

■ Silvano Fashion Group ■

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CONSOLIDATED INTERIM REPORT FOR Q2
AND 6 MONTHS OF 2015

Silvano Fashion Group

AS Silvano Fashion Group

Consolidated Interim Financial Report for Q2 and 6 months of 2015 (unaudited)

(translation of the Estonian original)*

Beginning of the reporting period	01 January 2015
End of the reporting period	30 June 2015
Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 15/17, 10613 Tallinn
Telephone	+372 684 5000
Fax	+372 684 5300
E-mail	info@silvanofashion.com
Website	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 a holding company that controls group of enterprises involved in the design, manufacturing and marketing of women’s lingerie. The Group’s income is generated by sales of “Milavitsa”, “Alisee”, “Lauma Lingerie”, “Laumelle” and “Hidalgo” branded products through wholesales channel, franchised sales and own retail operated via “Milavitsa” and “Lauma Lingerie” retail stores. Key sales markets for the Group are Russia, Belarus, other CIS countries, Ukraine and the Baltics.

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

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

As of 30 June 2015, the Group employed 2 163 people (as of 31 December 2014: 2 749 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.06.2015	Ownership interest 31.12.2014
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
ZAO “Silvano Fashion”	Russia	Wholesale	100%	100%
OOO “Silvano Fashion”	Belarus	Retail and wholesale	100%	100%
TOV “Silvano Fashion”	Ukraine	Wholesale	100%	100%
SIA “Silvano Fashion”	Latvia	Retail	100%	100%
SP ZAO “Milavitsa”	Belarus	Manufacturing and wholesale	84.90%	83.73%
OAO “Yunona”	Belarus	Manufacturing and wholesale	58.33%	58.33%
OOO “Gimil”	Belarus	Manufacturing and wholesale	100%	100%
AS “Lauma Lingerie”	Latvia	Manufacturing and wholesale	100%	100%
SARL “France Style Lingerie”	France	Holding	100%	100%
SARL “Alisee”	Monaco	Holding	99%	99%
ZAO “Stolichnaja Torgovaja Kompanija “Milavitsa”	Russia	Holding	100%	100%
OOO “Baltsped logistik”	Belarus	Logistics	50%	50%

Selected Financial Indicators

Summarized selected financial indicators of the Group for 6 months of 2015 compared to 6 months of 2014 and 30.06.2015 compared to 31.12.2014 were as follows:

:

in thousands of EUR	6m 2015	6m 2014	Change
Revenue	34 498	54 660	-36.9%
EBITDA	8 546	9 351	-8.6%
Net profit for the period	3 052	5 633	-45.8%
Net profit attributable equity holders of the Parent company	2 756	5 025	-45.2%
Earnings per share (EUR)	0.07	0.13	-44.1%
Operating cash flow for the period	8 241	-993	929.5%

in thousands of EUR	30.06.15	31.12.14	Change
Total assets	58 455	67 339	-13.2%
Total current assets	42 374	47 005	-9.9%
Total equity attributable to equity holders of the Parent company	40 907	46 753	-12.5%
Loans and borrowings	0	0	NA
Cash and cash equivalents	19 364	13 308	45.5%

Margin analysis, %	6m 2015	6m 2014	Change
Gross profit	45.2	35.1	28.8%
EBITDA	24.8	17.1	44.8%
Net profit	8.8	10.3	-14.2%
Net profit attributable equity holders of the Parent company	8.0	9.2	-13.1%

Financial ratios, %	30.06.15	31.12.14	Change
ROA	9.5	11.9	-20.1%
ROE	13.4	17.2	-22.1%
Price to earnings ratio (P/E)	8.1	5.0	60.3%
Current ratio	3.1	3.6	-14.0%
Quick ratio	1.8	1.6	17.0%

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

Despite the slowing economies of our core markets, the efforts taken to streamline the business have started to bear fruit. Relatively stable currency environment in Q2 also contributed positively to the dynamics of the sales of the Group. Combined with the efforts made on the inventory level optimization, high level of credit control, yielded for us strong gross margin, EBITDA margin and net profit margin result for the first half-year despite the drop in the sales.

After very slow start for our core consumer markets, the seasonally stronger Q2 levelled out some of the losses that occurred during Q1. Nevertheless, we do not see immediate improvement of the economies where our companies sell the products. The GDP figures for Russia, Belarus, Ukraine continuously shows the contraction of the economies there.

