



AS Silvano Fashion Group

Consolidated Interim Financial Report for Q3 and 9 months of 2018 (unaudited)

(translation of the Estonian original) *

Beginning of the reporting period	1 January 2018
End of the reporting period	30 September 2018
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	Ernst & Young Baltic AS

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

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Management Report

General information about AS Silvano Fashion Group

AS Silvano Fashion Group (hereinafter “the Group”) is a holding company that controls group of entities involved in the design, manufacturing, wholesale, franchise and retail sales of ladies lingerie. The Group’s revenue is generated by sales of Milavitsa, Alisee, Aveline, Lauma Lingerie, Laumelle and Hidalgo brand products through wholesale channels, 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 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 the Group are listed on the Nasdaq OMX Tallinn Stock Exchange and on the Warsaw Stock Exchange.

As of 30 September 2018 the Group employed 2 098 people (as of 31 December 2017: 2 279 people).

The Group comprises of the following entities:

Parent company	Location	Main activity	Ownership interest 30.09.2018	Ownership interest 31.12.2017
AS Silvano Fashion Group	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%	84.92%
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 revenue amounted to 49 835 thousand EUR for 9 months of 2018, representing a 0.5% decrease as compared to the same period for the previous year. The Group's gross profit for 9 months of 2018 amounted to 28 468 thousand EUR and increased by 12.9% compared to 9 months of 2017. The Gross margin during the 9 month of 2018 increased to 57.1% from 50.4% as compared to 9 months of 2017.

Consolidated operating profit for 9 months of 2018 increased by 35.4% to 15 926 thousand EUR compared to 11 763 thousand EUR in 9 months of 2017. Consolidated EBITDA for 9 months of 2018 increased by 30.1% and was 17 113 thousand EUR, compared to 13 149 thousand EUR in 9 months of 2017.

Reported consolidated net profit for 9 months of 2018 amounted to 10 767 thousand EUR, increasing by 10.7% as compared to the result of 9 726 thousand EUR in the prior year's same period. Net profit attributable to equity holders of the Parent company for 9 months of 2018 increased by 5.9% and amounted to 9 858 thousand EUR.

According to the Russian Federal State Statistics Service (Rosstat), monthly inflation rate in Russia was 0.16% in September 2018. That is 0.15 more than it was in August 2018 and 0.31 more than in September 2017. At the same time, 2018 year to date inflation rate is 2.53% and year over year inflation rate is 3.39%. The economy is expected to expand at a five-year high of 1.8% in 2018 and then slow slightly next year. A hike in the VAT next year should dent household spending growth, while a tense geopolitical atmosphere will likely continue to weigh on confidence and financial assets. FocusEconomics panelists see GDP expanding 1.6% in 2019, down 0.1 percentage points from last month's forecast.

The Group's sales on the Russian market totalled 30 053 thousand EUR, increase is 8.0% compared to 9 months of 2017. Local currency sales increased by 21.1% during 9 months of 2018 compared to the same 9 months of 2017. The Group's Russian subsidiary opened 4 new stores during 9 months of 2018, a total of 40 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 development of the retail concept of the Group's brands to make it more attractive for us and our franchise retail partners.

According to Belstat in Belarus inflation rose markedly from the previous month's 4.1% to 5.0% in August. Meanwhile, annual average inflation edged down to a new record low of 4.7% in August from 4.8% in July. Although the economy is seen losing steam in the second half of 2018, growth should remain solid this year. The recovery is seen carrying over into next year, bolstered by improving domestic demand thanks to sturdy household consumption growth amid improving labour market dynamics. FocusEconomics panellists see the economy expanding 3.4% in 2018 and 3.0% in 2019, which is up 0.1 percentage points from last month's forecast.

The Group's sales in Belarus in the 9 months of 2018 were 12 697 thousand EUR and decreased by 12.3% compared to the 9 months of 2017. Sales in local currency decreased by 3.2% 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.

According to the data released by the State Statistics Service of Ukraine, inflation edged down from 9.0% in August to 8.9% in September, matching July's two-year low. Meanwhile, annual average inflation continued to fall, coming it at 12.1%—a 15-month low (August: 12.7%). Solid domestic demand dynamics should ensure steady recovery for the Ukrainian economy this year and next. Tighter labour market conditions will prop up private consumption growth, while fixed investment should remain strong on the back of buoyant public and private investment activity. Considerable risks to the outlook stem from the uncertainty surrounding the IMF agreement as well as from next year's elections. FocusEconomics panellists see GDP rising 3.2% in 2018 and 3.0% in 2019, which is down 0.1 percentage points from last month's estimate.

