



## **AS Silvano Fashion Group**

### **Consolidated Interim Financial Report for Q3 and 9 months of 2017 (unaudited)**

(translation of the Estonian original)\*

Beginning of the reporting period	1 January 2017
End of the reporting period	30 September 2017
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.*

## Contents

Management Report.....	3
Declaration of the Management Board.....	10
Consolidated Statement of Financial Position.....	11
Consolidated Income Statement.....	12
Consolidated Statement of Comprehensive Income .....	12
Consolidated Statement of Cash Flows.....	13
Consolidated Statement of Changes in Equity .....	14
Notes to the Interim Report.....	15
Note 1 Summary of significant accounting policies.....	15
Note 2 Trade and other receivables.....	15
Note 3 Inventories .....	15
Note 4 Property, plant and equipment.....	16
Note 5 Trade and other payables.....	17
Note 6 Equity .....	17
Note 7 Earnings per share .....	17
Note 8 Revenue.....	17
Note 9 Transactions with related parties.....	18
Note 10 Operating segments .....	18

## Management Report

### General information about Silvano Fashion Group AS

Silvano Fashion Group AS (hereinafter “the Group”) is a holding company that controls group of enterprises involved in the design, manufacturing, wholesale, franchise and retail sales of ladies lingerie. The Group’s income is generated by sales of Milavitsa, Alisee, Aveline, 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, Ukraine, other CIS countries and the Baltics.

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

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

As of 30 September 2017 the Group employed 2 301 people (as of 31 December 2016: 2 163 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.09.2017	Ownership interest 31.12.2016
<b>Parent company</b>				
Silvano Fashion Group AS	Estonia	Holding		
<b>Entities belonging to the Silvano Fashion Group</b>				
Silvano Fashion ZAO	Russia	Retail and Wholesale	100%	100%
Silvano Fashion OOO	Belarus	Retail and wholesale	100%	100%
Silvano Fashion TOV	Ukraine	Wholesale	100%	100%
Silvano Fashion SIA	Latvia	Retail	100%	100%
Milavitsa SP ZAO	Belarus	Manufacturing and wholesale	84.92%	84.92%
Yunona OAO	Belarus	Manufacturing and wholesale	58.33%	58.33%
Gimil OOO	Belarus	Manufacturing and wholesale	100%	100%
Lauma Lingerie AS	Latvia	Manufacturing and wholesale	100%	100%
Alisee SARL	Monaco	Holding	99%	99%
Stolichnaja Torgovaja Kompanija “Milavitsa” ZAO	Russia	Holding	100%	100%
Baltsped logistik OOO	Belarus	Logistics	50%	50%

## Business environment and results

The Group's sales amounted to 50 065 thousand EUR during the 9 months of 2017, representing a 9.7% increase as compared to the same period for the previous year. The Group's gross profit during the 9 months of 2017 amounted to 25 219 thousand EUR and decreased by 0.3% compared to the 9 months of 2016. The Gross margin during the 9 months of 2017 decreased to 50.4% from 55.4% as compared to the 9 months of 2016.

Consolidated operating profit for the 9 months of 2017 decreased by 19.6% to 11 763 thousand EUR, compared to 14 626 thousand EUR in the 9 months of 2016. Consolidated EBITDA for the 9 months of 2017 decreased by 17.7% and was 13 149 thousand EUR, compared to 15 978 thousand EUR in the 9 months of 2016.

Reported consolidated net profit for the 9 months of 2017 amounted to 9 726 thousand EUR, increasing by 3.7% as compared to the result of 9 381 thousand EUR in the prior year's same period. Net profit attributable to equity holders of the Parent company for the 9 months of 2017 increased by 2.1% and amounted to 9 309 thousand EUR.

The Group's results for the 9 months of 2017 were defined by continued challenges in the economies of its major sales markets – Russia and Belarus. The growth in sales achieved by the Group amounted to 9.7% as compared to the 9 months of 2016, but the gross margin and gross profit decreased compared to the same period of last year. The purchasing power in the region's countries remains low, therefore, it is hard to foresee a relatively fast recovery occurring in the growth rates of the economies under discussion.

Russian statistics have slightly improved when compared to 2016, the inflation rate is falling and currently stands at 1.67% for the 9 months of 2017 (3.98% for the 9 months of 2016). Monthly inflation totalled a negative 0.15% in September 2017, which is 0.39 percentage points higher than in August 2017 and 0.32 percentage points lower than in September 2016. In September consumer prices dropped by 0.1% compared to the previous month, which followed August's 0.5% decrease. According to the Federal State Statistics Service (Rosstat), the result was largely caused by lower prices for food products. This year, the economy is expected to grow by 1.6%.

The Group's sales on the Russian market totalled 27 819 thousand EUR, an increase of 10.5% compared to the 9 months of 2016. Local currency sales decreased by 6.2% in the 9 months of 2017 compared to the same 9 months of 2016. The Group's Russian subsidiary opened 8 new stores during the 9 months of 2017, a total of 32 own stores are now operating. The Group will continue opening its own stores. In addition to growing sales and better control of the market this allows further developing of the retail concept of the Group's brands to make it more attractive for us and our franchise retail partners.

According to the information presented in the report "Migration and mobility in Europe and Central Asia", the World Bank (WB) increased its forecast of GDP growth in Belarus to 1.8% y/y in 2017, 2.1% y/y and 2.4% y/y in 2018 and 2019, respectively. According to WB experts, the realisation of the given scenario is dependent on the agreements with Russia in 2017 over the supply of energy and credit resources. Consumer prices rose by 1.05% in September 2017 compared to the previous month. According to Belstat the September's increase came on the back of higher prices for services and food products. The 2017 year to date inflation rate was 2.71% and amounted to 0.65% for the third quarter of 2017. Analysts see inflation averaging 10.3% in 2017 and expect GDP growth to come to 1.2% in 2017.

