

CONSOLIDATED INTERIM REPORT FOR Q4
AND 12 MONTHS OF 2014



Silvano Fashion Group

AS Silvano Fashion Group

Consolidated Interim Financial Report for Q4 and 12 months of 2014 (unaudited)

(translation of the Estonian original)*

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

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

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Management Report

General information about AS Silvano Fashion Group

AS Silvano Fashion Group (hereinafter “the Group”) is an international women and men’s underwear distribution group involved in the design, manufacturing and marketing of women and men’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, Kazakhstan, the Baltic countries, Moldova and other markets.

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 December 2014, the Group employed 2 749 people (as of 31 December 2013: 3 165 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 31.12.2014	Ownership interest 31.12.2013
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
ZAO “Silvano Fashion”	Russia	Wholesale	100%	100%
TOV “Silvano Fashion”	Ukraine	Wholesale	100%	100%
OOO “Silvano Fashion”	Belarus	Retail and wholesale	100%	100%
SIA “Silvano Fashion”	Latvia	Retail	100%	100%
SP ZAO “Milavitsa”	Belarus	Manufacturing and wholesale	83.73%	82.47%
OAD “Yunona”	Belarus	Manufacturing and wholesale	58.33%	58.33%
OOO “Gimil”	Belarus	Manufacturing and wholesale	100%	100%
AS “Lauma Lingerie”	Latvia	Manufacturing and wholesale	100%	100%
SARL “France Style Lingerie”	France	Holding	100%	100%
SARL “Alisee”	Monaco	Holding	99%	0%
ZAO “Stolichnaja Torgovaja Kompanija “Milavitsa”	Russia	Holding	100%	100%
OOO “Milavitsa-logistik”	Belarus	Logistics	50%	50%

Selected Financial Indicators

Summarized selected financial indicators of the Group for 12 months 2014 compared to 12 months 2013 and 31.12.2014 compared to 31.12.2013 were as follows:

in thousands of EUR	12m 2014	12m 2013	Change
Revenue	100 868	121 680	-17.1%
EBITDA	15 422	19 472	-20.8%
Net profit for the period	10 457	11 867	-11.9%
Net profit attributable equity holders of the Parent company	8 993	10 946	-17.8%
Earnings per share (EUR)	0.23	0.28	-17.1%
Operating cash flow for the period	8 643	18 654	-53.7%

in thousands of EUR	31.12.2014	31.12.2013	Change
Total assets	67 350	76 629	-12.1%
Total current assets	46 802	55 080	-15.0%
Total equity attributable to equity holders of the Parent company	46 649	52 370	-10.9%
Loans and borrowings	0	79	-100.0%
Cash and cash equivalents	13 308	19 165	-30.6%

Margin analysis, %	12m 2014	12m 2013	Change
Gross profit	36.3	35.2	3.1%
EBITDA	15.3	16.0	-4.4%
Net profit	10.4	9.8	6.3%
Net profit attributable equity holders of the Parent company	8.9	9.0	-0.9%

Financial ratios, %	31.12.2014	31.12.2013	Change
ROA	11.8	13.2	-11.0%
ROE	17.0	19.7	-13.6%
Price to earnings ratio (P/E)	5.1	9.6	-47.1%
Current ratio	3.5	4.7	-23.9%
Quick ratio	1.5	2.6	-39.7%

Underlying formulas:

EBITDA = net profit for the period + depreciation and amortisation + net financial income + income tax expense + gain on net monetary position

Gross profit margin = gross profit / revenue

EBITDA margin = EBITDA / revenue

Net profit margin = net profit / revenue

Net profit margin attributable to equity holders of the Parent company = net profit attributable to equity holders of the Parent company / revenue

ROA (return on assets) = net profit attributable to owners of the Company for the last 4 quarters/ average total assets

ROE (return on equity) = net profit attributable to owners of the Company for the last 4 quarters/ average equity attributable to equity holders of the Company

EPS (earnings per share) = net profit attributable to owners of the Company/ weighted average number of ordinary shares

Price to earnings ratio = Share price at the end of reporting period/earnings per share, calculated based on the net profit attributable to owners of the Company for the last 4 quarters

