



## **AS Silvano Fashion Group**

### **Consolidated Interim Financial Report for Q2 and 6 months of 2018 (unaudited)**

(translation of the Estonian original)\*

Beginning of the reporting period	1 January 2018
End of the reporting period	30 June 2018
Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 15/17, 10613 Tallinn
Telephone	+372 684 5000
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E-mail	<a href="mailto:info@silvanofashion.com">info@silvanofashion.com</a>
Website	<a href="http://www.silvanofashion.com">www.silvanofashion.com</a>
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	Ernst & Young Baltic AS

*\* 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 entities involved in the design, manufacturing, wholesale, franchise and retail sales of ladies lingerie. The Group’s revenue is generated by sales of Milavitsa, Alisee, Aveline, Lauma Lingerie, Laumelle and Hidalgo brand products through wholesale channels, franchised sales and own retail operated via Milavitsa and Lauma Lingerie retail stores. 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 the Group are listed on the Nasdaq OMX Tallinn Stock Exchange and on the Warsaw Stock Exchange.

As of 30 June 2018 the Group employed 2 172 people (as of 31 December 2017: 2 279 people).

The Group comprises of the following entities :

	<b>Location</b>	<b>Main activity</b>	<b>Ownership interest 30.06.2018</b>	<b>Ownership interest 31.12.2017</b>
<b>Parent company</b>				
AS Silvano Fashion Group	Estonia	Holding		
<b>Entities belonging to the Silvano Fashion Group</b>				
Silvano Fashion ZAO	Russia	Retail and Wholesale	100%	100%
Silvano Fashion OOO	Belarus	Retail and Wholesale	100%	100%
Silvano Fashion TOV	Ukraine	Wholesale	100%	100%
Silvano Fashion SIA	Latvia	Retail	100%	100%
Milavitsa SP ZAO	Belarus	Manufacturing and Wholesale	84.92%	84.92%
Yunona OAO	Belarus	Manufacturing and Wholesale	58.33%	58.33%
Gimil OOO	Belarus	Manufacturing and Wholesale	100%	100%
Lauma Lingerie AS	Latvia	Manufacturing and Wholesale	100%	100%
Alisee SARL	Monaco	Holding	99%	99%
Stolichnaja Torgovaja Kompanija “Milavitsa” ZAO	Russia	Holding	100%	100%
Baltsped logistik OOO	Belarus	Logistics	50%	50%

## **Business environment and results**

The Group's revenue amounted to 33 533 thousand EUR for 6 months of 2018, representing a 2.2% increase as compared to the same period for the previous year. The Group's gross profit for 6 months of 2018 amounted to 19 371 thousand EUR and increased by 19.2% compared to 6 months of 2017. The Gross margin during the 6 month of 2018 increased to 57.8% from 49.5% as compared to 6 months of 2017.

Consolidated operating profit for 6 months of 2018 increased by 54.7% to 11 020 thousand EUR compared to 7 122 thousand EUR in 6 months of 2017. Consolidated EBITDA for 6 months of 2018 increased by 45.9% and was 11 810 thousand EUR, compared to 8 094 thousand EUR in 6 months of 2017.

Reported consolidated net profit for 6 months of 2018 amounted to 8 418 thousand EUR, increasing by 47.6% as compared to the result of 5 702 thousand EUR in the prior year's same period. Net profit attributable to equity holders of the Parent company for 6 months of 2018 increased by 40.9% and amounted to 7 657 thousand EUR.

According to the Russian Federal State Statistics Service (Rosstat), monthly inflation rate in Russia was 0.49% in June 2018. That is 0.11 more than it was in May 2018 and 0.12 less than in June 2017. At the same time, 2018 year to date inflation rate is 2.08% and year over year inflation rate is 2.30%. Low unemployment, rising real wages and firm commodity prices should fuel quicker growth this year. However, geopolitical uncertainty and the impact of U.S. sanctions are likely to act as headwinds to the recovery. FocusEconomics Consensus Forecast panelists see GDP expanding 1.7% in 2018, unchanged from last month's forecast. In 2019, growth is seen inching up to 1.8%.

The Group's sales on the Russian market totalled 20 560 thousand EUR, increase is 12.2% compared to 6 months of 2017. Local currency sales increased by 29.7% during 6 months of 2018 compared to the same 6 months of 2017. The Group's Russian subsidiary opened 4 new stores during 6 months of 2018, a total of 40 own stores are now operating. The Group will continue opening its own stores. In addition to growing sales and better control of the market, this allows further development of the retail concept of the Group's brands to make it more attractive for us and our franchise retail partners.

According to Belstat in Belarus monthly inflation rate in Belarus was 0.29% in April 2018. That is 0.49 less than it was in March 2018 and 0.37 less than in April 2017. At the same time, 2018 year to date inflation rate is 2.76% and year over year inflation rate is 4.99%. Strong domestic demand should prop up growth this year on the back of household consumption bolstered by tight labor market conditions; however, the pace of expansion is expected to moderate in the coming quarters. The external sector will remain strong on waning, but still-healthy, demand from the EU and CIS countries, particularly Russia. FocusEconomics panelists see the economy expanding 3.2% in 2018, which is up 0.3 percentage points from last month's forecast, and 2.9% in 2019.

