

A woman with long, wavy brown hair is posing in black lace lingerie. She is wearing a black lace bra and matching black lace underwear. Her hair is blowing in the wind, and she is looking directly at the camera. The background is a dark blue, draped fabric.

CONSOLIDATED INTERIM REPORT FOR Q3
AND 9 MONTHS OF 2014

Silvano Fashion Group

AS Silvano Fashion Group

Consolidated Interim Financial Report for Q3 and 9 months of 2014 (unaudited)

(translation of the Estonian original)*

Beginning of the reporting period	1 January 2014
End of the reporting period	30 September 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	www.silvanofashion.com
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	AS PricewaterhouseCoopers

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

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Management Report

General information about AS Silvano Fashion Group

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

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

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

As of 30 September 2014, the Group employed 2 811 people (as of 31 December 2013: 3 165 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.09.2014	Ownership interest 31.12.2013
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
ZAO “Silvano Fashion”	Russia	Wholesale	100%	100%
TOV “Silvano Fashion”	Ukraine	Wholesale	100%	100%
OOO “Silvano Fashion”	Belarus	Retail and wholesale	100%	100%
SIA “Silvano Fashion”	Latvia	Retail	100%	100%
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%
SARL “France Style Lingerie”	France	Holding	100%	100%
ZAO “Stolichnaja Torgovaja Kompanija “Milavitsa”	Russia	Holding	100%	100%
OOO “Milavitsa-logistik”	Belarus	Logistics	50%	50%

Selected Financial Indicators

Summarized selected financial indicators of the Group for 9 months 2014 compared to 9 months 2013 and 30.09.2014 compared to 31.12.2013 were as follows:

in thousands of EUR	9m 2014	9m 2013	Change
Revenue	87 139	98 812	-11.8%
EBITDA	13 025	18 501	-29.6%
Net profit for the period	9 235	11 747	-21.4%
Net profit attributable equity holders of the Parent company	8 431	10 709	-21.3%
Earnings per share (EUR)	0.22	0.27	-20.5%
Operating cash flow for the period	7 621	15 274	-50.1%

in thousands of EUR	30.09.2014	31.12.2013	Change
Total assets	79 114	76 629	3.2%
Total current assets	57 438	55 080	4.3%
Total equity attributable to equity holders of the Parent company	58 404	52 370	11.5%
Loans and borrowings	0	79	-100.0%
Cash and cash equivalents	22 374	19 165	16.7%

Margin analysis, %	9m 2014	9m 2013	Change
Gross profit	33.9	35.6	-4.8%
EBITDA	14.9	18.7	-20.2%
Net profit	10.6	11.9	-10.9%
Net profit attributable equity holders of the Parent Company	9.7	10.8	-10.7%

Financial ratios, %	30.09.2014	31.12.2013	Change
ROA	11.2	13.4	-16.4%
ROE	16.2	19.9	-18.6%
Price to earnings ratio (P/E)	7.3	9.5	-23.3%
Current ratio	5.0	4.7	7.5%
Quick ratio	2.9	2.6	14.5%

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

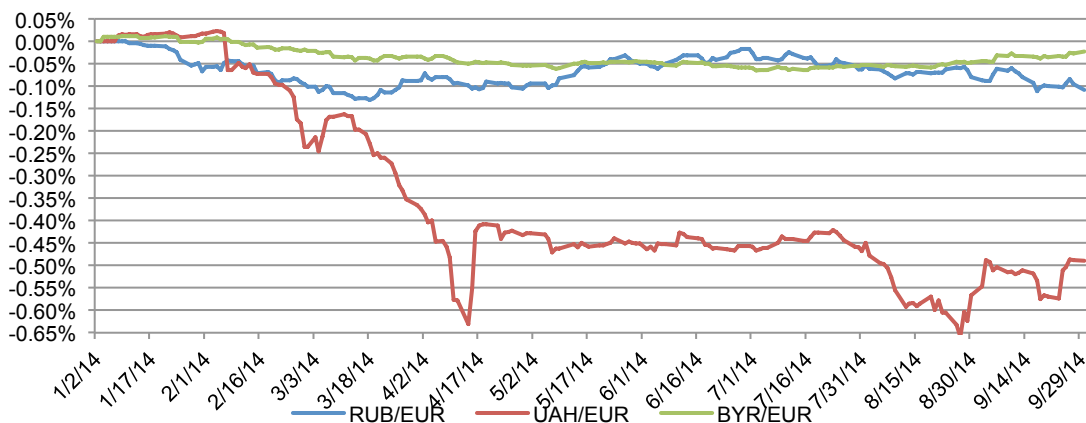
Current ratio = current assets / current liabilities