The Group's sales in Ukraine in the 9 months of 2018 increased by 88 thousand EUR, which is 4.1% more than in the previous year's same period. Sales in local currency increased by 9.5% 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 3.2% in Belarus. In Russia and Ukraine sales in local currencies increased accordingly 21.1% and 9.5%

	9m 2018	9m 2017	Change	Change, %
Russia, th RUB	2 177 187	1 798 489	378 698	21.1%
Belarus, th BYN	29 855	30 855	-1 000	-3.2%
Ukraine, th UAH	69 880	63 802	6 078	9.5%

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

in thousands of EUR	9m 2018	9m 2017	Change, EUR	Change, %	9m 2018, % of sales	9m 2017, % of sales
Russia	30 053	27 819	2 234	8.0%	60.3%	55.6%
Belarus	12 697	14 486	-1 789	-12.3%	25.5%	28.9%
Ukraine	2 258	2 170	88	4.1%	4.5%	4.3%
Baltics	1 218	1 294	-76	-5.9%	2.5%	2.6%
Other markets	3 609	4 296	-687	-16.0%	7.2%	8.6%
Total	49 835	50 065	-230	-0.5%	100.0%	100.0%

The majority of lingerie sales during 9 months of 2018 in the amount of 30 053 thousand EUR were generated in Russia, accounting for 60.3% of total sales. The second largest market was Belarus, where sales were 12 697 thousand EUR, contributing 25.5% of lingerie sales (both retail and wholesale). Volumes in Ukraine increased to 2 258 thousand EUR, accounting for 4.5% of total sales.

Sales by business segments

in thousands of EUR	9m 2018	9m 2017	Change, EUR	Change, %	9m 2018, % from sales	9m 2017, % from sales
Wholesale	33 778	34 114	-336	-1.0%	67.8%	68.1%
Retail	16 031	15 873	158	1.0%	32.2%	31.7%
Other operations	26	78	-52	-66.7%	0.0%	0.2%
Total	49 835	50 065	-230	-0.5%	100.0%	100.0%

During 9 months of 2018 wholesale sales amounted to 33 778 thousand EUR, representing 67.8% of the Group`s total sales (9 months of 2017: 68.1%). The main wholesale regions were Russia, Belarus and Ukraine. Our retail sales increased by 1.0% and amounted to 16 031 thousand EUR, which represents 32.2% of the Group`s total sales.

Own & franchise store locations, geography

	Own	Franchise	Total
Russia	40	353	393
Ukraine	0	76	76
Belarus	61	0	61
Baltics	8	25	33
Other regions	0	122	122
Total	109	576	685

At the end of the reporting period the Group and its franchising partners operated 641 Milavitsa and 44 Lauma Lingerie brand stores, including 109 stores operated directly by the Group.

Selected Financial Indicators

Summarized selected financial indicators of the Group for 9 months of 2018 compared to 9 months of 2017 and 30.09.2018 compared to 31.12.2017 were as follows:

in thousands of EUR	9m 2018	9m 2017	Change
Revenue	49 835	50 065	-0.5%
EBITDA	17 113	13 149	30.1%
Net profit for the period	10 767	9 726	10.7%
Net profit attributable equity holders of the Parent company	9 858	9 309	5.9%
Earnings per share (EUR)	0.27	0.26	3.8%
Operating cash flow for the period	10 752	9 661	11.3%

in thousands of EUR	30.09.2018	31.12.2017	Change
Total assets	43 609	52 880	-17.5%
Total current assets	33 203	41 708	-20.4%
Total equity attributable to equity holders of the Parent company	32 985	40 974	-19.5%
Cash and cash equivalents	13 098	21 230	-38.3%

Margin analysis, %	9m 2018	9m 2017	Change
Gross profit	57.1	50.4	13.3%
EBITDA	34.3	26.3	30.4%
Net profit	21.6	19.4	11.3%
Net profit attributable to equity holders of the Parent company	19.8	18.6	6.5%

Financial ratios, %	30.09.2018	31.12.2017	Change
ROA	23.4	19.9	17.6%
ROE	33.2	27.1	22.5%
Price to earnings ratio (P/E)	8.3	9.5	-12.6%
Current ratio	4.6	4.7	-2.1%
Quick ratio	2.3	2.7	-14.8%

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 revenue amounted to 49 835 thousand EUR for 9 months of 2018, representing a 0.5% decrease as compared to the same period of previous year. Overall, wholesales decreased by 1.0% measured in EUR.