The Group's sales in Belarus in the 6 months of 2018 were 8 123 thousand EUR and decreased by 13.0% compared to the 6 months of 2017. Sales in local currency increased by 2.2% during the same period. In Belarus the Group will focus on improving profitability of its retail business, we will also continue to expand our store chain there depending on the availability of reasonably priced sales areas.

According to the data released by the State Statistics Service of Ukraine, the monthly inflation rate in Ukraine was 0.80% in April 2018 that is 0.30 less than it was in March 2018 and 0.10 less than in April 2017. At the same time, 2018 year to date inflation rate is 4.37% and year over year inflation rate is 13.11%. Domestic demand is expected to lead the recovery this year amid booming investment activity and solid household consumption growth. Nonetheless, the economy is unlikely to grow at potential in the short- to medium-term as the outlook remains dampened by the uncertainty over the government's commitment to long-term economic and anti-corruption reforms ahead of next year's elections. FocusEconomics panelists see GDP rising 3.1% in 2018, up 0.1 percentage points from last month's forecast, and 3.1% again in 2019.

The Group's sales in Ukraine in the 6 months of 2018 increased by 145 thousand EUR, which is 9.5% more than in the previous year's same period. Sales in local currency increased by 18.0% during the same period.

## Sales structure

### Sales by markets

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 90.5% of its total sales. Measured in local currencies sales growth was accordingly 29.7%, 2.2% and 18.0%

	6m 2018	6m 2017	Change	Change, %
Russia, th RUB	1 465 714	1 130 274	335 440	29.7%
Belarus, th BYN	19 559	19 131	428	2.2%
Ukraine, th UAH	52 221	44 239	7 982	18.0%

Group's sales results by markets measured in EUR are presented below:

in thousands of EUR	6m 2018	6m 2017	Change, EUR	Change, %	6m 2018, % of sales	6m 2017, % of sales
Russia	20 560	18 318	2 242	12.2%	61.3%	55.8%
Belarus	8 123	9 332	-1 209	-13.0%	24.2%	28.4%
Ukraine	1 672	1 527	145	9.5%	5.0%	4.7%
Baltics	734	799	-65	-8.1%	2.2%	2.4%
Other markets	2 444	2 834	-390	-13.8%	7.3%	8.7%
<b>Total</b>	<b>33 533</b>	<b>32 810</b>	<b>723</b>	<b>2.2%</b>	<b>100.0%</b>	<b>100.0%</b>

The majority of lingerie sales during 6 months of 2018 in the amount of 20 560 thousand EUR were generated in Russia, accounting for 61.3% of total sales. The second largest market was Belarus, where sales were 8 123 thousand EUR, contributing 24.2% of lingerie sales (both retail and wholesale). Volumes in Ukraine increased to 1 672 thousand EUR, accounting for 5.0% of total sales.

### Sales by business segments

in thousands of EUR	6m 2018	6m 2017	Change, EUR	Change, %	6m 2018, % of sales	6m 2017, % of sales
Wholesale	23 305	22 519	786	3.5%	69.5%	68.6%
Retail	10 214	10 229	-15	-0.1%	30.5%	31.2%
Other operations	14	62	-48	-77.4%	0.0%	0.2%
<b>Total</b>	<b>33 533</b>	<b>32 810</b>	<b>723</b>	<b>2.2%</b>	<b>100.0%</b>	<b>100.0%</b>

During 6 months of 2018 wholesale sales amounted to 23 305 thousand EUR, representing 69.5% of the Group's total sales (Q2 of 2017: 68.6%). The main wholesale regions were Russia, Belarus and Ukraine. Our retail sales decreased by 0.1% and amounted to 10 214 thousand EUR, which represents 30.5% of the Group's total sales.

### Own & franchise store locations, geography

	Own	Franchise	Total
Russia	40	355	395
Ukraine	0	76	76
Belarus	63	0	63
Baltics	8	24	32
Other regions	0	120	120
<b>Total</b>	<b>111</b>	<b>575</b>	<b>686</b>

At the end of the reporting period the Group and its franchising partners operated 642 Milavitsa and 44 Lauma Lingerie brand stores, including 111 stores operated directly by the Group.

## Selected Financial Indicators

Summarized selected financial indicators of the Group for 6 months of 2018 compared to 6 months of 2017 and 30.06.2018 compared to 31.12.2017 were as follows:

in thousands of EUR	6m 2018	6m 2017	Change
Revenue	33 533	32 810	2.2%
EBITDA	11 810	8 094	45.9%
Net profit for the period	8 418	5 702	47.6%
Net profit attributable to equity holders of the Parent company	7 657	5 434	40.9%
Earnings per share (EUR)	0,21	0,15	40.0%
Operating cash flow for the period	7 949	4 716	68.6%

in thousands of EUR	30.06.2018	31.12.2017	Change
Total assets	51 090	52 880	-3.4%
Total current assets	40 091	41 708	-3.9%
Total equity attributable to equity holders of the Parent company	30 756	40 974	-24.9%
Cash and cash equivalents	17 585	21 230	-17.2%

Margin analysis, %	6m 2018	6m 2017	Change
Gross profit	57,8	49,5	16.8%
EBITDA	35,2	24,7	42.5%
Net profit	25,1	17,4	44.3%
Net profit attributable to equity holders of the Parent company	22,8	16,6	37.3%

Financial ratios, %	30.06.2018	31.12.2017	Change
ROA	25,9	19,9	30.2%
ROE	36,4	27,1	34.3%
Price to earnings ratio (P/E)	8,7	9,5	-8.4%
Current ratio	2,4	4,7	-48.9%
Quick ratio	1,3	2,7	-51.9%

### 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

## **Financial performance**

The Group's revenue amounted to 33 533 thousand EUR for 6 months of 2018, representing a 2.2% increase as compared to the same period of previous year. Overall, wholesales increased by 3.5% measured in EUR.