Current ratio = current assets / current liabilities

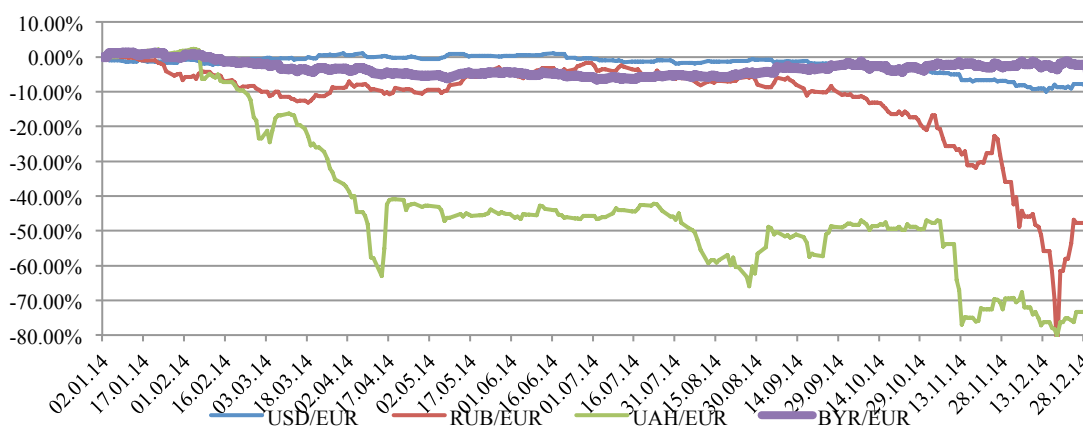
Quick ratio = (current assets – inventories) / current liabilities

Business environment

The financial results of the Group for FY 2014 were below the numbers for FY 2013; the economic instability on our core markets continued also in Q4 2014 and it was reflected by the sharp decline of the local currencies there. Yet our balance sheet is strong and the Group is profitable. In FY 2014 we paid the highest cash dividend in the history of the Group (EUR 0.30 per share), we unified the supply terms on our main markets and continued with the cost control programs throughout the whole organisation.

Current economic situation sorts out the supply side of the market: less efficient businesses shall be closed, consolidated or de-leveraged. The financing (cost) of doing business in our core markets has skyrocketed, if attainable at all. One of the expected trends is that the rent prices shall likely drop, facilitating for new store openings. Pure importers without local production capacity are facing higher input cost due to more expensive dollar, and this provides us with an additional competitive advantage.

Already quoted several times before, the economic power games have led to substantial weakening of the currencies of the emerging markets. The worst of the performers being the Ukrainian Hryvnia where the country's balance sheet is utmost dependent on the foreign donors' will. The table reflects on how much our consumers in our main markets have been forced to cut their spending measured in the weakening of their buying currency against Euro.



The last quarter of the year brought no relief in breaking the trend of falling sales (Q4 2014 -40% in cash terms, including hyperinflation effect that affects the last quarter most significantly, against Q4 2013, whole year -17.1%). The drop affected our main markets, with the exception of the Baltic and the Western countries. A great deal of this can be related to the graph above (i.e. diminishing purchasing power in local currency terms).

In this environment, we continue focusing on the profitability of the business and on fixed costs. This, in first order, means strict control of the operating expenses, managing the profitability of the sales and active debtors management related to FX risk. We managed to grow the EPS for Q4 2014 compared to Q4 2013.

The Group's sales in Q4 2014 were significantly lower the benchmark in Q4 2013, the net sales reached 13 729 thousand EUR, compared to 22 868 thousand EUR a year ago. The corresponding numbers for 12 months of 2014 were 100 868 thousand EUR against 121 680 thousand EUR for 12 months of 2013. The wholesale segment affected both the decrease in net sales in Q4 and the decrease in 12 months of 2014.

The wholesale segment contributed 79 144 thousand EUR in 12 months 2014 (100 259 thousand EUR in 12 months 2013). The retail segment contributed 21 158 thousand EUR for 12 months 2014 (20 707 thousand EUR a year ago).

The net profit stood at 1 222 thousand Euros in Q4 2014 compared to 120 thousand EUR in Q4 2013. The corresponding net profit for 12 months of 2014 was 10 457 thousand EUR compared to 11 867 thousand EUR a year ago. The Group's EBITDA reached 15 422 thousand EUR in 12 months of 2014 compared to 19 472 thousand EUR in the corresponding period of 2013.

The economic outlook for most of our major markets will most likely deteriorate due to non-economic factors (sanctions) and their corresponding effect on the real economies (energy prices, currencies, inflation). For Russia, the real effect is a result of falling energy prices (oil, gas and mineral products, consisting between half to two thirds of the government's budget income), maturing foreign debt (outflow of capital), and weaker currency (-48.8% against Euro and -57.8% against USD from beginning of year, all fuelling import-related inflationary environment). As of end of Q4 2014 the total store count is 369 units in Russia.

