



CONSOLIDATED INTERIM REPORT FOR Q1  
2014

**Silvano Fashion Group**

# AS Silvano Fashion Group

## Consolidated Interim Financial Report for Q1 of 2014 (unaudited)

(translation of the Estonian original)\*

Beginning of the reporting period	1 January 2014
End of the reporting period	31 March 2014
Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 15/17, 10613 Tallinn
Telephone	+372 684 5000
Fax	+372 684 5300
E-mail	info@silvanofashion.com
Website	<a href="http://www.silvanofashion.com">www.silvanofashion.com</a>
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	AS PricewaterhouseCoopers

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

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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 31 March 2014, the Group employed 3 136 people (as of 31 December 2013: 3 165 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 31.03.2014	Ownership interest 31.12.2013
<b>Parent company</b>				
AS Silvano Fashion Group	Estonia	Holding		
<b>Entities belonging to the Silvano Fashion Group</b>				
SP ZAO “Milavitsa”	Belarus	Manufacturing and wholesale	82.47%	82.47%
AS “Lauma Lingerie”	Latvia	Manufacturing, wholesale and retail	100%	100%
OOO “Gimil”	Belarus	Manufacturing and wholesale	100%	100%
OAO “Yunona”	Belarus	Manufacturing and wholesale	58.33%	58.33%
OOO “Silvano Fashion”	Belarus	Retail and wholesale	100%	100%
ZAO “Silvano Fashion”	Russia	Wholesale	100%	100%
ZAO “Stolichnaja Torgovaja Kompanija “Milavitsa”	Russia	Wholesale	100%	100%
TOV “Silvano Fashion”	Ukraine	Wholesale	100%	100%
OOO “Milavitsa-logistik”	Belarus	Logistics	50%	50%
SARL “France Style Lingerie”	France	Holding	100%	100%
SIA “Linret”	Latvia	Retail	100%	100%

## Selected Financial Indicators

Summarized selected financial indicators of the Group for Q1 2014 compared to Q1 2013 and 31.03.2014 compared to 31.12.2013 were as follows:

in thousands of EUR	Q1 2014	Q1 2013	Change
Revenue	27 095	32 059	-15.5%
EBITDA	4 547	4 832	-5.9%
Net profit for the period	2 191	3 834	-42.9%
Net profit attributable equity holders of the Parent company	1 890	3 527	-46.4%
Earnings per share (EUR)	0.05	0.09	-46.1%
Operating cash flow for the period	753	348	116.2%

in thousands of EUR	31.03.2014	31.12.2013	Change
Total assets	78 581	76 629	2.5%
Total current assets	57 214	55 080	3.9%
Total equity attributable to equity holders of the Parent company	53 487	52 370	2.1%
Loans and borrowings	86	79	8.9%
Cash and cash equivalents	15 919	19 165	-16.9%

Margin analysis, %	Q1 2014	Q1 2013	Change
Gross profit	34.7	31.8	9.3%
EBITDA	16.8	15.1	11.3%
Net profit	8.1	12.0	-32.4%
Net profit attributable equity holders of the Parent company	7.0	11.0	-36.6%

Financial ratios, %	31.03.2014	31.12.2013	Change
ROA	11.7	13.4	-12.7%
ROE	17.3	19.9	-13.2%
Price to earnings ratio (P/E)	9.1	9.5	-3.6%
Current ratio	4.1	4.7	-12.5%
Quick ratio	2.2	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

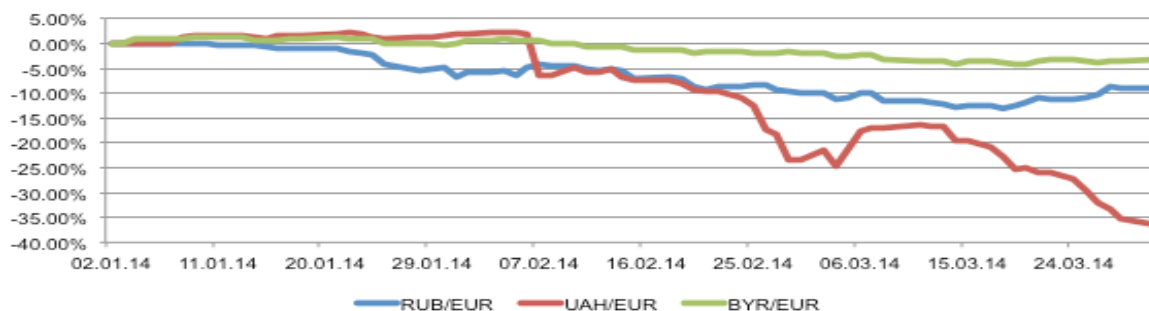
Current ratio = current assets / current liabilities

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

## Business environment

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

The first quarter of 2014 turned into a challenge for Silvano Fashion Group. The primary reason to this is the continuation of the weaker consumer sentiment, fuelled by unfavourable movement of the currencies. The main sales (and accounts receivables) currencies – Russia’s Rouble (RUB), Belarus Rouble (BYR) and Ukraine Hryvnia (UAH) continued to depreciate against our reporting currency – the EUR (see the table below). This affects directly the purchasing power of the customers since the income of the consumers has remained constant. To a smaller extent, the somewhat weaker BYR attributes to lower production cost for Silvano Fashion Group.