The Group's reported gross profit margin for 6 months of 2018 continued to improve increasing to 57.8%, reported gross margin was 49.5% in the respective period of previous year. Consolidated operating profit for 6 months of 2018 amounted to 11 020 thousand EUR, compared to 7 122 thousand EUR in 6 months of 2017. The consolidated operating profit margin was 32.9% for 6 months of 2018 (21.7% in 6 months of 2017). Consolidated EBITDA for 6 months of 2018 was 11 810 thousand EUR, which is 35.2% in margin terms (8 094 thousand EUR and 24.7% for 6 months of 2017).

Reported consolidated net profit attributable to equity holders of the Parent company for 6 months of 2018 amounted to 7 657 thousand EUR, compared to net profit of 5 434 thousand EUR in 6 months of 2017, net profit margin attributable to equity holders of the Parent company for 6 months of 2018 was 22.8% against 16.6% in 6 months of 2017.

## **Financial position**

As of 30 June 2018 consolidated assets amounted to 51 090 thousand EUR representing a decrease of 3.4% as compared to the position as of 31 December 2017.

Trade and other receivables increased by 1 078 thousand EUR as compared to 31 December 2017 and amounted to 3 794 thousand EUR as of 30 June 2018. Inventory balance increased by 950 thousand EUR and amounted to 18 710 thousand EUR as of 30 June 2018.

Equity attributable to equity holders of the Parent company decreased by 10 218 thousand EUR and amounted to 30 756 thousand EUR as of 30 June 2018. Current liabilities increased by 7 971 thousand EUR for 6 months of 2018.

## **Investments**

During 6 months of 2018 the Group's investments into property, plant and equipment totalled 373 thousand EUR, in previous year same period 412 thousand EUR. Investments were made mainly into opening and renovating own stores, as well into equipment and facilities to maintain effective production for future periods.

## **Personnel**

As of 30 June 2018, the Group employed 2 172 employees, including 506 people in retail operations. The rest were employed in production, wholesale, administration and support operations. In 31.12.2017 there were 2 279 employees, including 506 people in retail operations.

Total salaries and related taxes for 6 months of 2018 amounted to 6 474 thousand EUR (7 418 thousand EUR in 6 months of 2017). The remuneration of key management of the Group, including the key executives of all subsidiaries, totalled 407 thousand EUR.

## **Decisions made by governing bodies Q2 2018**

On January 12, 2018 Silvano Fashion Group Extraordinary Meeting of Shareholders decided to distribute additional dividends in the amount 0.30 EUR per share (record date 25.01.2018, payment completed on 29.01.2018).

On June 28, 2018 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted the following decisions.

- The Meeting approved the 2017 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.20 EUR per share (record date 16.07.2018, payment completed on 24.07.2018).
- The Meeting decided to select audit company Ernst&Young Baltic AS as the auditor of AS Silvano Fashion Group 2018 and 2019 business activities.
- The Meeting decided to extend authority of the Supervisory Board member Mr. Mart Mutso for the next term of authority starting from 1 July 2018 till 30 June 2023.
- The Meeting decided to amend the first sentence of Section 2.1 of the Articles of Association of the Company and approve the sentence of Section 2.1 in the following wording: the minimum amount of the share capital of the Company shall be EUR three million six hundred thousand (3,600,000) and the maximum amount of the share capital shall be EUR fourteen million four hundred thousand (14,400,000) and to amend the second sentence of Section 2.2 of the Articles of Association of the Company and approve the second sentence of Section 2.2 in the following wording: the nominal value of each share is 0.10 euros.
- The Meeting decided to reduce the share capital of the Company by reducing the nominal value of the shares by 0.20 EUR per share (record date 16.07.2018, to be paid out after the registration of the capital reduction is completed) and amend the Articles of Association accordingly.

## Shares of AS Silvano Fashion Group

As of 30 June 2018 registered share capital of AS Silvano Fashion Group amounted to 10 800 thousand EUR divided into 36 000 000 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 Nasdaq OMX Tallinn Stock Exchange main list (since 21.11.2006) and on Warsaw Stock Exchange (since 23.07.2007).

As of 30 June 2018 AS Silvano Fashion Group had 1 954 shareholders (as of 31 December 2017: 1 719 shareholders).