Belarus economic growth is stalling due to lack of real structural reforms and cooling economic climate of its main export market – Russia. During 2014 at a cost of diminished foreign reserves, taken loans and near zero economic growth the country has managed to hold its currency exchange rate relatively stable. But Belarus had to face

reality and in the end of December 2014 - beginning of January 2015 Belarus rouble was devalued by approximately 30% against USD and Euro. There are a total of 56 stores operated directly by the Group and 8 franchise stores. The Group's sales revenue in Belarus reached 29 982 thousand EUR for 12 months of 2014 compared to 30 794 thousand EUR for the same period a year ago (both wholesale and retail segment).

Negative information flow regarding Ukraine is continuously on the radar of global media. For the Group, the 12 months of 2014 net sales dropped to 4 352 thousand EUR compared to 8 514 thousand EUR for the same period a year ago. We have very vague visibility about the outlook for 2015. There are 91 franchise stores in total in the country as of end of 2014.

In the Baltics, the Group primarily operates via own stores and franchise partners. The Group operates 10 own stores, complemented by 34 partner stores in the region. The sales in the Baltic countries aggregated 3 146 thousand EUR for 12 months of 2014, compared to 2 733 thousand EUR for the same period a year ago.

During 12 months of 2014 net increase (including openings and store closures primarily due to relocations) of the Milavitsa and Lauma stores totalled a mere 3 units, bringing the total store count to 682 units. 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 100 868 thousand EUR during 12 months of 2014, representing a 17.1% decrease as compared to the same period of previous year. Overall, wholesales decreased by 21.1% and retail sales increased by 2.2%.

The Group's reported gross profit margin during 12 months of 2014 increased year-to-year to 36.3%, reported gross margin was 35.2% in the respective period of previous year. Consolidated operating profit for 12 months of 2014 amounted to 12 377 thousand EUR, compared to 16 843 thousand EUR in 12 months of 2013. The consolidated operating profit margin was 12.3% for 12 months of 2014 (13.8% in 12 months of 2013). Consolidated EBITDA for 12 months of 2014 was 15 431 thousand EUR, which is 15.3% in margin terms (19 472 thousand EUR and 16.0% for 12 months of 2013).

The Group has made a provision in trade receivables in the amount of 1.18 million EUR for 2014. In summary, consolidated net profit attributable to equity holders of the Parent company for 12 months of 2014 amounted to 8 993 thousand EUR, compared to 10 946 thousand EUR in 12 months of 2013, net profit margin attributable to equity holders of the Parent company for 12 months of 2014 was 8.9% against 9.0% in 12 months of 2013.

Financial position

As of 31 December 2014 consolidated assets amounted to 67 350 thousand EUR representing decrease by 12.1% as compared to the position as of 31 December 2013.

Trade and other receivables decreased by 4 376 thousand EUR as compared to 31 December 2013 and amounted to 6 470 thousand EUR as of 31 December 2014. Inventory balance increased by 1 589 thousand EUR and amounted to 26 462 thousand EUR as of 31 December 2014.

Equity attributable to equity holders of the Parent company decreased by 5 721 thousand EUR and amounted to 46 649 thousand EUR as of 31 December 2014.

Current liabilities increased by 1 385 thousand EUR during 12 months of 2014. Current and non-current loans and borrowings decreased by 79 thousand EUR to zero balance as of 31 December 2014.

Sales structure**Sales by markets**

	12 months 2014	12 months 2013	Change	12 months 2014 % from sales	12 months 2013 % from sales
in thousands of EUR					
Russia	55 266	71 326	-22.5%	54.8%	58.6%
Belarus	29 982	30 794	-2.6%	29.7%	25.3%
Ukraine	4 352	8 514	-48.9%	4.3%	7.0%
Kazakhstan	3 823	3 824	0.0%	3.8%	3.1%
Baltics	3 146	2 733	15.1%	3.1%	2.2%
Moldova	1 905	2 267	-16.0%	1.9%	1.9%
Other markets	2 394	2 222	7.7%	2.4%	1.8%
Total	100 868	121 680	-17.1%	100.0%	100.0%

The majority of lingerie sales revenue during 12 months of 2014 in the amount of 55 266 thousand EUR was generated in Russia, accounting for 54.8% of total sales. The second largest market was Belarus, where sales reached 29 982 thousand EUR, contributing 29.7% of lingerie sales (both retail and wholesale). Belarus minor drop reflects significantly higher own retail component from the sales structure than on average for the Group. The real growth in sales is observed for the Baltic markets and the Other markets, and this is also one of the targets for the development in the future.

