



AS Silvano Fashion Group

Consolidated Interim Financial Report for Q1 of 2016 (unaudited)

(translation of the Estonian original)*

| | |
|-----------------------------------|--|
| Beginning of the reporting period | 1 January 2016 |
| End of the reporting period | 31 March 2016 |
| Business name | AS Silvano Fashion Group |
| Registration number | 10175491 |
| Legal address | Tulika 15/17, 10613 Tallinn |
| Telephone | +372 684 5000 |
| Fax | +372 684 5300 |
| E-mail | info@silvanofashion.com |
| Website | www.silvanofashion.com |
| Core activities | Design, manufacturing and distribution of women's lingerie |
| Auditor | AS PricewaterhouseCoopers |

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

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Business environment and results

Group's results for Q1 of 2016 were defined by continued difficulties in economies of its major sales markets. The Group didn't manage to demonstrate desired growth rate of sales compared to low base of Q1 of 2015, but the Group is holding last year level. Total sales in Q1 of 2016 amounted to 13 358 thousand EUR, up by 2.2% compared to Q1 of 2015. Previously undermined by devaluations and high inflation rates purchasing power in region's countries remain low, future expectations are still more on a negative or neutral side. Policy makers in CIS countries tend to delay real economic reforms substituting them by rhetoric and cosmetic changes; 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 Q1 of 2016 is up to 57.5% from 44.8% in Q1 of 2015. Compared to Q1 of 2015 commercial and administrative expenses diminished respectively by 13.3% and 34.4%. Personnel expenses decreased by 35%; average quarterly number of employees diminished by 16%, the remaining part is attributable to devaluation of national currencies in Belarus and Russia.

Russian statistics for Q1 of 2016 somewhat improved compared to 2015, inflation rate is falling and is currently under 7% in yearly terms, GDP declined "only" by 1.4% during 3 months of 2016. Russian economy is starting to adapt to new reality. Group's sales on Russian market totalled 7 675 thousand EUR, growth is 26.3% compared to Q1 of 2015. Group's Russian subsidiary opened 6th store in January 2016, 2 more stores were opened in April 2016. Depending on opportunities the Group will continue opening own stores. In addition to growing sales 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, GDP decreased by 3.6% in Q1 of 2016. Nominal salaries stand still. International financial institutions predict that in 2016 Belarusian GDP will fall by around 3%, inflation rate will be 12% - 15%. Major factors behind this are believed to be unreformed economy (particularly public sector and state-controlled entities), delayed impact of recession in main trading partner – Russia, continued devaluation of Belarusian rouble, low demand for consumption, high level of debts in economy. Share of problematic credits in banking sector is growing, according to official statistics it was 11.55% of banking assets as of the end of March 2016. Group's sales in Belarus in Q1 of 2016 were 4 071 thousand EUR diminishing by 19.8% compared to Q1 of 2015. 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.

Our partners in Kazakhstan as well are struggling with reduced demand of customers and devaluation of national currency. The process of optimisation in number and quality of stores is an ongoing activity there, total number of franchising stores diminished by 7 during Q1 of 2016. Group's sales to Kazakhstan clients fell by 28% in Q1 of 2016 and amounted to 460 thousand EUR. The Group expects stabilisation of Kazakhstan market in 2016.

Ukraine economy is supposed (particularly IMF projections) 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. Group's efforts to establish more productive relationships with partners there led to improvement of quarterly sales by 55.5% to the level of 297 thousand EUR, although comparison base is relatively low.

