



Silvano Fashion Group AS

Consolidated Interim Financial Report for Q3 and 9 months of 2016 (unaudited)

Beginning of the reporting period	1 January 2016
End of the reporting period	30 September 2016
Business name	Silvano Fashion Group AS
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	PricewaterhouseCoopers AS

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.....	12
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.....	15
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 and marketing of women’s 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, Kazakhstan, 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 Tallinn Stock Exchange and on the Warsaw Stock Exchange.

As of 30 September 2016 the Group employed 2 063 people (as of 31 December 2015: 2 045 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 30.09.2016	Ownership interest 31.12.2015
Parent company				
Silvano Fashion Group AS	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
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%	84.91%
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%
France Style Lingerie SARL	France	Holding	0%	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 45 642 thousand EUR during 9 months of 2016, representing a 12.0% decrease as compared to the same period of previous year. The Group's gross profit margin during 9 months of 2016 continued to improve increasing to 55.4% from 46.2% in the respective period of previous year.

Consolidated operating profit for 9 months of 2016 increased by 26.7% to 14 626 thousand EUR, compared to 11 544 thousand EUR in 9 months of 2015. Consolidated EBITDA for 9 months of 2016 increased by 18.5% and was 15 978 thousand EUR, compared to 13 484 thousand EUR in 9 months of 2015.

Reported consolidated net profit attributable to equity holders of the Parent company for 9 months of 2016 increased by 15.3% and amounted to 9 117 thousand EUR, compared to net profit of 7 908 thousand EUR in 9 months of 2015.

Group's results for 9 months of 2016 were defined by continued challenges in economies of its major sales markets – Russia, Belarus and Ukraine. The Group didn't achieve growth rate of sales compared to 9 months of 2015. Total sales during 9 months of 2016 amounted to 45 642 thousand EUR. Previously undermined by devaluations and high inflation rates purchasing power in region's countries remains low, future expectations are still more on a negative or neutral side, therefore it is hard to see some kind of relatively fast recovery in growth rates of economies under discussion.

Over the year the Group managed to cut its production, commercial and administrative expenses. Gross profit margin in 9 months of 2016 is up to 55.4% from 46.2% in 9 months of 2015. Compared to 9 months of 2015 commercial and administrative expenses diminished respectively by 6.3% and 27.6%. Personnel expenses decreased 26.1%; total number of employees compared to the end of 9 months of 2015 increased by 1.7%.

Russian statistics are somewhat improving compared to 2015, inflation rate is currently 6.9% in y-o-y basis and 3.9% from the beginning of the year. GDP declined by 0.7% during 8 months of 2016. Russian economy is starting to adapt to new reality, but purchasing power of population in real terms is still falling and in August decreased by 1.1%. Retail sales in Russian market has been stable in last months and decreased in August only by 0.1% compared last year. Group's sales on Russian market totalled 25 170 thousand EUR, decline is 7.1% compared to 9 months of 2015. In local currency sales grew by 7.1% during 9 months. Group's Russian subsidiary opened 12 more stores in Q3 of 2016, 2 more stores were opened in October 2016. The Group will continue opening own stores. In addition to growing sales opportunity and better control of the market this allows further developing of retail concept of Group's brands to make it more attractive for us and our franchisee retail partners.

Belarusian economy at the moment isn't demonstrating signs of stabilisation yet, GDP decreased by 3.1% in Q1 and 1.4% in Q2 2016 y-o-y basis. Annual average inflation rate is 12% and in September was reported 11.1%, slowing down a bit from August's 11.8%. During 7 months 2016, real household income fell by 7% y-o-y basis. International financial institutions predict that in 2016 Belarusian GDP will fall by around 2%, inflation rate will be 11.5-12.5%. Retail turnover in comparable prices in Belorussia declined during 9 months by 3.1%. Major factors behind this are believed to be unreformed economy, particularly public sector and state-controlled entities, impact of recession in main trading partner – Russia, continued pressure on Belarusian rouble, low demand for consumption, high level of debts in economy. Group's sales in Belarus in 9 months of 2016 were 13 885 thousand EUR and diminishing by 18.3% compared to 9 months of 2015. Sales in local currency grew by 7.5% at 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 availability of reasonably priced selling areas.