Sales by business segments

	12m 2014	12m 2013	Change, %	12m 2014, % from sales	12m 2013, % from sales
in thousands of EUR					
Wholesale	79 144	100 259	-21.1%	78.5%	82.4%
Retail	21 158	20 707	2.2%	21.0%	17.0%
Other operations	566	715	-20.8%	0.6%	0.6%
Total	100 868	121 681	-17.1%	100.0%	100.0%

During 12 months of 2014 wholesale revenue amounted to 79 144 thousand EUR, representing 78.5% of the Group's total revenue (12 months of 2014: 82.4%). The main wholesale regions were Russia, Ukraine, Belarus, Kazakhstan and Moldova.

Total lingerie retail sales of the Group in 12 months of 2014 amounted to 21 158 thousand EUR, representing 21% of the Group's total revenue (and minor growth *vis-à-vis* sales through retail channel in 2013).

As of 31 December 2014 there were altogether 682 Milavitsa and Lauma branded shops. Own retail operations were conducted in Belarus and Latvia. As of the end of 12 months of 2014 the Group operated 66 own retail outlets. As of 31 December 2014, there were 574 Milavitsa branded shops operated by Milavitsa trading partners in Russia, Ukraine, Moldova, Kazakhstan, Uzbekistan, Kyrgyzstan, Azerbaijan, Armenia, Germany, South Africa, Lithuania, Latvia, Estonia, Georgia, United Arab Emirates, Iran, Slovenia, Belgium and Italy. Additionally, as of 31 December 2014, there were 42 Lauma Lingerie retail outlets operated by Lauma Lingerie trading partners in Estonia, Latvia, Lithuania, Russia, Ukraine, Saudi Arabia, Albania, Uganda and Mongolia.

Own & franchise store locations, geography

	Own	Franchise	Total
Russia	0	369	369
Ukraine	0	91	91
Belarus	56	8	64
Baltics	10	34	44
Kazakhstan	0	43	43
Moldova	0	26	26
Other regions	0	45	45

Investments

During 12 months of 2014 the Group's investments into property, plant and equipment totalled 420 thousand EUR. Investments were made into equipment and facilities to maintain effective production for future periods.

Personnel

As of 31 December 2014, the Group employed 2 749 employees including 481 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes during 12 months of 2014 amounted to 23 692 thousand EUR. The remuneration of key management of the Group, including the key executives of the subsidiaries, totalled 1 305 thousand EUR.

Decisions made by governing bodies during 12 months 2014

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

- The Meeting approved the 2013 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.10 EUR per share (record date 14.07.2014, paid out on 15.07.2014).
- The Meeting decided to re-appoint AS PricewaterhouseCoopers as the Group's auditor for financial year 2014.
- The Meeting decided to cancel the 400 000 own shares acquired within the own share buy-back programme as approved by the shareholders of AS Silvano Fashion Group on 28th of June 2013.
- The Meeting decided to adopt a share buy-back program in the following: effective period until 30.06.2015; maximum number of shares to be acquired not more than 1 000 000; maximum share price 2.00 EUR per share.

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

Shares of AS Silvano Fashion Group

As of 31 December 2014 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 reduction in the share capital and the total amount of shares is a result of the cancellation of treasury shares held by the Company (recorded on 9th October 2014). 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 31 December 2014 AS Silvano Fashion Group had 1 772 shareholders (as of 31 December 2013 – 1 759 shareholders).

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

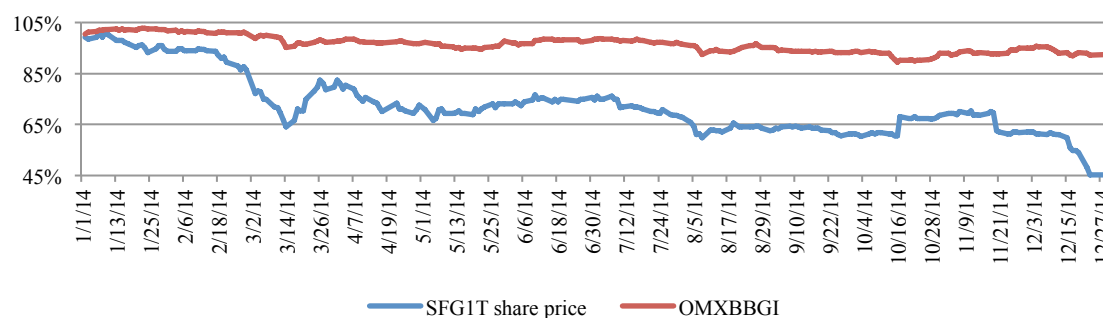
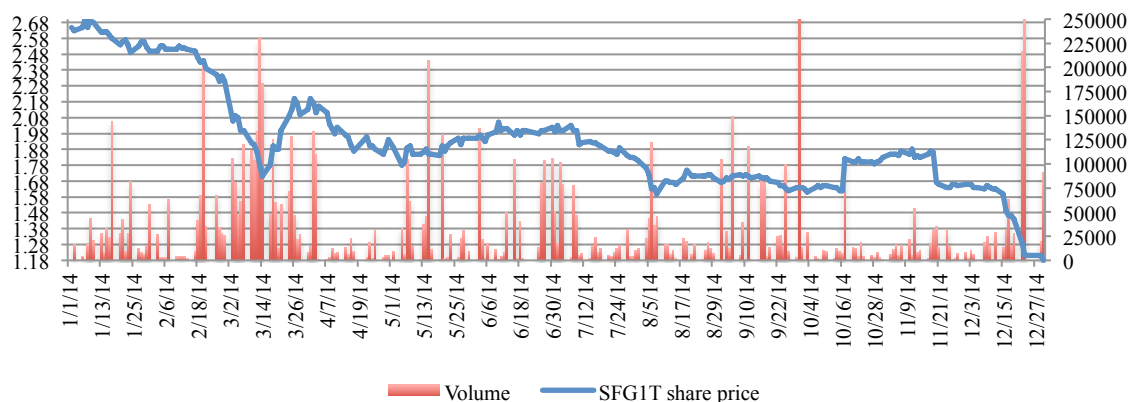
Name	Number of shares	Shareholding
Major shareholders	21 436 264	54.96%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	8 004 565	20.52%
AS SEB PANK CLIENTS	8 000 000	20.51%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	5 431 699	13.93%
Other shareholders	17 563 736	45.04%
Total number of shares	39 000 000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