Sales structure

Sales by markets

| in thousands of EUR | Q1 2016 | Q1 2015 | Change, th. EUR | Change, % | Q1 2016, % of sales | Q1 2015, % of sales |
|---------------------|---------------|---------------|-----------------|-------------|---------------------|---------------------|
| Russia | 7 675 | 6 077 | 1 598 | 26.3% | 57.5% | 46.5% |
| Belarus | 4 071 | 5 076 | -1 005 | -19.8% | 30.5% | 38.8% |
| Kazakhstan | 460 | 639 | -179 | -28.0% | 3.4% | 4.9% |
| Ukraine | 297 | 191 | 106 | 55.5% | 2.2% | 1.5% |
| Moldova | 232 | 219 | 13 | 5.9% | 1.7% | 1.7% |
| Latvia | 219 | 259 | -40 | -15.4% | 1.6% | 2.0% |
| Estonia | 119 | 58 | 61 | 105.2% | 0.9% | 0.4% |
| Lithuania | 77 | 85 | -8 | -9.4% | 0.6% | 0.7% |
| Other markets | 208 | 469 | -261 | -55.7% | 1.6% | 3.6% |
| Total | 13 358 | 13 073 | 286 | 2.2% | 100.0% | 100.0% |

The majority of lingerie sales revenue during Q1 of 2016 in the amount of 7 675 thousand EUR was generated in Russia, accounting for 57.5% of total sales. The second largest market was Belarus, where sales reached 4 071

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thousand EUR, contributing 30.5% of lingerie sales (both retail and wholesale). Volumes in Kazakhstan decreased significantly to 460 thousand EUR, there was a remarkable increase in Ukraine – 55.5%.

Sales by business segments

| in thousands of EUR | Q1 2016 | Q1 2015 | Change, EUR | Change, % | Q1 2016, % from sales | Q1 2015, % from sales |
|---------------------|---------------|---------------|----------------|--------------|--------------------------|--------------------------|
| Wholesale | 10 208 | 9 208 | 1 000 | 10.9% | 76.4% | 70.4% |
| Retail | 3 131 | 3 857 | -726 | -18.8% | 23.4% | 29.5% |
| Other operations | 19 | 8 | 12 | 154.2% | 0.1% | 0.1% |
| Total | 13 358 | 13 073 | 286 | 2.2% | 100.0% | 100.0% |

During Q1 of 2016 wholesale revenue amounted to 10 208 thousand EUR, representing 76.4% of the Group's total revenue (Q1 of 2015: 70.4%). The main wholesale regions were Russia, Belarus, Kazakhstan and Ukraine.

Our retail revenue decreased by 18.8% and amounted to 3 131 thousand EUR, this represents 23.4% of the Group's total revenue. The decrease in retail revenue is mainly attributable to Belarusian operations.

Own & franchise store locations, geography

| | Own | Franchise | Total |
|---------------|-----------|------------|------------|
| Russia | 6 | 392 | 398 |
| Ukraine | 0 | 92 | 92 |
| Belarus | 56 | 2 | 58 |
| Baltics | 8 | 25 | 33 |
| Kazakhstan | 0 | 51 | 51 |
| Moldova | 0 | 26 | 26 |
| Other regions | 0 | 40 | 40 |
| Total | 70 | 628 | 698 |

At the end of the reporting period the Group and its franchising partners operated 649 Milavitsa and 49 Lauma Lingerie branded stores, including 70 stores operated directly by the Group.

Selected Financial Indicators

Summarized selected financial indicators of the Group for Q1 of 2016 compared to Q1 of 2015 and 31.03.2016 compared to 31.12.2015 were as follows:

| in thousands of EUR | Q1 2016 | Q1 2015 | Change |
|--|---------|---------|---------|
| Revenue | 13 358 | 13 073 | 2.2% |
| EBITDA | 4 818 | 2 351 | 104.9% |
| Net profit for the period | 2 114 | -349 | -705.7% |
| Net profit attributable equity holders of the Parent company | 2 159 | -521 | -514.4% |
| Earnings per share (EUR) | 0.06 | -0.01 | -674.0% |
| Operating cash flow for the period | 2 603 | 678 | 284.0% |

| in thousands of EUR | 31.03.2016 | 31.12.2015 | Change |
|---|------------|------------|--------|
| Total assets | 54 072 | 53 635 | 0.8% |
| Total current assets | 42 919 | 40 870 | 5.0% |
| Total equity attributable to equity holders of the Parent company | 41 116 | 40 194 | 2.3% |
| Loans and borrowings | 0 | 0 | N/A |
| Cash and cash equivalents | 22 976 | 21 274 | 8.0% |