The Group's reported gross profit margin for 9 months of 2018 continued to improve increasing to 57.1%, reported gross margin was 50.4% in the respective period of previous year. Consolidated operating profit for 9 months of 2018 amounted to 15 926 thousand EUR, compared to 11 763 thousand EUR in 9 months of 2017. The consolidated operating profit margin was 32.0% for 9 months of 2018 (23.5% in 9 months of 2017). Consolidated EBITDA for 9 months of 2018 was 17 113 thousand EUR, which is 34.3% in margin terms (13 149 thousand EUR and 26.3% for 9 months of 2017).

Reported consolidated net profit attributable to equity holders of the Parent company for 9 months of 2018 amounted to 9 858 thousand EUR, compared to net profit of 9 309 thousand EUR in 9 months of 2017, net profit margin attributable to equity holders of the Parent company for 9 months of 2018 was 19.8% against 18.6% in 9 months of 2017.

Financial position

As of 30 September 2018 consolidated assets amounted to 43 609 thousand EUR representing a decrease of 17.5% as compared to the position as of 31 December 2017.

Trade and other receivables increased by 776 thousand EUR as compared to 31 December 2017 and amounted to 3 492 thousand EUR as of 30 September 2018. Inventory balance decreased by 1 164 thousand EUR and amounted to 16 596 thousand EUR as of 30 September 2018.

Equity attributable to equity holders of the Parent company decreased by 7 989 thousand EUR and amounted to 32 985 thousand EUR as of 30 September 2018. Current liabilities decreased by 1 667 thousand EUR for 9 months of 2018.

Investments

During 9 months of 2018 the Group's investments into property, plant and equipment totalled 497 thousand EUR, in previous year same period 590 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 2018, the Group employed 2 098 employees, including 503 people in retail operations. The rest were employed in production, wholesale, administration and support operations. In 31.12.2017 there were 2 279 employees, including 506 people in retail operations.

Total salaries and related taxes for 9 months of 2018 amounted to 9 361 thousand EUR (10 730 thousand EUR in 9 months of 2017). The remuneration of key management of the Group, including the key executives of all subsidiaries, totalled 594 thousand EUR.

Decisions made by governing bodies 9 months 2018

On January 12, 2018 Silvano Fashion Group Extraordinary Meeting of Shareholders decided to distribute additional dividends in the amount 0.30 EUR per share (record date 25.01.2018, payment completed on 29.01.2018).

On June 28, 2018 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted the following decisions.

- The Meeting approved the 2017 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.20 EUR per share (record date 16.07.2018, payment completed on 24.07.2018).
- The Meeting decided to select audit company Ernst&Young Baltic AS as the auditor of AS Silvano Fashion Group 2018 and 2019 business activities.
- The Meeting decided to extend authority of the Supervisory Board member Mr. Mart Mutso for the next term of authority starting from 1 July 2018 till 30 June 2023.
- The Meeting decided to amend the first sentence of Section 2.1 of the Articles of Association of the Company and approve the sentence of Section 2.1 in the following wording: the minimum amount of the share capital of the Company shall be EUR three million six hundred thousand (3,600,000) and the maximum amount of the share capital shall be EUR fourteen million four hundred thousand (14,400,000) and to amend the second sentence of Section 2.2 of the Articles of Association of the Company and approve the second sentence of Section 2.2 in the following wording: the nominal value of each share is 0.10 euros.

- The Meeting decided to reduce the share capital of the Company by reducing the nominal value of the shares by 0.20 EUR per share (record date 16.07.2018, to be paid out after the registration of the capital reduction is completed) and amend the Articles of Association accordingly.

Shares of AS Silvano Fashion Group

As of 30 September 2018 registered share capital of AS Silvano Fashion Group amounted to 10 800 thousand EUR divided into 36 000 000 ordinary shares with a nominal value of 0.30 EUR each. As of 29 October 2018, Tartu County Court registered the decrease of the share capital to 3 600 thousand EUR according to the resolution of the Annual General Meeting (June 28, 2018). 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 2018 AS Silvano Fashion Group had 2 034 shareholders (as of 31 December 2017: 1 719 shareholders).