The company has already taken countermeasures to meet the new economic reality. The main focus here is on efficiency, which primarily applies to the administrative and back-office layers of the organization. The second focus is on the overall cash management, including keeping the cash in Euros, but also improving the working capital balance of the company.

The Group’s sales in Q1 2014 were below the benchmark in Q1 2013, the net sales reached 27 095 thousand EUR, compared to 32 059 thousand EUR a year ago. The sales volumes decreased both in wholesale and retail segment (franchise) of our business. In the retail stores operated by Silvano Fashion Group, the sales increased in Latvia (an impressive growth by +31% y-o-y) and in Baltics in general, while like-for-like sales and sales per square meter in EUR terms deteriorated slightly in Belarus (-3%). Franchise stores in Russia have also stood well against the moody economic environment – like-for-like sales dropped by only -1.5% there. The most volatile part of sales there is wholesale, which attributed to the drop of aggregated sales in the region by 18.5% y-o-y.

Overall during Q1 the biggest drop in sales came from wholesale segment (21 929 thousand EUR in Q1 2014 vs. 26 937 thousand EUR in Q1 2013). Among key markets, the main backdrop we experienced in Russia (-3 629 thousand EUR), in Belarus decrease was 508 thousand EUR, in Ukraine - 716 thousand EUR, we improved our sales in the Baltic States by 210 thousand EUR.

The net profit stood at 2 191 thousand Euros in Q1 2014 compared to 3 834 thousand EUR a year ago. The Group’s EBITDA, though, remained nearly unchanged, 4 547 thousand EUR in Q1 2014 compared to 4 832 thousand EUR in the corresponding period of 2013.

The economic outlook for most of our major markets remains cloudy. According to IMF, the Russia’s economic growth (measured in GDP) in 2014 constitutes around 1%. Russia’s takeover of Crimea last month injects geopolitical tension, and the capital outflow from the country’s economy continues. Silvano Fashion Group was directly affected by the reduced purchasing power (Russia’s Rouble losing nearly 9% against Euro during Q1 2014) and reduced sales. As of end of Q1 2014 there were 385 Milavitsa stores in Russia.

Belarus economic growth is stalling because of cooling economic climate of its main export market – Russia. The country has managed targeted inflation policy rather well (CPI growth of 4.9% during Q1 2014) that also has created some stability for the currency (Belarus Rouble weakened by 3.85% against Euro during Q1 2014). Further to this, the country is literally breathing according to the World Hockey Tournament, kicking off on May 9th that may be one of the reasons for the stability. There are also signs that the country is potentially leveraging from the negotiations concerning the Eurasian Economic Union with Russia and Kazakhstan. There are a total of 53 stores operated directly by the Group and 5 franchise stores. The Group’s sales revenue in Belarus reached 6 926 thousand EUR for Q1 2014 compared to 7 434 thousand EUR for the same period a year ago.

Negative information flow regarding Ukraine is continuously on the radar of global media. Looking more detailed at the economic situation there, our buyers were negatively surprised by the drop of the local currency (-36.5% during Q1 2014 against EUR), and re-assessing focus from the general consumer goods into staples such as food etc. For the Group, the Q1 2014 net sales dropped to 1 393 thousand EUR compared to 2 109 thousand EUR for the same period a year ago. We have very vague visibility about the outlook for 2014, dependent on the stabilization of the political climate; the country is facing presidential elections at the end of May. There are 101 franchise stores in total in the country as of end of Q1 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 794 thousand EUR for Q1 2014, compared to 584 thousand EUR for the same period a year ago.

On the store openings, Q1 2014 net increase (including openings and store closures primarily due to relocations) for Milavitsa stores were 3 units and a closure of one store in Lithuania under the Lauma Lingerie brand. The Group therefore operated directly and via franchise a total of 681 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 27 095 thousand EUR during Q1 2014, representing a 15.5% decrease as compared to the same period of previous year. Overall, wholesales decreased by 18.6% and retail sales decreased by 2.6%.

The Group's reported gross profit margin during Q1 improved year-on-year basis and stood at 34.71%, reported gross margin was 31.77% in the respective period of previous year. Consolidated operating profit for Q1 2014 amounted to 3 848 thousand EUR, compared to 4 203 thousand EUR in Q1 2013. The consolidated operating profit margin was 14.2% for Q1 2014 (13.1% in Q1 2013). Consolidated EBITDA for Q1 2014 was 4 547 thousand EUR, which is 16.8% in margin terms (4 832 thousand EUR and 15.1% for Q1 2013). This reflects continuous strive for improvements in efficiency and cost control inside the Group.