| Margin analysis, % | Q1 2016 | Q1 2015 | Change |
|--|---------|---------|---------|
| Gross profit | 57.5 | 44.8 | 28.4% |
| EBITDA | 36.1 | 18.0 | 100.6% |
| Net profit | 15.8 | -2.7 | -692.8% |
| Net profit attributable equity holders of the Parent company | 16.2 | -4.0 | -505.6% |

| Financial ratios, % | 31.03.2016 | 31.12.2015 | Change |
|-------------------------------|------------|------------|--------|
| ROA | 22.0 | 17.4 | 26.4% |
| ROE | 29.5 | 23.7 | 24.3% |
| Price to earnings ratio (P/E) | 4.8 | 5.0 | -4.3% |
| Current ratio | 4.5 | 4.2 | 7.9% |
| Quick ratio | 2.9 | 2.6 | 12.7% |

Underlying formulas:

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

Gross profit margin = gross profit / revenue

EBITDA margin = EBITDA / revenue

Net profit margin = net profit / revenue

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

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

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

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

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

Current ratio = current assets / current liabilities

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

Financial performance

The Group's sales amounted to 13 358 thousand EUR during Q1 of 2016, representing a 2.2% increase as compared to the same period of previous year. Overall, wholesales increased by 10.9% and retail sales decreased by 18.8%, measured in EUR.

The Group's reported gross profit margin during Q1 of 2016 continued to improve increasing to 57.5%, reported gross margin was 44.8% in the respective period of previous year. Consolidated operating profit for Q1 of 2016 amounted to 4 376 thousand EUR, compared to 1 695 thousand EUR in Q1 of 2015. The consolidated operating profit margin was 32.8% for Q1 of 2016 (13.0% in Q1 of 2015). Consolidated EBITDA for Q1 of 2016 was 4 818 thousand EUR, which is 36.1% in margin terms (2 351 thousand EUR and 18.0% for Q1 of 2015).

Reported consolidated net profit attributable to equity holders of the Parent company for Q1 of 2016 amounted to 2 159 thousand EUR, compared to net loss of 521 thousand EUR in Q1 of 2015, net profit margin attributable to equity holders of the Parent company for Q1 of 2016 was 16.2% against -4.0% in Q1 of 2015.

Financial position

As of 31 March 2016 consolidated assets amounted to 54 072 thousand EUR representing an increase by 0.8% as compared to the position as of 31 December 2015.

Trade and other receivables increased by 650 thousand EUR as compared to 31 December 2015 and amounted to 4 770 thousand EUR as of 31 March 2016. Inventory balance decreased by 303 thousand EUR and amounted to 15 167 thousand EUR as of 31 March 2016.

Equity attributable to equity holders of the Parent company increased by 922 thousand EUR and amounted to 41 116 thousand EUR as of 31 March 2016. Current liabilities decreased by 176 thousand EUR during Q1 of 2016.

Production, sourcing, purchasing and logistics

During Q1 of 2016 the Group's investments into property, plant and equipment totalled 42 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 31 March 2016, the Group employed 2 041 employees including 355 in retail. The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes during Q1 of 2016 amounted to 2 758 thousand EUR (4 241 thousand EUR in Q1 of 2015). The remuneration of key management of the Group, including the key executives of all subsidiaries, totalled 258 thousand EUR.

Shares of AS Silvano Fashion Group

As of 31 March 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 31 March 2016 AS Silvano Fashion Group had 1 812 shareholders (as of 31 December 2015 – 1 851 shareholders).