The Group's sales in Belarus in the 9 months of 2017 were 14 486 thousand EUR and increased by 4.3% compared to the 9 months of 2016. Sales in local currency decreased by 0.7% during the same period. In Belarus the Group will focus on improving profitability of its retail business, we will also continue to expand our store chain there depending on the availability of reasonably priced sales areas. The Group's Belarusian subsidiary opened 6 more stores during the 9 months of 2017.

According to the data released by the State Statistics Service of Ukraine in September 2017, consumer prices rose by 2.0% compared to the previous month, which contrasted with a decrease of 0.1% in August. September's increase was largely driven by higher prices for food and non-alcoholic beverages. Inflation edged up from August's 16.2% to September's 16.4%, the highest reading since March 2016. Annual average inflation followed suit, rising from 13.3% in August to 14.1% in September. Focus Economics Consensus Forecast panellists expect inflation to end at 11.7% in 2017, which is up 1.0 percentage points from last month's forecast. For 2018 the panel sees inflation easing to 8.0%, which is up 0.2 percentage points from last month's forecast.

The Group's sales in Ukraine in the 9 months of 2017 increased by 838 thousand EUR, which is 62.9% more than in the previous year's same period. Sales in local currency increased by 68.8% during the same period.

## Sales structure

### Sales by markets

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 88.8% of its total sales. Measured in local currencies sales decrease was 6.2% in Russia and 0.7% in Belarus. In Ukraine sales in local currency increased 68.8%.

	9m 2017	9m 2016	Change	Change, %
Russia, th RUR	1 798 489	1 918 073	-119 584	-6.2%
Belarus, th BYN	30 855	31 069	-214	-0.7%
Ukraine, th UAH	63 802	37 787	26 015	68.8%

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

in thousands of EUR	9m 2017	9m 2016	Change, EUR	Change, %	9m 2017, % of sales	9m 2016, % of sales
Russia	27 819	25 170	2 649	10.5%	55.6%	55.1%
Belarus	14 486	13 885	601	4.3%	28.9%	30.4%
Ukraine	2 170	1 332	838	62.9%	4.3%	2.9%
Baltics	1 294	1 018	276	27.1%	2.6%	2.2%
Other markets	4 296	4 237	59	1.4%	8.6%	9.4%
<b>Total</b>	<b>50 065</b>	<b>45 642</b>	<b>4 423</b>	<b>9.7%</b>	<b>100.0%</b>	<b>100.0%</b>

The majority of lingerie sales revenue during 9 months of 2017 in the amount of 27 819 thousand EUR was generated in Russia, accounting for 55.6% of total sales. The second largest market was Belarus, where sales reached 14 486 thousand EUR, contributing 28.9% of lingerie sales (both retail and wholesale). Volumes in Ukraine increased significantly to 2 170 thousand EUR, accounting for 4.3% of total sales

### Sales by business segments

in thousands of EUR	9m 2017	9m 2016	Change, EUR	Change, %	9m 2017, % from sales	9m 2016, % from sales
Wholesale	34 114	33 695	419	1.2%	68.1%	73.8%
Retail	15 873	11 853	4 020	33.9%	31.7%	26.0%
Other operations	78	94	-16	-17.2%	0.2%	0.2%
<b>Total</b>	<b>50 065</b>	<b>45 642</b>	<b>4 423</b>	<b>9.7%</b>	<b>100.0%</b>	<b>100.0%</b>

During 9 months of 2017 wholesale revenue amounted to 34 114 thousand EUR, representing 68.1% of the Group's total revenue (9 months of 2016: 73.8%). The main wholesale regions were Russia, Belarus, Kazakhstan and Ukraine.

Our retail revenue increased by 33.9% and amounted to 15 873 thousand EUR, this represents 31.7% of the Group's total revenue.

### Own & franchise store locations, geography

	Own	Franchise	Total
Russia	32	374	406
Ukraine	0	50	50
Belarus	64	2	66
Baltics	8	27	35
Other regions	0	118	118
<b>Total</b>	<b>104</b>	<b>571</b>	<b>675</b>

At the end of the reporting period the Group and its franchising partners operated 627 Milavitsa and 48 Lauma Lingerie branded stores, including 104 stores operated directly by the Group.

## Selected Financial Indicators

Summarized selected financial indicators of the Group for 9 months of 2017 compared to 9 months of 2016 and 30.09.2017 compared to 31.12.2016 were as follows:

in thousands of EUR	9m 2017	9m 2016	Change
Revenue	50 065	45 642	9.7%
EBITDA	13 149	15 978	-17.7%
Net profit for the period	9 726	9 381	3.7%
Net profit attributable equity holders of the Parent company	9 309	9 117	2.1%
Earnings per share (EUR)	0.26	0.25	4.0%
Operating cash flow for the period	12 975	12 969	0.0%

in thousands of EUR	30.09.2017	31.12.2016	Change
Total assets	50 941	56 145	-9.3%
Total current assets	39 442	42 677	-7.6%
Total equity attributable to equity holders of the Parent company	39 257	43 402	-9.6%
Cash and cash equivalents	22 090	22 303	-1.0%

Margin analysis, %	9m 2017	9m 2016	Change
Gross profit	50.4	55.4	-9.0%
EBITDA	26.3	35.0	-24.9%
Net profit	19.4	20.6	-5.8%
Net profit attributable to equity holders of the Parent company	18.6	20.0	-7.0%

Financial ratios, %	30.09.2017	31.12.2016	Change
ROA	14.1	14.7	-4.1%
ROE	19.1	19.6	-2.6%
Price to earnings ratio (P/E)	12.1	13.2	-8.3%
Current ratio	4.5	4.9	-8.2%
Quick ratio	2.9	3.0	-3.3%

### Underlying formulas:

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

Gross profit margin = gross profit / revenue

EBITDA margin = EBITDA / revenue

Net profit margin = net profit / revenue

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

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

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

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

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

Current ratio = current assets / current liabilities

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

## Financial performance

The Group's sales amounted to 50 065 thousand EUR during 9 months of 2017, representing a 9.7% increase as compared to the same period of previous year. Overall, wholesales increased by 1.2% and retail sales increased by 33.9%, measured in EUR.