During Q1 2014 the Group distributed profit from subsidiaries to the Parent company, which brought additional 463 thousand EUR in tax expenses. Currency exchange losses in Q1 2014 amounted to 278 thousand EUR (4 thousand EUR in Q1 2013). Gain on net monetary position, which is highly dependent on exchange rates' movements, decreased by 655 thousand EUR compared to Q1 2013. As a result consolidated net profit attributable to equity holders of the Parent company for Q1 2014 amounted to 1 890 thousand EUR, compared to 3 527 thousand EUR in Q1 2013, net profit margin attributable to equity holders of the Parent company for Q1 2014 was 8.1% against 12.0% in Q1 2013.

### Financial position

As of 31 March 2014 consolidated assets amounted to 78 581 thousand EUR representing an increase by 2.6% as compared to the position as of 31 December 2013.

Trade and other receivables increased by 3 188 thousand EUR as compared to 31 December 2013 and amounted to 14 034 thousand EUR as of 31 March 2014. Inventory balance increased by 1 671 thousand EUR and amounted to 26 544 thousand EUR as of 31 March 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 1 117 thousand EUR and amounted to 53 487 thousand EUR as of 31 March 2014.

Current liabilities increased by 2 215 thousand EUR during Q1 2014. Current and non-current loans and borrowings increased by 7 thousand EUR to 86 thousand EUR as of 31 March 2014.

### Sales structure

#### Sales by markets

in thousands of EUR	Q1 2014	Q1 2013	Change	Q1 2014 % from sales	Q1 2013 % from sales
Russia	16 015	19 644	-18.5%	59.1%	61.3%
Belarus	6 926	7 434	-6.8%	25.6%	23.2%
Ukraine	1 393	2 109	-33.9%	5.1%	6.6%
Baltics	794	584	36.0%	2.9%	1.8%
Other markets	1 967	2 288	-14.0%	7.3%	7.1%
<b>Total</b>	<b>27 095</b>	<b>32 059</b>	<b>-15.5%</b>	<b>100.0%</b>	<b>100.0%</b>

The majority of lingerie sales revenue during Q1 2014 in the amount of 16 015 thousand EUR was generated in Russia, accounting for 59.1% of total sales. The second largest market was Belarus, where sales reached 6 926 thousand EUR, contributing 25.6% of lingerie sales (both retail and wholesale). Ukraine represented a sales of 1 393 thousand EUR, contributing 5.1% of lingerie sales of the Group.

## Sales by business segments

in thousands of EUR	Q1 2014	Q1 2013	Change	Q1 2014 % from sales	Q1 2013 % from sales
Wholesale	21 929	26 937	-18.6%	80.9%	84.0%
Retail	4 905	5 035	-2.6%	18.1%	15.7%
Other operations	261	87	200.1%	1.0%	0.3%
<b>Total</b>	<b>27 095</b>	<b>32 059</b>	<b>-15.5%</b>	<b>100.0%</b>	<b>100.0%</b>

During Q1 2014 wholesale revenue amounted to 21 929 thousand EUR, representing 80.9% of the Group's total revenue (Q1 2013: 84.0%). The main wholesale regions were Russia, Ukraine, Belarus, Kazakhstan and Moldova.

Total lingerie retail sales of the Group in Q1 2014 amounted to 4 905 thousand EUR, representing 18.1% of the Group's total revenue (Q1 2013: 15.7%).

As of 31 March 2014 there were altogether 681 Milavitsa and Lauma branded shops. Own retail operations were conducted in Belarus and Latvia. As of the end of Q1 2014 the Group operated 62 own retail outlets. As of 31 March 2014, there were 584 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Ukraine, Moldova, Kazakhstan, Uzbekistan, Kyrgyzstan, Latvia, Azerbaijan, Armenia, Germany, South Africa, Lithuania, Estonia, Georgia, United Arab Emirates, Iran, Slovenia, Belgium and Italy. Additionally, as of 31 March 2014, there were 35 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Estonia, Latvia, Lithuania, Belarus, Russia, Ukraine, Saudi Arabia and Albania.

## Own & franchise store locations, geography

	Own	Franchise	Total
Russia	0	386	386
Ukraine	0	101	101
Belarus	53	5	58
Baltics	9	33	42
Kazakhstan	0	30	30
Moldova	0	26	26
Other regions	0	38	38

## Investments

During Q1 2014 the Group's investments into property, plant and equipment totalled 39 thousand EUR. Investments were made into equipment and facilities to maintain effective production for future periods.

## Personnel

As of 31 March 2014, the Group employed 3 136 employees including 490 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes during 12 months 2013 amounted to 6 042 thousand EUR. The remuneration of key management of the Group, including the key executives of the subsidiaries, totalled 209 thousand EUR.

## Changes in the distribution companies

During Q1 2014 and until the release of the report, Silvano Fashion Group has changed business names of the distribution companies belonging to the Group. The main reason for this is to change the focus of the distribution companies from being the logistics arm to the production company into contemporary sales organizations that have the responsibility for the development of the Group's business and its whole portfolio of brands. During this process, the distribution companies in Russia, Ukraine and Belarus are renamed into "Silvano Fashion".