Ukraine economy is expected to return to positive growth in 2016, supported by improving consumer and investor confidence, gradually rising real incomes, and a gradual easing of credit conditions, however the recovery is expected to be slow and fragile. Group's sales in Ukraine in 9 months of 2016 reached the level of 1332 thousand EUR, which is 3.7% less than previous year. Sales in local currency increased by 14.3% during same period.

Sales structure

Sales by markets

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 88.4% of its total sales. Measured in local currencies sales growth was accordingly 7.1%, 7.5% and 14.3%.

	9m 2016	9m 2015	Change	Change, %
Russia, th RUR	1 918 073	1 791 251	126 822	7,1%
Belarus, th BYN	31 069	28 911	2 158	7,5%
Ukraine, th UAH	37 787	33 067	4 720	14,3%

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

in thousands of EUR	09m 2016	09m 2015	Change, EUR	Change, %	09m 2016, % of sales	09m 2015, % of sales
Russia	25 170	27 086	-1 916	-7,1%	55,1%	52,2%
Belarus	13 885	16 986	-3 101	-18,3%	30,4%	32,7%
Ukraine	1 332	1 383	-52	-3,7%	2,9%	2,7%
Baltics	1 018	1 412	-394	-27,9%	2,2%	2,7%
Other markets	4 237	5 003	-766	-15,3%	9,4%	9,7%
Total	45 642	51 871	-6 229	-12,0%	100,0%	100,0%

The majority of lingerie sales revenue during 9 months of 2016 in the amount of 25 170 thousand EUR was generated in Russia, accounting for 55.1% of total sales. The second largest market was Belarus, where sales reached 13 885 thousand EUR, contributing 30.4% of lingerie sales (both retail and wholesale).

Sales by business segments

in thousands of EUR	09m 2016	09m 2015	Change, EUR	Change, %	09m 2016, % from sales	09m 2015, % from sales
Wholesale	33 650	39 122	-5 472	-14,0%	73,7%	75,4%
Retail	11 853	12 722	-869	-6,8%	26,0%	24,5%
Other operations	139	27	112	414,1%	0,3%	0,1%
Total	45 642	51 871	-6 229	-12,0%	100,0%	100,0%

During 9 months of 2016 wholesale revenue decreased by 14.0% and amounted to 33 650 thousand EUR, representing 73.7% of the Group's total revenue (9 months of 2015: 75.4%). The main wholesale regions were Russia, Belarus and Ukraine.

Group's retail revenue decreased by 6.8% and amounted to 11 853 thousand EUR, this represents 26.0% of the Group's total revenue. The decrease in retail revenue is mainly attributable to Belarusian operations.

Own & franchise store locations by countries

	Own	Franchise	Total
Russia	22	387	409
Ukraine	0	50	50
Belarus	56	10	66
Baltics	8	25	33
Other regions	0	122	122
Total	86	594	680

At the end of the reporting period the Group and its franchising partners operated 631 Milavitsa and 49 Lauma Lingerie branded stores, including 86 stores operated directly by the Group.

Selected Financial Indicators

Summarized selected financial indicators of the Group for 9 months of 2016 compared to 9 months of 2015 and 30.09.2016 compared to 31.12.2015 were as follows:

in thousands of EUR	09m 2016	09m 2015	Change
Revenue	45 642	51 871	-12,0%
EBITDA	15 978	13 484	18,5%
Net profit for the period	9 381	8 331	12,6%
Net profit attributable equity holders of the Parent company	9 117	7 908	15,3%
Earnings per share (EUR)	0,25	0,21	18,2%
Operating cash flow for the period	12 969	14 264	-9,1%

in thousands of EUR	30.09.2016	31.12.2015	Change
Total assets	55 159	53 635	2,8%
Total current assets	43 540	40 870	6,5%
Total equity attributable to equity holders of the Parent company	43 583	40 194	8,4%
Loans and borrowings	0	0	N/A
Cash and cash equivalents	26 097	21 274	22,7%

Margin analysis, %	09m 2016	09m 2015	Change
Gross profit	55,4	46,2	19,9%
EBITDA	35,0	26,0	34,7%
Net profit	20,6	16,1	28,0%
Net profit attributable equity holders of the Parent company	20,0	15,2	31,0%

Financial ratios, %	30.09.2016	31.12.2015	Change
ROA	18,9	17,4	8,6%
ROE	25,3	23,7	6,8%
Price to earnings ratio (P/E)	7,7	5,0	54,2%
Current ratio	5,8	4,2	36,0%
Quick ratio	4,0	2,6	50,0%

Underlying formulas:

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

Gross profit margin = gross profit / revenue

EBITDA margin = EBITDA / revenue

Net profit margin = net profit / revenue

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

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

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

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

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

Current ratio = current assets / current liabilities

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

Financial performance

The Group's sales amounted to 45 642 thousand EUR during 9 months of 2016, representing a 12.0% decrease as compared to the same period of previous year. Overall, wholesales decreased by 14.0% and retail sales decreased by 6.8%, measured in EUR.

