Interim Report.....	15
Note 1 Summary of significant accounting policies.....	15
Note 2 Trade and other receivables.....	15
Note 3 Inventories.....	15
Note 4 Property, plant and equipment.....	16
Note 5 Trade and other payables.....	17
Note 6 Equity.....	17
Note 7 Earnings per share.....	17
Note 8 Revenue.....	17
Note 9 Transactions with related parties.....	18
Note 10 Operating segments.....	18

## Management Report

### General information about AS Silvano Fashion Group

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

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

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

As of 30 June 2014, the Group employed 3 002 people (as of 31 December 2013: 3 165 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.06.2014	Ownership interest 31.12.2013
<b>Parent company</b>				
AS Silvano Fashion Group	Estonia	Holding		
<b>Entities belonging to the Silvano Fashion Group</b>				
SP ZAO “Milavitsa”	Belarus	Manufacturing and wholesale	83.19%	82.47%
OAD “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%
OOO “Silvano Fashion”	Belarus	Retail and wholesale	100%	100%
ZAO “Silvano Fashion”	Russia	Wholesale	100%	100%
TOV “Silvano Fashion”	Ukraine	Wholesale	100%	100%
SIA “Silvano Fashion”	Latvia	Retail	100%	100%
OOO “Milavitsa-logistik”	Belarus	Logistics	50%	50%
SARL “France Style Lingerie”	France	Holding	100%	100%
ZAO “Stolichnaja Torgovaja Kompanija “Milavitsa”	Russia	Holding	100%	100%

## Selected Financial Indicators

Summarized selected financial indicators of the Group for 6 months 2014 compared to 6 months 2013 and 30.06.2014 compared to 31.12.2013 were as follows:

in thousands of EUR	6m 2014	6m 2013	Change
Revenue	54 660	68 947	-20.7%
EBITDA	9 351	12 131	-22.9%
Net profit for the period	5 633	8 335	-32.4%
Net profit attributable equity holders of the Parent company	5 025	7 616	-34.0%
Earnings per share (EUR)	0.13	0.19	-33.7%
Operating cash flow for the period	-993	6 658	-114.9%

in thousands of EUR	30.06.2014	31.12.2013	Change
Total assets	82 003	76 629	7.0%
Total current assets	60 657	55 080	10.1%
Total equity attributable to equity holders of the Parent company	54 418	52 370	3.9%
Loans and borrowings	72	79	-8.9%
Cash and cash equivalents	17 521	19 165	-8.6%

Margin analysis, %	6m 2014	6m 2013	Change
Gross profit	35.1	33.9	3.4%
EBITDA	17.1	17.6	-2.8%
Net profit	10.3	12.1	-14.8%
Net profit attributable equity holders of the Parent Company	9.2	11.0	-16.8%

Financial ratios, %	30.06.2014	31.12.2013	Change
ROA	10.7	13.4	-20.4%
ROE	15.6	19.9	-21.5%
Price to earnings ratio (P/E)	9.3	9.5	-1.8%
Current ratio	3.4	4.7	-28.0%
Quick ratio	1.8	2.6	-28.6%

### 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

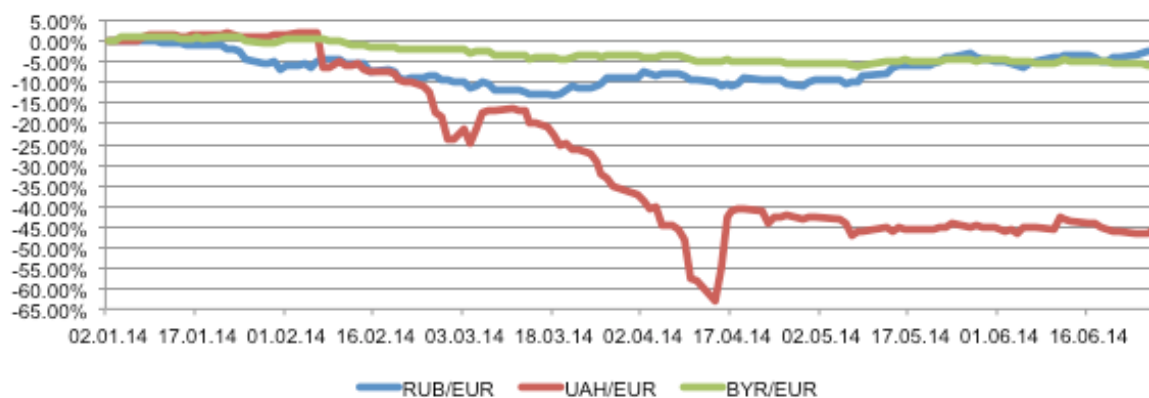


## Business environment

Silvano Fashion Group with its brand portfolio is a recognized market leader in the lingerie segment in Russia, Belarus, Ukraine, has exceptionally strong foothold in other Russian-speaking countries (including Kazakhstan and Moldova) and is a recognized player in the Baltic consumer markets.