After a severe drop in consumption of apparel products in the average price segment in Russia in Q1, the gap in sales comparison has narrowed vis-à-vis last year. Our sales totalled 18 340 thousand EUR for the first 6 months of the year, down by 40% from previous year. Translated into franchise stores result in local currency, the stores sold practically the same amount in Roubles as for the same period a year ago. Wholesale remains the most volatile segment.

In Belarus, our total sales for the 6 months reached 11 169 thousand Euros, down by 28% compared to the results a year ago. The sales in the retail stores remains almost on the level of the last year when measured in local currency (-3.7%), but the wholesales segment has suffered more. On average, we see less visitors and also smaller average purchases in the retail segment there. The country is reporting negative GDP growth for the first 6 months of the year (-3.3%). We are planning conservative growth for store openings, and some recovery in the retail segment for the remaining year.

In Ukraine, the sales are stalling, outpaced by Kazakhstan by total sales volume. We sold for 772 thousand Euros (which is less than for the 3 Baltic states together) to Ukraine during the first 6 months of the year, down by 71% from last year. Should the political and economic climate improve there, the existing store network would allow to forecast proper growth there (in Ukraine, our partners manage in total 90 stores, as for Kazakhstan the total number is 52 and growing).

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

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

Financial performance

The Group's sales amounted to 34 498 thousand EUR during 6 months of 2015, representing a 36.9% decrease as compared to the same period of previous year. Overall, wholesales decreased by 40.0% and retail sales decreased by 21.6%, measured in Euros.

The Group's reported gross profit margin during 6 months of 2015 increased year-to-year to 45.2%, reported gross margin was 35.30% in the respective period of previous year. Consolidated operating profit for 6 months of 2015 amounted to 7 203 thousand EUR, compared to 7 856 thousand EUR in 6 months of 2014 (the contribution of the Q2 2015 was 5 508 thousand EUR compared to 4 008 thousand EUR in Q2 2014). The consolidated operating profit margin was 20.9% for 6 months of 2015 (14.4% in 6 months of 2014). Consolidated EBITDA for 6 months of 2015 was 8 546 thousand EUR, which is 24.8% in margin terms (9 351 thousand EUR and 17.1% for 6 months of 2014).

During 6 months of 2015 the Group continued with internal restructuring, which will allow us to streamline internal management and intragroup capital allocation. This brought 2.3 million EUR of additional income tax expense. As a result reported consolidated net profit attributable to equity holders of the Parent company for 6 months of 2015 amounted to 2 756 thousand EUR, compared to net profit of 5 025 thousand EUR in 6 months of 2014, net profit margin attributable to equity holders of the Parent company for 6 months of 2015 was 8.0% against 9.2% in 6 months of 2014.

Financial position

As of 30 June 2015 consolidated assets amounted to 58 455 thousand EUR representing decrease by 13.2% as compared to the position as of 31 December 2014.

Trade and other receivables decreased by 1 091 thousand EUR as compared to 31 December 2014 and amounted to 5 815 thousand EUR as of 30 June 2015. Inventory balance decreased by 9 279 thousand EUR and amounted to 17 183 thousand EUR as of 30 June 2015.

Equity attributable to equity holders of the Parent company decreased by 5 846 thousand EUR and amounted to 40 907 thousand EUR as of 30 June 2015. Current liabilities increased by 622 thousand EUR during 6 months of 2015.

Sales structure

Sales by markets

in thousands of EUR	6m 2015	6m 2014	Change	6m 2015 % from sales	6m 2014 % from sales
Russia	18 340	30 545	-40.0%	53.2%	55.9%
Belarus	11 169	15 511	-28.0%	32.4%	28.4%
Ukraine	772	2 665	-71.0%	2.2%	4.9%
Kazakhstan	1 422	1 631	-12.8%	4.1%	3.0%
Baltics	918	1 591	-42.3%	2.7%	2.9%
Moldova	500	905	-44.8%	1.4%	1.7%
Other markets	1 377	1 812	-24.0%	4.0%	3.3%
Total	34 498	54 660	-36.9%	100.0%	100.0%

The majority of lingerie sales revenue during 6 months of 2015 in the amount of 18 340 thousand EUR was generated in Russia, accounting for 53.2% of total sales. The second largest market was Belarus, where sales reached 11 169 thousand EUR, contributing 32.4% of lingerie sales (both retail and wholesale). Volumes in Ukraine decreased significantly to 772 thousand EUR, the drop was also remarkable in the Moldova and the Baltics.