The Group's reported gross profit margin during 9 months of 2017 continued to improve decreasing to 50.4%, reported gross margin was 55.4% in the respective period of previous year. Consolidated operating profit for 9 months of 2017 amounted to 11 763 thousand EUR, compared to 14 626 thousand EUR in 9 months of 2016. The consolidated operating profit margin was 23.5% for 9 months of 2017 (32.0% in 9 months of 2016). Consolidated EBITDA for 9 months of 2017 was 13 149 thousand EUR, which is 26.3% in margin terms (15 978 thousand EUR and 35.0% for 9 months of 2016).

Reported consolidated net profit attributable to equity holders of the Parent company for 9 months of 2017 amounted to 9 309 thousand EUR, compared to net profit of 9 117 thousand EUR in 9 months of 2016, net profit margin attributable to equity holders of the Parent company for 9 months of 2017 was 18.6% against 20.0% in 9 months of 2016.

## Financial position

As of 30 September 2017 consolidated assets amounted to 50 941 thousand EUR representing an decrease by 9.3% as compared to the position as of 31 December 2016.

Trade and other receivables decreased by 1 172 thousand EUR as compared to 31 December 2016 and amounted to 2 996 thousand EUR as of 30 September 2017. Inventory balance decreased by 1 833 thousand EUR and amounted to 14 354 thousand EUR as of 30 September 2017.

Equity attributable to equity holders of the Parent company decreased by 4 145 thousand EUR and amounted to 39 257 thousand EUR as of 30 September 2017. Current liabilities decreased by 55 thousand EUR during 9 months of 2017.

## Investments

During 9 months of 2017 the Group's investments into property, plant and equipment totalled 590 thousand EUR, in previous year same period 571 thousand EUR. Investments were made mainly into opening and renovating own stores, as well into equipment and facilities to maintain effective production for future periods.

## Personnel

As of 30 September 2017, the Group employed 2 301 employees, including 516 people in retail operations. The rest were employed in production, wholesale, administration and support operations. In 31.12.2016 there were 2 163 employees, including 480 people in retail operations.

Total salaries during 9 months of 2017 amounted to 8 266 thousand EUR (8 798 thousand EUR in 9 months of 2016). The remuneration of key management of the Group, including the key executives of all subsidiaries, totalled 672 thousand EUR.

## Decisions made by governing bodies during 9 months 2017

On February 2, 2017 Silvano Fashion Group Extraordinary Meeting of Shareholders decided to change Silvano Fashion Group AS shareholders General Meeting decision from June 29, 2016 of its share buyback program terms and set the new maximum price at which Silvano Fashion Group AS may buy back its own shares within the own share buy-back programme is EUR 3.30 per share.

In connection with expiration of the term of the board member agreement, Kati Kusmin left the company from May 16, 2017. AS Silvano Fashion Group the Management Board continues with one member: Jarek Särğava.

On June 29, 2017 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted following decisions.

- The Meeting approved the 2016 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.20 EUR per share (record date 13.07.2017, payment completed on 19.07.2017).
- The Meeting decided to re-appoint AS PricewaterhouseCoopers as the Group's auditor for financial year 2017.
- 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 29th of June 2016;
- The Meeting decided to extend authority of the supervisory board member Mr. Toomas Tool for the next term of authority starting from 1 July 2017 till 30 June 2022.

- The Meeting decided to continue with the remuneration plan of the supervisory board members as approved by the annual general meeting held on 30 June 2012.
- On October 31, 2017, the decrease of share capital of Silvano Fashion Group AS was registered in the Commercial Register based on the resolutions adopted by the General Meeting of Shareholders of the Company held on June 29, 2017. The new registered share capital of the Company is 10 800 000 euros, which is divided into 36 000 000 ordinary shares with nominal value of 0.30 euros per share.

## Shares of AS Silvano Fashion Group

As of 30 September 2017 registered share capital of AS Silvano Fashion Group amounted to 11 100 thousand EUR divided into 37 000 000 ordinary shares with a nominal value of 0.30 EUR each. The share register is electronic and maintained at the Estonian Central Register of Securities. The Company has been listed on Nasdaq OMX Tallinn Stock Exchange main list (since 21.11.2006) and on Warsaw Stock Exchange (since 23.07.2007).

As of 30 September 2017 AS Silvano Fashion Group had 1 667 shareholders (as of 31 December 2016: 1 711 shareholders).