## Shares of AS Silvano Fashion Group

As of 31 March 2014 registered share capital of AS Silvano Fashion Group amounted to 11 820 thousand EUR divided into 39 400 000 ordinary shares with a nominal value of 0.30 EUR each. The share register is electronic and maintained at the Estonian Central Register of Securities. The Company has been listed on Tallinn Stock Exchange main list (since 21.11.2006) and on Warsaw Stock Exchange (since 23.07.2007). The Company owns 400 000 treasury shares that by the endorsement of the previous general meetings have been acquired for the purpose of elimination.



AS Silvano Fashion Group Consolidated Interim Financial Report for Q1 of 2014

As of 31 March 2014 AS Silvano Fashion Group had 1 775 shareholders (as of 31 December 2013 – 1 759 shareholders).

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

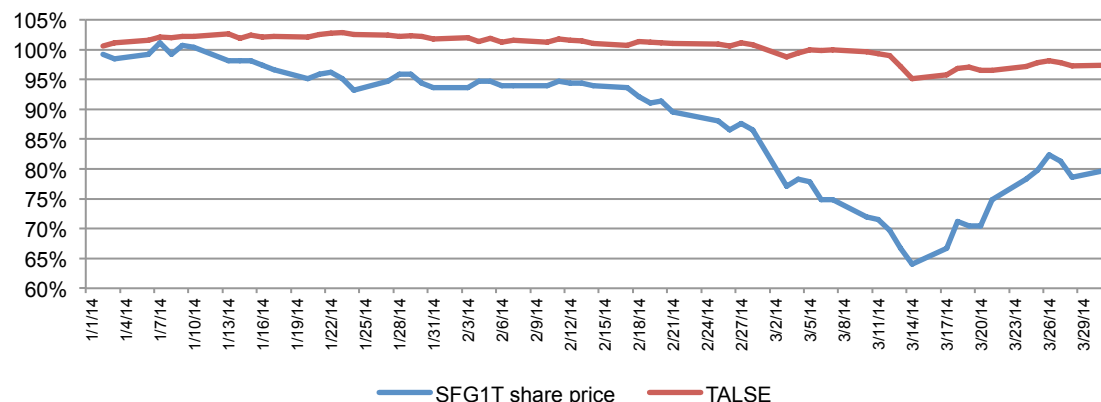
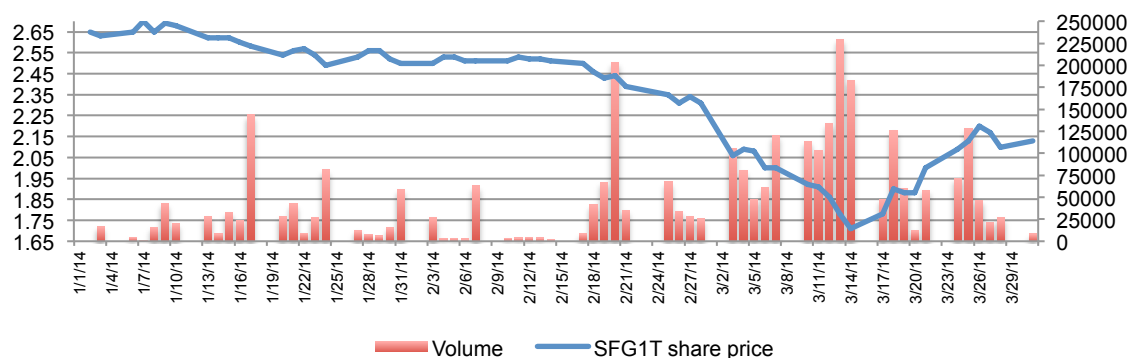
Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>24 409 390</b>	<b>61.95%</b>
SEB PANK AS_NON-RESIDENT RETAIL CLIENTS	8 000 000	20.30%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	7 639 372	19.39%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. [J]	6 762 300	17.16%
J.P. MORGAN BANK LUXEMBOURG S.A.	2 007 718	5.10%
<b>Other shareholders</b>	<b>14 990 610</b>	<b>38.05%</b>
<b>Total number of shares</b>	<b>39 400 000</b>	<b>100.00%</b>