As of 30 June 2018 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

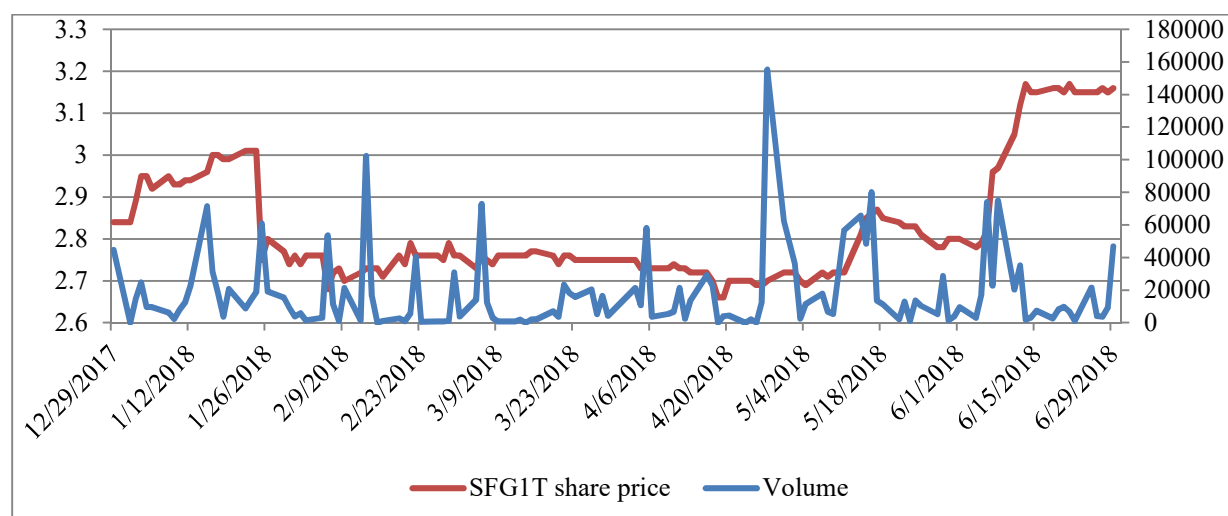
Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>22 442 072</b>	<b>62.34%</b>
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 003 605	25.01%
AS SEB PANK CLIENTS	8 000 000	22.22%
UNICREDIT BANK AUSTRIA AG	3 490 924	9.70%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	1 947 543	5.41%
<b>Other shareholders</b>	<b>13 557 928</b>	<b>37.66%</b>
<b>Total number of shares</b>	<b>36 000 000</b>	<b>100.00%</b>

As of 31 December 2017 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

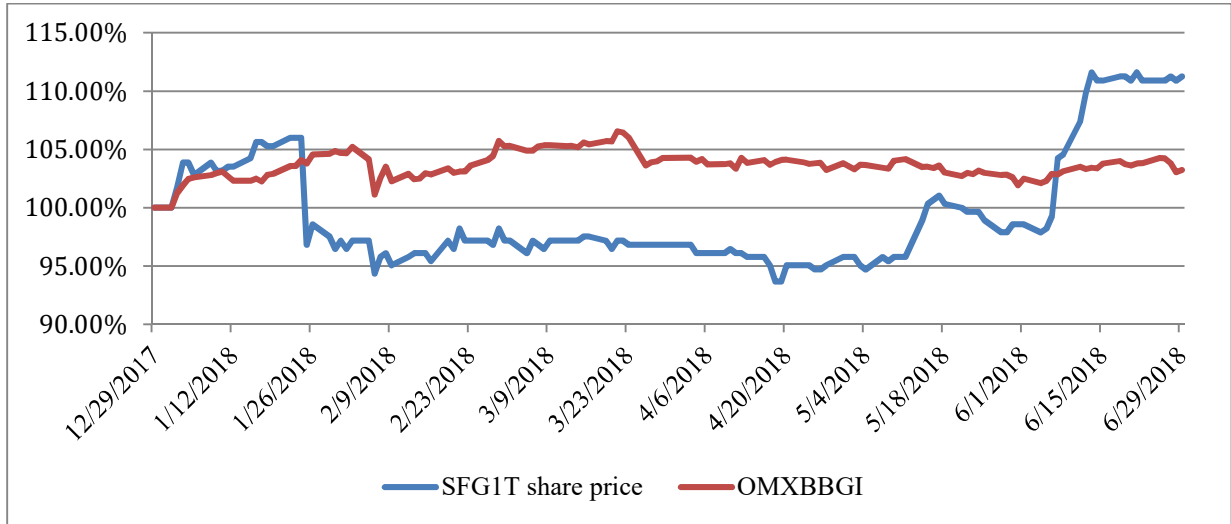
Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>23 014 883</b>	<b>63.93%</b>
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 003 605	25.01%
AS SEB PANK CLIENTS	8 000 000	22.22%
UNICREDIT BANK AUSTRIA AG	3 490 924	9.70%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	2 520 354	7.00%
<b>Other shareholders</b>	<b>12 985 117</b>	<b>36.07%</b>
<b>Total number of shares</b>	<b>36 000 000</b>	<b>100.00%</b>

## Share price development and turnover on the Tallinn Stock Exchange during 6 months of 2018 (EUR)

During 6 months of 2018 the highest and lowest prices of the AS Silvano Fashion Group' share on the Tallinn Stock Exchange were 3.18 EUR and 2.65 EUR, respectively