As of 30 September 2017 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

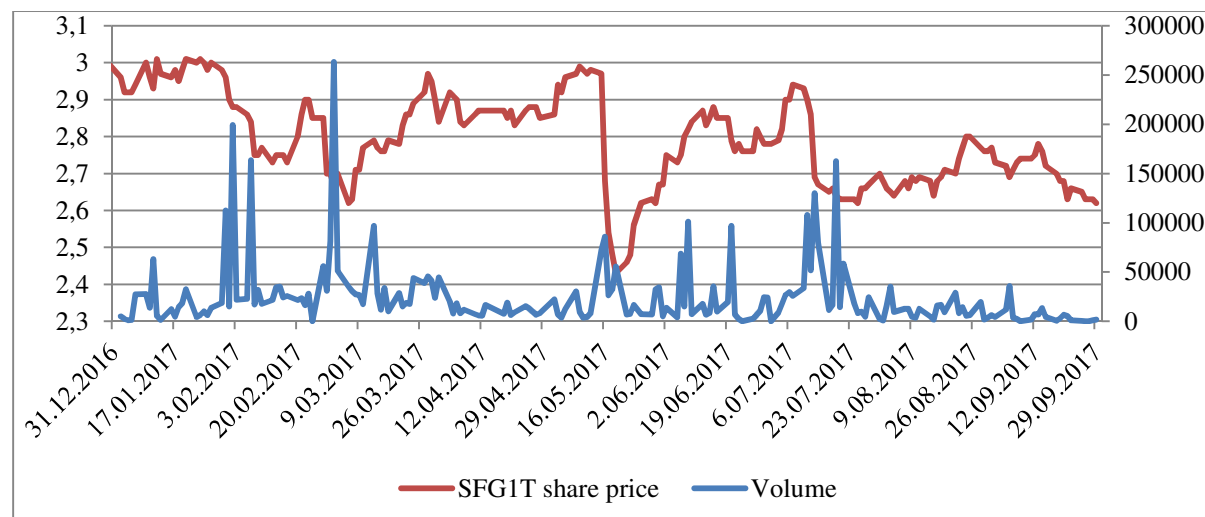
Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>23 349 139</b>	<b>63.10%</b>
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 003 605	24.33%
AS SEB PANK CLIENTS	8 000 000	21.62%
UNICREDIT BANK AUSTRIA AG	3 818 024	10.32%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	2 527 510	6.83%
<b>Other shareholders</b>	<b>13 650 861</b>	<b>36.90%</b>
<b>Total number of shares</b>	<b>37 000 000</b>	<b>100.00%</b>

As of 31 December 2016 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

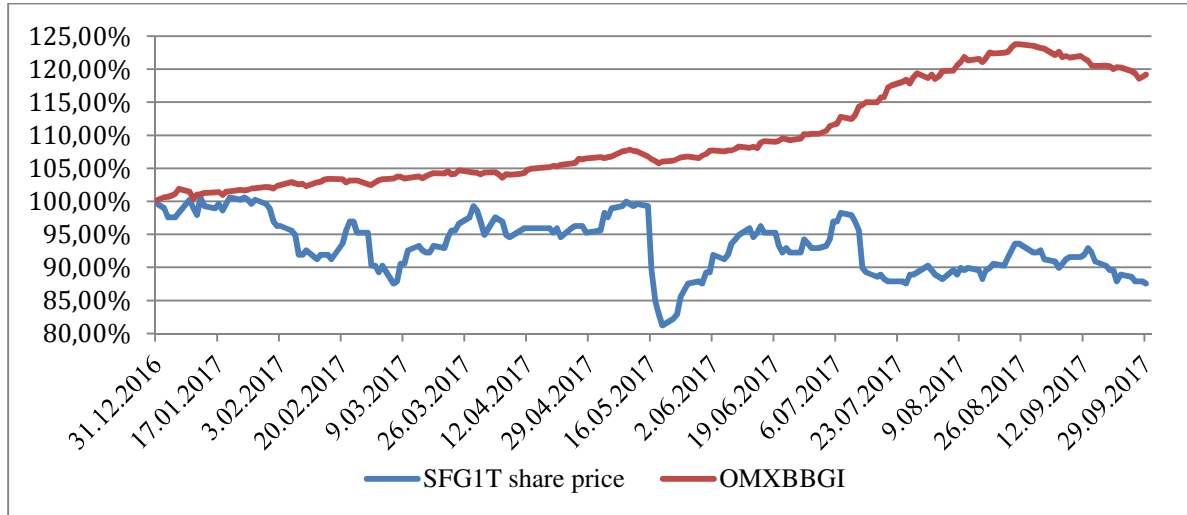
Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>23 028 325</b>	<b>62.24%</b>
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 008 305	24.35%
AS SEB PANK CLIENTS	8 000 000	21.62%
UNICREDIT BANK AUSTRIA AG	3 252 253	8.79%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	2 767 767	7.48%
<b>Other shareholders</b>	<b>13 971 675</b>	<b>37.76%</b>
<b>Total number of shares</b>	<b>37 000 000</b>	<b>100.00%</b>

## Share price development and turnover on the Tallinn Stock Exchange during 9 months of 2017 (EUR)

During 9 months of 2017 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 3.02 EUR and 2.39 EUR, respectively.