As of 30 September 2018 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

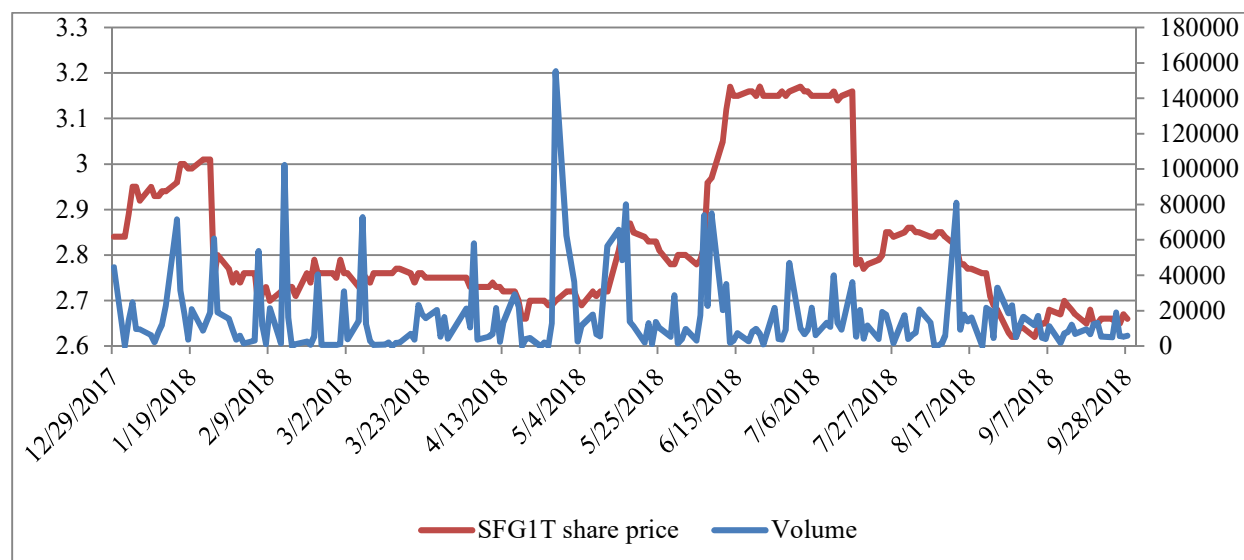
Name	Number of shares	Shareholding
Major shareholders	22 215 977	61.71%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 005 605	25.02%
AS SEB PANK CLIENTS	8 000 000	22.22%
UNICREDIT BANK AUSTRIA AG	3 262 829	9.06%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	1 947 543	5.41%
Other shareholders	13 784 023	38.29%
Total number of shares	36 000 000	100.00%

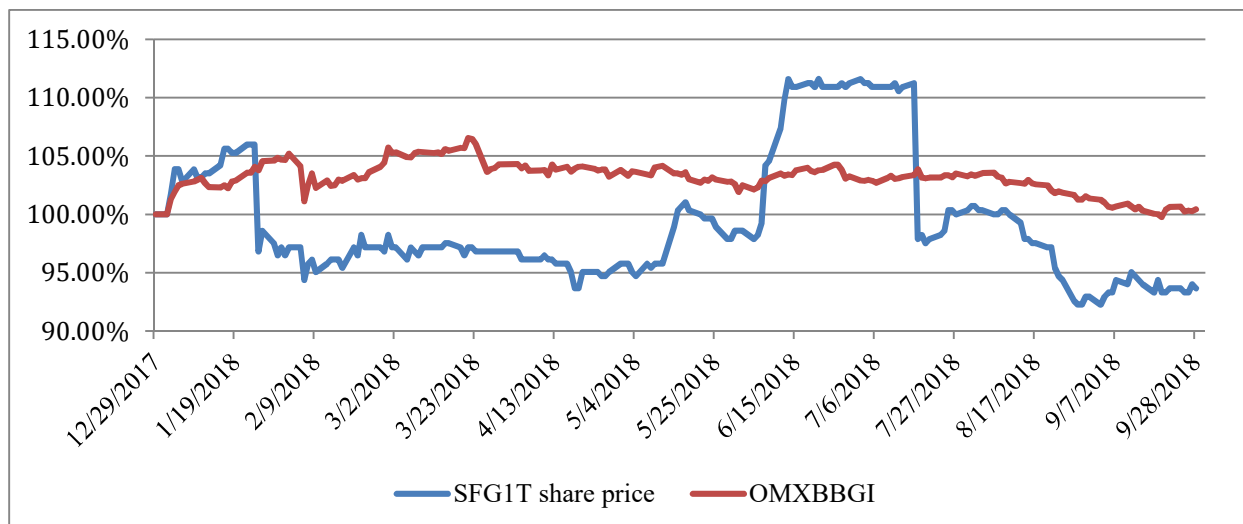
As of 31 December 2017 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