When the first quarter business volumes were primarily affected by the weakness of the currencies, and the standoff in Ukraine, then the second quarter of the business can be described by a set of internal and external factors that affected lower business volume across all our main markets, with the exception of the Baltic States. First, the consumer weakness in our main consumer markets – Russia, Belarus, Ukraine, Kazakhstan – continued. Some relief was noticed through the stabilization of our main sales currency – the Russia’s Rouble (see also graph below). Secondly, the amendment of the supply terms (announced to investors on May 04, 2014) that shall allow the Company to establish unified pricing to countries in the Customs Union (Russia, Belarus and Kazakhstan) and create opportunities for existing and new customers that would drive our wholesale and franchise business in the near future.

On the currencies, one can notice the stabilization of the Russia’s Rouble (RUB) exchange rate against Euro (EUR), and stable Belarus Rouble (BYR). The devaluation of the Ukraine Hryvnia (UAH) has been absorbed on the expense of the Ukrainian consumers. The stabilization of the RUB allows us to deliver our Russian customers at more stable prices; the strength of the BYR is more controversial since the cost environment for us measured in EUR remains challenging. We do not expect the currencies being an issue for the second half of 2014.



Having spoken of the countermeasures that the Company has undertaken, we can speak of the advancements in the gross margin, significant decreases in other operating expenses, the trend that should continue also forward.

The Group’s sales in Q2 2014 were below the benchmark in Q2 2013, the net sales reached 27 565 thousand EUR, compared to 36 888 thousand EUR a year ago. The corresponding numbers for 6 months of 2014 were 54 660 thousand EUR against 68 947 thousand EUR for 6 months of 2013. The sales volumes decreased both in wholesale and retail segment (franchise) of our business.

Overall during 6 months of 2014 the biggest drop in sales came from wholesale segment (43 407 thousand EUR in 6 months of 2014 vs. 57 562 thousand EUR in 6 months of 2013). Among key markets, the main backdrop we experienced in Russia (-10 743 thousand EUR), in Belarus decrease was -1 047 thousand EUR, in Ukraine -2 494 thousand EUR, we improved our sales in the Baltic States by 299 thousand EUR.

The net profit stood at 3 442 thousand Euros in Q2 2014 compared to 4 501 thousand EUR a year ago. The corresponding net profit for 6 months of 2014 was 5 633 thousand EUR compared to 8 335 thousand EUR a year ago. The Group’s EBITDA reached 9 351 thousand EUR in 6 months of 2014 compared to 12 131 thousand EUR in the corresponding period of 2013.

The economic outlook for most of our major markets remains unchanged from what we indicated in the previous report. According to IMF, the Russia’s economic growth (measured in GDP) in 2014 constitutes around 1%. Russia’s takeover of Crimea injects geopolitical tension, and the capital outflow from the country’s economy continues. The main reason for the backdrop in sales in Russia, though, was reasoned by historic overstock accumulated by our trading partners there. The amendment of the supply terms created a temporary drop in order volumes, that we see stabilizing for the remaining part of the year. As of end of Q2 2014 there were 385 Milavitsa stores in Russia.

Belarus economic growth is stalling because of cooling economic climate of its main export market – Russia. The country has managed targeted inflation policy rather well that also has created some stability for the currency (Belarus Rouble weakened by 5.80% against Euro during 6 months of 2014). There are a total of 54 stores operated directly by the Group and 5 franchise stores. The Group’s sales revenue in Belarus reached 15 511 thousand EUR for 6 months of 2014 compared to 16 558 thousand EUR for the same period a year ago.

Negative information flow regarding Ukraine is continuously on the radar of global media. The currency depreciated further during Q2 2014, and has stabilized after dropping 45% against Euro. For the Group, the 6 months of 2014 net sales dropped to 2 665 thousand EUR compared to 5 159 thousand EUR for the same period a year ago. We have very vague visibility about the outlook for 2014. There are 100 franchise stores in total in the country as of end of Q2 2014.

In the Baltics, the Group primarily operates via own stores and franchise partners. The Group operates 9 own stores, complemented by 31 partner stores in the region. The sales in the Baltic countries aggregated 1 591 thousand EUR for 6 months of 2014, compared to 1 292 thousand EUR for the same period a year ago.

On the store openings, during 6 months of 2014 net increase (including openings and store closures primarily due to relocations) for Milavitsa stores were 4 units and 3 openings under the Lauma Lingerie brand. The Group therefore operated directly and via franchise a total of 683 stores. Total geography of our franchise partners covers more than 20 countries, including Milavitsa and Lauma Lingerie branded stores.

## **Financial performance**

The Group's sales amounted to 54 660 thousand EUR during 6 months of 2014, representing a 20.7% decrease as compared to the same period of previous year. Overall, wholesales decreased by 24.6% and retail sales decreased by 3.7%.

The Group's reported gross profit margin during 6 months of 2014 improved year-on-year basis and stood at 35.1%, reported gross margin was 33.9% in the respective period of previous year. Consolidated operating profit for 6 months of 2014 amounted to 7 856 thousand EUR, compared to 10 870 thousand EUR in 6 months of 2013. The consolidated operating profit margin was 14.4% for 6 months of 2014 (15.8% in 6 months of 2013). Consolidated EBITDA for 6 months of 2014 was 9 351 thousand EUR, which is 17.1% in margin terms (12 131 thousand EUR and 17.6% for 6 months of 2013).