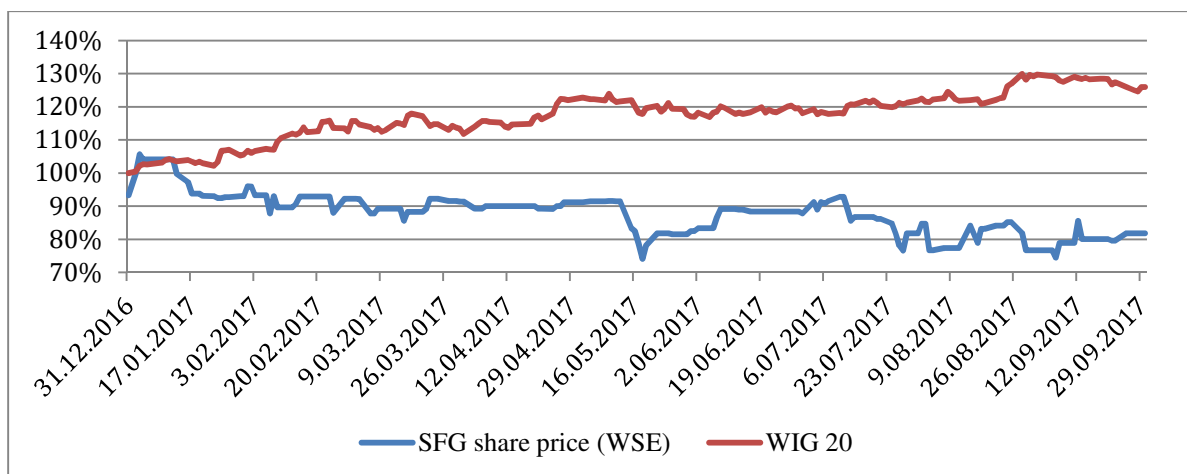
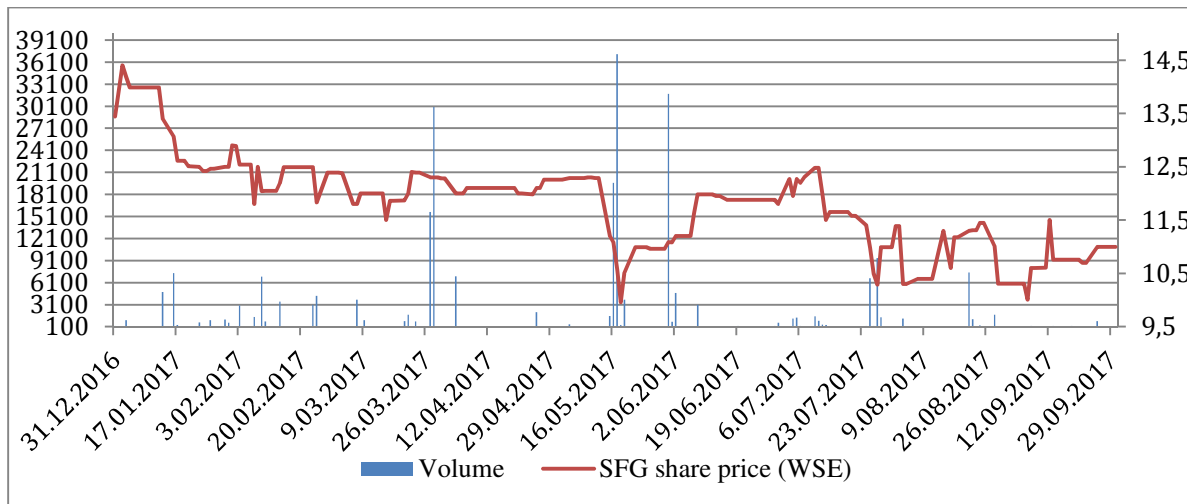






**Share price development on the Warsaw Stock Exchange during 9 months of 2017 (PLN)**

During 9 months of 2017, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 14.40 PLN and 9.96 PLN respectively.



## **Declaration of the Management Board**

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q3 and 9 months of 2017 (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.



---

Jarek Särgava  
Member of the Management Board  
November 3, 2017

### Consolidated Statement of Financial Position

in thousands of EUR	Note	30.09.2017	31.12.2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		22 090	22 303
Current loans granted		2	19
Trade and other receivables	2	2 996	4 168
Inventories	3	14 354	16 187
<b>Total current assets</b>		<b>39 442</b>	<b>42 677</b>
<b>Non-current assets</b>			
Long-term receivables		252	21
Investments in associates		45	19
Available-for-sale investments		326	369
Deferred tax asset		918	1 012
Intangible assets		213	291
Investment property		943	1 091
Property, plant and equipment	4	8 802	10 665
<b>Total non-current assets</b>		<b>11 499</b>	<b>13 468</b>
<b>TOTAL ASSETS</b>		<b>50 941</b>	<b>56 145</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	5	7 000	6 894
Tax liabilities		1 696	1 857
<b>Total current liabilities</b>		<b>8 696</b>	<b>8 751</b>
<b>Non-current liabilities</b>			
Deferred tax liability		13	37
<b>Total non-current liabilities</b>		<b>13</b>	<b>37</b>
<b>Total liabilities</b>		<b>8 709</b>	<b>8 788</b>
<b>Equity</b>			
Share capital	6	11 100	11 100
Share premium		10 787	10 787
Treasury shares	6	-2 520	-998
Statutory reserve capital		1 306	1 306
Revaluation reserve		710	710
Unrealised exchange rate differences		-15 700	-10 968
Retained earnings		33 574	31 465
<b>Total equity attributable to equity holders of the Parent company</b>		<b>39 257</b>	<b>43 402</b>
Non-controlling interest		2 975	3 955
<b>Total equity</b>		<b>42 232</b>	<b>47 357</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>50 941</b>	<b>56 145</b>