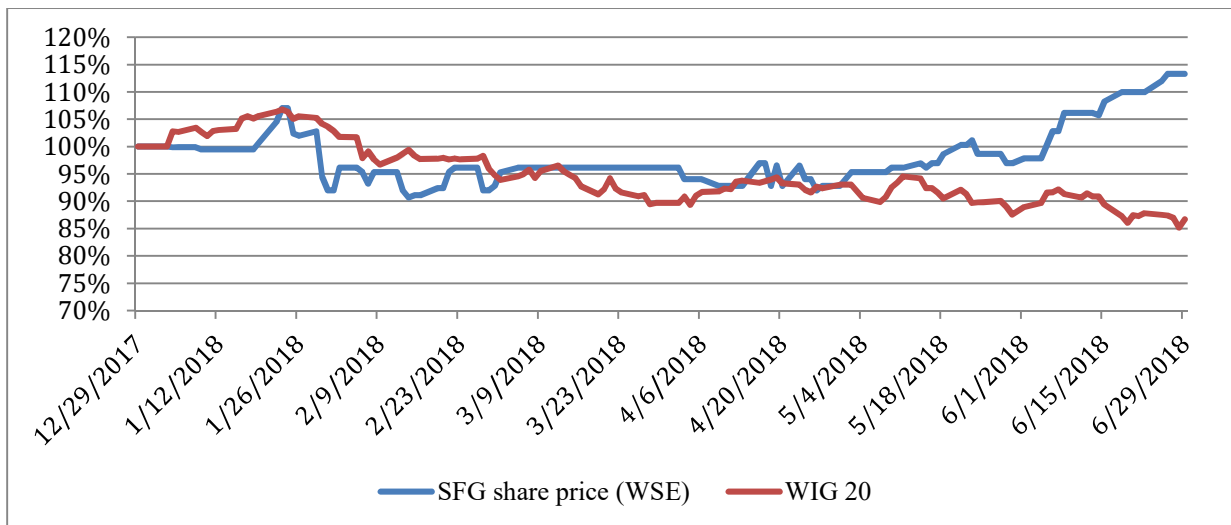
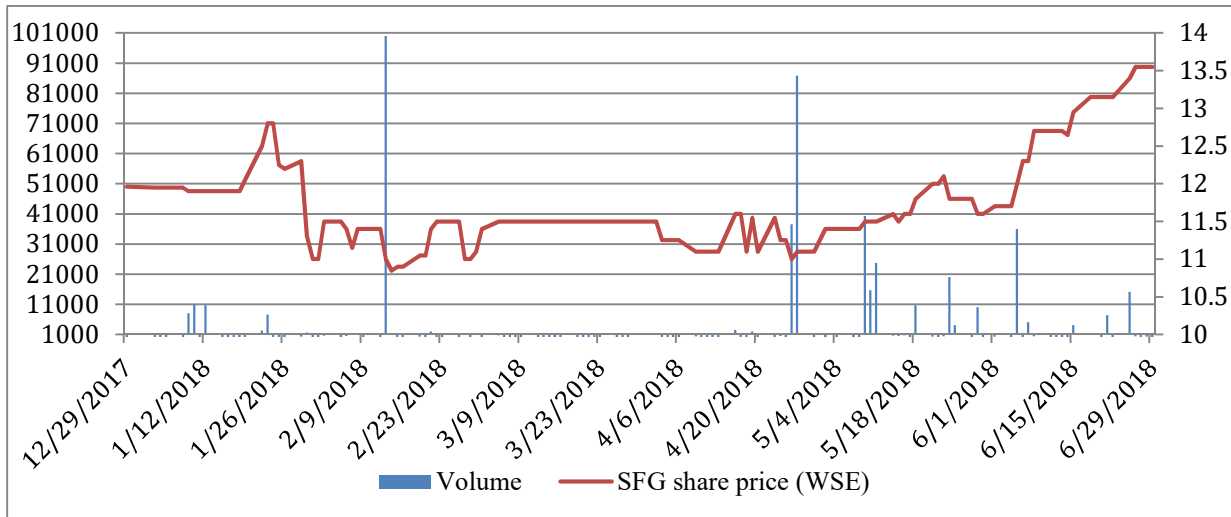






**Share price development on the Warsaw Stock Exchange during 6 months of 2018 (PLN)**

During 6 months of 2018, the highest and lowest prices of the AS Silvano Fashion Group' share on the Warsaw Stock Exchange were 13.55 PLN and 10.85 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 2018 (hereinafter “the Interim Report”).

Member of the Management Board confirms that according to his 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, Member of the Management Board confirms that in his 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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Jarek Särgava  
Member of the Management Board  
August 10, 2018

## Consolidated Statement of Financial Position

in thousands of EUR	Note	30.06.2018	31.12.2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		17 585	21 230
Current loans granted		2	2
Trade and other receivables	2	3 794	2 716
Inventories	3	18 710	17 760
<b>Total current assets</b>		<b>40 091</b>	<b>41 708</b>
<b>Non-current assets</b>			
Long-term receivables		259	255
Investments in associates		62	55
Available-for-sale investments		326	320
Deferred tax asset		999	900
Intangible assets		245	217
Investment property		922	920
Property, plant and equipment	4	8 186	8 505
<b>Total non-current assets</b>		<b>10 999</b>	<b>11 172</b>
<b>TOTAL ASSETS</b>		<b>51 090</b>	<b>52 880</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	5	14 878	8 025
Tax liabilities		1 967	849
<b>Total current liabilities</b>		<b>16 845</b>	<b>8 874</b>
<b>Non-current liabilities</b>			
Deferred tax liability		10	10
Long-term provisions		53	52
<b>Total non-current liabilities</b>		<b>63</b>	<b>62</b>
<b>Total liabilities</b>		<b>16 908</b>	<b>8 936</b>
<b>Equity</b>			
Share capital	6	10 800	10 800
Share premium		8 567	8 567
Statutory reserve capital		1 306	1 306
Revaluation reserve		710	710
Unrealised exchange rate differences		-15 463	-15 588
Retained earnings		24 836	35 179
<b>Total equity attributable to equity holders of the Parent company</b>		<b>30 756</b>	<b>40 974</b>
Non-controlling interest		3 426	2 970
<b>Total equity</b>		<b>34 182</b>	<b>43 944</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>51 090</b>	<b>52 880</b>