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

Business environment

The new economic reality, clouded by punishing sanctions, armed conflicts, falling consumer sentiment, weaker currencies and probably an endless list of other factors that can be outlined to reason the companies' financial strength (or weakness). Nevertheless, the economic situation is the same for all market participants, starting from the consumers and ending with companies satisfying the consumer needs. The economy is also the same for competitors. Therefore we believe that the crisis-like situation is the stress test for the companies on the markets, their business models and their ability to generate profit to their shareholders.

Our economic environment starts from the wallet of our customers. This wallet has shown the tendency to contract, especially where imported goods are concerned. For the clarity reasons, we have outlined the table with the movement of most important currencies to us similar to the previous report (see below).



What described the environment during Q3 was the erosion of expectations for the stabilization of the economic environment, or perhaps, some political intent (that, indeed, took place in case of Ukraine) to stop the non-economic factors influencing the consumers' ability to spend. Therefore, the consumer weakness in our main consumer markets – Russia, Belarus, Ukraine and Kazakhstan – continued. Looking beyond Q3 (until the end of the year), what we need to factor in is that our main market – Russia – continues to be challenging due to weakening of Russia's Rouble. Therefore our expectation that currencies would not be an issue for the second half of the FY 2014 proved ungrounded.

In this environment, the company continuously focuses on the profitability of the business. This, in first order, means strict control of the operating expenses and secondly, managing the profitability of the sales (which, to our concern, has been weaker in Q3 due to currency exposure and due to hyperinflation effect on gross margin).

The Group's sales in Q3 2014 were above the benchmark in Q3 2013, the net sales reached 32 479 thousand EUR, compared to 29 865 thousand EUR a year ago. The corresponding numbers for 9 months of 2014 were 87 139 thousand EUR against 98 812 thousand EUR for 9 months of 2013. The wholesale segment affected both the increase in net sales in Q3 and the decrease in 9 months of 2014.

The wholesale segment contributed 25 043 thousand EUR in Q3 2014 (24 338 thousand EUR in Q3 2013), which translates into 68 450 thousand EUR in 9 months of 2014 (81 900 thousand EUR in 9 months of 2013). The retail segment contributed 7 295 thousand EUR during Q3 2014 (5 431 thousand EUR in Q3 2013), and correspondingly 18 065 thousand EUR for the same period in 2014 (16 614 thousand EUR a year ago). The Company conducted clearance sale in Q3 in its stores it operates in Belarus that has positively affected the sales, but negatively the margins.

Measured by the sales volume, the Q3 sales dynamics year-to-year between the main markets was as follows: Russia 17 037 thousand EUR (17 087 thousand EUR in Q3 2013), Belarus 10 980 thousand EUR (8 029 thousand EUR in Q3, 2013), Ukraine 1 183 thousand EUR (1 982 thousand EUR in Q3, 2013), the Baltic States 898 thousand EUR (723 thousand EUR in Q3, 2013), the other markets contributed 2 380 thousand EUR (2 044 thousand EUR in Q3, 2013).

The net profit to shareholders of the Parent company stood at 3 406 thousand Euros in Q3 2014 compared to 3 093 thousand EUR in Q3, 2013. The corresponding net profit for 9 months of 2014 was 8 431 thousand EUR compared to 10 709 thousand EUR a year ago. The Group's EBITDA reached 13 025 thousand EUR in 9 months of 2014 compared to 18 501 thousand EUR in the corresponding period of 2013.

The economic outlook for most of our major markets will most likely deteriorate due to non-economic factors (sanctions) and their corresponding effect on the real economies (energy prices, currencies, inflation). For Russia, the real effect is a result of falling energy prices (oil, gas and mineral products, consisting between half to two thirds of the government's budget income), maturing foreign debt (outflow of capital), and weaker currency (-17% against Euro and -24% against USD from beginning of year, all fuelling import-related inflationary environment).