### Consolidated Income Statement

in thousands of EUR	Note	3Q 2017	3Q 2016	9m 2017	9m 2016
Revenue	8	17 255	15 047	50 065	45 642
Cost of goods sold		-8 283	-6 975	-24 846	-20 346
<b>Gross Profit</b>		<b>8 972</b>	<b>8 072</b>	<b>25 219</b>	<b>25 296</b>
Distribution expenses		-2 975	-2 420	-9 134	-6 650
Administrative expenses		-1 181	-1 216	-3 740	-3 481
Other operating income		75	81	230	250
Other operating expenses		-250	-231	-812	-789
<b>Operating profit</b>		<b>4 641</b>	<b>4 286</b>	<b>11 763</b>	<b>14 626</b>
Currency exchange income/(expense)		257	-26	1 132	-2 520
Other finance income/(expenses)		41	43	147	144
<b>Net financial income</b>		<b>298</b>	<b>17</b>	<b>1 279</b>	<b>-2 376</b>
Profit (loss) from associates using equity method		17	0	29	0
<b>Profit before tax and gain/(loss) on net monetary position</b>		<b>4 956</b>	<b>4 303</b>	<b>13 071</b>	<b>12 250</b>
Income tax expense		-932	-1 055	-3 345	-2 869
<b>Profit for the period</b>		<b>4 024</b>	<b>3 248</b>	<b>9 726</b>	<b>9 381</b>
Attributable to :					
Equity holders of the Parent company		3 875	3 131	9 309	9 117
Non-controlling interest		149	117	417	264
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.11	0.08	0.26	0.25

### Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	3Q 2017	3Q 2016	9m 2017	9m 2016
<b>Profit for the period</b>		<b>4 024</b>	<b>3 248</b>	<b>9 726</b>	<b>9 381</b>
<b>Exchange rate differences attributable to foreign operations</b>		<b>-1 911</b>	<b>100</b>	<b>-5 226</b>	<b>801</b>
Attributable to :					
Equity holders of the Parent company		-1 730	100	-4 732	927
Non-controlling interest		-181	0	-494	-126
<b>Total comprehensive income for the period</b>		<b>2 113</b>	<b>3 348</b>	<b>4 500</b>	<b>10 182</b>
Attributable to :					
Equity holders of the Parent company		2 145	3 231	4 577	10 044
Non-controlling interest		-32	117	-77	138

## Consolidated Statement of Cash Flows

in thousands of EUR	9m 2017	9m 2016
<b>Cash flow from operating activities</b>		
<b>Profit for the period</b>	<b>9 726</b>	<b>9 381</b>
Adjustments for:		
Depreciation and amortization of non-current assets	1 386	1 352
Share of profit of equity accounted investees	-29	0
(Gains)/ losses on the sale of PPE and IA	6	-32
Net finance income / costs	-1 279	2 376
Provision for impairment losses on trade receivables	0	-5
Income tax expense	3 345	2 869
Change in inventories	1 833	1 226
Change in trade and other receivables	941	347
Change in trade and other payables	-2 977	-2 180
Income tax paid	-3 291	-2 365
<b>Net cash from operating activities</b>	<b>9 661</b>	<b>12 969</b>
 <b>Cash flow from investing activities</b>		
Interest received	110	101
Dividends received	1	3
Proceeds from disposal of property, plant and equipment	411	36
Acquisition of property, plant and equipment	-590	-573
Acquisition of intangible assets	-84	-77
Acquisition of shares of a subsidiary	0	-3
<b>Net cash used in/from investing activities</b>	<b>-152</b>	<b>-513</b>
 <b>Cash flow from financing activities</b>		
Dividends paid	-8 098	-5 970
Acquisition of own shares	-1 522	-1 505
<b>Net cash used in/ from financing activities</b>	<b>-9 620</b>	<b>-7 475</b>
 <b>Increase in cash and cash equivalents</b>	<b>-111</b>	<b>4 981</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>22 303</b>	<b>21 274</b>
Effect of exchange rate fluctuations on cash held	-102	-158
<b>Cash and cash equivalents at the end of period</b>	<b>22 090</b>	<b>26 097</b>

### Consolidated Statement of Changes in Equity

in thousands of EUR	Share Capital	Share Premium	Treasury shares	Statutory reserve capital	Revaluation reserve	Unrealised exchange rate differences	Retained earnings	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
<b>Balance as at 31 December 2015</b>	<b>11 400</b>	<b>11 914</b>	<b>-579</b>	<b>1 306</b>	<b>0</b>	<b>-16 238</b>	<b>32 391</b>	<b>40 194</b>	<b>3 782</b>	<b>43 976</b>
Effect of translation on opening balances	0	0	0	0	0	0	395	395	65	460
Profit for the period	0	0	0	0	0	0	9 117	9 117	264	9 381
Other comprehensive income for the period	0	0	0	0	0	927	0	927	-126	801
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>927</b>	<b>9 117</b>	<b>10 044</b>	<b>138</b>	<b>10 182</b>
<b>Transactions with owners, recognised directly in equity</b>										
Dividends declared	0	0	0	0	0	0	-5 545	-5 545	0	-5 545
Purchase of treasury shares	0	0	-1 505	0	0	0	0	-1 505	0	-1 505
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>-1 505</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-5 545</b>	<b>-7 050</b>	<b>0</b>	<b>-7 050</b>
<b>Balance as at 30 September 2016</b>	<b>11 400</b>	<b>11 914</b>	<b>-2 084</b>	<b>1 306</b>	<b>0</b>	<b>-15 311</b>	<b>36 358</b>	<b>43 583</b>	<b>3 985</b>	<b>47 568</b>
<b>Balance as at 31 December 2016</b>	<b>11 100</b>	<b>10 787</b>	<b>-998</b>	<b>1 306</b>	<b>710</b>	<b>-10 968</b>	<b>31 465</b>	<b>43 402</b>	<b>3 955</b>	<b>47 357</b>
Profit for the period	0	0	0	0	0	0	9 309	9 309	417	9 726
Other comprehensive income for the period	0	0	0	0	0	-4 732	0	-4 732	-494	-5 226
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4 732</b>	<b>9 309</b>	<b>4 577</b>	<b>-77</b>	<b>4 500</b>
<b>Transactions with owners, recognised directly in equity</b>										
Dividends declared	0	0	0	0	0	0	-7 200	-7 200	-903	-8 103
Purchase of treasury shares	0	0	-1 522	0	0	0	0	-1 522	0	-1 522
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>-1 522</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7 200</b>	<b>-8 722</b>	<b>-903</b>	<b>-9 625</b>
<b>Balance as at 30 September 2017</b>	<b>11 100</b>	<b>10 787</b>	<b>-2 520</b>	<b>1 306</b>	<b>710</b>	<b>-15 700</b>	<b>33 574</b>	<b>39 257</b>	<b>2 975</b>	<b>42 232</b>