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

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

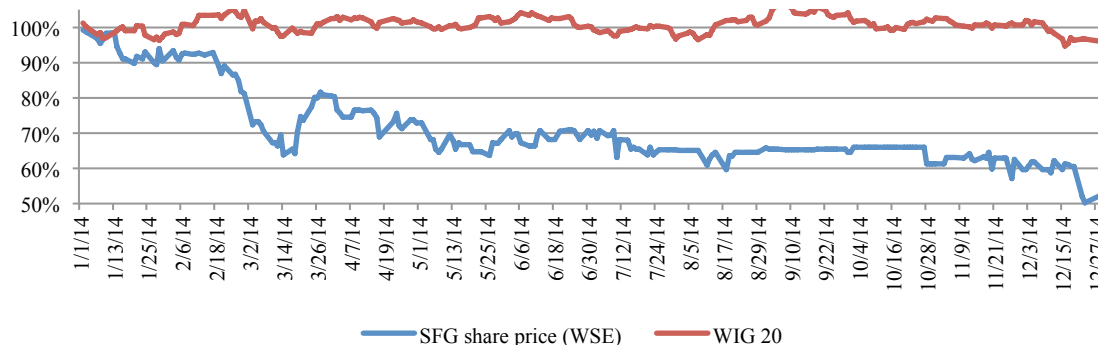
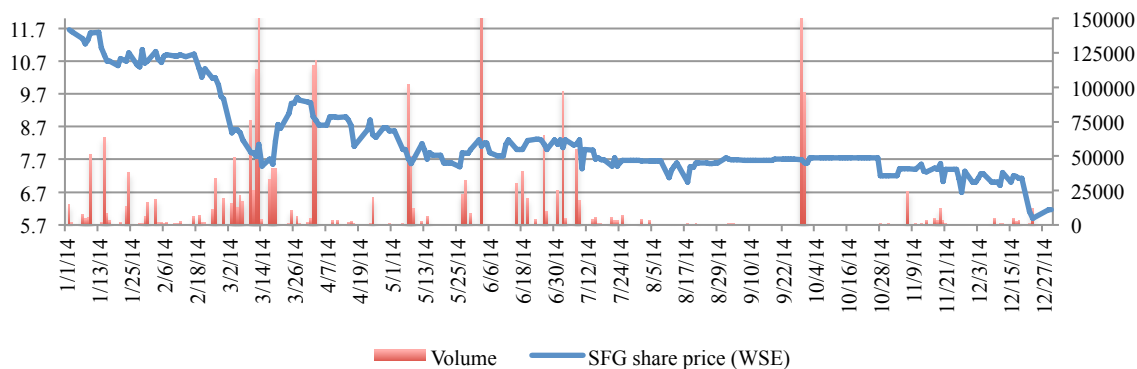
Share price development and turnover on the Tallinn Stock Exchange during 12 months of 2014 (EUR)

During 12 months of 2014 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 2.70 EUR and 1.18 EUR, respectively.



Share price development on the Warsaw Stock Exchange during 12 months of 2014 (PLN)

During 12 months of 2014, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 11.89 PLN and 5.70 PLN respectively.