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

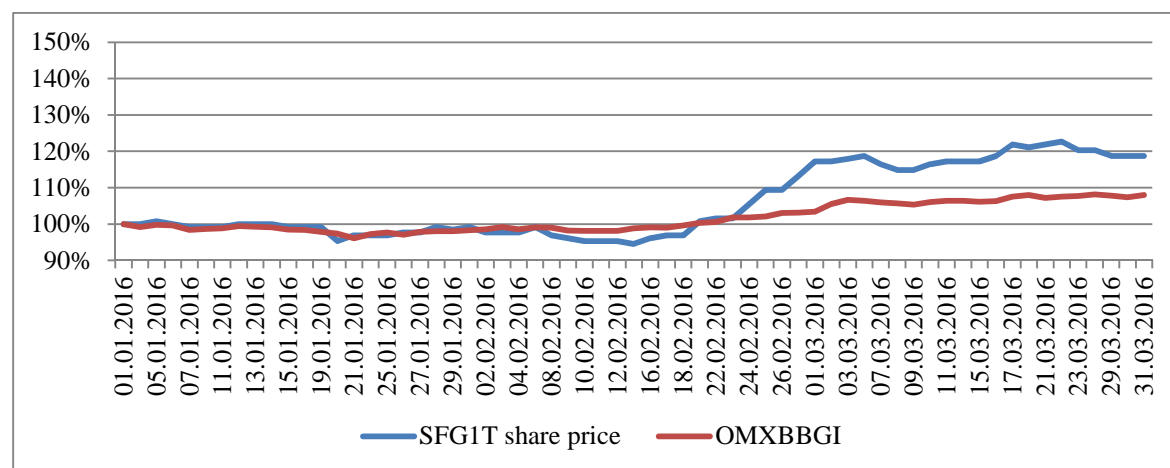
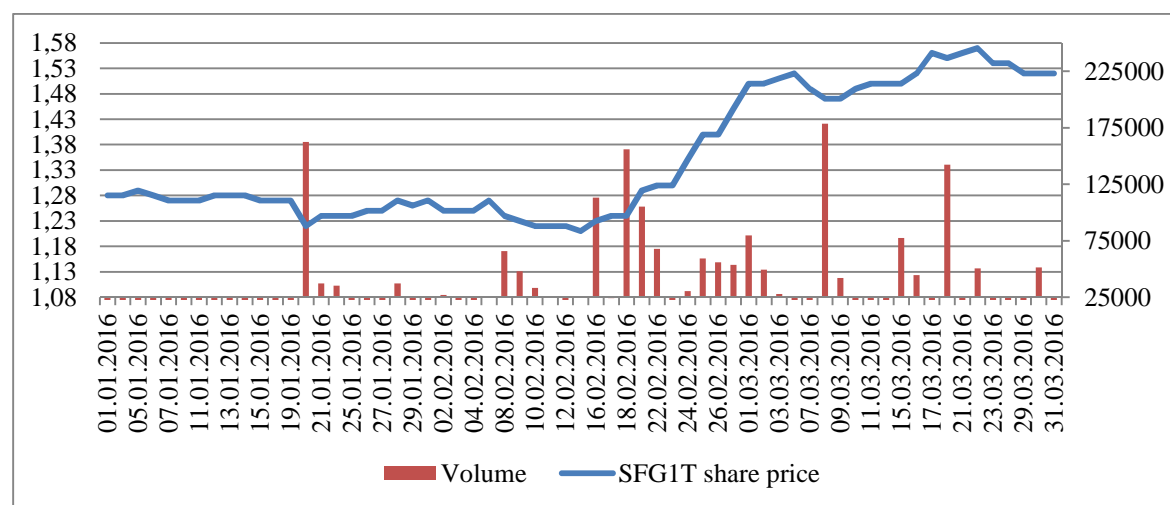
| Name | Number of shares | Shareholding |
|---|-------------------|----------------|
| Major shareholders | 22 778 589 | 59.94% |
| CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS | 9 003 605 | 23.69% |
| AS SEB PANK CLIENTS | 8 000 000 | 21.05% |
| KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A. | 2 922 029 | 7.69% |
| UNICREDIT BANK AUSTRIA AG | 2 852 955 | 7.51% |
| Other shareholders | 15 221 411 | 40.06% |
| 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% |