## Notes to the Interim Report

### Note 1 Summary of significant accounting policies

AS Silvano Fashion Group is a company registered in Estonia. This Interim Report of the Group is prepared for the reporting period ended 30 September 2017 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 Q3 and 9 months of 2017 ended on 30 September 2017 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 2016, which have been prepared in accordance with IFRS as adopted by the European Union.

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

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

#### New standards and interpretations

In additions to disclosures already made in the Annual Report for the financial year ended on 31 December 2016 there are no new IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2017 and that would be expected to have a material impact on the group.

### Note 2 Trade and other receivables

in thousands of EUR	30.09.17	31.12.16
Trade receivables from third parties	2 781	2 946
Trade receivables from related parties	0	97
Impairment of receivables	-985	-1 098
Tax prepayments	666	1 525
Other receivables	534	698
<b>Total</b>	<b>2 996</b>	<b>4 168</b>

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

### Note 3 Inventories

in thousands of EUR	30.09.17	31.12.16
Raw and other materials	3 433	4 358
Work in progress	1 222	1 158
Finished goods	8 945	10 245
Other inventories	754	426
<b>Total</b>	<b>14 354</b>	<b>16 187</b>

#### Note 4 Property, plant and equipment

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 30 September 2017.

in thousands of EUR					
	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
<b>31.12.2015</b>					
Cost	6 060	19 323	4 145	39	29 567
Accumulated depreciation	-2 430	-13 605	-3 178	0	-19 213
<b>Net book amount</b>	<b>3 630</b>	<b>5 718</b>	<b>967</b>	<b>39</b>	<b>10 354</b>
<b>Movements during 9m 2016</b>					
Additions	0	14	279	278	571
Disposals	0	-3	-1	0	-4
Reclassifications	0	38	89	-127	0
Depreciation	-119	-810	-251	0	-1 180
Unrealised exchange rate differences	-226	-360	1	5	-580
<b>Closing net book amount</b>	<b>3 285</b>	<b>4 597</b>	<b>1 084</b>	<b>195</b>	<b>9 161</b>
<b>30.09.2016</b>					
Cost	5 691	18 253	4 231	195	28 370
Accumulated depreciation	-2 406	-13 656	-3 147	0	-19 209
<b>Net book amount</b>	<b>3 285</b>	<b>4 597</b>	<b>1 084</b>	<b>195</b>	<b>9 161</b>
<b>31.12.2016</b>					
Cost	6 520	20 013	4 637	34	31 204
Accumulated depreciation	-2 707	-14 455	-3 377	0	-20 539
<b>Net book amount</b>	<b>3 813</b>	<b>5 558</b>	<b>1 260</b>	<b>34</b>	<b>10 665</b>
<b>Movements during 9m 2017</b>					
Additions	5	17	316	252	590
Disposals	0	-29	-389	1	-417
Reclassifications	0	5	199	-203	1
Depreciation	-121	-798	-336	0	-1 255
Unrealised exchange rate differences	-436	-499	158	-5	-782
<b>Closing net book amount</b>	<b>3 261</b>	<b>4 254</b>	<b>1 208</b>	<b>79</b>	<b>8 802</b>
<b>30.09.2017</b>					
Cost	5 762	17 292	5 109	79	28 242
Accumulated depreciation	-2 501	-13 038	-3 901	0	-19 440
<b>Net book amount</b>	<b>3 261</b>	<b>4 254</b>	<b>1 208</b>	<b>79</b>	<b>8 802</b>



### Note 5 Trade and other payables

in thousands of EUR	30.09.17	31.12.16
Trade payables	4 884	5 220
Accrued expenses	1 142	567
Provisions	60	58
Other payables	914	1 049
<b>Total</b>	<b>7 000</b>	<b>6 894</b>

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

### Note 6 Equity

#### Shares

As of 30 September 2017 registered share capital of AS Silvano Fashion Group amounted to 11 100 thousand EUR divided into 37 000 000 shares with a nominal value of 0.30 EUR each (as of 31 December 2016, 11 100 thousand EUR, 37 000 000 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 September 2017 AS Silvano Fashion Group had 1 667 shareholders (as of 31 December 2016 – 1 711 shareholders).

### Note 7 Earnings per share

The calculation of basic earnings per share for 9 months of 2017 (9 months of 2016) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	9m 2017	9m 2016
Number of ordinary shares at the beginning of the period	37 000	38 000
Effect of own shares held at the beginning of the period	-460	-450
Number of ordinary shares at the end of the period	37 000	38 000
Effect of own shares held at the end of the period	-1 000	-1 316
<b>Weighted average number of ordinary shares for the period</b>	<b>36 270</b>	<b>37 110</b>

in thousands of EUR	9m 2017	9m 2016
Profit for the period attributable to equity holders of the Parent company	9 309	9 117
Basic earnings per share (EUR)	0.26	0.25
Diluted earnings per share (EUR)	0.26	0.25

Diluted earnings per share do not differ from basic earnings per share as the Group has no financial instruments issued that could potentially dilute the earnings per share.