The Group's reported gross profit margin during 9 months of 2016 continued to improve increasing to 55.4%, reported gross margin was 46.2% in the respective period of previous year. Consolidated operating profit for 9 months of 2016 amounted to 14 626 thousand EUR, compared to 11 544 thousand EUR in 9 months of 2015. The consolidated operating profit margin was 32.0% for 9 months of 2016 (22.3% in 9 months of 2015). Consolidated EBITDA for 9 months of 2016 was 15 978 thousand EUR, which is 35.0% in margin terms (13 484 thousand EUR and 26.0% for 9 months of 2015).

Reported consolidated net profit attributable to equity holders of the Parent company for 9 months of 2016 amounted to 9 117 thousand EUR, compared to net profit of 7 908 thousand EUR in 9 months of 2015, net profit margin attributable to equity holders of the Parent company for 9 months of 2016 was 20.0% against 16.1% in 9 months of 2015.

Financial position

As of 30 September 2016 consolidated assets amounted to 55 159 thousand EUR representing an increased by 2.8% as compared to the position as of 31 December 2015.

Trade and other receivables decreased by 363 thousand EUR as compared to 31 December 2015 and amounted to 3 757 thousand EUR as of 30 September 2016. Inventory balance decreased by 1 790 thousand EUR and amounted to 13 680 thousand EUR as of 30 September 2016.

Equity attributable to equity holders of the Parent company increased by 3 389 thousand EUR and amounted to 43 583 thousand EUR as of 30 September 2016. Current liabilities decreased by 2 088 thousand EUR during 9 months of 2016.

Investments

During 9 months of 2016 the Group's investments into property, plant and equipment totalled 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 2016, the Group employed 2 063 employees including 362 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes during 9 months of 2016 amounted to 8 798 thousand EUR (11 673 thousand EUR in 9 months of 2015). The remuneration of key management of the Group, including the key executives of all subsidiaries, totalled 704 thousand EUR

Decisions made by governing bodies during 9 months 2016

On June 29, 2016 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted following decisions.

- The Meeting approved the 2015 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.15 EUR per share (record date 13.07.2016, payment completed on 15.07.2016).
- The Meeting decided to re-appoint AS PricewaterhouseCoopers as the Group's auditor for financial year 2016.
- 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 2015;
- The Meeting decided to adopt a share buy-back program in the following: effective period until 30.06.2017; maximum number of shares to be acquired not more than 1 000 000; maximum share price 2.70 EUR per share.

On October 31, 2016, 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, 2016. The new registered share capital of the Company is 11 100 000 euros, which is divided into 37 000 000 ordinary shares with nominal value of 0.30 euros per share.

Shares of AS Silvano Fashion Group

As of 30 September 2016 registered share capital of AS Silvano Fashion Group amounted to 11 400 thousand EUR divided into 38 000 000 ordinary shares with a nominal value of 0.30 EUR each. The share register is electronic and maintained at the Estonian Central Register of Securities. The Company has been listed on Tallinn Stock Exchange main list (since 21.11.2006) and on Warsaw Stock Exchange (since 23.07.2007).

As of 30 September 2016 AS Silvano Fashion Group had 1 694 shareholders (as of 31 December 2015 – 1 851 shareholders).