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

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

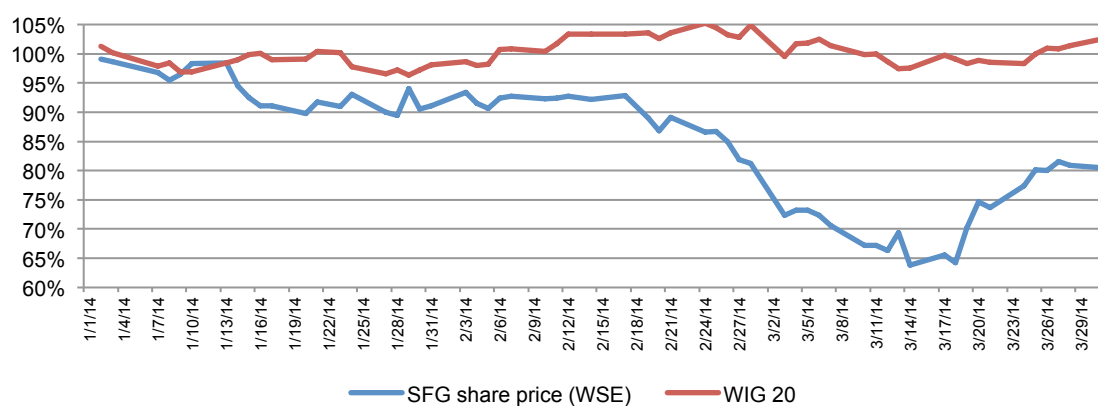
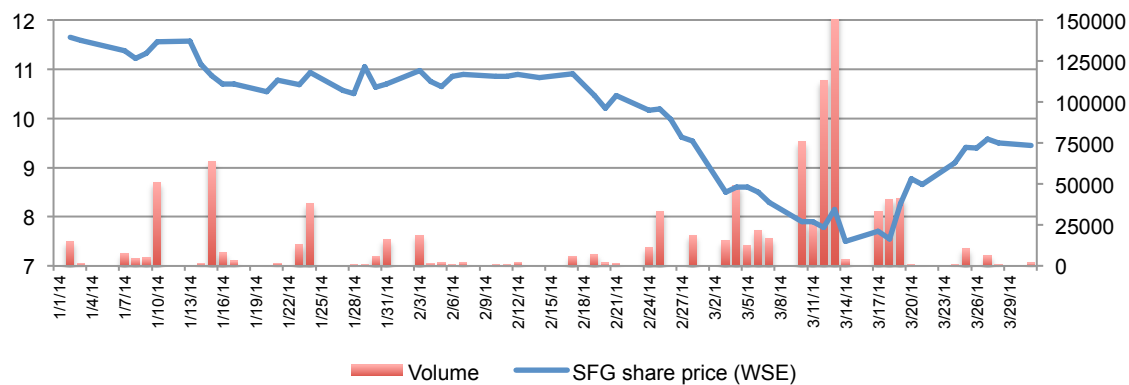
Share price development and turnover on the Tallinn Stock Exchange during 3 months 2014 (EUR)

During 3 months 2014 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 2.70 EUR and 1.65 EUR, respectively.



**Share price development on the Warsaw Stock Exchange during Q1 2014 (PLN)**

During Q1 2014, the highest and lowest prices of the AS Silvano Fashion Group' share on the Warsaw Stock Exchange were 11.89 PLN and 7.35 PLN respectively.



## **Declaration of the Management Board**

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q1 of 2014 (hereinafter “the Interim Report”).

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

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

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



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Märt Meerits  
Member of the Management Board  
9 May 2014



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Aleksei Kadõrko  
Member of the Management Board  
9 May 2014

**Consolidated Statement of Financial Position**

in thousands of EUR	Note	31.03.14	31.12.13
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		15 919	19 165
Prepayments		717	196
Trade and other receivables	2	14 034	10 846
Inventories	3	26 544	24 873
<b>Total current assets</b>		<b>57 214</b>	<b>55 080</b>
<b>Non-current assets</b>			
Investments in associates		116	124
Available-for-sale investments		502	497
Deferred tax asset		719	460
Intangible assets		735	719
Investment property		1 599	1 592
Property, plant and equipment	4	17 696	18 157
<b>Total non-current assets</b>		<b>21 367</b>	<b>21 549</b>
<b>TOTAL ASSETS</b>		<b>78 581</b>	<b>76 629</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Current borrowings		86	79
Trade and other payables	5	11 151	10 837
Tax liabilities		4 643	905
<b>Total current liabilities</b>		<b>15 880</b>	<b>11 821</b>
<b>Non-current liabilities</b>			
Deferred tax liability		166	1 953
<b>Total non-current liabilities</b>		<b>166</b>	<b>1 953</b>
<b>Total liabilities</b>		<b>16 046</b>	<b>13 774</b>
<b>Equity</b>			
Share capital	6	11 820	11 820
Share premium		13 822	13 822
Treasury shares	6	-749	-224
Statutory reserve capital		1 306	1 306
Unrealised exchange rate differences		-2 277	-1 215
Retained earnings		29 565	26 861
<b>Total equity attributable to equity holders of the Parent company</b>		<b>53 487</b>	<b>52 370</b>
Non-controlling interest		9 048	10 485
<b>Total equity</b>		<b>62 535</b>	<b>62 855</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>78 581</b>	<b>76 629</b>

### Consolidated Income Statement

in thousands of EUR	Note	Q1 2014	Q1 2013
Revenue	8	27 095	32 059
Cost of goods sold		-17 689	-21 873
<b>Gross Profit</b>		<b>9 406</b>	<b>10 186</b>
Distribution expenses		-3 946	-4 244
Administrative expenses		-1 624	-1 658
Other operating income		321	308
Other operating expenses		-309	-389
<b>Operating profit</b>		<b>3 848</b>	<b>4 203</b>
Currency exchange income/(expense)		-278	-4
Other finance income/(expenses)		200	257
<b>Net financial income</b>		<b>-78</b>	<b>253</b>
Profit (loss) from associates using equity method		9	-8
<b>Profit before tax and gain/(loss) on net monetary position</b>		<b>3 779</b>	<b>4 448</b>
Income tax expense		-1 614	-1 295
<b>Profit before gain/(loss) on net monetary position</b>		<b>2 165</b>	<b>3 153</b>
Gain on net monetary position		26	681
<b>Profit for the period</b>		<b>2 191</b>	<b>3 834</b>
Attributable to :			
Equity holders of the Parent company		1 890	3 527
Non-controlling interest		301	307
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.05	0.09

### Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	Q1 2014	Q1 2013
<b>Profit for the period</b>		<b>2 191</b>	<b>3 834</b>
Exchange rate differences attributable to foreign operations		-1 199	43
<b>Total comprehensive income for the period</b>		<b>992</b>	<b>3 877</b>
Attributable to :			
Equity holders of the Parent company		846	3 562
Non-controlling interest		146	315

**Consolidated Statement of Cash Flows**

in thousands of EUR	Q1 2014	Q1 2013
<b>Cash flow from operating activities</b>		
<b>Profit for the period</b>	<b>2 191</b>	<b>3 834</b>
Adjustments for:		
Depreciation and amortization of non-current assets	699	629
Share of profit of equity accounted investees	9	8
(Gains)/ losses on the sale of property, plant and equipment	2	0
Net finance income / costs	78	-257
Gain / loss on net monetary position	-26	-681
Provision for impairment losses on trade receivables	0	0
Income tax expense	1 614	1 295
Change in inventories	-1 671	-1 763
Change in trade and other receivables	-4 213	-4 383
Change in trade and other payables	2 508	2 165
Interest paid	0	-11
Income tax paid	-438	-487
<b>Net cash from operating activities</b>	<b>753</b>	<b>348</b>
<b>Cash flow from investing activities</b>		
Interest received	207	157
Proceeds from sale of property, plant and equipment	2	72
Proceeds from repayments of loans granted	0	104
Acquisition of property, plant and equipment	-39	-1 068
Acquisition of intangible assets	-65	-77
<b>Net cash used in/from investing activities</b>	<b>105</b>	<b>-811</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	0	63
Repayment of borrowings	0	-56
Dividends paid	-820	0
Acquisition of own shares	-525	0
<b>Net cash used in/ from financing activities</b>	<b>-1 345</b>	<b>7</b>
<b>Increase in cash and cash equivalents</b>	<b>-487</b>	<b>-456</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>19 165</b>	<b>16 260</b>
Effect of translation to presentation currency	-3 172	1 901
Effect of exchange rate fluctuations on cash held	413	26
<b>Cash and cash equivalents at the end of period</b>	<b>15 919</b>	<b>17 801</b>



## Consolidated Statement of Changes in Equity

in thousands of EUR	Share Capital	Share Premium	Treasury shares	Statutory reserve capital	Other reserves	Unrealised exchange rate differences	Retained earnings	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
<b>Balance as at 31 December 2012</b>	<b>15 760</b>	<b>13 822</b>	<b>-20</b>	<b>1 306</b>	<b>0</b>	<b>15</b>	<b>20 513</b>	<b>51 396</b>	<b>10 053</b>	<b>61 449</b>
Effect of hyperinflation on opening balances	0	0	0	0	0	0	2 483	2 483	627	3 110
Profit for the period	0	0	0	0	0	0	3 527	3 527	307	3 834
Other comprehensive income for the period	0	0	0	0	0	35	0	35	8	43
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35</b>	<b>3 527</b>	<b>3 562</b>	<b>315</b>	<b>3 877</b>
<b>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>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Balance as at 31 March 2013</b>	<b>15 760</b>	<b>13 822</b>	<b>-20</b>	<b>1 306</b>	<b>0</b>	<b>50</b>	<b>26 523</b>	<b>57 441</b>	<b>10 995</b>	<b>68 436</b>
								6 045		
<b>Balance as at 31 December 2013</b>	<b>11 820</b>	<b>13 822</b>	<b>-224</b>	<b>1 306</b>	<b>0</b>	<b>-1 233</b>	<b>27 590</b>	<b>53 081</b>	<b>9 821</b>	<b>62 902</b>
Effect of hyperinflation on opening balances	0	0	0	0	0	0	814	814	-765	50
Profit for the period	0	0	0	0	0	0	1 890	1 890	301	2 191
Other comprehensive income for the period	0	0	0	0	0	-1 062	0	-1 062	-155	-1 217
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1 062</b>	<b>1 890</b>	<b>828</b>	<b>146</b>	<b>974</b>
<b>Transactions with owners, recognised directly in equity</b>										
Dividends paid	0	0	0	0	0	0	0	0	-820	-820
Purchase of treasury shares	0	0	-525	0	0	0	0	-525	0	-525
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>-525</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-525</b>	<b>-820</b>	<b>-1 345</b>
<b>Balance as at 31 March 2014</b>	<b>11 820</b>	<b>13 822</b>	<b>-749</b>	<b>1 306</b>	<b>0</b>	<b>-2 277</b>	<b>29 565</b>	<b>53 487</b>	<b>9 048</b>	<b>62 535</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 31 March 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 Q1 2014 ended on 31 March 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	31.03.14	31.12.13
Trade receivables from third parties	12 367	8 739
Trade receivables from related parties	227	532
Impairment of receivables	-351	-640
Tax prepayments	1 580	1 949
Other receivables	211	268
<b>Total</b>	<b>14 034</b>	<b>10 846</b>