The real economy's growth in 2014 is questionable. As of end of Q3 2014 the total store count is 382 units 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 2.2% against Euro during 9 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 26 491 thousand EUR for 9 months of 2014 compared to 24 587 thousand EUR for the same period a year ago.

Negative information flow regarding Ukraine is continuously on the radar of global media. The currency stabilized in Q3 2014 after dropping 49% against Euro from the beginning of the year. For the Group, the 9 months of 2014 net sales dropped to 3 848 thousand EUR compared to 7 141 thousand EUR for the same period a year ago. We have very vague visibility about the outlook for 2014. There are 97 franchise stores in total in the country as of end of Q3 2014.

In the Baltics, the Group primarily operates via own stores and franchise partners. The Group operates 9 own stores, complemented by 33 partner stores in the region. The sales in the Baltic countries aggregated 2 489 thousand EUR for 9 months of 2014, compared to 2 015 thousand EUR for the same period a year ago.

On the store openings, during 9 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 686 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 87 139 thousand EUR during 9 months of 2014, representing a 11.8% decrease as compared to the same period of previous year. Overall, wholesales decreased by 16.4% and retail sales increased by 8.7%.

The Group's reported gross profit margin during 9 months of 2014 decreased year-to-year to 33.89%, reported gross margin was 35.60% in the respective period of previous year. Consolidated operating profit for 9 months of 2014 amounted to 10 659 thousand EUR, compared to 16 649 thousand EUR in 9 months of 2013. The consolidated operating profit margin was 12.2% for 9 months of 2014 (16.8% in 9 months of 2013). Consolidated EBITDA for 9 months of 2014 was 13 025 thousand EUR, which is 14.9% in margin terms (18 501 thousand EUR and 18.7% for 9 months of 2013).

During Q3 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 4 768 thousand EUR for 9 months of 2014 compared to 3 904 thousand EUR during the corresponding period of the last year. In order to reflect changed economic reality during Q3 the Group made a provision in trade receivables in the amount of 1,3 million EUR, additional write-down of inventory were performed as well.

Currency exchange losses in 9 months of 2014 amounted to 500 thousand EUR (323 thousand EUR in 9 months of 2013). Gain on net monetary position, which is highly dependent on inflation rate in Belarus and exchange rates' movements, increased by 4 830 thousand EUR compared to 9 months of 2013. As a result consolidated net profit attributable to equity holders of the Parent company for 9 months of 2014 amounted to 8 431 thousand EUR, compared to 10 709 thousand EUR in 9 months of 2013, net profit margin attributable to equity holders of the Parent company for 9 months of 2014 was 9.7% against 10.8% in 9 months of 2013.

Financial position

As of 30 September 2014 consolidated assets amounted to 79 114 thousand EUR representing an increase by 3.2% as compared to the position as of 31 December 2013.

Trade and other receivables decreased by 74 thousand EUR as compared to 31 December 2013 and amounted to 10 772 thousand EUR as of 30 September 2014. Inventory balance decreased by 981 thousand EUR and amounted to 23 892 thousand EUR as of 30 September 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 6 034 thousand EUR and amounted to 58 404 thousand EUR as of 30 September 2014.

Current liabilities decreased by 354 thousand EUR during 9 months of 2014. Current and non-current loans and borrowings decreased by 79 thousand EUR to zero balance as of 30 September 2014.

Sales structure

Sales by markets

in thousands of EUR	9 months 2014	9 months 2013	Change	9 months 2014 % from sales	9 months 2013 % from sales
Russia	47 582	58 375	-18.5%	54.6%	59.1%
Belarus	26 491	24 587	7.7%	30.4%	24.9%
Kazakhstan	3 197	3 219	-0.7%	3.7%	3.3%
Ukraine	3 848	7 141	-46.1%	4.4%	7.2%
Moldova	1 628	1 888	-13.8%	1.9%	1.9%
Baltics	2 489	2 015	23.5%	2.9%	2.0%
Other markets	1 903	1 587	19.9%	2.2%	1.6%
Total	87 139	98 812	-11.8%	100.0%	100.0%

The majority of lingerie sales revenue during 9 months of 2014 in the amount of 47 582 thousand EUR was generated in Russia, accounting for 54.6% of total sales. The second largest market was Belarus, where sales reached 26 491 thousand EUR, contributing 30.4% of lingerie sales (both retail and wholesale).