During 6 months of 2014 the Group distributed profit from subsidiaries to the Parent company, which brought additional 0.5 million EUR in tax expenses. The total tax expense stood at 2 814 thousand EUR for 6 months of 2014 compared to 2 655 thousand EUR during the corresponding period of the last year. Currency exchange losses in 6 months of 2014 amounted to 640 thousand EUR (595 thousand EUR in 6 months of 2013). Gain on net monetary position, which is highly dependent on exchange rates' movements, increased by 682 thousand EUR compared to 6 months of 2013. As a result consolidated net profit attributable to equity holders of the Parent company for 6 months of 2014 amounted to 5 025 thousand EUR, compared to 7 616 thousand EUR in 6 months of 2013, net profit margin attributable to equity holders of the Parent company for 6 months of 2014 was 9.2% against 11.0% in 6 months of 2013.

## **Financial position**

As of 30 June 2014 consolidated assets amounted to 82 003 thousand EUR representing an increase by 7.0% as compared to the position as of 31 December 2013.

Trade and other receivables increased by 4 379 thousand EUR as compared to 31 December 2013 and amounted to 15 225 thousand EUR as of 30 June 2014. Inventory balance increased by 2 772 thousand EUR and amounted to 27 645 thousand EUR as of 30 June 2014. Changes in trade debtors and stock balance were in line with the seasonality trend of the business.

Equity attributable to equity holders of the Parent company increased by 2 048 thousand EUR and amounted to 54 418 thousand EUR as of 30 June 2014.

Current liabilities increased by 6 267 thousand EUR during 6 months of 2014. Current and non-current loans and borrowings decreased by 7 thousand EUR to 72 thousand EUR as of 30 June 2014.

## Sales structure

### Sales by markets

in thousands of EUR	6 months 2014	6 months 2013	Change	6 months 2014 % from sales	6 months 2013 % from sales
Russia	30 545	41 288	-26.0%	55.9%	59.9%
Belarus	15 511	16 558	-6.3%	28.4%	24.0%
Ukraine	2 665	5 159	-48.3%	4.9%	7.5%
Baltics	1 591	1 292	23.1%	2.9%	1.9%
Other markets	4 348	4 650	-6.5%	8.0%	6.7%
<b>Total</b>	<b>54 660</b>	<b>68 947</b>	<b>-20.7%</b>	<b>100.0%</b>	<b>100.0%</b>

The majority of lingerie sales revenue during 6 months of 2014 in the amount of 30 545 thousand EUR was generated in Russia, accounting for 55.9% of total sales. The second largest market was Belarus, where sales reached 15 511 thousand EUR, contributing 28.4% of lingerie sales (both retail and wholesale). Other markets overtook the 3<sup>rd</sup> largest market position, reaching 4 348 thousand EUR, contributing 8% of lingerie sales of the Group.

### Sales by business segments

in thousands of EUR	6 months 2014	6 months 2013	Change	6 months 2014 % from sales	6 months 2013 % from sales
Wholesale	43 407	57 562	-24.6%	79.4%	83.5%
Retail	10 770	11 183	-3.7%	19.7%	16.2%
Other operations	483	202	139.1%	0.9%	0.3%
<b>Total</b>	<b>54 660</b>	<b>68 947</b>	<b>-20.7%</b>	<b>100.0%</b>	<b>100.0%</b>

During 6 months of 2014 wholesale revenue amounted to 43 407 thousand EUR, representing 79.4% of the Group's total revenue (6 months of 2013: 83.5%). The main wholesale regions were Russia, Ukraine, Belarus, Kazakhstan and Moldova.

Total lingerie retail sales of the Group in 6 months of 2014 amounted to 10 770 thousand EUR, representing 19.7% of the Group's total revenue (6 months of 2013: 16.2%).

As of 30 June 2014 there were altogether 683 Milavitsa and Lauma branded shops. Own retail operations were conducted in Belarus and Latvia. As of the end of 6 months of 2014 the Group operated 63 own retail outlets. As of 30 June 2014, there were 582 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Ukraine, Moldova, Kazakhstan, Uzbekistan, Kyrgyzstan, Azerbaijan, Armenia, Germany, South Africa, Lithuania, Estonia, Georgia, United Arab Emirates, Iran, Slovenia, Belgium and Italy. Additionally, as of 30 June 2014, there were 37 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Estonia, Latvia, Lithuania, Belarus, Russia, Ukraine, Saudi Arabia and Albania.

### Own & franchise store locations, geography

	Own	Franchise	Total
Russia	0	385	385
Ukraine	0	98	98
Belarus	54	5	59
Baltics	9	31	40
Kazakhstan	0	31	31
Moldova	0	26	26
Other regions	0	44	44

### Investments

During 6 months of 2014 the Group's investments into property, plant and equipment totalled 202 thousand EUR. Investments were made into equipment and facilities to maintain effective production for future periods.