Declaration of the Management Board

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q4 and 12 months of 2014 (hereinafter “the Interim Report”).

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

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

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



Märt Meerits
Member of the Management Board
27 February 2015



Aleksei Kadõrko
Member of the Management Board
27 February 2015

Consolidated Statement of Financial Position

in thousands of EUR	Note	31.12.14	31.12.13
ASSETS			
Current assets			
Cash and cash equivalents		13 308	19 165
Prepayments		233	196
Current loans granted		329	0
Trade and other receivables	2	6 470	10 846
Inventories	3	26 462	24 873
Total current assets		46 802	55 080
Non-current assets			
Long-term receivables		241	0
Investments in associates		84	124
Available-for-sale investments		739	497
Deferred tax asset		649	460
Intangible assets		687	719
Investment property		1 638	1 592
Property, plant and equipment	4	16 510	18 157
Total non-current assets		20 548	21 549
TOTAL ASSETS		67 350	76 629
LIABILITIES AND EQUITY			
Current liabilities			
Current borrowings		0	79
Trade and other payables	5	9 703	10 837
Tax liabilities		3 503	905
Total current liabilities		13 206	11 821
Non-current liabilities			
Deferred tax liability		253	1 953
Total non-current liabilities		253	1 953
Total liabilities		13 459	13 774
Equity			
Share capital	6	11 700	11 820
Share premium		13 066	13 822
Treasury shares	6	-585	-224
Statutory reserve capital		1 306	1 306
Unrealised exchange rate differences		-5 649	-1 215
Retained earnings		26 811	26 861
Total equity attributable to equity holders of the Parent company		46 649	52 370
Non-controlling interest		7 242	10 485
Total equity		53 891	62 855
TOTAL EQUITY AND LIABILITIES		67 350	76 629

Consolidated Income Statement

in thousands of EUR	Note	4Q 2014	4Q 2013	12m 2014	12m 2013
Revenue	8	13 729	22 868	100 868	121 680
Cost of goods sold		-6 641	-15 183	-64 246	-78 815
Gross Profit		7 088	7 685	36 622	42 865
Distribution expenses		-2 884	-5 076	-15 661	-17 200
Administrative expenses		-1 751	-2 125	-7 403	-7 106
Other operating income		-142	-1	455	495
Other operating expenses		-593	-289	-1 636	-2 211
Operating profit		1 718	194	12 377	16 843
Currency exchange income/(expense)		1 214	48	714	-275
Other finance income/(expenses)		270	294	690	1 015
Net financial income		1 484	342	1 404	740
Profit (loss) from associates using equity method		5	-4	4	5
Profit before tax and gain/(loss) on net monetary position		3 207	532	13 785	17 588
Income tax expense		-1 241	10	-6 009	-3 894
Profit before gain/(loss) on net monetary position		1 966	542	7 776	13 694
Gain on net monetary position		-744	-422	2 681	-1 827
Profit for the period		1 222	120	10 457	11 867
Attributable to :					
Equity holders of the Parent company		562	237	8 993	10 946
Non-controlling interest		660	-117	1 464	921
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.01	0.01	0.23	0.28

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	4Q 2014	4Q 2013	12m 2014	12m 2013
Profit for the period		1 222	120	10 457	11 867
Exchange rate differences attributable to foreign operations		-3 708	-478	-5 055	-1 430
Total comprehensive income for the period		-2 486	-358	5 402	10 437
Attributable to :					
Equity holders of the Parent company		-2 633	-192	4 559	9 716
Non-controlling interest		147	-166	843	721

Consolidated Statement of Cash Flows

in thousands of EUR	12m 2014	12m 2013
Cash flow from operating activities		
Profit for the period	10 457	11 867
Adjustments for:		
Depreciation and amortization of non-current assets	3 045	2 629
Share of profit of equity accounted investees	4	-5
(Gains)/ losses on the sale of property, plant and equipment	26	-18
Net finance income / costs	302	-866
Gain / loss on net monetary position	-2 679	1 827
Provision for impairment losses on trade receivables	1 227	313
Income tax expense	6 009	3 894
Change in inventories	-1 589	-275
Change in trade and other receivables	1 818	3 953
Change in trade and other payables	-7 101	-437
Interest paid	-18	-30
Income tax paid	-2 858	-4 199
Net cash from operating activities	8 643	18 654
Cash flow from investing activities		
Interest received	696	1 027
Dividends received	0	126
Proceeds from sale of property, plant and equipment	256	184
Loans granted	-317	0
Proceeds from repayments of loans granted	0	103
Acquisition of property, plant and equipment	-420	-3 664
Acquisition of intangible assets	-169	-466
Acquisition of shares of a subsidiary	-200	-602
Net cash used in/from investing activities	-154	-3 292
Cash flow from financing activities		
Proceeds from borrowings	0	39
Repayment of borrowings	-72	0
Dividends paid	-14 960	-4 518
Acquisition of own shares	-1 237	-204
Reduction of share capital	0	-3 933
Net cash used in/ from financing activities	-16 269	-8 616
Increase in cash and cash equivalents	-7 780	6 746
Cash and cash equivalents at the beginning of period	19 165	16 260
Effect of hyperinflation on cash	0	71
Effect of translation to presentation currency	-1 308	-3 834
Effect of exchange rate fluctuations on cash held	3 230	-78
Cash and cash equivalents at the end of period	13 308	19 165