### Note 8 Revenue

in thousands of EUR	9m 2017	9m 2016
Revenue from wholesale	34 114	33 695
Revenue from retail	15 873	11 853
Subcontracting and services	68	91
Other sales	10	3
<b>Total</b>	<b>50 065</b>	<b>45 642</b>

## Note 9 Transactions with related parties

The following parties are considered to be related;

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

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

### Sales of goods and services

in thousands of EUR	9m 2017	9m 2016
Associates	1 148	903
<b>Total</b>	<b>1 148</b>	<b>903</b>

### Balances with related parties

in thousands of EUR	30.09.2017	31.12.2016
Trade receivables from associates	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### Benefits to key management of the group

in thousands of EUR	9m 2017	9m 2016
Remunerations and benefits	672	704
<b>Total</b>	<b>672</b>	<b>704</b>

### Corporate income tax

in thousands of EUR	30.09.17	31.12.16
Prepayment	-76	-255
Liability	496	629
<b>Total</b>	<b>420</b>	<b>374</b>

## Note 10 Operating segments

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

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

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

There is a strong integration between wholesale and retail segments. The accounting policies of reportable segments are the same. Management estimates that intersegment transactions have been done on arm-length basis.

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

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

Unallocated revenues include revenues from services, commissions and rental income. Unallocated assets include cash and bank deposits not used in daily operations of either of the segments.

**Operating segments 9m 2017**

in thousands of EUR

	<b>Lingerie retail</b>	<b>Lingerie wholesale</b>	<b>Total segments</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from external customers	<b>15 873</b>	<b>34 114</b>	<b>49 987</b>	<b>78</b>		<b>50 065</b>
Intersegment revenues	0	30 322	<b>30 322</b>	3 723	-34 045	<b>0</b>
<b>EBITDA</b>	<b>3 728</b>	<b>8 622</b>	<b>12 350</b>	<b>799</b>		<b>13 149</b>
Amortization and depreciation	-68	-906	<b>-974</b>	-412	0	<b>-1 386</b>
<b>Operating income, EBIT</b>	<b>3 660</b>	<b>7 716</b>	<b>11 376</b>	<b>387</b>	<b>0</b>	<b>11 763</b>
Profit from associates using equity method	0	29	<b>29</b>	0	0	<b>29</b>
Net financial income	-10	899	<b>889</b>	390	0	<b>1 279</b>
Income tax	-456	-1 863	<b>-2 319</b>	-1 026	0	<b>-3 345</b>
<b>Net profit</b>	<b>3 194</b>	<b>6 781</b>	<b>9 975</b>	<b>-249</b>	<b>0</b>	<b>9 726</b>
Investments in associates	0	45	<b>45</b>	0	0	<b>45</b>
Other operating segments assets	3 322	39 371	<b>42 693</b>	8 203	0	<b>50 896</b>
Reportable segments liabilities	331	7 992	<b>8 323</b>	386	0	<b>8 709</b>
Capital expenditures	257	417	<b>674</b>	0	0	<b>674</b>
Number of employees as of reporting date	516	1 616	<b>2 132</b>	169		<b>2 301</b>

**Operating segments 9m 2016**

in thousands of EUR

	<b>Lingerie retail</b>	<b>Lingerie wholesale</b>	<b>Total segments</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from external customers	<b>11 853</b>	<b>33 650</b>	<b>45 503</b>	<b>139</b>		<b>45 642</b>
Intersegment revenues	0	29 668	29 668	2 736	-32 404	<b>0</b>
<b>EBITDA</b>	<b>3 464</b>	<b>12 092</b>	<b>15 556</b>	<b>422</b>		<b>15 978</b>
Amortization and depreciation	-56	-870	<b>-926</b>	-426	0	<b>-1 352</b>
<b>Operating income, EBIT</b>	<b>3 408</b>	<b>11 221</b>	<b>14 629</b>	<b>-3</b>	<b>0</b>	<b>14 626</b>
Profit from associates using equity method	0	0	<b>0</b>	0	0	<b>0</b>
Net financial income	-37	-377	<b>-414</b>	-1 962	0	<b>-2 376</b>
Income tax	-466	-2 423	<b>-2 889</b>	20	0	<b>-2 869</b>
<b>Net profit</b>	<b>2 905</b>	<b>8 421</b>	<b>11 326</b>	<b>-1 945</b>	<b>0</b>	<b>9 381</b>
Investments in associates	0	0	<b>0</b>	0	0	<b>0</b>
Other operating segments assets	2 946	36 827	<b>39 773</b>	15 386	0	<b>55 159</b>
Reportable segments liabilities	960	6 296	<b>7 256</b>	335	0	<b>7 591</b>
Capital expenditures	387	264	<b>651</b>	1	0	<b>652</b>
Number of employees as of reporting date	362	1 697	<b>2 059</b>	4		<b>2 063</b>

**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.

**Geographical segments**

in thousands of EUR

	<b>Sales revenue 9m 2017</b>	<b>Sales revenue 9m 2016</b>	<b>Non-current assets 30.09.2017</b>	<b>Non-current assets 31.12.2016</b>
Russia	27 819	25 170	1 274	1 196
Belarus	14 486	13 885	9 959	11 962
Ukraine	2 170	1 332	1	1
Baltics	1 294	1 018	241	285
Other countries	4 296	4 237	24	24
<b>Total</b>	<b>50 065</b>	<b>45 642</b>	<b>11 499</b>	<b>13 468</b>