## Consolidated Income Statement

in thousands of EUR	Note	2Q 2018	2Q 2017	6m 2018	6m 2017
Revenue	8	17 376	18 268	33 533	32 810
Cost of goods sold		-7 313	-8 804	-14 162	-16 563
<b>Gross profit</b>		<b>10 063</b>	<b>9 464</b>	<b>19 371</b>	<b>16 247</b>
Distribution expenses		-2 990	-3 285	-5 928	-6 159
Administrative expenses		-1 058	-1 284	-2 123	-2 559
Other operating income		67	112	126	155
Other operating expenses		-235	-292	-426	-562
<b>Operating profit</b>		<b>5 847</b>	<b>4 715</b>	<b>11 020</b>	<b>7 122</b>
Currency exchange income/(expense)		-201	2 073	-241	875
Other finance income/(expenses)		16	39	40	106
<b>Net financial income</b>		<b>-185</b>	<b>2 112</b>	<b>-201</b>	<b>981</b>
Profit (loss) from associates using equity method		4	3	12	12
<b>Profit before tax</b>		<b>5 666</b>	<b>6 830</b>	<b>10 831</b>	<b>8 115</b>
Income tax expense		-1 310	-1 237	-2 413	-2 413
<b>Profit for the period</b>		<b>4 356</b>	<b>5 593</b>	<b>8 418</b>	<b>5 702</b>
Attributable to :					
Equity holders of the Parent company		3 962	5 383	7 657	5 434
Non-controlling interest		394	210	761	268
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0,11	0,15	0,21	0,15

## Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	2Q 2018	2Q 2017	6m 2018	6m 2017
<b>Profit for the period</b>		<b>4 356</b>	<b>5 593</b>	<b>8 418</b>	<b>5 702</b>
<b>Exchange rate differences attributable to foreign operations</b>		<b>877</b>	<b>-4 807</b>	<b>205</b>	<b>-3 315</b>
Attributable to :					
Equity holders of the Parent company		742	-4 428	125	-3 002
Non-controlling interest		135	-379	80	-313
<b>Total comprehensive income for the period</b>		<b>5 233</b>	<b>786</b>	<b>8 623</b>	<b>2 387</b>
Attributable to :					
Equity holders of the Parent company		4 704	955	7 782	2 432
Non-controlling interest		529	-169	841	-45

## Consolidated Statement of Cash Flows

in thousands of EUR	6m 2018	6m 2017
<b>Cash flow from operating activities</b>		
<b>Profit for the period</b>	<b>8 418</b>	<b>5 702</b>
Adjustments for:		
Depreciation and amortization of property, plant and equipment	790	972
Share of profit of equity accounted investees	-12	-12
(Gains)/ losses on disposal of PPE and IA	22	-10
Net finance income / costs	201	-981
Provision for impairment losses on trade receivables	1	0
Provision for long-term benefits	1	0
Income tax expense	2 413	2 413
Change in inventories	-950	473
Change in trade and other receivables	-1 078	-459
Change in trade and other payables	-943	-1 269
Income tax paid	-914	-2 113
<b>Net cash flow from operating activities</b>	<b>7 949</b>	<b>4 716</b>
<b>Cash flow from investing activities</b>		
Interest received	19	81
Dividends received	1	1
Proceeds from disposal of property, plant and equipment	8	40
Acquisition of property, plant and equipment	-373	-412
Acquisition of intangible assets	-75	-39
<b>Net cash flow used in/from investing activities</b>	<b>-420</b>	<b>-329</b>
<b>Cash flow from financing activities</b>		
Dividends paid	-11 185	-947
Acquisition of own shares	0	-1 522
<b>Net cash flow used in/ from financing activities</b>	<b>-11 185</b>	<b>-2 469</b>
<b>Increase in cash and cash equivalents</b>	<b>-3 656</b>	<b>1 918</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>21 230</b>	<b>22 303</b>
Effect of exchange rate differences on cash held	11	712
<b>Cash and cash equivalents at the end of period</b>	<b>17 585</b>	<b>24 933</b>