As of 30 September 2016 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

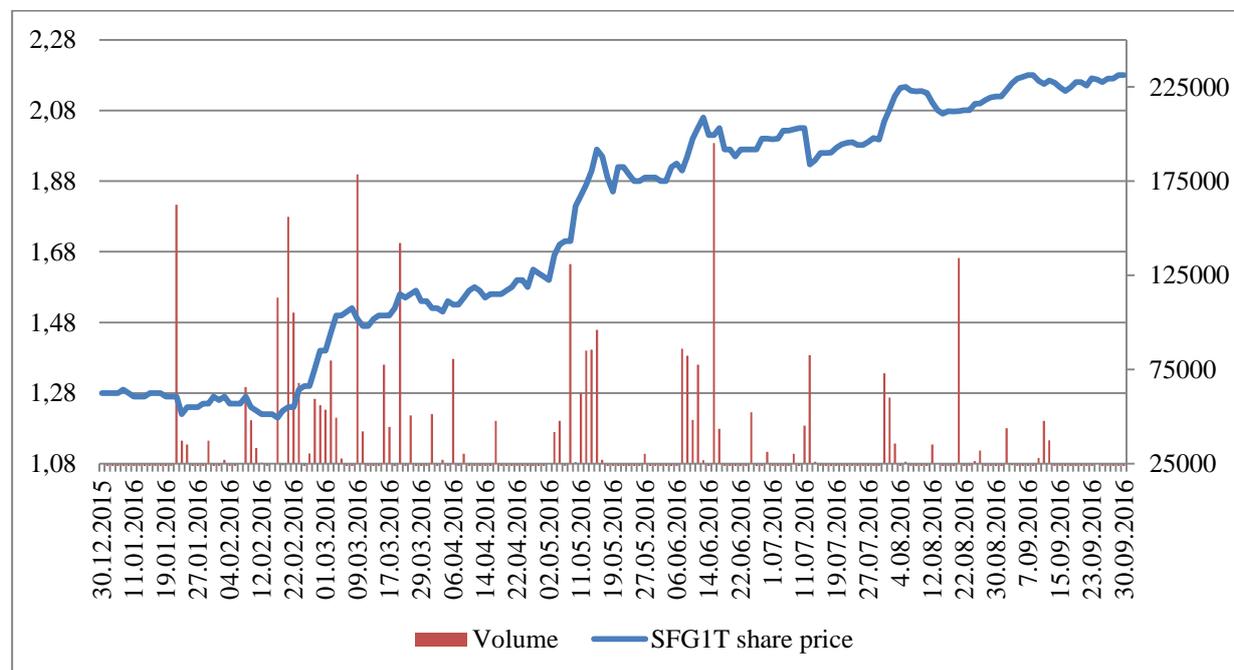
Name	Number of shares	Shareholding
Major shareholders	23 038 372	60.63%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 003 605	23.69%
AS SEB PANK CLIENTS	8 000 000	21.05%
UNICREDIT BANK AUSTRIA AG	3 300 484	8.69%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	2 734 283	7.20%
Other shareholders	14 961 628	39.37%
Total number of shares	38 000 000	100.00%

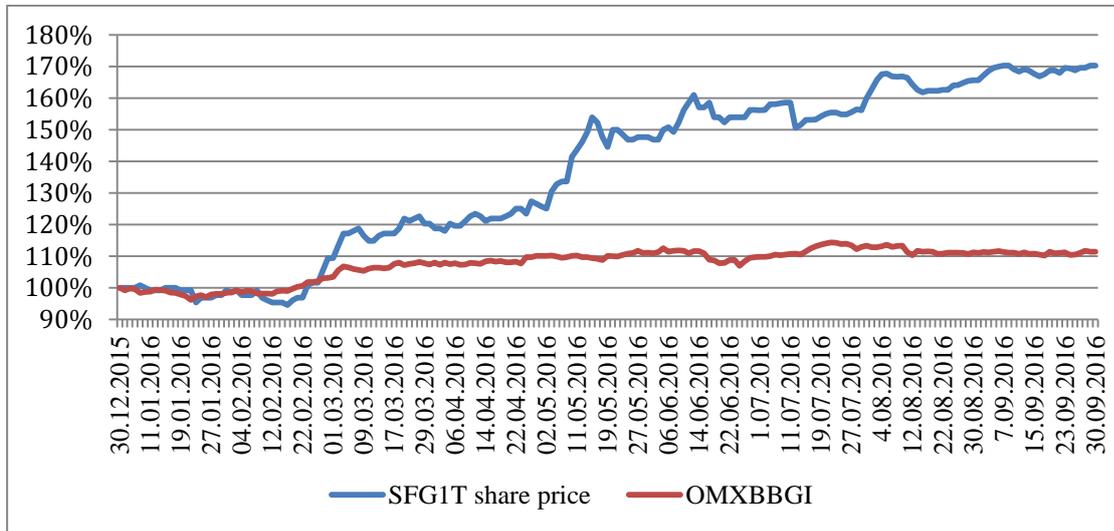
As of 31 December 2015 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
Major shareholders	22 311 906	58.72%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	8 003 605	21.06%
AS SEB PANK CLIENTS	8 000 000	21.05%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	3 596 801	9.47%
UNICREDIT BANK AUSTRIA AG	2 711 500	7.14%
Other shareholders	15 688 094	41.28%
Total number of shares	38 000 000	100.00%