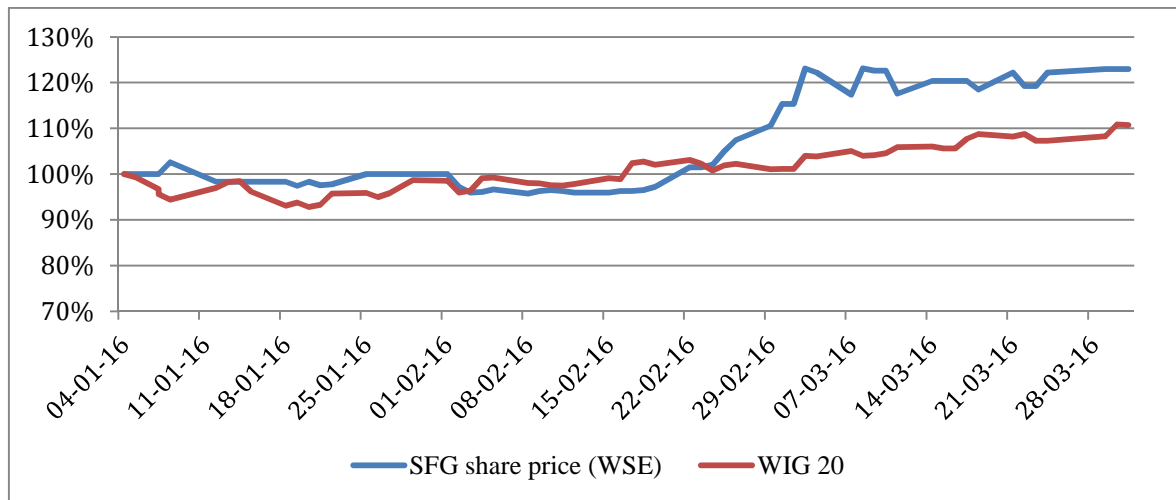
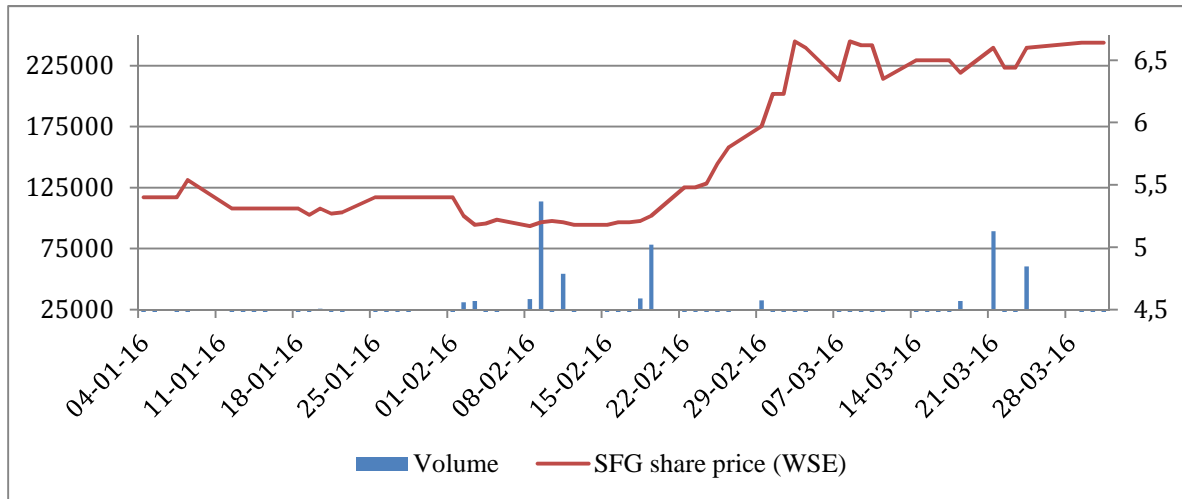
Share price development and turnover on the Tallinn Stock Exchange during Q1 of 2016 (EUR)

During 1Q of 2016 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 1.57 EUR and 1.21 EUR, respectively.



Share price development on the Warsaw Stock Exchange during Q1 of 2016 (PLN)

During Q1 of 2016, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 6.65 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 Q1 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.