Sales by business segments

in thousands of EUR	9 months 2014	9 months 2013	Change	9 months 2014 % from sales	9 months 2013 % from sales
Wholesale	68 450	81 900	-16.4%	78.6%	82.9%
Retail	18 065	16 614	8.7%	20.7%	16.8%
Other operations	624	298	109.4%	0.7%	0.3%
Total	87 139	98 812	-11.8%	100.0%	100.0%

During 9 months of 2014 wholesale revenue amounted to 68 450 thousand EUR, representing 78.6% of the Group's total revenue (9 months of 2013: 82.9%). The main wholesale regions were Russia, Ukraine, Belarus, Kazakhstan and Moldova.

Total lingerie retail sales of the Group in 9 months of 2014 amounted to 18 065 thousand EUR, representing 20.7% of the Group's total revenue (9 months of 2014: 16.8%).

As of 30 September 2014 there were altogether 686 Milavitsa and Lauma branded shops. Own retail operations were conducted in Belarus and Latvia. As of the end of 9 months of 2014 the Group operated 63 own retail outlets. As of 30 September 2014, there were 584 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 September 2014, there were 39 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Estonia, Latvia, Lithuania, Russia, Ukraine, Saudi Arabia and Albania.

Own & franchise store locations, geography

	Own	Franchise	Total
Russia	0	382	382
Ukraine	0	97	97
Belarus	54	5	59
Baltics	9	33	42
Kazakhstan	0	39	39
Moldova	0	26	26
Other regions	0	41	41

Investments

During 9 months of 2014 the Group's investments into property, plant and equipment totalled 258 thousand EUR. Investments were made into equipment and facilities to maintain effective production for future periods.

Personnel

As of 30 September 2014, the Group employed 2 811 employees including 472 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes during 9 months of 2014 amounted to 18 621 thousand EUR. The remuneration of key management of the Group, including the key executives of the subsidiaries, totalled 905 thousand EUR.

Decisions made by governing bodies during 9 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.

On October 16, 2014, the Company announced Extraordinary General Meeting that was held on November 7, 2014 and decided to amend the earlier profit distribution proposal, resulting in additional dividend in amount of 0.20 Euros per share.

Shares of AS Silvano Fashion Group

As of 30 September 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 Harju County Court registered the reduction of the share capital accordingly on October 9, 2014. The new share capital of the company is therefore 11 700 000 Euros, divided between 39 000 000 shares.

As of 30 September 2014 AS Silvano Fashion Group had 1 762 shareholders (as of 31 December 2013 – 1 759 shareholders).