Name	Number of shares	Shareholding
Major shareholders	23 014 883	63.93%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 003 605	25.01%
AS SEB PANK CLIENTS	8 000 000	22.22%
UNICREDIT BANK AUSTRIA AG	3 490 924	9.70%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	2 520 354	7.00%
Other shareholders	12 985 117	36.07%
Total number of shares	36 000 000	100.00%

Share price development and turnover on the Tallinn Stock Exchange during 9 months of 2018 (EUR)

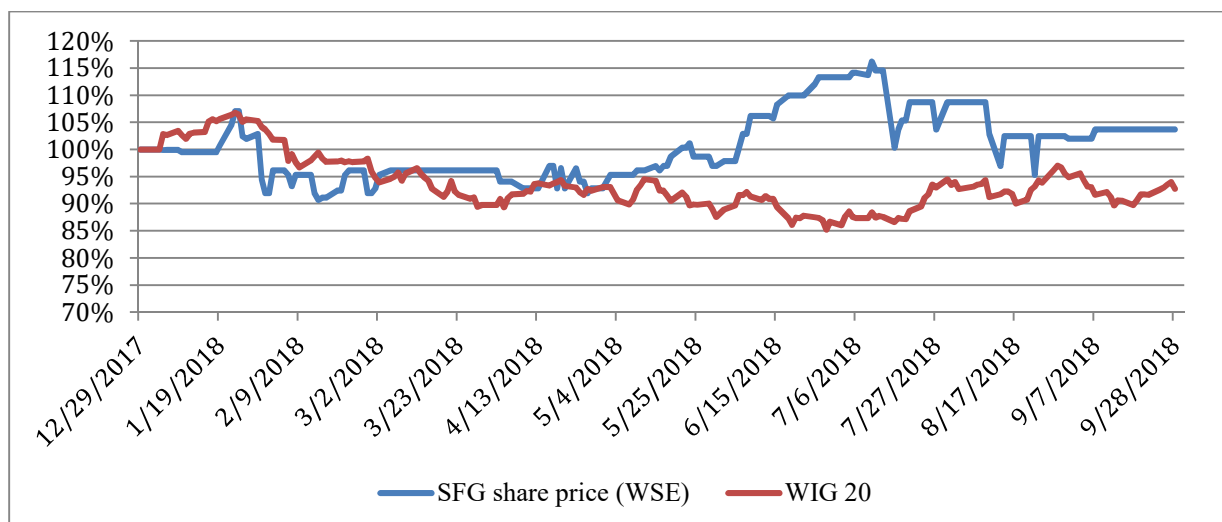
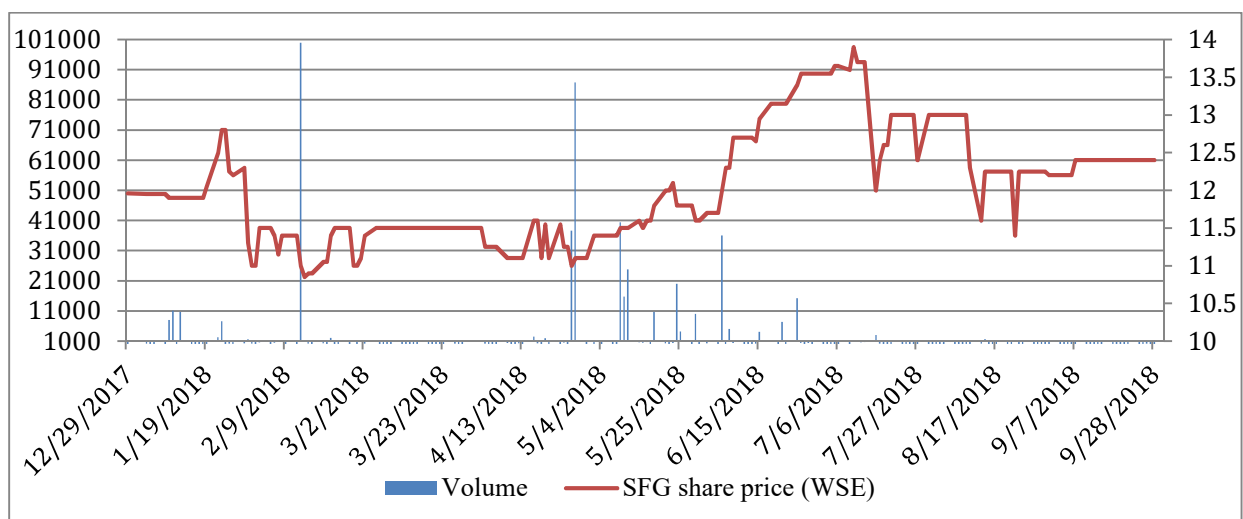
During 9 months of 2018 the highest and lowest prices of the AS Silvano Fashion Group' share on the Tallinn Stock Exchange were 3.18 EUR and 2.65 EUR, respectively