### Personnel

As of 30 June 2014, the Group employed 3 002 employees including 487 in retail. The rest were employed in production, wholesale, administration and support operations.



Total salaries and related taxes during 6 months of 2014 amounted to 12 029 thousand EUR. The remuneration of key management of the Group, including the key executives of the subsidiaries, totalled 529 thousand EUR.

### Changes in the distribution companies

During 6 months 2014 and until the release of the report, Silvano Fashion Group has changed business names of the distribution companies belonging to the Group. The main reason for this is to change the focus of the distribution companies from being the logistics arm to the production company into contemporary sales organizations that have the responsibility for the development of the Group's business and its whole portfolio of brands. During this process, the distribution companies in Russia, Ukraine, Belarus and Latvia are renamed into "Silvano Fashion".

### Decisions made by governing bodies during 6 months 2014

On 30 June 2014 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted following decisions.

- The Meeting approved the 2013 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.10 EUR per share (record date 14.07.2014, paid out on 15.07.2014).
- The Meeting decided to re-appoint AS PricewaterhouseCoopers as the Group's auditor for financial year 2014.
- The Meeting decided to cancel the 400 000 own shares acquired within the own share buy-back programme as approved by the shareholders of AS Silvano Fashion Group on 28th of June 2013;
- The Meeting decided to adopt a share buy-back program in the following: effective period until 30.06.2015; 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 June 2014 registered share capital of AS Silvano Fashion Group amounted to 11 820 thousand EUR divided into 39 400 000 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). The Company owns 400 000 treasury shares that by the endorsement of the previous general meetings have been acquired for the purpose of elimination.

As of 30 June 2014 AS Silvano Fashion Group had 1 759 shareholders (as of 31 December 2013 – 1 759 shareholders).

As of 30 June 2014 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

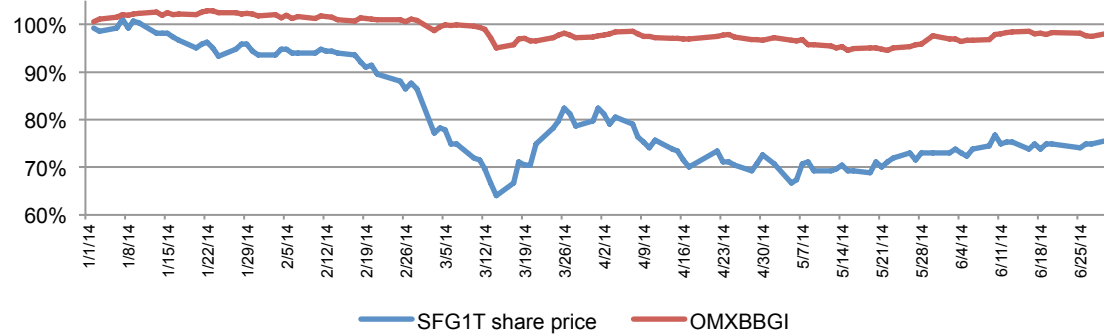
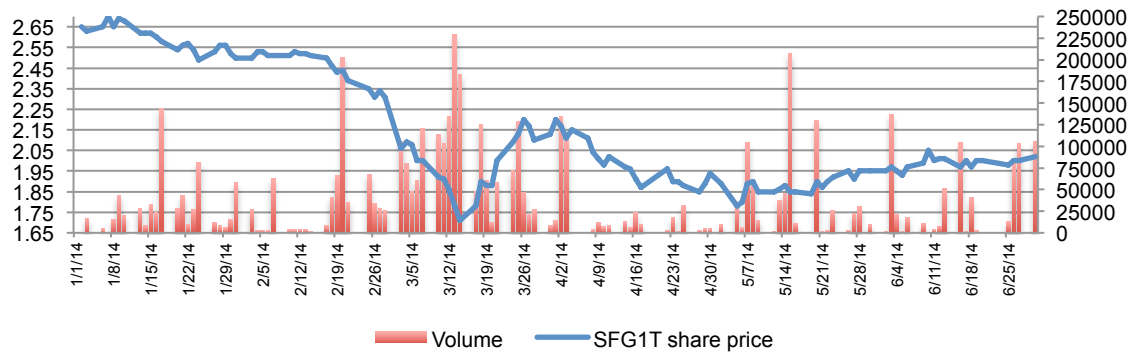
Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>24 409 390</b>	<b>61.95%</b>
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8 000 000	20.30%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	7 639 372	19.39%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	6 016 599	15.27%
J.P. MORGAN BANK LUXEMBOURG S.A.	2 007 718	5.10%
<b>Other shareholders</b>	<b>15 736 311</b>	<b>39.94%</b>
<b>Total number of shares</b>	<b>39 400 000</b>	<b>100.00%</b>

As of 31 December 2013 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>22 925 509</b>	<b>58.19%</b>
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8 000 000	20.30%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	7 639 372	19.39%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	7 286 137	18.49%
<b>Other shareholders</b>	<b>16 474 491</b>	<b>41.81%</b>
<b>Total number of shares</b>	<b>39 400 000</b>	<b>100.00%</b>