Sales by business segments

in thousands of EUR	6m 2015	6m 2014	Change, %	6m 2015, % from sales	6m 2014, % from sales
Wholesale	26 038	43 407	-40.0%	75.5%	79.4%
Retail	8 446	10 770	-21.6%	24.5%	19.7%
Other operations	14	483	-97.0%	0.0%	0.9%
Total	34 498	54 660	-36.9%	100.0%	100.0%

AS Silvano Fashion Group Consolidated Interim Financial Report for Q2 and 6 months of 2015

During 6 months of 2015 wholesale revenue amounted to 26 038 thousand EUR, representing 75.5% of the Group's total revenue (6 months of 2014: 79.4%). The main wholesale regions were Russia, Ukraine, Belarus, Kazakhstan and Moldova.

Total lingerie retail sales of the Group in 6 months of 2015 amounted to 8 446 thousand EUR, representing 24.5% of the Group's total revenue.

As of 30 June 2015 there were altogether 688 Milavitsa and Lauma branded shops. Own retail operations were conducted in Belarus and Latvia. As of the end of Q2 2015 the Group operated 66 own retail outlets. As of 30 June 2015, there were 584 Milavitsa branded shops operated by Milavitsa trading partners. Additionally, as of 30 June 2015, there were 36 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners.

Own & franchise store locations, geography

	Own	Franchise	Total
Russia	0	373	373
Ukraine	0	92	92
Belarus	56	8	64
Baltics	10	23	33
Kazakhstan	0	52	52
Moldova	0	26	26
Other regions	0	48	48

Investments

During 6 months of 2015 the Group's investments into property, plant and equipment totalled 376 thousand EUR. Investments were made into equipment and facilities to maintain effective production for future periods.

Personnel

As of 30 June 2015, the Group employed 2 163 employees including 380 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes during 6 months of 2015 amounted to 7 407 thousand EUR. The remuneration of key management of the Group, including the key executives of the subsidiaries, totalled 694 thousand EUR.

Decisions made by governing bodies during 6 months 2015

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

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

Shares of AS Silvano Fashion Group

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

As of 30 June 2015 AS Silvano Fashion Group had 1 973 shareholders (as of 31 December 2014 – 1 772 shareholders).

AS Silvano Fashion Group Consolidated Interim Financial Report for Q2 and 6 months of 2015

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

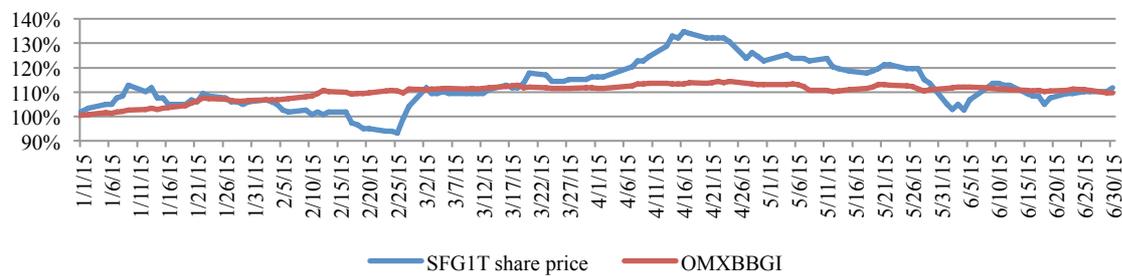
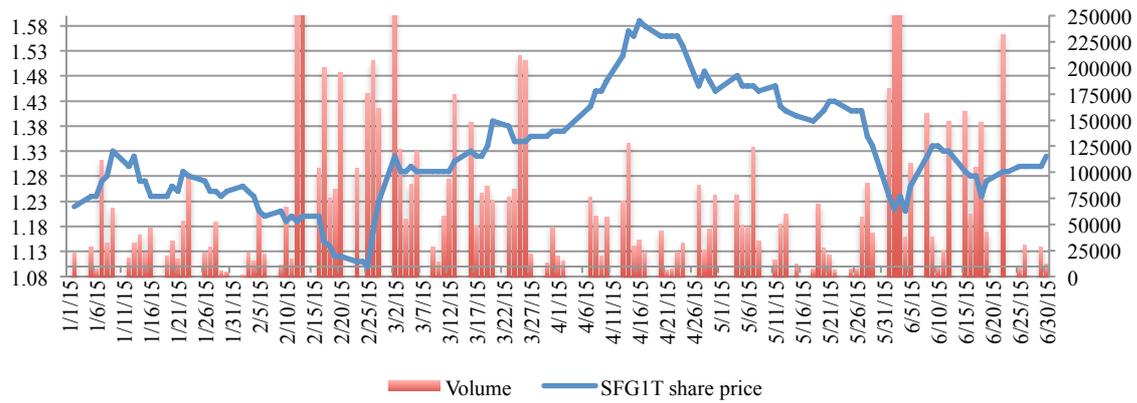
Name	Number of shares	Shareholding
Major shareholders	20 659 529	52.98%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	8 003 615	20.52%
AS SEB PANK CLIENTS	8 000 000	20.51%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	4 655 914	11.94%
Other shareholders	18 340 471	47.02%
Total number of shares	39 000 000	100.00%