Share price development and turnover on the Tallinn Stock Exchange during 9 months of 2016 (EUR)

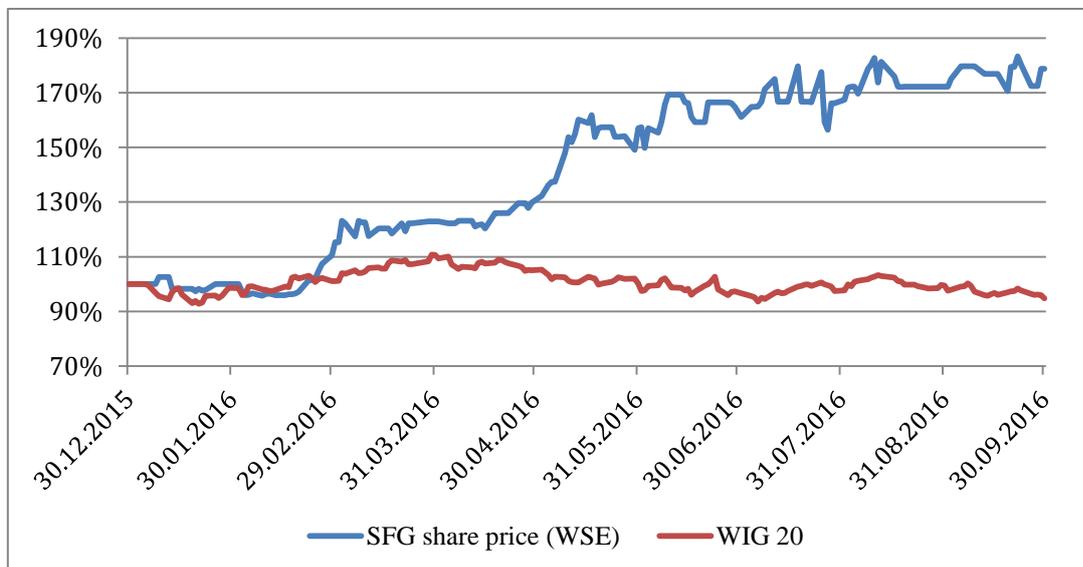
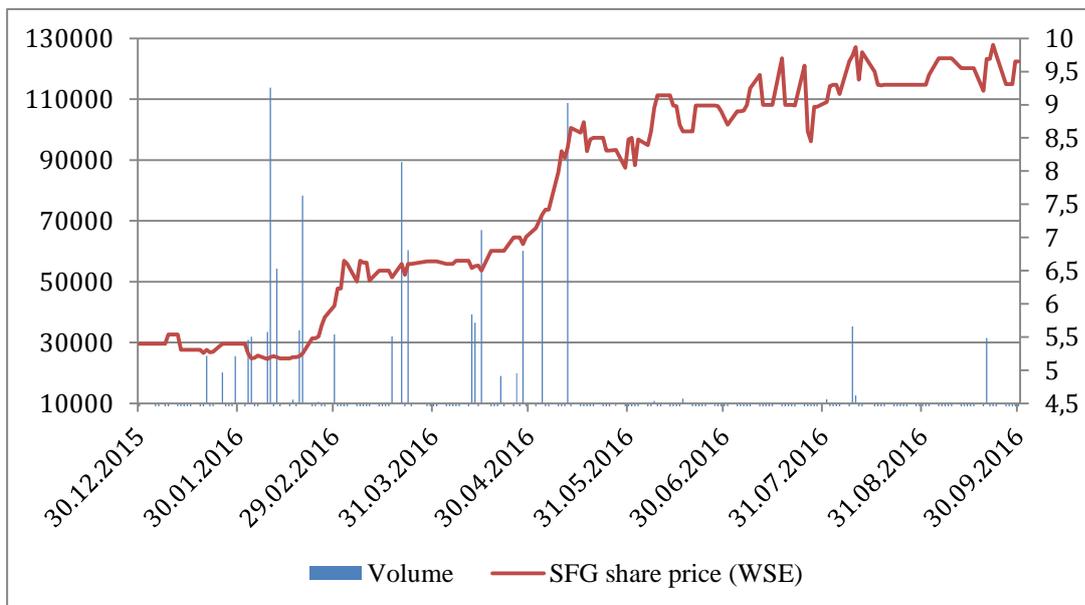
During 9 months of 2016 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 2.18 EUR and 1.21 EUR, respectively.