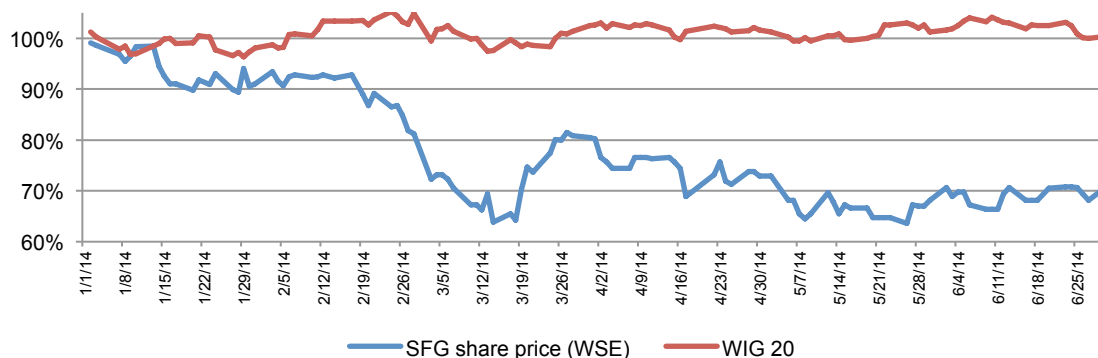
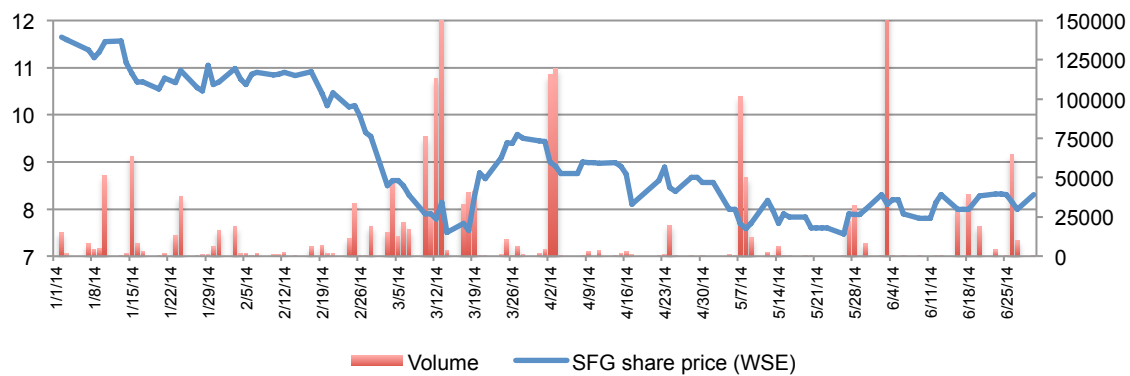
**Share price development and turnover on the Tallinn Stock Exchange during 6 months of 2014 (EUR)**

During 6 months of 2014 the highest and lowest prices of the AS Silvano Fashion Group' share on the Tallinn Stock Exchange were 2.70 EUR and 1.65 EUR, respectively.



**Share price development on the Warsaw Stock Exchange during 6 months of 2014 (PLN)**

During 6 months of 2014, the highest and lowest prices of the AS Silvano Fashion Group' share on the Warsaw Stock Exchange were 11.89 PLN and 7.35 PLN respectively.



## **Declaration of the Management Board**

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q2 and 6 months of 2014 (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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Märt Meerits  
Member of the Management Board  
30 July 2014



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Aleksei Kadõrko  
Member of the Management Board  
30 July 2014

**Consolidated Statement of Financial Position**

in thousands of EUR	Note	30.06.14	31.12.13
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		17 521	19 165
Prepayments		266	196
Trade and other receivables	2	15 225	10 846
Inventories	3	27 645	24 873
<b>Total current assets</b>		<b>60 657</b>	<b>55 080</b>
<b>Non-current assets</b>			
Investments in associates		124	124
Available-for-sale investments		515	497
Deferred tax asset		698	460
Intangible assets		757	719
Investment property		1 630	1 592
Property, plant and equipment	4	17 622	18 157
<b>Total non-current assets</b>		<b>21 346</b>	<b>21 549</b>
<b>TOTAL ASSETS</b>		<b>82 003</b>	<b>76 629</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Current borrowings		72	79
Trade and other payables	5	12 618	10 837
Tax liabilities		5 398	905
<b>Total current liabilities</b>		<b>18 088</b>	<b>11 821</b>
<b>Non-current liabilities</b>			
Deferred tax liability		236	1 953
<b>Total non-current liabilities</b>		<b>236</b>	<b>1 953</b>
<b>Total liabilities</b>		<b>18 324</b>	<b>13 774</b>
<b>Equity</b>			
Share capital	6	11 820	11 820
Share premium		13 822	13 822
Treasury shares	6	-876	-224
Statutory reserve capital		1 306	1 306
Unrealised exchange rate differences		-1 211	-1 215
Retained earnings		29 557	26 861
<b>Total equity attributable to equity holders of the Parent company</b>		<b>54 418</b>	<b>52 370</b>
Non-controlling interest		9 261	10 485
<b>Total equity</b>		<b>63 679</b>	<b>62 855</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>82 003</b>	<b>76 629</b>