### Consolidated Statement of Changes in Equity

in thousands of EUR	Share Capital	Share Premium	Treasury shares	Statutory reserve capital	Revaluation reserve	Unrealised exchange rate differences	Retained earnings	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
<b>Balance as of 31 December 2016</b>	<b>11 100</b>	<b>10 787</b>	<b>-998</b>	<b>1 306</b>	<b>710</b>	<b>-10 968</b>	<b>31 465</b>	<b>43 402</b>	<b>3 955</b>	<b>47 357</b>
Profit for the period	0	0	0	0	0	0	5 434	5 434	268	5 702
Other comprehensive income for the period	0	0	0	0	0	-3 002	0	-3 002	-313	-3 315
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3 002</b>	<b>5 434</b>	<b>2 432</b>	<b>-45</b>	<b>2 387</b>
<b>Transactions with owners, recognised directly in equity</b>										
Dividends declared	0	0	0	0	0	0	-7 200	-7 200	-947	-8 147
Purchase of treasury shares	0	0	-1 522	0	0	0	0	-1 522	0	-1 522
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>-1 522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7 200</b>	<b>-8 722</b>	<b>-947</b>	<b>-9 669</b>
<b>Balance as of 30 June 2017</b>	<b>11 100</b>	<b>10 787</b>	<b>-2 520</b>	<b>1 306</b>	<b>710</b>	<b>-13 970</b>	<b>29 699</b>	<b>37 112</b>	<b>2 964</b>	<b>40 076</b>
<b>Balance as of 31 December 2017</b>	<b>10 800</b>	<b>8 567</b>	<b>0</b>	<b>1 306</b>	<b>710</b>	<b>-15 588</b>	<b>35 179</b>	<b>40 974</b>	<b>2 970</b>	<b>43 944</b>
Profit for the period	0	0	0	0	0	0	7 657	7 657	761	8 418
Other comprehensive income for the period	0	0	0	0	0	125	0	125	80	205
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125</b>	<b>7 657</b>	<b>7 782</b>	<b>841</b>	<b>8 623</b>
<b>Transactions with owners, recognised directly in equity</b>										
Dividends declared	0	0	0	0	0	0	-18 000	-18 000	-385	-18 385
Purchase of treasury shares	0	0	0	0	0	0	0	0	0	0
<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>0</b>	<b>-18 000</b>	<b>-18 000</b>	<b>-385</b>	<b>-18 385</b>
<b>Balance as of 30 June 2018</b>	<b>10 800</b>	<b>8 567</b>	<b>0</b>	<b>1 306</b>	<b>710</b>	<b>-15 463</b>	<b>24 836</b>	<b>30 756</b>	<b>3 426</b>	<b>34 182</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 2018 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 Q2 and 6 months of 2018 ended on 30 June 2018 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 2017, which have been prepared in accordance with IFRS as adopted by the European Union.

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 2017 there are no new IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2018 and that would be expected to have a material impact on the Group.

### Note 2 Trade and other receivables

in thousands of EUR	30.06.18	31.12.17
Trade receivables from third parties	2 576	1 463
Trade receivables from related parties	58	0
Impairment of receivables	-116	-128
Tax prepayments	695	813
Other receivables	581	568
<b>Total</b>	<b>3 794</b>	<b>2 716</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	30.06.18	31.12.17
Raw and other materials	4 391	5 370
Work in progress	1 054	1 068
Finished goods	12 348	10 834
Other inventories	917	488
<b>Total</b>	<b>18 710</b>	<b>17 760</b>

**Note 4 Property, plant and equipment**

in thousands of EUR					
	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Other equipment and fixtures</b>	<b>Assets under construction</b>	<b>Total</b>
<b>31.12.2016</b>					
Cost	6 520	20 013	4 637	34	<b>31 204</b>
Accumulated depreciation	-2 707	-14 455	-3 377	0	<b>-20 539</b>
<b>Net book amount</b>	<b>3 813</b>	<b>5 558</b>	<b>1 260</b>	<b>34</b>	<b>10 665</b>
<b>Movements during 6m 2017</b>					
Additions	0	1	224	187	<b>412</b>
Disposals	0	-28	-2	0	<b>-30</b>
Reclassifications	0	4	112	-116	<b>0</b>
Depreciation	-84	-574	-217	0	<b>-875</b>
Unrealised exchange rate differences	-278	-304	-154	-7	<b>-743</b>
<b>Closing net book amount</b>	<b>3 451</b>	<b>4 657</b>	<b>1 223</b>	<b>98</b>	<b>9 429</b>
<b>30.06.2017</b>					
Cost	6 033	18 617	4 544	98	<b>29 292</b>
Accumulated depreciation	-2 582	-13 960	-3 321	0	<b>-19 863</b>
<b>Net book amount</b>	<b>3 451</b>	<b>4 657</b>	<b>1 223</b>	<b>98</b>	<b>9 429</b>
<b>31.12.2017</b>					
Cost	5 661	17 676	4 552	91	<b>27 980</b>
Accumulated depreciation	-2 491	-13 609	-3 375	0	<b>-19 475</b>
<b>Net book amount</b>	<b>3 170</b>	<b>4 067</b>	<b>1 177</b>	<b>91</b>	<b>8 505</b>
<b>Movements during 6m 2018</b>					
Additions	0	13	193	167	<b>373</b>
Disposals	0	0	-30	0	<b>-30</b>
Reclassifications	2	48	56	-106	<b>0</b>
Depreciation	-60	-431	-249	0	<b>-740</b>
Unrealised exchange rate differences	56	44	-22	0	<b>78</b>
<b>Closing net book amount</b>	<b>3 168</b>	<b>3 741</b>	<b>1 125</b>	<b>152</b>	<b>8 186</b>
<b>30.06.2018</b>					
Cost	5 763	17 890	4 756	152	<b>28 561</b>
Accumulated depreciation	-2 595	-14 149	-3 631	0	<b>-20 375</b>
<b>Net book amount</b>	<b>3 168</b>	<b>3 741</b>	<b>1 125</b>	<b>152</b>	<b>8 186</b>

The Group did not have any significant binding commitments to purchase property plant and equipment as of 30 June 2018.