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

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

Share price development and turnover on the Tallinn Stock Exchange during 6 months 2015 (EUR)

During 6 months of 2015 the highest and lowest prices of the AS Silvano Fashion Group' share on the Tallinn Stock Exchange were 1.61 EUR and 1.10 EUR, respectively.



Share price development on the Warsaw Stock Exchange during 6 months 2015 (PLN)

During 6 months of 2015, the highest and lowest prices of the AS Silvano Fashion Group' share on the Warsaw Stock Exchange were 6.70 PLN and 4.51 PLN respectively.



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 2015 (hereinafter “the Interim Report”).

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

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

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



Märt Meerits
Member of the Management Board
August 7, 2015



Aleksei Kadõrko
Member of the Management Board
August 7, 2015

Consolidated Statement of Financial Position

in thousands of EUR	Note	30.06.2015	31.12.2014
ASSETS			
Current assets			
Cash and cash equivalents		19 364	13 308
Current loans granted		12	329
Trade and other receivables	2	5 815	6 906
Inventories	3	17 183	26 462
Total current assets		42 374	47 005
Non-current assets			
Long-term receivables		0	241
Investments in associates		87	84
Available-for-sale investments		445	525
Deferred tax asset		382	649
Intangible assets		541	687
Investment property		1 370	1 638
Property, plant and equipment	4	13 256	16 510
Total non-current assets		16 081	20 334
TOTAL ASSETS		58 455	67 339
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5	10 956	9 703
Tax liabilities		2 704	3 335
Total current liabilities		13 660	13 038
Non-current liabilities			
Deferred tax liability		17	283
Total non-current liabilities		17	283
Total liabilities		13 677	13 321
Equity			
Share capital	6	11 700	11 700
Share premium		13 066	13 066
Treasury shares	6	-1 453	-585
Statutory reserve capital		1 306	1 306
Unrealised exchange rate differences		-7 284	-5 649
Retained earnings		23 572	26 915
Total equity attributable to equity holders of the Parent company		40 907	46 753
Non-controlling interest		3 871	7 265
Total equity		44 778	54 018
TOTAL EQUITY AND LIABILITIES		58 455	67 339

Consolidated Income Statement

in thousands of EUR	Note	2Q 2015	2Q 2014	6m 2015	6m 2014
Revenue	8	21 425	27 565	34 498	54 660
Cost of goods sold		-11 704	-17 806	-18 921	-35 495
Gross Profit		9 721	9 759	15 577	19 165
Distribution expenses		-2 460	-3 647	-4 783	-7 593
Administrative expenses		-1 556	-1 842	-3 265	-3 466
Other operating income		123	70	246	391
Other operating expenses		-320	-332	-572	-641
Operating profit		5 508	4 008	7 203	7 856
Currency exchange income/(expense)		-942	-362	-1 031	-640
Other finance income/(expenses)		87	49	260	249
Net financial income		-855	-313	-771	-391
Profit (loss) from associates using equity method		2	-8	0	1
Profit before tax and gain/(loss) on net monetary position		4 655	3 687	6 432	7 466
Income tax expense		-1 254	-1 200	-3 380	-2 814
Profit before gain/(loss) on net monetary position		3 401	2 487	3 052	4 652
Gain on net monetary position		0	955	0	981
Profit for the period		3 401	3 442	3 052	5 633
Attributable to :					
Equity holders of the Parent company		3 277	3 135	2 756	5 025
Non-controlling interest		124	307	296	608
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.08	0.08	0.07	0.13