### Consolidated Income Statement

in thousands of EUR	Note	2Q 2014	2Q 2013	6m 2014	6m 2013
Revenue	8	27 565	36 888	54 660	68 947
Cost of goods sold		-17 806	-23 691	-35 495	-45 564
<b>Gross Profit</b>		<b>9 759</b>	<b>13 197</b>	<b>19 165</b>	<b>23 383</b>
Distribution expenses		-3 647	-4 141	-7 593	-8 385
Administrative expenses		-1 842	-1 746	-3 466	-3 404
Other operating income		70	126	391	434
Other operating expenses		-332	-769	-641	-1 158
<b>Operating profit</b>		<b>4 008</b>	<b>6 667</b>	<b>7 856</b>	<b>10 870</b>
Currency exchange income/(expense)		-362	-591	-640	-595
Other finance income/(expenses)		49	151	249	408
<b>Net financial income</b>		<b>-313</b>	<b>-440</b>	<b>-391</b>	<b>-187</b>
Profit (loss) from associates using equity method		-8	16	1	8
<b>Profit before tax and gain/(loss) on net monetary position</b>		<b>3 687</b>	<b>6 243</b>	<b>7 466</b>	<b>10 691</b>
Income tax expense		-1 200	-1 360	-2 814	-2 655
<b>Profit before gain/(loss) on net monetary position</b>		<b>2 487</b>	<b>4 883</b>	<b>4 652</b>	<b>8 036</b>
Gain on net monetary position		955	-382	981	299
<b>Profit for the period</b>		<b>3 442</b>	<b>4 501</b>	<b>5 633</b>	<b>8 335</b>
Attributable to :					
Equity holders of the Parent company		3 135	4 089	5 025	7 616
Non-controlling interest		307	412	608	719
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.08	0.10	0.13	0.19

### Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	2Q 2014	2Q 2013	6m 2014	6m 2013
<b>Profit for the period</b>		<b>3 442</b>	<b>4 501</b>	<b>5 633</b>	<b>8 335</b>
Exchange rate differences attributable to foreign operations		1 199	-756	0	-713
<b>Total comprehensive income for the period</b>		<b>4 641</b>	<b>3 745</b>	<b>5 633</b>	<b>7 622</b>
Attributable to :					
Equity holders of the Parent company		4 183	3 453	5 029	7 015
Non-controlling interest		458	292	604	607

**Consolidated Statement of Cash Flows**

in thousands of EUR	6m 2014	6m 2013
<b>Cash flow from operating activities</b>		
<b>Profit for the period</b>	<b>5 633</b>	<b>8 335</b>
Adjustments for:		
Depreciation and amortization of non-current assets	1 495	1 261
Share of profit of equity accounted investees	0	-8
(Gains)/ losses on the sale of property, plant and equipment	-2	0
Net finance income / costs	393	187
Gain / loss on net monetary position	-981	-299
Income tax expense	2 814	2 655
Change in inventories	-2 772	520
Change in trade and other receivables	-4 881	-4 106
Change in trade and other payables	-1 148	564
Interest paid	-14	-13
Income tax paid	-1 529	-2 439
<b>Net cash from operating activities</b>	<b>-993</b>	<b>6 658</b>
<b>Cash flow from investing activities</b>		
Interest received	262	318
Dividends received	0	127
Proceeds from sale of property, plant and equipment	4	72
Proceeds from repayments of loans granted	0	104
Acquisition of property, plant and equipment	-202	-3 084
Acquisition of intangible assets	-92	-264
Acquisition of shares of a subsidiary	-200	0
<b>Net cash used in/from investing activities</b>	<b>-228</b>	<b>-2 728</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	0	379
Repayment of borrowings	-3	-289
Dividends paid	-1 023	-589
Acquisition of own shares	-652	0
<b>Net cash used in/ from financing activities</b>	<b>-1 678</b>	<b>-499</b>
<b>Increase in cash and cash equivalents</b>	<b>-2 899</b>	<b>3 431</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>19 165</b>	<b>16 260</b>
Effect of translation to presentation currency	1 233	882
Effect of exchange rate fluctuations on cash held	22	-165
<b>Cash and cash equivalents at the end of period</b>	<b>17 521</b>	<b>20 408</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 2012</b>	<b>15 760</b>	<b>13 822</b>	<b>-20</b>	<b>1 306</b>	<b>15</b>	<b>20 513</b>	<b>51 396</b>	<b>10 053</b>	<b>61 449</b>
Effect of hyperinflation on opening balances	0	0	0	0	0	1 251	1 251	1 159	2 410
Profit for the period	0	0	0	0	0	7 616	7 616	719	8 335
Other comprehensive income for the period	0	0	0	0	-601	0	-601	-112	-713
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-601</b>	<b>7 616</b>	<b>7 015</b>	<b>607</b>	<b>7 622</b>
<b>Transactions with owners, recognised directly in equity</b>									
Dividends paid	0	0	0	0	0	0	0	-589	-589
Dividends declared	0	0	0	0	0	-3 939	-3 939	0	-3 939
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3 939</b>	<b>-3 939</b>	<b>-589</b>	<b>-4 528</b>
<b>Balance as at 30 June 2013</b>	<b>15 760</b>	<b>13 822</b>	<b>-20</b>	<b>1 306</b>	<b>-586</b>	<b>25 441</b>	<b>55 723</b>	<b>11 230</b>	<b>66 953</b>
<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	1 227	1 227	-465	762
Profit for the period	0	0	0	0	0	5 025	5 025	608	5 633
Other comprehensive income for the period	0	0	0	0	4	0	4	-4	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>5 025</b>	<b>5 029</b>	<b>604</b>	<b>5 633</b>
<b>Transactions with owners, recognised directly in equity</b>									
Dividends paid	0	0	0	0	0	0	0	-1 023	-1 023
Dividends declared	0	0	0	0	0	-3 897	-3 897	0	-3 897
Change in non-controlling interest	0	0	0	0	0	341	341	-341	0
Purchase of treasury shares	0	0	-652	0	0	0	-652	0	-652
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>-652</b>	<b>0</b>	<b>0</b>	<b>-3 556</b>	<b>-4 208</b>	<b>-1 363</b>	<b>-5 572</b>
<b>Balance as at 30 June 2014</b>	<b>11 820</b>	<b>13 822</b>	<b>-876</b>	<b>1 306</b>	<b>-1 211</b>	<b>29 557</b>	<b>54 418</b>	<b>9 261</b>	<b>63 679</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 June 2014 and comprises parent company and its subsidiaries.