Share price development on the Warsaw Stock Exchange during 9 months of 2018 (PLN)

During 9 months of 2018, the highest and lowest prices of the AS Silvano Fashion Group' share on the Warsaw Stock Exchange were 13.90 PLN and 10.85 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 2018 (hereinafter “the Interim Report”).

Member of the Management Board confirms that according to his 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, Member of the Management Board confirms that in his 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 9, 2018

Consolidated Statement of Financial Position

in thousands of EUR	Note	30.09.2018	31.12.2017
ASSETS			
Current assets			
Cash and cash equivalents		13 098	21 230
Current loans granted		17	2
Trade and other receivables	2	3 492	2 716
Inventories	3	16 596	17 760
Total current assets		33 203	41 708
Non-current assets			
Long-term receivables		254	255
Investments in associates		66	55
Available-for-sale investments		308	320
Deferred tax asset		1 144	900
Intangible assets		277	217
Investment property		864	920
Property, plant and equipment	4	7 493	8 505
Total non-current assets		10 406	11 172
TOTAL ASSETS		43 609	52 880
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5	5 579	8 025
Tax liabilities		1 628	849
Total current liabilities		7 207	8 874
Non-current liabilities			
Deferred tax liability		9	10
Long-term provisions		50	52
Total non-current liabilities		59	62
Total liabilities		7 266	8 936
Equity			
Share capital	6	10 800	10 800
Share premium		8 567	8 567
Statutory reserve capital		1 306	1 306
Revaluation reserve		710	710
Unrealised exchange rate differences		-15 435	-15 588
Retained earnings		27 037	35 179
Total equity attributable to equity holders of the Parent company		32 985	40 974
Non-controlling interest		3 358	2 970
Total equity		36 343	43 944
TOTAL EQUITY AND LIABILITIES		43 609	52 880

Consolidated Income Statement

in thousands of EUR	Note	3Q 2018	3Q 2017	9m 2018	9m 2017
Revenue	8	16 302	17 255	49 835	50 065
Cost of goods sold		-7 205	-8 283	-21 367	-24 846
Gross Profit		9 097	8 972	28 468	25 219
Distribution expenses		-3 028	-2 975	-8 956	-9 134
Administrative expenses		-1 055	-1 181	-3 178	-3 740
Other operating income		71	75	197	230
Other operating expenses		-179	-250	-605	-812
Operating profit		4 906	4 641	15 926	11 763
Currency exchange income/(expense)		-1 679	257	-1 920	1 132
Other finance income/(expenses)		15	41	55	147
Net financial income		-1 664	298	-1 865	1 279
Profit (loss) from associates using equity method		6	17	18	29
Profit before tax		3 248	4 956	14 079	13 071
Income tax expense		-899	-932	-3 312	-3 345
Profit for the period		2 349	4 024	10 767	9 726
Attributable to :					
Equity holders of the Parent company		2 201	3 875	9 858	9 309
Non-controlling interest		148	149	909	417
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0.06	0.11	0.27	0.26

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	3Q 2018	3Q 2017	9m 2018	9m 2017
Profit for the period		2 349	4 024	10 767	9 726
Exchange rate differences attributable to foreign operations		-197	-1 911	8	-5 226
Attributable to :					
Equity holders of the Parent company		28	-1 730	153	-4 732
Non-controlling interest		-225	-181	-145	-494
Total comprehensive income for the period		2 152	2 113	10 775	4 500
Attributable to :					
Equity holders of the Parent company		2 229	2 145	10 011	4 577
Non-controlling interest		-77	-32	764	-77