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

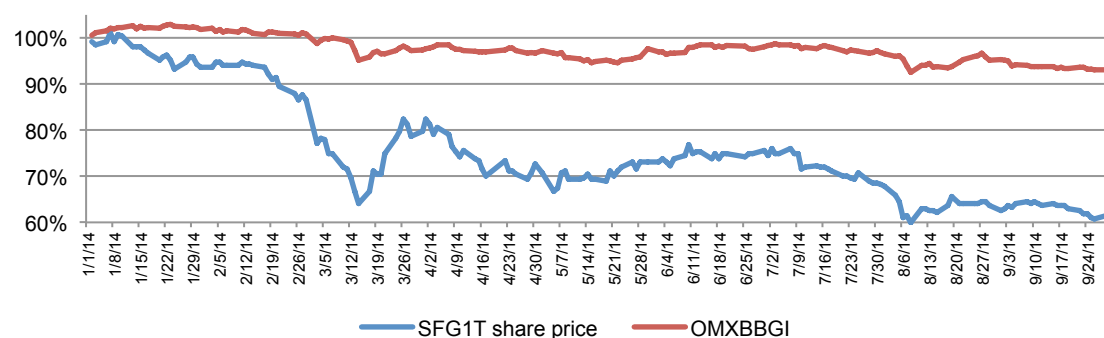
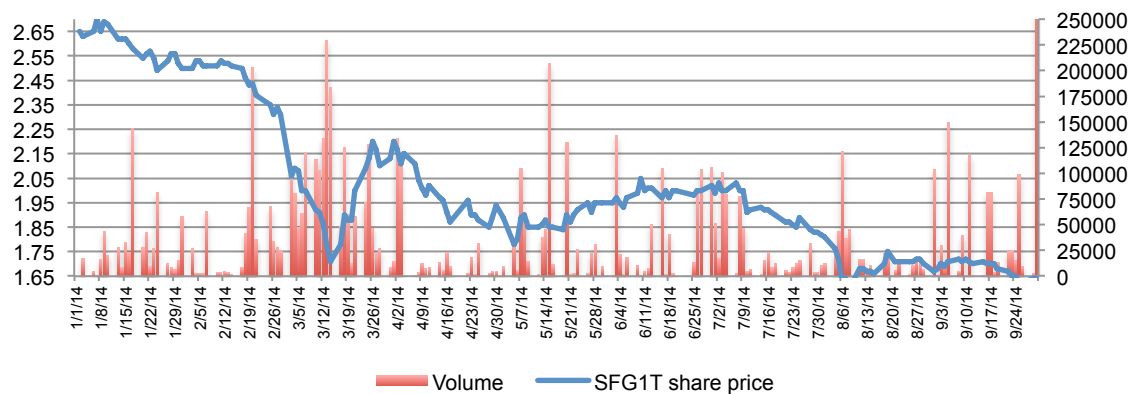
Name	Number of shares	Shareholding
Major shareholders	23 708 926	60.18%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	8 009 328	20.33%
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8 000 000	20.30%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	5 691 880	14.44%
J.P. MORGAN BANK LUXEMBOURG S.A.	2 007 718	5.10%
Other shareholders	15 691 074	39.82%
Total number of shares	39 400 000	100.00%

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

Name	Number of shares	Shareholding
Major shareholders	22 925 509	58.19%
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%
Other shareholders	16 474 491	41.81%
Total number of shares	39 400 000	100.00%

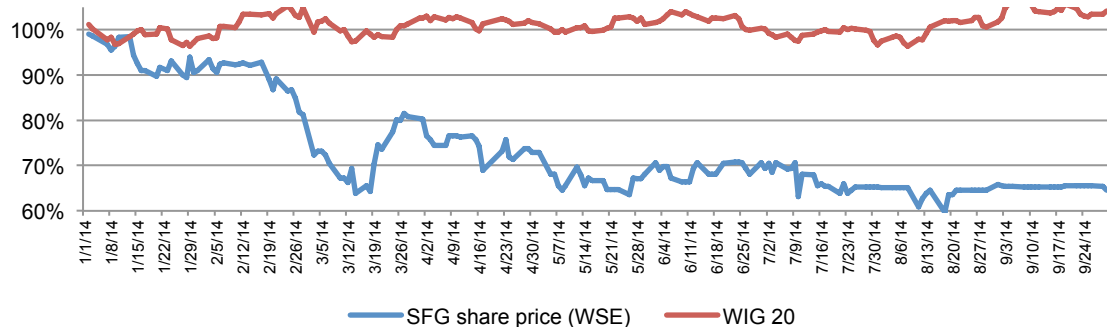
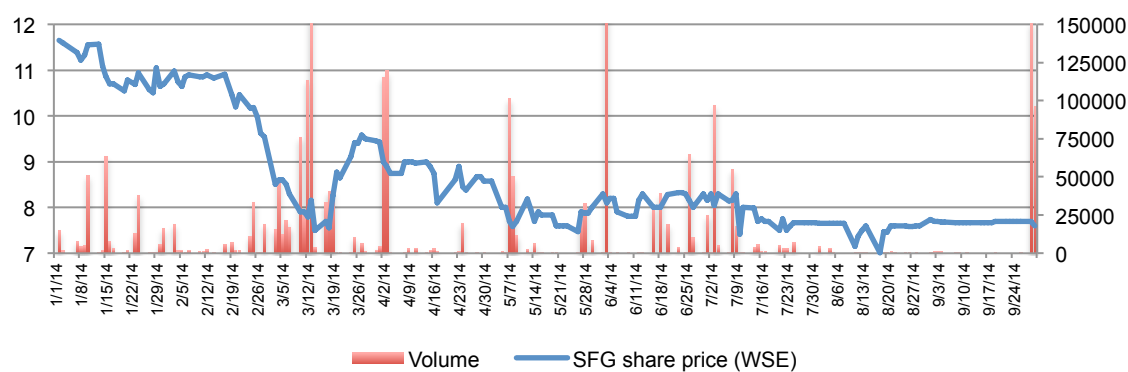
Share price development and turnover on the Tallinn Stock Exchange during 9 months of 2014 (EUR)

During 9 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 1.58 EUR, respectively.