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

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

#### Basis for preparation

This Interim Report of AS Silvano Fashion Group for 6 months of 2014 ended on 30 June 2014 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 2013, which have been prepared in accordance with IFRS as adopted by the European Union.

Accounting policies applied are consistent with those of the Annual Report for the financial year ended on 31 December 2013, 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 2013 there are no new IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2014 and that would be expected to have a material impact on the group.

### Note 2 Trade and other receivables

in thousands of EUR	30.06.14	31.12.13
Trade receivables from third parties	11 464	8 739
Trade receivables from related parties	763	532
Impairment of receivables	-370	-640
Tax prepayments	3 100	1 949
Other receivables	268	268
<b>Total</b>	<b>15 225</b>	<b>10 846</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	30.06.14	31.12.13
Raw and other materials	5 532	6 017
Work in progress	2 116	3 024
Finished goods	19 500	15 570
Other inventories	497	262
<b>Total</b>	<b>27 645</b>	<b>24 873</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>31.12.2012</b>					
Cost	7 627	21 855	5 386	1 459	36 327
Accumulated depreciation	-2 494	-13 365	-3 427	0	-19 286
<b>Net book amount</b>	<b>5 133</b>	<b>8 490</b>	<b>1 959</b>	<b>1 459</b>	<b>17 041</b>
<b>Movements during 6 months of 2013</b>					
Effect of hyperinflation on opening balances	355	581	118	33	1 087
Additions	0	72	26	2 987	3 085
Disposals	0	0	-3	0	-3
Reclassifications	321	990	411	-1 719	3
Depreciation	-118	-743	-370	0	-1 231
Unrealised exchange rate differences	-54	-28	-27	-15	-124
<b>Closing net book amount</b>	<b>5 637</b>	<b>9 362</b>	<b>2 114</b>	<b>2 745</b>	<b>19 858</b>
<b>30.06.13</b>					
Cost	8 396	24 200	5 914	2 745	41 255
Accumulated depreciation	-2 759	-14 838	-3 800	0	-21 397
<b>Net book amount</b>	<b>5 637</b>	<b>9 362</b>	<b>2 114</b>	<b>2 745</b>	<b>19 858</b>
<b>31.12.2013</b>					
Cost	8 091	25 633	5 482	194	39 400
Accumulated depreciation	-2 756	-14 847	-3 640	0	-21 243
<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 6 months of 2014</b>					
Effect of hyperinflation on opening balances	512	971	154	17	1 654
Additions	0	6	36	160	202
Disposals	0	0	-2	0	-2
Reclassifications	1	116	63	-194	-14
Depreciation	-126	-877	-339	0	-1 342
Unrealised exchange rate differences	-309	-618	-95	-11	-1 033
<b>Closing net book amount</b>	<b>5 413</b>	<b>10 384</b>	<b>1 659</b>	<b>166</b>	<b>17 622</b>
<b>30.06.2014</b>					
Cost	8 398	26 463	5 650	166	40 677
Accumulated depreciation	-2 985	-16 079	-3 991	0	-23 055
<b>Net book amount</b>	<b>5 413</b>	<b>10 384</b>	<b>1 659</b>	<b>166</b>	<b>17 622</b>

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 30 June 2014.

## Note 5 Trade and other payables

in thousands of EUR	30.06.14	31.12.13
Trade payables	5 524	7 707
Accrued expenses	1 865	1 565
Provisions	632	846
Other payables	4 597	719
<b>Total</b>	<b>12 618</b>	<b>10 837</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 June 2014 registered share capital of AS Silvano Fashion Group amounted to 11 820 thousand EUR divided into 39 400 000 shares with a nominal value of 0.30 EUR each (as of 31 December 2013, 11 820 thousand EUR, 39 400 000 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 June 2014 AS Silvano Fashion Group had 1 759 shareholders (as of 31 December 2013 – 1 759 shareholders).