Share price development on the Warsaw Stock Exchange during 9 months of 2016 (PLN)

During 9 months of 2016, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 9.9 PLN and 5.17 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 2016 (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.



Kati Kusmin
Member of the Management Board
November 4, 2016



Jarek Särgava
Member of the Management Board
November 4, 2016

Consolidated Statement of Financial Position

in thousands of EUR	Note	30.09.2016	31.12.2015
ASSETS			
Current assets			
Cash and cash equivalents		26 097	21 274
Current loans granted		6	6
Trade and other receivables	2	3 757	4 120
Inventories	3	13 680	15 470
Total current assets		43 540	40 870
Non-current assets			
Long-term receivables		0	0
Investments in associates		0	1
Available-for-sale investments		349	372
Deferred tax asset		763	465
Intangible assets		306	443
Investment property		1 040	1 130
Property, plant and equipment	4	9 161	10 354
Total non-current assets		11 619	12 765
TOTAL ASSETS		55 159	53 635
LIABILITIES AND EQUITY			
Current liabilities			
Current borrowings		0	0
Trade and other payables	5	5 805	7 985
Tax liabilities		1 753	1 661
Total current liabilities		7 558	9 646
Non-current liabilities			
Deferred tax liability		33	13
Total non-current liabilities		33	13
Total liabilities		7 591	9 659
Equity			
Share capital	6	11 400	11 400
Share premium		11 914	11 914
Treasury shares	6	-2 084	-579
Statutory reserve capital		1 306	1 306
Other reserves		0	0
Unrealised exchange rate differences		-15 311	-16 238
Retained earnings		36 358	32 391
Total equity attributable to equity holders of the Parent company		43 583	40 194
Non-controlling interest		3 985	3 782
Total equity		47 568	43 976
TOTAL EQUITY AND LIABILITIES		55 159	53 635

Consolidated Income Statement**Consolidated Statement of Comprehensive Income**

in thousands of EUR	Note	3Q 2016	3Q 2015	09m 2016	09m 2015
Revenue	8	15 047	17 373	45 642	51 871
Cost of goods sold		-6 975	-8 972	-20 346	-27 893
Gross Profit		8 072	8 401	25 296	23 978
Distribution expenses		-2 420	-2 312	-6 650	-7 095
Administrative expenses		-1 216	-1 544	-3 481	-4 809
Other operating income		81	78	250	324
Other operating expenses		-231	-282	-789	-854
Operating profit		4 286	4 341	14 626	11 544
Currency exchange income/(expense)		-26	1 938	-2 520	907
Other finance income/(expenses)		43	73	144	333
Net financial income		17	2 011	-2 376	1 240
Profit (loss) from associates using equity method		0	1	0	1
Profit before tax and gain/(loss) on net monetary position		4 303	6 353	12 250	12 785
Income tax expense		-1 055	-1 074	-2 869	-4 454
Profit before gain/(loss) on net monetary position		3 248	5 279	9 381	8 331
Gain on net monetary position		0	0	0	0
Profit for the period		3 248	5 279	9 381	8 331
Attributable to :					
Equity holders of the Parent company		3 131	5 152	9 117	7 908
Non-controlling interest		117	127	264	423
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0,08	0,13	0,25	0,21

in thousands of EUR	Note	3Q 2016	3Q 2015	09m 2016	09m 2015
Profit for the period		3 248	5 279	9 381	8 331
Exchange rate differences attributable to foreign operations		100	-2 838	801	-5 156
Total comprehensive income for the period		3 348	2 441	10 182	3 175
Attributable to :					
Equity holders of the Parent company		3 231	2 241	10 044	3 362
Non-controlling interest		117	200	138	-187
Other comprehensive income for the period					
Attributable to :					
Equity holders of the Parent company		100	-2 911	927	-4 546
Non-controlling interest		0	73	-126	-610