Consolidated Statement of Changes in Equity

in thousands of EUR	Share Capital	Share Premium	Treasury shares	Statutory reserve capital	Unrealised exchange rate differences	Retained earnings	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
Balance as at 31 December 2012	15 760	13 822	-20	1 306	15	20 513	51 396	10 053	61 449
Effect of hyperinflation on opening balances	0	0	0	0	0	-545	-545	765	220
Profit for the period	0	0	0	0	0	10 946	10 946	921	11 867
Other comprehensive income for the period	0	0	0	0	-1 230	0	-1 230	-200	-1 430
Total comprehensive income for the period	0	0	0	0	-1 230	10 946	9 716	721	10 437
Transactions with owners, recognised directly in equity									
Dividends paid	0	0	0	0	0	-3 939	-3 939	-567	-4 056
Reduction of share capital	-3 940	0	0	0	0	0	-3 940	0	-3 940
Change in non-controlling interest	0	0	0	0	0	-114	-114	-487	-601
Purchase of treasury shares	0	0	-204	0	0	0	-204	0	-204
Total transactions with owners, recognised directly in equity	-3 940	0	-204	0	0	-4 053	-8 197	-567	-9 251
Balance as at 31 December 2013	11 820	13 822	-224	1 306	-1 215	26 861	52 370	10 485	62 855
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	2 380	2 380	-550	1 830
Profit for the period	0	0	0	0	0	8 993	8 993	1 464	10 457
Other comprehensive income for the period	0	0	0	0	-4 434	0	-4 434	-621	-5 055
Total comprehensive income for the period	0	0	0	0	-4 434	8 993	4 559	843	5 402
Transactions with owners, recognised directly in equity									
Dividends paid	0	0	0	0	0	-11 640	-11 640	-3 320	-14 960
Reduction of share capital	-120	-756	876	0	0	0	0	0	0
Change in non-controlling interest	0	0	0	0	0	217	217	-217	0
Purchase of treasury shares	0	0	-1 237	0	0	0	-1 237	0	-1 237
Total transactions with owners, recognised directly in equity	-120	-756	-361	0	0	-11 423	-12 660	-3 537	-16 197
Balance as at 31 December 2014	11 700	13 066	-585	1 306	-5 649	26 811	46 649	7 241	53 891

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 December 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 12 months of 2014 ended on 31 December 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	31.12.14	31.12.13
Trade receivables from third parties	5 920	8 741
Trade receivables from related parties	165	532
Impairment of receivables	-1 182	-640
Tax prepayments	1 347	1 949
Other receivables	220	264
Total	6 470	10 846

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

Note 3 Inventories

in thousands of EUR	31.12.14	31.12.13
Raw and other materials	4 379	6 017
Work in progress	1 602	3 024
Finished goods	19 474	15 570
Other inventories	1 007	262
Total	26 462	24 873

Note 4 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
31.12.2012					
Cost	7 627	21 855	5 386	1 459	36 327
Accumulated depreciation	-2 494	-13 365	-3 427	0	-19 286
Net book amount	5 133	8 490	1 959	1 459	17 041
Movements during 12m 2013					
Effect of hyperinflation on opening balances	734	1 199	243	69	2 245
Additions	114	143	123	3 284	3 664
Disposals	0	-11	-152	0	-163
Reclassifications	273	3 532	618	-4 424	-1
Depreciation	-236	-1 458	-710	0	-2 404
Unrealised exchange rate differences	-683	-1 111	-237	-194	-2 225
Closing net book amount	5 335	10 784	1 844	194	18 157
31.12.13					
Cost	8 091	25 632	5 490	194	39 407
Accumulated depreciation	-2 756	-14 848	-3 646	0	-21 250
Net book amount	5 335	10 784	1 844	194	18 157
31.12.2013					
Cost	8 091	25 633	5 482	194	39 400
Accumulated depreciation	-2 756	-14 847	-3 640	0	-21 243
Net book amount	5 335	10 786	1 842	194	18 157
Movements during 12m 2014					
Effect of hyperinflation on opening balances	786	1 467	235	28	2 516
Additions	0	37	105	278	420
Disposals	0	-29	-118	-135	-282
Reclassifications	4	216	102	-322	0
Depreciation	-256	-1 767	-668	0	-2 691
Unrealised exchange rate differences	-482	-958	-151	-19	-1 610
Closing net book amount	5 387	9 752	1 347	24	16 510
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