### Note 5 Trade and other payables

in thousands of EUR	30.06.18	31.12.17
Trade payables	5 929	6 563
Accrued expenses	531	416
Provisions	32	42
Other payables	8 386	1 004
<b>Total</b>	<b>14 878</b>	<b>8 025</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 2018 registered share capital of AS Silvano Fashion Group amounted to 10 800 thousand EUR divided into 36 000 000 shares with a nominal value of 0.30 EUR each (as of 31 December 2017, 10 800 thousand EUR, 36 000 000 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 are fully paid shares.

As of 30 June 2018 AS Silvano Fashion Group had 1 954 shareholders (as of 31 December 2017 – 1 719 shareholders).

### Note 7 Earnings per share

The calculation of basic earnings per share for 6 months of 2018 (for 6 months of 2017) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	6m 2018	6m 2017
Number of ordinary shares at the beginning of the period	36 000	37 000
Effect of own shares held at the beginning of the period	0	-460
Number of ordinary shares at the end of the period	36 000	37 000
Effect of own shares held at the end of the period	0	-1 000
<b>Weighted average number of ordinary shares for the period</b>	<b>36 000</b>	<b>36 270</b>

in thousands of EUR	6m 2018	6m 2017
Profit for the period attributable to equity holders of the Parent company	7 657	5 434
Basic earnings per share (EUR)	0.21	0.15
Diluted earnings per share (EUR)	0.21	0.15

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 2018	6m 2017
Revenue from wholesale	23 305	22 519
Revenue from retail	10 214	10 229
Subcontracting and services	8	59
Other sales	6	3
<b>Total</b>	<b>33 533</b>	<b>32 810</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.

### Sales of goods and services

in thousands of EUR	6m 2018	6m 2017
Associates	527	867
<b>Total</b>	<b>527</b>	<b>867</b>

### Balances with related parties

in thousands of EUR	30.06.2018	31.12.2017
Trade receivables from associates	32	0
<b>Total</b>	<b>32</b>	<b>0</b>

### Benefits to key management of the group

in thousands of EUR	6m 2018	6m 2017
Remunerations and benefits	407	462
<b>Total</b>	<b>407</b>	<b>462</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 sells the lingerie through own retail network in Latvia, Belarus and Russia.

There is a strong integration between wholesale and retail segments. The accounting policies of reportable segments are the same. Management estimates that intersegment transactions have been done on arm's 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. Unallocated assets include cash and bank deposits not used in daily operations of either of the segments.

Operating segments in thousands of EUR	6m 2018 and as of 30.06.18					
	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	10 214	23 305	33 519	14		33 533
Intersegment revenues	0	21 338	21 338	2 372	-23 710	0
<b>EBITDA</b>	<b>2 994</b>	<b>8 512</b>	<b>11 506</b>	<b>304</b>		<b>11 810</b>
Amortization and depreciation	-168	-385	-553	-237	0	-790
<b>Operating income, EBIT</b>	<b>2 826</b>	<b>8 127</b>	<b>10 953</b>	<b>67</b>	<b>0</b>	<b>11 020</b>
Profit from associates using equity method	0	12	12	0	0	12
Net financial income	-15	595	580	-781	0	-201
Income tax	-325	-1 703	-2 028	-385	0	-2 413
<b>Net profit</b>	<b>2 486</b>	<b>7 031</b>	<b>9 517</b>	<b>-1 099</b>	<b>0</b>	<b>8 418</b>
Investments in associates	0	62	62	0	0	62
Other operating segments assets	3 044	33 387	36 431	14 597	0	51 028
Reportable segments liabilities	115	9 104	9 219	7 689	0	16 908
Capital expenditures	184	262	446	2	0	448
Number of employees as of reporting date	506	1 504	2 010	162		2 172

Operating segments in thousands of EUR	6m 2017 and as of 30.06.17					
	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	10 229	22 519	32 748	62		32 810
Intersegment revenues	0	21 199	21 199	2 544	-23 743	0
<b>EBITDA</b>	<b>2 423</b>	<b>4 975</b>	<b>7 398</b>	<b>696</b>		<b>8 094</b>
Amortization and depreciation	-42	-637	-679	-293	0	-972
<b>Operating income, EBIT</b>	<b>2 381</b>	<b>4 338</b>	<b>6 719</b>	<b>403</b>	<b>0</b>	<b>7 122</b>
Profit from associates using equity method	0	12	12	0	0	12
Net financial income	-13	605	592	389	0	981
Income tax	-279	-1 162	-1 441	-972	0	-2 413
<b>Net profit</b>	<b>2 089</b>	<b>3 793</b>	<b>5 882</b>	<b>-180</b>	<b>0</b>	<b>5 702</b>
Investments in associates	0	28	28	0	0	28
Other operating segments assets	3 125	38 983	42 108	14 456	0	56 564
Reportable segments liabilities	14	8 843	8 857	7 659	0	16 516
Capital expenditures	181	270	451	0	0	451
Number of employees as of reporting date	501	1 584	2 085	179		2 264

### 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	Revenue 6m 2018	Revenue 6m 2017	Non-current assets 30.06.2018	Non-current assets 31.12.2017
Russia	20 560	18 318	1 301	1 308
Belarus	8 123	9 332	9 497	9 581
Ukraine	1 672	1 527	0	1
Baltics	734	799	177	258
Other countries	2 444	2 834	24	24
<b>Total</b>	<b>33 533</b>	<b>32 810</b>	<b>10 999</b>	<b>11 172</b>