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows		
in thousands of EUR	9m 2018	9m 2017
Cash flow from operating activities		
Profit for the period	10 767	9 726
Adjustments for:		
Depreciation and amortization of non-current assets	1 187	1 386
Share of profit of equity accounted investees	-18	-29
(Gains)/ losses on the sale of PPE and IA	22	6
Net finance income / costs	1 865	-1 279
Provision for impairment losses on trade receivables	1	0
Provision for long-term benefits	-2	0
Income tax expense	3 312	3 345
Change in inventories	1 164	1 833
Change in trade and other receivables	-790	941
Change in trade and other payables	-4 032	-2 977
Income tax paid	-2 724	-3 291
Net cash from operating activities	10 752	9 661
 Cash flow from investing activities		
Interest received	26	110
Dividends received	3	1
Proceeds from disposal of property, plant and equipment	12	411
Acquisition of property, plant and equipment	-497	-590
Acquisition of intangible assets	-144	-84
Net cash used in/from investing activities	-600	-152
 Cash flow from financing activities		
Dividends paid	-18 376	-8 098
Acquisition of own shares	0	-1 522
Net cash used in/ from financing activities	-18 376	-9 620
 Increase in cash and cash equivalents	-8 224	-111
Cash and cash equivalents at the beginning of period	21 230	22 303
Effect of exchange rate fluctuations on cash held	92	-102
Cash and cash equivalents at the end of period	13 098	22 090

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
Balance as at 31 December 2016	11 100	10 787	-998	1 306	710	-10 968	31 465	43 402	3 955	47 357
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
Total comprehensive income for the period	0	0	0	0	0	-4 732	9 309	4 577	-77	4 500
Transactions with owners, recognised directly in equity										
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
Total transactions with owners, recognised directly in equity	0	0	-1 522	0	0	0	-7 200	-8 722	-903	-9 625
Balance as at 30 September 2017	11 100	10 787	-2 520	1 306	710	-15 700	33 574	39 257	2 975	42 232
Balance as at 31 December 2017	10 800	8 567	0	1 306	710	-15 588	35 179	40 974	2 970	43 944
Profit for the period	0	0	0	0	0	0	9 858	9 858	909	10 767
Other comprehensive income for the period	0	0	0	0	0	153	0	153	-145	8
Total comprehensive income for the period	0	0	0	0	0	153	9 858	10 011	764	10 775
Transactions with owners, recognised directly in equity										
Dividends declared	0	0	0	0	0	0	-18 000	-18 000	-376	-18 376
Purchase of treasury shares	0	0	0	0	0	0	0	0	0	0
Total transactions with owners, recognised directly in equity	0	0	0	0	0	0	-18 000	-18 000	-376	-18 376
Balance as at 30 September 2018	10 800	8 567	0	1 306	710	-15 435	27 037	32 985	3 358	36 343

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 2018 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 2018 ended on 30 September 2018 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 2017, 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 2017 there are no new IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2018 and that would be expected to have a material impact on the Group.

Note 2 Trade and other receivables

in thousands of EUR	30.09.18	31.12.17
Trade receivables from third parties	1 935	1 463
Trade receivables from related parties	33	0
Impairment of receivables	-113	-128
Tax prepayments	637	813
Other receivables	1 000	568
Total	3 492	2 716

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	30.09.18	31.12.17
Raw and other materials	3 985	5 370
Work in progress	1 219	1 068
Finished goods	10 797	10 834
Other inventories	595	488
Total	16 596	17 760

Note 4 Property, plant and equipment

in thousands of EUR					
	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
31.12.2016					
Cost	6 520	20 013	4 637	34	31 204
Accumulated depreciation	-2 707	-14 455	-3 377	0	-20 539
Net book amount	3 813	5 558	1 260	34	10 665
Movements during 9m 2017					
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
Closing net book amount	3 261	4 254	1 208	79	8 802
30.09.2017					
Cost	5 762	17 292	5 109	79	28 242
Accumulated depreciation	-2 501	-13 038	-3 901	0	-19 440
Net book amount	3 261	4 254	1 208	79	8 802
31.12.2017					
Cost	5 661	17 676	4 552	91	27 980
Accumulated depreciation	-2 491	-13 609	-3 375	0	-19 475
Net book amount	3 170	4 067	1 177	91	8 505
Movements during 9m 2018					
Additions	0	16	304	177	497
Disposals	0	-1	-34	1	-34
Reclassifications	2	183	61	-246	0
Depreciation	-95	-650	-368	0	-1 113
Unrealised exchange rate differences	-125	-120	-111	-6	-362
Closing net book amount	2 952	3 495	1 029	17	7 493
30.09.2018					
Cost	5 332	16 577	5 292	17	27 218
Accumulated depreciation	-2 380	-13 082	-4 263	0	-19 725
Net book amount	2 952	3 495	1 029	17	7 493

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 30 September 2018.