Aleksei Kadörko
Member of the Management Board
May 4, 2016



Jarek Särgava
Member of the Management Board
May 4, 2016

Consolidated Statement of Financial Position

| in thousands of EUR | Note | 31.03.16 | 31.12.15 |
|--|------|---------------|---------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 22 976 | 21 274 |
| Current loans granted | | 6 | 6 |
| Trade and other receivables | 2 | 4 770 | 4 120 |
| Inventories | 3 | 15 167 | 15 470 |
| Total current assets | | 42 919 | 40 870 |
| Non-current assets | | | |
| Investments in associates | | 0 | 1 |
| Available-for-sale investments | | 331 | 372 |
| Deferred tax asset | | 536 | 465 |
| Intangible assets | | 344 | 443 |
| Investment property | | 999 | 1 130 |
| Property, plant and equipment | 4 | 8 943 | 10 354 |
| Total non-current assets | | 11 153 | 12 765 |
| TOTAL ASSETS | | 54 072 | 53 635 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Trade and other payables | 5 | 7 452 | 7 985 |
| Tax liabilities | | 2 018 | 1 661 |
| Total current liabilities | | 9 470 | 9 646 |
| Non-current liabilities | | | |
| Deferred tax liability | | 13 | 13 |
| Total non-current liabilities | | 13 | 13 |
| Total liabilities | | 9 483 | 9 659 |
| Equity | | | |
| Share capital | 6 | 11 400 | 11 400 |
| Share premium | | 11 914 | 11 914 |
| Treasury shares | 6 | -1 039 | -579 |
| Statutory reserve capital | | 1 306 | 1 306 |
| Unrealised exchange rate differences | | -17 015 | -16 238 |
| Retained earnings | | 34 550 | 32 391 |
| Total equity attributable to equity holders of the Parent company | | 41 116 | 40 194 |
| Non-controlling interest | | 3 473 | 3 782 |
| Total equity | | 44 589 | 43 976 |
| TOTAL EQUITY AND LIABILITIES | | 54 072 | 53 635 |

Consolidated Income Statement

| in thousands of EUR | Note | Q1 2016 | Q1 2015 |
|---|------|---------------|--------------|
| Revenue | 8 | 13 358 | 13 073 |
| Cost of goods sold | | -5 677 | -7 217 |
| Gross Profit | | 7 681 | 5 856 |
| Distribution expenses | | -2 015 | -2 323 |
| Administrative expenses | | -1 121 | -1 709 |
| Other operating income | | 83 | 123 |
| Other operating expenses | | -252 | -252 |
| Operating profit | | 4 376 | 1 695 |
| Currency exchange income/(expense) | | -1 519 | -89 |
| Other finance income/(expenses) | | 65 | 173 |
| Net financial income | | -1 454 | 84 |
| Profit (loss) from associates using equity method | | 0 | -2 |
| Profit before tax | | 2 922 | 1 777 |
| Income tax expense | | -808 | -2 126 |
| Profit for the period | | 2 114 | -349 |
| Attributable to : | | | |
| Equity holders of the Parent company | | 2 159 | -521 |
| Non-controlling interest | | -45 | 172 |
| Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR) | 7 | 0.06 | -0.01 |

Consolidated Statement of Comprehensive Income

| in thousands of EUR | Note | Q1 2016 | Q1 2015 |
|--|------|--------------|---------------|
| Profit for the period | | 2 114 | -349 |
| Exchange rate differences attributable to foreign operations | | -1 041 | -1 605 |
| Total comprehensive income for the period | | 1 073 | -1 954 |
| Attributable to : | | | |
| Equity holders of the Parent company | | 1 382 | -2 124 |
| Non-controlling interest | | -309 | 170 |