Consolidated Statement of Cash Flows

in thousands of EUR	09m 2016	09m 2015
Cash flow from operating activities		
Profit for the period	9 381	8 331
Adjustments for:		
Depreciation and amortization of non-current assets	1 352	1 940
Share of profit of equity accounted investees	0	-1
(Gains)/ losses on the sale of PPE and IA	-32	4
Net finance income / costs	2 376	-1 240
Provision for impairment losses on trade receivables	-5	-11
Income tax expense	2 869	4 454
Change in inventories	1 226	8 764
Change in trade and other receivables	347	3 334
Change in trade and other payables	-2 180	-5 631
Income tax paid	-2 365	-5 681
Net cash from operating activities	12 969	14 263
Cash flow from investing activities		
Interest received	101	246
Dividends received	3	2
Proceeds from disposal of property, plant and equipment	36	9
Acquisition of property, plant and equipment	-573	-169
Acquisition of intangible assets	-77	-197
Acquisition of shares of a subsidiary	-3	0
Net cash used in/from investing activities	-513	-109
Cash flow from financing activities		
Dividends paid	-5 970	-6 036
Acquisition of own shares	-1 505	-1 273
Net cash used in/ from financing activities	-7 475	-7 309
Increase in cash and cash equivalents	4 981	6 845
Cash and cash equivalents at the beginning of period	21 274	13 308
Effect of translation to presentation currency	0	0
Effect of exchange rate fluctuations on cash held	-158	-95
Cash and cash equivalents at the end of period	26 097	20 058

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 2014	11 700	13 066	-585	1 306	-5 649	26 915	46 753	7 265	54 018
Effect of translation on opening balances	0	0	0	0	0	-5 400	-5 400	-468	-5 868
Profit for the period	0	0	0	0	0	7 908	7 908	423	8 331
Other comprehensive income for the period	0	0	0	0	-4 546	0	-4 546	-610	-5 156
Total comprehensive income for the period	0	0	0	0	-4 546	7 908	3 362	-187	3 175
Transactions with owners, recognised directly in equity									
Dividends paid	0	0	0	0	0	-3 791	-3 791	-2 244	-6 035
Dividends declared	0	0	0	0	0	0	0	-611	-611
Change in non-controlling interest	0	0	0	0	0	330	330	-330	0
Purchase of treasury shares	0	0	-1 273	0	0	0	-1 273	0	-1 273
Total transactions with owners, recognised directly in equity	0	0	-1 273	0	0	-3 461	-4 734	-3 185	-7 919
Balance as at 30 September 2015	11 700	13 066	-1 858	1 306	-10 195	25 962	39 981	3 425	43 406
Balance as at 31 December 2015	11 400	11 914	-579	1 306	-16 238	32 391	40 194	3 782	43 976
Effect of translation on opening balances	0	0	0	0	0	395	395	65	460
Profit for the period	0	0	0	0	0	9 117	9 117	264	9 381
Other comprehensive income for the period	0	0	0	0	927	0	927	-126	801
Total comprehensive income for the period	0	0	0	0	927	9 117	10 044	138	10 182
Transactions with owners, recognised directly in equity									
Dividends declared	0	0	0	0	0	-5 545	-5 545	0	-5 545
Purchase of treasury shares	0	0	-1 505	0	0	0	-1 505	0	-1 505
Total transactions with owners, recognised directly in equity	0	0	-1 505	0	0	-5 545	-7 050	0	-7 050
Balance as at 30 September 2016	11 400	11 914	-2 084	1 306	-15 311	36 358	43 583	3 985	47 568

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 2016 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 2016 ended on 30 September 2016 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 2015, 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 2015 there are no new IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2016 and that would be expected to have a material impact on the group.

Note 2 Trade and other receivables

in thousands of EUR	30.09.16	31.12.15
Trade receivables from third parties	3 150	3 492
Trade receivables from related parties	0	61
Impairment of receivables	-1 137	-1 052
Tax prepayments	1 191	1 207
Other receivables	553	412
Total	3 757	4 120

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	30.09.16	31.12.15
Raw and other materials	4 172	3 119
Work in progress	806	1 039
Finished goods	8 028	10 743
Other inventories	674	569
Total	13 680	15 470