Note 5 Trade and other payables

in thousands of EUR	30.09.18	31.12.17
Trade payables	3 948	6 563
Accrued expenses	579	416
Provisions	50	42
Other payables	1 002	1 004
Total	5 579	8 025

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 2018 registered share capital of AS Silvano Fashion Group amounted to 10 800 thousand EUR divided into 36 000 000 shares with a nominal value of 0.30 EUR each (as of 31 December 2017, 10 800 thousand EUR, 36 000 000 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 are fully paid shares.

As of 30 September 2018 AS Silvano Fashion Group had 2 034 shareholders (as of 31 December 2017 – 1 719 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for 9 months of 2018 (for 9 months of 2017) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	9m 2018	9m 2017
Number of ordinary shares at the beginning of the period	36 000	37 000
Effect of own shares held at the beginning of the period	0	-460
Number of ordinary shares at the end of the period	36 000	37 000
Effect of own shares held at the end of the period	0	-1 000
Weighted average number of ordinary shares for the period	36 000	36 270

in thousands of EUR	9m 2018	9m 2017
Profit for the period attributable to equity holders of the Parent company	9 858	9 309
Basic earnings per share (EUR)	0.27	0.26
Diluted earnings per share (EUR)	0.27	0.26

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 2018	9m 2017
Revenue from wholesale	33 778	34 114
Revenue from retail	16 031	15 873
Subcontracting and services	18	68
Other sales	8	10
Total	49 835	50 065

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 2018	9m 2017
Associates	1 117	1 148
Total	1 117	1 148

Balances with related parties

in thousands of EUR	30.09.2018	31.12.2017
Trade receivables from associates	21	0
Total	21	0

Benefits to key management of the group

in thousands of EUR	9m 2018	9m 2017
Remunerations and benefits	594	672
Total	594	672

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's 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 <i>in thousands of EUR</i>	9m 2018 and as of 30.09.18					
	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	16 031	33 778	49 809	26		49 835
Intersegment revenues	0	30 121	30 121	3 338	-33 459	0
EBITDA	4 464	12 475	16 939	174		17 113
Amortization and depreciation	-257	-576	-833	-354	0	-1 187
Operating income, EBIT	4 207	11 899	16 106	-180	0	15 926
Profit from associates using equity method	0	18	18	0	0	18
Net financial income	-4	764	760	-2 625	0	-1 865
Income tax	-569	-2 455	-3 024	-288	0	-3 312
Net profit	3 634	10 226	13 860	-3 093	0	10 767
Investments in associates	0	66	66	0	0	66
Other operating segments assets	2 645	30 502	33 147	10 396	0	43 543
Reportable segments liabilities	296	6 664	6 960	306	0	7 266
Capital expenditures	251	369	620	21	0	641
Number of employees as of reporting date	503	1 432	1 935	163		2 098
Operating segments <i>in thousands of EUR</i>	9m 2017 and as of 30.09.17					
	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	15 873	34 114	49 987	78		50 065
Intersegment revenues	0	30 322	30 322	3 723	-34 045	0
EBITDA	3 728	8 622	12 350	799		13 149
Amortization and depreciation	-68	-906	-974	-412	0	-1 386
Operating income, EBIT	3 660	7 716	11 376	387	0	11 763
Profit from associates using equity method	0	29	29	0	0	29
Net financial income	-10	899	889	390	0	1 279
Income tax	-456	-1 863	-2 319	-1 026	0	-3 345
Net profit	3 194	6 781	9 975	-249	0	9 726
Investments in associates	0	45	45	0	0	45
Other operating segments assets	3 322	39 371	42 693	8 203	0	50 896
Reportable segments liabilities	331	7 992	8 323	386	0	8 709
Capital expenditures	257	417	674	0	0	674
Number of employees as of reporting date	516	1 616	2 132	169		2 301

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	Revenue 9m 2018	Revenue 9m 2017	Non-current assets 30.09.2018	Non-current assets 31.12.2017
Russia	30 053	27 819	1 450	1 308
Belarus	12 697	14 486	8 757	9 581
Ukraine	2 258	2 170	1	1
Baltics	1 218	1 294	175	258
Other countries	3 609	4 256	23	24
Total	49 835	50 065	10 406	11 172