## Note 7 Earnings per share

The calculation of basic earnings per share for 6 months of 2014 (6 months of 2013) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	6m 2014	6m 2013
Number of ordinary shares at the beginning of the period	39 400	39 400
Effect of own shares held at the beginning of the period	-400	-7
Number of ordinary shares at the end of the period	39 400	39 400
Effect of own shares held at the end of the period	-400	-7
<b>Weighted average number of ordinary shares for the period</b>	<b>39 000</b>	<b>39 393</b>

in thousands of EUR	6m 2014	6m 2013
Profit for the period attributable to equity holders of the Parent company	5 025	7 616
Basic earnings per share (EUR)	0.13	0.19
Diluted earnings per share (EUR)	0.13	0.19

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

## Note 8 Revenue

in thousands of EUR	6m 2014	6m 2013
Revenue from wholesale	43 407	57 562
Revenue from retail	10 770	11 183
Subcontracting and services	186	151
Other sales	297	51
<b>Total</b>	<b>54 660</b>	<b>68 947</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>6m 2014</b>	<b>6m 2013</b>
Associates	1 590	4 942
<b>Total</b>	<b>1 590</b>	<b>4 942</b>

<b>Balances with related parties</b>		
in thousands of EUR	<b>30.06.2014</b>	<b>31.12.2013</b>
Trade receivables from associates	763	532
<b>Total</b>	<b>763</b>	<b>532</b>

<b>Benefits to key management of the group</b>		
in thousands of EUR	<b>6m 2014</b>	<b>6m 2013</b>
Remunerations and benefits	529	391
<b>Total</b>	<b>529</b>	<b>391</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 6m 2014

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	10 770	43 407	54 177	483		54 660
Intersegment revenues	0	7 499	7 499	0	-7 499	0
<b>EBITDA</b>	<b>1 158</b>	<b>7 792</b>	<b>8 950</b>	<b>401</b>	<b>0</b>	<b>9 351</b>
Amortization and depreciation	-152	-961	-1 113	-382	0	-1 495
<b>Operating income, EBIT</b>	<b>1 006</b>	<b>6 831</b>	<b>7 837</b>	<b>19</b>	<b>0</b>	<b>7 856</b>
Profit from associates using equity method	0	1	1	0	0	1
Net financial income	91	-479	-388	-3	0	-391
Income tax	-188	-2 601	-2 789	-25	0	-2 814
Gain on net monetary position	13	570	583	398	0	981
<b>Net profit</b>	<b>922</b>	<b>4 322</b>	<b>5 244</b>	<b>389</b>	<b>0</b>	<b>5 633</b>
Investments in associates	0	124	124	0	0	124
Other operating segments assets	7 578	59 631	67 209	14 670	0	81 879
Reportable segments liabilities	1 774	8 607	10 381	7 943	0	18 324
Capital expenditures	30	184	214	80	0	294
Number of employees as of reporting date	487	2 512	2 998	4		3 002

### Operating segments 6m 2013

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	11 183	57 562	68 745	202	0	68 947
Intersegment revenues	0	6 591	6 591	0	-6 591	0
<b>EBITDA</b>	<b>1 558</b>	<b>10 970</b>	<b>12 528</b>	<b>-397</b>	<b>0</b>	<b>12 131</b>
Amortization and depreciation	-171	-1 063	-1 234	-27	0	-1 261
<b>Operating income, EBIT</b>	<b>1 387</b>	<b>9 907</b>	<b>11 294</b>	<b>-424</b>	<b>0</b>	<b>10 870</b>
Profit from associates using equity method	0	8	8	0	0	8
Net financial income	57	-296	-239	52	0	-187
Income tax	-274	-2 371	-2 645	-10	0	-2 655
Gain on net monetary position	76	223	299	0	0	299
<b>Net profit</b>	<b>1 246</b>	<b>7 471</b>	<b>8 717</b>	<b>-382</b>	<b>0</b>	<b>8 335</b>
Investments in associates	0	140	140	0	0	140
Other operating segments assets	5 170	68 469	73 639	12 907	0	86 546
Reportable segments liabilities	735	15 040	15 775	3 958	0	19 733
Capital expenditures	78	3 007	3 085	0	0	3 085
Number of employees as of reporting date	474	2 735	3 209	3		3 212



**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 6m 2014</b>	<b>Sales revenue 6m 2013</b>	<b>Non-current assets 30.06.2014</b>	<b>Non-current assets 31.12.2013</b>
Russia	30 545	41 288	12	174
Belarus	15 511	16 558	20 727	20 821
Ukraine	2 665	5 159	4	4
Baltics	1 591	1 292	603	550
Other countries	4 348	4 650	0	0
<b>Total</b>	<b>54 660</b>	<b>68 947</b>	<b>21 346</b>	<b>21 549</b>