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

Note 5 Trade and other payables

in thousands of EUR	31.12.14	31.12.13
Trade payables	5 829	7 707
Accrued expenses	1 333	1 565
Provisions	203	846
Other payables	2 338	719
Total	9 703	10 837

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

Note 6 Equity

Shares

As of 31 December 2014 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 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 December 2014 AS Silvano Fashion Group had 1 772 shareholders (as of 31 December 2013 – 1 759 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for 12 months of 2014 (12 months of 2013) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	12m 2014	12m 2013
Number of ordinary shares at the beginning of the period	39 400	39 400
Effect of own shares held at the beginning of the period	-88	-7
Number of ordinary shares at the end of the period	39 000	39 400
Effect of own shares held at the end of the period	-308	-43
Weighted average number of ordinary shares for the period	38 692	39 357

in thousands of EUR	12m 2014	12m 2013
Profit for the period attributable to equity holders of the Parent company	8 993	10 946
Basic earnings per share (EUR)	0.23	0.28
Diluted earnings per share (EUR)	0.23	0.28

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	12m 2014	12m 2013
Revenue from wholesale	79 144	100 259
Revenue from retail	21 158	20 707
Subcontracting and services	111	296
Other sales	455	418
Total	100 868	121 680

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	12m 2014	12m 2013
Associates	2 603	5 644
Total	2 603	5 644

Balances with related parties		
in thousands of EUR	12m 2014	12m 2013
Trade receivables from associates	165	532
Total	165	532

Benefits to key management of the group (incl. management of subsidiaries)		
in thousands of EUR	12m 2014	12m 2013
Remunerations and benefits	1 305	647
Total	1 305	647

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 12m 2014

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	21 158	79 144	100 302	566		100 868
Intersegment revenues	0	12 756	12 756	0	-12 756	0
EBITDA	3 545	11 320	14 865	557		15 422
Amortization and depreciation	-294	-1 899	-2 193	-852	0	-3 045
Operating income, EBIT	3 251	9 421	12 672	-295	0	12 377
Profit from associates using equity method	0	4	4	0	0	4
Net financial income	297	885	1 182	222	0	1 404
Income tax	-340	-3 765	-4 105	-1 904	0	-6 009
Gain on net monetary position	-431	2 453	2 022	659	0	2 681
Net profit	2 777	8 998	11 775	-1 318	0	10 457
Investments in associates	0	84	84	0	0	84
Other operating segments assets	7 610	46 630	54 240	13 026	0	67 266
Reportable segments liabilities	1 325	8 624	9 949	3 510	0	13 459
Capital expenditures	66	396	462	126	0	588
Number of employees as of reporting date	481	2 264	2 745	4		2 749

Operating segments 12m 2013

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	20 707	100 259	120 966	715		121 681
Intersegment revenues	0	11 613	11 613	0	-11 613	0
EBITDA	2 517	16 603	19 120	352	0	19 472
Amortization and depreciation	-248	-2 291	-2 539	-90	0	-2 629
Operating income, EBIT	2 269	14 312	16 581	262	0	16 843
Profit from associates using equity method	0	5	5	0	0	5
Net financial income	352	302	654	86	0	740
Income tax	-329	-3 548	-3 877	-17	0	-3 894
Gain on net monetary position	-743	-1 084	-1 827	0	0	-1 827
Net profit	1 549	9 988	11 537	330	0	11 867
Investments in associates	0	124	124	0	0	124
Other operating segments assets	6 767	63 822	70 589	5 916	0	76 505
Reportable segments liabilities	1 268	12 478	13 746	28	0	13 774
Capital expenditures	146	3 984	4 130	0	0	4 130
Number of employees as of reporting date	496	2 666	3 162	3		3 165

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 12m 2014	Sales revenue 12m 2013	Non-current assets 31.12.2014	Non-current assets 31.12.2013
Russia	55 266	71 326	423	174
Belarus	29 982	30 794	19 648	20 821
Ukraine	4 352	8 514	2	4
Kazakhstan	3 823	3 824	0	0
Baltics	3 146	2 733	475	550
Moldova	1 905	2 267	0	0
Other countries	2 394	2 222	0	0
Total	100 868	121 680	20 548	21 549