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	2Q 2015	2Q 2014	6m 2015	6m 2014
Profit for the period		3 401	3 442	3 052	5 633
Exchange rate differences attributable to foreign operations		-713	1 199	-2 318	0
Total comprehensive income for the period		2 688	4 641	734	5 633
Attributable to :					
Equity holders of the Parent company		3 245	4 183	1 121	5 029
Non-controlling interest		-557	458	-387	604

Consolidated Statement of Cash Flows

in thousands of EUR	6m 2015	6m 2014
Cash flow from operating activities		
Profit for the period	3 052	5 633
Adjustments for:		
Depreciation and amortization of non-current assets	1 343	1 495
(Gains)/ losses on the sale of PPE and IA	2	-2
Net finance income / costs	771	393
Gain / loss on net monetary position	0	-981
Provision for impairment losses on trade receivables	-6	0
Income tax expense	3 380	2 814
Change in inventories	6 288	-2 772
Change in trade and other receivables	780	-4 881
Change in trade and other payables	-2 554	-1 148
Interest paid	0	-14
Income tax paid	-4 815	-1 529
Net cash from operating activities	8 241	-993
 Cash flow from investing activities		
Interest received	239	262
Dividends received	2	0
Proceeds from disposal of property, plant and equipment	8	4
Proceeds from repayments of loans granted	214	0
Acquisition of property, plant and equipment	-153	-202
Acquisition of intangible assets	-125	-92
Acquisition of shares of a subsidiary	0	-200
Net cash used in/from investing activities	184	-228
 Cash flow from financing activities		
Repayment of borrowings	0	-3
Dividends paid	-1 390	-1 023
Acquisition of own shares	-868	-652
Net cash used in/ from financing activities	-2 258	-1 678
 Increase in cash and cash equivalents	6 166	-2 899
Cash and cash equivalents at the beginning of period	13 308	19 165
Effect of translation to presentation currency	0	1 233
Effect of exchange rate fluctuations on cash held	-110	22
Cash and cash equivalents at the end of period	19 364	17 521

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 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	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
Total comprehensive income for the period	0	0	0	0	4	5 025	5 029	604	5 633
Transactions with owners, recognised directly in equity									
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
Total transactions with owners, recognised directly in equity	0	0	-652	0	0	-3 556	-4 208	-1 363	-5 572
Balance as at 30 June 2014	11 820	13 822	-876	1 306	-1 211	29 557	54 418	9 261	63 679
Balance as at 31 December 2014	11 700	13 066	-585	1 306	-5 649	26 915	46 753	7 265	54 018
Effect of translation on opening balances	0	0	0	0	0	-2 638	-2 638	-880	-3 518
Profit for the period	0	0	0	0	0	2 756	2 756	296	3 052
Other comprehensive income for the period	0	0	0	0	-1 635	0	-1 635	-683	-2 318
Total comprehensive income for the period	0	0	0	0	-1 635	2 756	1 121	-387	734
Transactions with owners, recognised directly in equity									
Dividends paid	0	0	0	0	0	0	0	-403	-403
Dividends declared	0	0	0	0	0	-3 791	-3 791	-1 394	-5 185
Change in non-controlling interest	0	0	0	0	0	330	330	-330	0
Purchase of treasury shares	0	0	-868	0	0	0	-868	0	-868
Total transactions with owners, recognised directly in equity	0	0	-868	0	0	-3 461	-4 329	-2 127	-6 456
Balance as at 30 June 2015	11 700	13 066	-1 453	1 306	-7 284	23 527	40 907	3 871	44 778

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 2015 and comprises parent company and its subsidiaries.

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

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

Basis for preparation

This Interim Report of AS Silvano Fashion Group for 6 months of 2015 ended on 30 June 2015 has been prepared in accordance with IAS 34 “Interim financial reporting” as adopted by the European Union. The Interim Report should be read in conjunction with the Annual Report for the financial year ended on 31 December 2014, which have been prepared in accordance with IFRS as adopted by the European Union.