Note 4 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
31.12.2014					
Cost	8 556	26 737	5 424	24	40 741
Accumulated depreciation	-3 169	-16 985	-4 077	0	-24 231
Net book amount	5 387	9 752	1 347	24	16 510
Movements during 09m 2015					
Effect of hyperinflation on opening balances	0	0	0	0	0
Additions	0	53	265	72	390
Disposals	0	2	-12	-1	-11
Reclassifications	0	12	72	-86	-2
Depreciation	-161	-1 156	-356	0	-1 673
Unrealised exchange rate differences	-1 481	-2 529	-322	-4	-4 336
Closing net book amount	3 745	6 134	994	5	10 878
30.09.2015					
Cost	6 177	19 650	4 214	5	30 046
Accumulated depreciation	-2 432	-13 516	-3 220	0	-19 168
Net book amount	3 745	6 134	994	5	10 878
31.12.2015					
Cost	6 060	19 323	4 145	39	29 567
Accumulated depreciation	-2 430	-13 605	-3 178	0	-19 213
Net book amount	3 630	5 718	967	39	10 354
Movements during 09m 2016					
Effect of hyperinflation on opening balances	0	0	0	0	0
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
Closing net book amount	3 285	4 597	1 084	195	9 161
30.09.2016					
Cost	5 691	18 253	4 231	195	28 370
Accumulated depreciation	-2 406	-13 656	-3 147	0	-19 209
Net book amount	3 285	4 597	1 084	195	9 161

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 30 September 2016.

Note 5 Trade and other payables

in thousands of EUR	30.09.16	31.12.15
Trade payables	4 600	6 026
Accrued expenses	335	398
Provisions	77	63
Other payables	793	1 498
Total	5 805	7 985

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 2016 registered share capital of AS Silvano Fashion Group amounted to 11 400 thousand EUR divided into 38 000 000 shares with a nominal value of 0.30 EUR each (as of 31 December 2015, 11 400 thousand EUR, 38 000 000 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 2016 AS Silvano Fashion Group had 1 694 shareholders (as of 31 December 2015 – 1 851 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for 9 months of 2016 (9 months of 2015) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	9m 2016	9m 2015
Number of ordinary shares at the beginning of the period	38 000	39 000
Effect of own shares held at the beginning of the period	-450	-340
Number of ordinary shares at the end of the period	38 000	39 000
Effect of own shares held at the end of the period	-1 316	-1 309
Weighted average number of ordinary shares for the period	37 110	38 129

in thousands of EUR	9m 2016	9m 2015
Profit for the period attributable to equity holders of the Parent company	9 117	7 908
Basic earnings per share (EUR)	0.25	0.21
Diluted earnings per share (EUR)	0.25	0.21

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	09m 2016	09m 2015
Revenue from wholesale	33 695	39 113
Revenue from retail	11 853	12 722
Subcontracting and services	91	27
Other sales	3	9
Total	45 642	51 871

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	09m 2016	09m 2015
Associates	903	630
Total	903	630

Balances with related parties

in thousands of EUR	30.09.2016	31.12.2015
Trade receivables from associates	0	0
Total	0	0

Benefits to key management of the group

in thousands of EUR	09m 2016	09m 2015
Remunerations and benefits	704	1 000
Total	704	1 000

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 2016

in thousands of EUR

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

Operating segments 9m 2015

in thousands of EUR

	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	12 722	39 122	51 844	27		51 871
Intersegment revenues	0	32 630	32 630	3 950	-36 580	0
EBITDA	2 790	9 668	12 458	1 026		13 484
Amortization and depreciation	-118	-1 163	-1 281	-659	0	-1 940
Operating income, EBIT	2 671	8 260	11 177	367	0	11 544
Profit from associates using equity method	0	1	1	0	0	1
Net financial income	-147	93	-54	1 294	0	1 240
Income tax	-136	-1 557	-1 693	-2 761	0	-4 454
Gain on net monetary position	0	0	0	0	0	0
Net profit	2 388	6 797	9 431	-1 100	0	8 331
Investments in associates	0	71	71	0	0	71
Other operating segments assets	2 925	27 620	30 545	20 525	0	51 070
Reportable segments liabilities	673	6 701	7 374	363	0	7 737
Capital expenditures	27	501	528	58	0	586
Number of employees as of reporting date	373	1 652	2 025	4		2 029

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	Sales revenue 09m 2016	Sales revenue 09m 2015	Non-current assets 30.09.2016	Non-current assets 31.12.2015
Russia	25 170	27 086	740	193
Belarus	13 885	16 986	10 582	12 189
Ukraine	1 332	1 383	1	2
Baltics	1 018	1 412	296	381
Other countries	4 237	5 003	0	0
Total	45 642	51 871	11 619	12 765