Share price development on the Warsaw Stock Exchange during 9 months of 2014 (PLN)

During 9 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 6.70 PLN respectively.



Declaration of the Management Board

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q3 and 9 months 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.



Märt Meerits
Member of the Management Board
11 November 2014



Aleksei Kadõrko
Member of the Management Board
11 November 2014

Consolidated Statement of Financial Position

in thousands of EUR	Note	30.09.2014	31.12.2013
ASSETS			
Current assets			
Cash and cash equivalents		22 374	19 165
Prepayments		400	196
Trade and other receivables	2	10 772	10 846
Inventories	3	23 892	24 873
Total current assets		57 438	55 080
Non-current assets			
Investments in associates		115	124
Available-for-sale investments		549	497
Deferred tax asset		608	460
Intangible assets		753	719
Investment property		1 725	1 592
Property, plant and equipment	4	17 926	18 157
Total non-current assets		21 676	21 549
TOTAL ASSETS		79 114	76 629
LIABILITIES AND EQUITY			
Current liabilities			
Current borrowings		0	79
Trade and other payables	5	6 850	10 837
Tax liabilities		4 617	905
Total current liabilities		11 467	11 821
Non-current liabilities			
Deferred tax liability		266	1 953
Total non-current liabilities		266	1 953
Total liabilities		11 733	13 774
Equity			
Share capital	6	11 820	11 820
Share premium		13 822	13 822
Treasury shares	6	-1 164	-224
Statutory reserve capital		1 306	1 306
Other reserves		0	0
Unrealised exchange rate differences		-2 454	-1 215
Retained earnings		35 074	26 861
Total equity attributable to equity holders of the Parent company		58 404	52 370
Non-controlling interest		8 977	10 485
Total equity		67 381	62 855
TOTAL EQUITY AND LIABILITIES		79 114	76 629

Consolidated Income Statement

in thousands of EUR	Note	3Q 2014	3Q 2013	9m 2014	9m 2013
Revenue	8	32 479	29 865	87 139	98 812
Cost of goods sold		-22 110	-18 068	-57 605	-63 632
Gross Profit		10 369	11 797	29 534	35 180
Distribution expenses		-5 184	-3 739	-12 777	-12 124
Administrative expenses		-2 186	-1 577	-5 652	-4 981
Other operating income		206	62	597	496
Other operating expenses		-402	-764	-1 043	-1 922
Operating profit		2 803	5 779	10 659	16 649
Currency exchange income/(expense)					
Other finance income/(expenses)		171	313	420	721
Net financial income		311	585	-80	398
Profit (loss) from associates using equity method		-2	1	-1	9
Profit before tax and gain/(loss) on net monetary position		3 112	6 365	10 578	17 056
Income tax expense		-1 954	-1 249	-4 768	-3 904
Profit before gain/(loss) on net monetary position		1 158	5 116	5 810	13 152
Gain on net monetary position		2 444	-1 704	3 425	-1 405
Profit for the period		3 602	3 412	9 235	11 747
Attributable to :					
Equity holders of the Parent company		3 406	3 093	8 431	10 709
Non-controlling interest		196	319	804	1 038
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.09	0.08	0.22	0.27

in thousands of EUR	Note	3Q 2014	3Q 2013	9m 2014	9m 2013
Profit for the period		3 602	3 412	9 235	11 747
Exchange rate differences attributable to foreign operations		-1 347	-238	-1 347	-951
Total comprehensive income for the period		2 255	3 174	7 888	10 796
Attributable to :					
Equity holders of the Parent company		2 163	6 346	7 192	9 908
Non-controlling interest		92	573	696	888