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

### Note 3 Inventories

in thousands of EUR	31.03.14	31.12.13
Raw and other materials	5 356	6 017
Work in progress	3 544	3 024
Finished goods	17 048	15 570
Other inventories	596	262
<b>Total</b>	<b>26 544</b>	<b>24 873</b>

#### Note 4 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
<b>31.12.2012</b>					
Cost	7 627	21 855	5 386	1 459	<b>36 327</b>
Accumulated depreciation	-2 494	-13 365	-3 427	0	<b>-19 286</b>
<b>Net book amount</b>	<b>5 133</b>	<b>8 490</b>	<b>1 959</b>	<b>1 459</b>	<b>17 041</b>
<b>Movements during Q1 2013</b>					
Effect of hyperinflation on opening balances	282	397	94	9	<b>782</b>
Additions	0	70	3	996	<b>1 069</b>
Disposals	0	1	-2	0	<b>-1</b>
Reclassifications	73	211	189	-470	<b>3</b>
Depreciation	-60	-340	-186	0	<b>-586</b>
Unrealised exchange rate differences	106	237	30	34	<b>407</b>
<b>Closing net book amount</b>	<b>5 534</b>	<b>9 066</b>	<b>2 087</b>	<b>2 028</b>	<b>18 715</b>
<b>31.03.2013</b>					
Cost	8 278	23 656	5 910	2 028	<b>39 872</b>
Accumulated depreciation	-2 744	-14 590	-3 823	0	<b>-21 157</b>
<b>Net book amount</b>	<b>5 534</b>	<b>9 066</b>	<b>2 087</b>	<b>2 028</b>	<b>18 715</b>
<b>31.12.2013</b>					
Cost	8 091	25 633	5 482	194	<b>39 400</b>
Accumulated depreciation	-2 756	-14 847	-3 640	0	<b>-21 243</b>
<b>Net book amount</b>	<b>5 335</b>	<b>10 786</b>	<b>1 842</b>	<b>194</b>	<b>18 157</b>
<b>Movements during Q1 2014</b>					
Effect of hyperinflation on opening balances	252	498	76	9	<b>835</b>
Additions	0	0	4	35	<b>39</b>
Disposals	0	-4	0	0	<b>-4</b>
Reclassifications	1	6	19	-34	<b>-8</b>
Depreciation	-61	-450	-170	0	<b>-681</b>
Unrealised exchange rate differences	-192	-382	-60	-8	<b>-642</b>
<b>Closing net book amount</b>	<b>5 335</b>	<b>10 454</b>	<b>1 711</b>	<b>196</b>	<b>17 696</b>
<b>31.03.2014</b>					
Cost	8 182	25 706	5 472	196	<b>39 556</b>
Accumulated depreciation	-2 848	-15 252	-3 760	0	<b>-21 860</b>
<b>Net book amount</b>	<b>5 334</b>	<b>10 454</b>	<b>1 712</b>	<b>196</b>	<b>17 696</b>

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 31 March 2014.

## Note 5 Trade and other payables

in thousands of EUR	31.03.14	31.12.13
Trade payables	7 460	7 707
Accrued expenses	1 945	1 565
Provisions	840	846
Other payables	906	719
<b>Total</b>	<b>11 151</b>	<b>10 837</b>

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

## Note 6 Equity

### Shares

As of 31 March 2013 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 31 March 2014 AS Silvano Fashion Group had 1 775 shareholders (as of 31 December 2013 – 1 759 shareholders).

## Note 7 Earnings per share

The calculation of basic earnings per share for Q1 2014 (Q1 2013) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	Q1 2014	Q1 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	-89	-7
Number of ordinary shares at the end of the period	39 400	39 400
Effect of own shares held at the end of the period	-400	-7
<b>Weighted average number of ordinary shares for the period</b>	<b>39 155</b>	<b>39 393</b>

in thousands of EUR	Q1 2014	Q1 2013
Profit for the period attributable to equity holders of the Parent company	1 890	3 527
Basic earnings per share (EUR)	0.05	0.09
Diluted earnings per share (EUR)	0.05	0.09

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	Q1 2014	Q1 2013
Revenue from wholesale	21 929	26 937
Revenue from retail	4 905	5 035
Subcontracting and services	85	75
Other sales	176	12
<b>Total</b>	<b>27 095</b>	<b>32 059</b>

## Note 9 Transactions with related parties

The following parties are considered to be related;

- a) Shareholders owning, directly or indirectly, a voting power in the parent company or its significant subsidiaries that gives them significant influence over the parent company or its significant subsidiaries and companies under their control.
- b) Associates - enterprises in which parent company or its subsidiaries have significant influence;
- c) Members of the Management Board and Supervisory Boards of parent company and its significant subsidiaries and their immediate family members and companies under their control or significant influence.