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

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

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

New standards and interpretations

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

Note 2 Trade and other receivables

in thousands of EUR	30.06.2015	31.12.2014
Trade receivables from third parties	5 209	5 920
Trade receivables from related parties	140	165
Impairment of receivables	-1 297	-1 182
Tax prepayments	1 337	1 347
Other receivables	426	656
Total	5 815	6 906

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	30.06.2015	31.12.2014
Raw and other materials	2 439	4 379
Work in progress	639	1 602
Finished goods	13 420	19 474
Other inventories	685	1 007
Total	17 183	26 462

Note 4 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
31.12.13					
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 6m 2014					
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
Closing net book amount	5 413	10 384	1 659	166	17 622
30.06.14					
Cost	8 398	26 463	5 650	166	40 677
Accumulated depreciation	-2 985	-16 079	-3 991	0	-23 055
Net book amount	5 413	10 384	1 659	166	17 622
31.12.2014					
Cost	8 556	26 737	5 424	24	40 741
Accumulated depreciation	-3 169	-16 985	-4 077	0	-24 231
Net book amount	5 387	9 752	1 347	24	16 510
Movements during 6m 2015					
Additions	0	0	235	141	376
Disposals	0	2	-13	-1	-12
Reclassifications	0	68	73	-143	-2
Depreciation	-111	-797	-248	0	-1 156
Unrealised exchange rate differences	-824	-1 463	-170	-3	-2 460
Closing net book amount	4 452	7 562	1 224	18	13 256
30.06.2015					
Cost	7 250	22 776	4 774	18	34 818
Accumulated depreciation	-2 798	-15 214	-3 550	0	-21 562
Net book amount	4 452	7 562	1 224	18	13 256

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

Note 5 Trade and other payables

in thousands of EUR	30.06.2015	31.12.2014
Trade payables	4 439	5 829
Accrued expenses	540	1 333
Provisions	45	203
Other payables	5 932	2 338
Total	10 956	9 703

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

As of 30 June 2015 AS Silvano Fashion Group had 1 973 shareholders (as of 31 December 2014 – 1 772 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for 6 months 2015 (6 months 2014) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	6m 2015	6m 2014
Number of ordinary shares at the beginning of the period	39 000	39 400
Effect of own shares held at the beginning of the period	-340	-400
Number of ordinary shares at the end of the period	39 000	39 400
Effect of own shares held at the end of the period	-1 000	-400
Weighted average number of ordinary shares for the period	38 275	39 000

in thousands of EUR	6m 2015	6m 2014
Profit for the period attributable to equity holders of the Parent company	2 756	5 082
Basic earnings per share (EUR)	0.07	0.13
Diluted earnings per share (EUR)	0.07	0.13

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 2015	6m 2014
Revenue from wholesale	26 030	43 407
Revenue from retail	8 446	10 770
Subcontracting and services	14	186
Other sales	8	297
Total	34 498	54 660

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 2015	6m 2014
Associates	507	1 590
Total	507	1 590

Balances with related parties		
in thousands of EUR	30.06.15	31.12.14
Trade receivables from associates	140	165
Total	140	165

Benefits to key management of the group		
in thousands of EUR	6m 2015	6m 2014
Remunerations and benefits	694	529
Total	694	529

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 2015

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	8 446	26 038	34 484	14		34 498
Intersegment revenues	0	21 069	21 069	2 666	-23 735	0
EBITDA	1 354	6 428	7 782	764		8 546
Amortization and depreciation	-86	-803	-889	-454	0	-1 343
Operating income, EBIT	1 269	5 615	6 893	310	0	7 203
Profit from associates using equity method	0	0	0	0	0	0
Net financial income	-15	-379	-394	-377	0	-771
Income tax	-93	-877	-970	-2 410	0	-3 380
Gain on net monetary position	0	0	0	0	0	0
Net profit	1 161	4 359	5 530	-2 477	0	3 052
Investments in associates	0	87	87	0	0	87
Other operating segments assets	3 907	33 888	37 795	20 573	0	58 368
Reportable segments liabilities	545	8 876	9 421	4 256	0	13 677
Capital expenditures	8	436	444	57	0	501
Number of employees as of reporting date	380	1 778	2 159	4		2 163

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
EBITDA	1 158	7 792	8 950	401	0	9 351
Amortization and depreciation	-152	-961	-1 113	-382	0	-1 495
Operating income, EBIT	1 006	6 831	7 837	19	0	7 856
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
Net profit	922	4 322	5 244	389	0	5 633
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

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 6m 2015	Sales revenue 6m 2014	Non-current assets 30.06.2015	Non-current assets 31.12.2014
Russia	18 340	30 545	232	423
Belarus	11 169	15 511	15 438	19 434
Ukraine	772	2 665	2	2
Kazakhstan	1 422	1 631	0	0
Baltics	918	1 591	409	475
Moldova	500	905	0	0
Other countries	1 377	1 812	0	0
Total	34 498	54 660	16 081	20 334