Consolidated Statement of Cash Flows

in thousands of EUR	9m 2014	9m 2013
Cash flow from operating activities		
Profit for the period	9 235	11 747
Adjustments for:		
Depreciation and amortization of non-current assets	2 366	1 899
Share of profit of equity accounted investees	-1	-9
(Gains)/ losses on the sale of property, plant and equipment	49	0
Net finance income / costs	251	-398
Gain / loss on net monetary position	-2 462	1 405
Provision for impairment losses on trade receivables	1 268	0
Income tax expense	4 768	3 904
Change in inventories	981	3 746
Change in trade and other receivables	-1 892	1 765
Change in trade and other payables	-4 865	-5 561
Interest paid	-19	-21
Income tax paid	-2 059	-3 204
Net cash from operating activities	7 621	15 274
Cash flow from investing activities		
Interest received	438	627
Dividends received	0	127
Proceeds from sale of property, plant and equipment	77	72
Loans granted	-281	0
Proceeds from repayments of loans granted	0	104
Acquisition of property, plant and equipment	-258	-3 336
Acquisition of intangible assets	-131	-408
Acquisition of shares of a subsidiary	-200	0
Net cash used in/from investing activities	-355	-2 814
Cash flow from financing activities		
Proceeds from borrowings	0	452
Repayment of borrowings	-77	-354
Dividends paid	-5 789	-4 506
Acquisition of own shares	-940	-149
Net cash used in/ from financing activities	-6 806	-4 557
Increase in cash and cash equivalents	459	7 903
Cash and cash equivalents at the beginning of period	19 165	16 260
Effect of translation to presentation currency	2 101	591
Effect of exchange rate fluctuations on cash held	649	-46
Cash and cash equivalents at the end of period	22 374	24 708

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
Balance as at 31 December 2012	15 760	13 822	-20	1 306	15	20 513	51 396	10 053	61 449
Effect of hyperinflation on opening balances	0	0	0	0	0	-234	-234	814	580
Profit for the period	0	0	0	0	0	10 709	10 709	1 038	11 747
Other comprehensive income for the period	0	0	0	0	-801	0	-801	-150	-951
Total comprehensive income for the period	0	0	0	0	-801	10 709	9 908	888	10 796
Transactions with owners, recognised directly in equity									
Dividends paid	0	0	0	0	0	-3 939	-3 939	-567	-4 056
Purchase of treasury shares	0	0	-150	0	0	0	-150	0	-150
Total transactions with owners, recognised directly in equity	0	0	-150	0	0	-3 939	-4 089	-567	-4 656
Balance as at 30 September 2013	15 760	13 822	-170	1 306	-786	27 049	56 981	11 188	68 169
Balance as at 31 December 2013	11 820	13 822	-224	1 306	-1 215	26 861	52 370	10 485	62 855
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
Total comprehensive income for the period	0	0	0	0	-1 239	8 431	7 192	696	7 888
Transactions with owners, recognised directly in equity									
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
Total transactions with owners, recognised directly in equity	0	0	-940	0	0	-3 579	-4 519	-2 210	-6 729
Balance as at 30 September 2014	11 820	13 822	-1 164	1 306	-2 454	35 074	58 404	8 977	67 381

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 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 9 months of 2014 ended on 30 September 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	30.09.14	31.12.13
Trade receivables from third parties	10 044	8 741
Trade receivables from related parties	318	532
Impairment of receivables	-1 554	-640
Tax prepayments	1 685	1 949
Other receivables	279	264
Total	10 772	10 846

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	30.09.14	31.12.13
Raw and other materials	4 251	6 017
Work in progress	2 046	3 024
Finished goods	16 596	15 570
Other inventories	999	262
Total	23 892	24 873