The Group's owners are legal and physical persons and no sole shareholder has control over the Group's activities. According to management's assessment, the prices applied in transactions with related parties did not differ significantly from the market terms.

<b>Sales of goods and services</b>		
in thousands of EUR	Q1 2014	Q1 2013
Associates	898	1 497
<b>Total</b>	<b>898</b>	<b>1 497</b>

<b>Balances with related parties</b>		
in thousands of EUR	31.03.2014	31.12.2013
Trade receivables from associates	227	798
<b>Total</b>	<b>227</b>	<b>798</b>

<b>Benefits to key management of the group</b>		
in thousands of EUR	Q1 2014	Q1 2013
Remunerations and benefits	209	167
<b>Total</b>	<b>209</b>	<b>167</b>

## Note 10 Operating segments

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

The Management and Supervisory Board consider the business primarily from the activity perspective, monitoring separately wholesale and retail activities.

- The wholesale segment includes purchasing and production of women's lingerie, and distribution to external wholesale customers and the retail segment. The Group's manufacturing facilities are located in Latvia and Belarus.
- The retail segment purchases women's lingerie from wholesale segment, and subsequently sells the lingerie through own retail network in Latvia and Belarus.

There is a strong integration between wholesale and retail segments mainly through sales of goods from wholesale segment for subsequent resale in own retail network. The accounting policies of reportable segments are the same. Management estimates that intersegment transactions have been done on arm-length basis.

Primary measures monitored by the Supervisory Board are segment revenues, segment EBITDA (which is defined as profit before depreciation, amortisation, net financial income, income tax expense and gain on net monetary position) and segment net profit. These measures are included in the internal management reports that are reviewed by the Management Board and the Supervisory Board. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segment relative to other entities that operate within the industry.

Interest income and interest expenses are not core activities of operating segments and are not provided to management and are not evaluated by management as performance assessment criteria of segments' performance. Therefore, interest income and interest expenses are presented on net basis.

Unallocated revenues include revenues from services, commissions and rental income.

### Operating segments 1Q 2014

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	4 905	21 929	26 834	261		27 095
Intersegment revenues	0	4 038	4 038	0	-4 038	0
<b>EBITDA</b>	<b>281</b>	<b>4 048</b>	<b>4 329</b>	<b>218</b>	<b>0</b>	<b>4 547</b>
Amortization and depreciation	-77	-451	-528	-171	0	-699
<b>Operating income, EBIT</b>	<b>204</b>	<b>3 597</b>	<b>3 801</b>	<b>47</b>	<b>0</b>	<b>3 848</b>
Profit from associates using equity method	0	9	9	0	0	9
Net financial income	81	-174	-93	15	0	-78
Income tax	-54	-1 549	-1 603	-13	0	-1 616
Gain on net monetary position	103	-271	-168	194	0	26
<b>Net profit</b>	<b>334</b>	<b>1 612</b>	<b>1 946</b>	<b>243</b>	<b>0</b>	<b>2 189</b>
Investments in associates	0	115	115	0	0	115
Other operating segments assets	7 457	57 214	64 671	13 795	0	78 467
Reportable segments liabilities	1 695	10 172	11 867	4 177	0	16 044
Capital expenditures	6	42	48	56	0	104
Number of employees as of reporting date	490	2 643	3 133	3		3 136

### Operating segments 1Q 2013

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	5 035	26 937	31 972	87	0	32 059
Intersegment revenues	0	3 427	3 427	0	-3 427	0
<b>EBITDA</b>	<b>407</b>	<b>4 425</b>	<b>4 832</b>	<b>0</b>	<b>0</b>	<b>4 832</b>
Amortization and depreciation	-87	-529	-616	-13	0	-629
<b>Operating income, EBIT</b>	<b>320</b>	<b>3 896</b>	<b>4 216</b>	<b>-13</b>	<b>0</b>	<b>4 203</b>
Profit from associates using equity method	0	-8	-8	0	0	-8
Net financial income	45	184	229	24	0	253
Income tax	-79	-1 211	-1 290	-5	0	-1 295
Gain on net monetary position	116	565	681	0	0	681
<b>Net profit</b>	<b>402</b>	<b>3 426</b>	<b>3 828</b>	<b>6</b>	<b>0</b>	<b>3 834</b>
Investments in associates	0	136	136	0	0	136
Other operating segments assets	4 631	69 055	73 686	12 399	0	86 085
Reportable segments liabilities	850	16 850	17 700	85	0	17 785
Capital expenditures	26	1 043	1 069	0	0	1 069
Number of employees as of reporting date	461	2 749	3 210	3		3 213



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

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

in thousands of EUR	<b>Sales revenue Q1 2014</b>	<b>Sales revenue Q1 2013</b>	<b>Non-current assets 31.03.2014</b>	<b>Non-current assets 31.12.2013</b>
Russia	16 015	19 644	111	174
Belarus	6 926	7 434	20 737	20 821
Ukraine	1 393	2 109	3	4
Baltics	794	584	516	550
Other countries	1 967	2 288	0	0
<b>Total</b>	<b>27 095</b>	<b>32 059</b>	<b>21 367</b>	<b>21 549</b>