Note 4 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
31.12.2012					
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
Movements during 9m 2013					
Effect of hyperinflation on opening balances	475	775	157	44	1 451
Additions	0	127	37	3 051	3 215
Disposals	0	0	-5	0	-5
Reclassifications	371	3 247	528	-4 026	120
Depreciation	-177	-1 123	-533	0	-1 833
Unrealised exchange rate differences	-382	-517	-136	-108	-1 143
Closing net book amount	5 420	10 999	2 007	420	18 846
30.09.13					
Cost	8 137	25 625	5 819	420	40 001
Accumulated depreciation	-2 717	-14 626	-3 812	0	-21 155
Net book amount	5 420	10 999	2 007	420	18 846
31.12.2013					
Cost	8 091	25 633	5 482	194	39 400
Accumulated depreciation	-2 756	-14 847	-3 640	0	-21 243
Net book amount	5 335	10 786	1 842	194	18 157
Movements during 9m 2014					
Effect of hyperinflation on opening balances	697	1 301	205	25	2 228
Additions	0	6	93	159	258
Disposals	0	-643	-133	650	-126
Reclassifications	6	630	96	-563	169
Depreciation	-201	-1 432	-525	0	-2 158
Unrealised exchange rate differences	-135	-269	-42	-156	-602
Closing net book amount	5 702	10 379	1 536	309	17 926
30.09.2014					
Cost	8 948	27 471	5 630	160	42 209
Accumulated depreciation	-3 246	-16 943	-4 094	0	-24 283
Net book amount	5 702	10 528	1 536	160	17 926

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

Note 5 Trade and other payables

in thousands of EUR	30.09.14	31.12.13
Trade payables	4 480	7 707
Accrued expenses	1 407	1 565
Provisions	486	846
Other payables	477	719
Total	6 850	10 837

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 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 September 2014 AS Silvano Fashion Group had 1 762 shareholders (as of 31 December 2013 – 1 759 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for 9 months of 2014 (9 months of 2013) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	9m 2014	9m 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	-88	-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	-560	-67
Weighted average number of ordinary shares for the period	39 076	39 363

in thousands of EUR	9m 2014	9m 2013
Profit for the period attributable to equity holders of the Parent company	8 431	10 709
Basic earnings per share (EUR)	0.22	0.27
Diluted earnings per share (EUR)	0.22	0.27

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 2014	9m 2013
Revenue from wholesale	68 450	81 900
Revenue from retail	18 065	16 614
Subcontracting and services	102	225
Other sales	522	73
Total	87 139	98 812

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.

Sales of goods and services		
in thousands of EUR	9m 2014	9m 2013
Associates	2 405	7 303
Total	2 405	7 303

Balances with related parties		
in thousands of EUR	9m 2014	9m 2013
Trade receivables from associates	318	670
Total	318	670

Benefits to key management of the group		
in thousands of EUR	9m 2014	9m 2013
Remunerations and benefits	905	507
Total	905	507

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 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		87 139
Intersegment revenues	0	10 889	10 889	0	-10 889	0
EBITDA	2 211	10 947	13 158	-133	0	13 025
Amortization and depreciation	-229	-1 511	-1 740	-626	0	-2 366
Operating income, EBIT	1 982	9 435	11 417	-758	0	10 659
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
Net profit	1 580	8 909	11 159	-1 307	0	9 235
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

Operating segments 9m 2013

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	16 614	81 900	98 514	298	0	98 812
Intersegment revenues	0	9 310	9 310	0	-9 310	0
EBITDA	2 211	16 823	19 034	-533	0	18 501
Amortization and depreciation	-188	-1 627	-1 815	-37	0	-1 852
Operating income, EBIT	2 023	15 196	17 219	-570	0	16 649
Profit from associates using equity method	0	9	9	0	0	9
Net financial income	275	50	325	73	0	398
Income tax	-339	-3 551	-3 890	-14	0	-3 904
Gain on net monetary position	-141	-1 264	-1 405	0	0	-1 405
Net profit	1 818	10 440	12 258	-511	0	11 747
Investments in associates	0	137	137	0	0	137
Other operating segments assets	7 273	64 143	71 416	9 392	0	80 808
Reportable segments liabilities	2 583	10 117	12 700	76	0	12 776
Capital expenditures	102	3 113	3 215	0	0	3 215
Number of employees as of reporting date	365	2 794	3 159	3		3 162

Revenue and non-current assets breakdown by geographical areas

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

in thousands of EUR	Sales revenue 9m 2014	Sales revenue 9m 2013	Non-current assets 30.09.2014	Non-current assets 31.12.2013
Russia	47 582	58 375	24	174
Belarus	26 491	24 587	21 032	20 821
Kazakhstan	3 197	3 219	0	0
Ukraine	3 848	7 141	3	4
Moldova	1 628	1 888	0	0
Baltics	2 489	2 015	618	550
Other countries	1 903	1 587	0	0
Total	87 139	98 812	21 676	21 549