Consolidated Statement of Cash Flows

| in thousands of EUR | Q1 2016 | Q1 2015 |
|---|---------------|---------------|
| Cash flow from operating activities | | |
| Profit for the period | 2 114 | -349 |
| Adjustments for: | | |
| Depreciation and amortization of non-current assets | 442 | 656 |
| Share of profit of equity accounted investees | 0 | -2 |
| (Gains)/ losses on the sale of PPE and IA | -9 | 1 |
| Net finance income / costs | 1 454 | -84 |
| Provision for impairment losses on trade receivables | -5 | -1 |
| Income tax expense | 808 | 2 126 |
| Change in inventories | -252 | -527 |
| Change in trade and other receivables | -611 | 1 543 |
| Change in trade and other payables | -533 | -8 |
| Income tax paid | -805 | -2 677 |
| Net cash from operating activities | 2 603 | 678 |
| Cash flow from investing activities | | |
| Interest received | 16 | 189 |
| Proceeds from disposal of property, plant and equipment | 10 | 8 |
| Proceeds from repayments of loans granted | 0 | 305 |
| Acquisition of property, plant and equipment | -34 | -51 |
| Acquisition of intangible assets | -3 | -77 |
| Acquisition of shares of a subsidiary | -3 | 0 |
| Net cash used in/from investing activities | -14 | 374 |
| Cash flow from financing activities | | |
| Dividends paid | -404 | -1 390 |
| Acquisition of own shares | -460 | -620 |
| Net cash used in/ from financing activities | -864 | -2 010 |
| Increase in cash and cash equivalents | 1 726 | -958 |
| 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 | -24 | -102 |
| Cash and cash equivalents at the end of period | 22 976 | 12 248 |

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 | -1 555 | -1 555 | -1 579 | -3 134 |
| Profit for the period | 0 | 0 | 0 | 0 | 0 | -521 | -521 | 172 | -349 |
| Other comprehensive income for the period | 0 | 0 | 0 | 0 | -1 603 | 0 | -1 603 | -2 | -1 605 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | -1 603 | -521 | -2 124 | 170 | -1 954 |
| Transactions with owners, recognised directly in equity | | | | | | | | | |
| Dividends declared | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1 884 | -1 884 |
| Change in non-controlling interest | 0 | 0 | 0 | 0 | 0 | 545 | 545 | -545 | 0 |
| Purchase of treasury shares | 0 | 0 | -620 | 0 | 0 | 0 | -620 | 0 | -620 |
| Total transactions with owners, recognised directly in equity | 0 | 0 | -620 | 0 | 0 | 545 | -75 | -2 429 | -2 504 |
| Balance as at 31 March 2015 | 11 700 | 13 066 | -1 205 | 1 306 | -7 252 | 24 839 | 42 454 | 3 972 | 46 426 |
| Balance as at 31 December 2015 | 11 400 | 11 914 | -579 | 1 306 | -16 238 | 32 391 | 40 194 | 3 782 | 43 976 |
| Profit for the period | 0 | 0 | 0 | 0 | 0 | 2 159 | 2 159 | -45 | 2 114 |
| Other comprehensive income for the period | 0 | 0 | 0 | 0 | -777 | 0 | -777 | -264 | -1 041 |
| Total comprehensive income for the period | 0 | 0 | 0 | 0 | -777 | 2 159 | 1 382 | -309 | 1 073 |
| Transactions with owners, recognised directly in equity | | | | | | | | | |
| Purchase of treasury shares | 0 | 0 | -460 | 0 | 0 | 0 | -460 | 0 | -460 |
| Total transactions with owners, recognised directly in equity | 0 | 0 | -460 | 0 | 0 | 0 | -460 | 0 | -460 |
| Balance as at 31 March 2016 | 11 400 | 11 914 | -1 039 | 1 306 | -17 015 | 34 550 | 41 116 | 3 473 | 44 589 |

Notes to the Interim Report

Note 1 Summary of significant accounting policies

AS Silvano Fashion Group is a company registered in Estonia. This Interim Report of the Group is prepared for the reporting period ended 31 March 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 Q1 of 2016 ended on 31 March 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 | 31.03.16 | 31.12.15 |
|--|--------------|--------------|
| Trade receivables from third parties | 4 093 | 3 492 |
| Trade receivables from related parties | 110 | 61 |
| Impairment of receivables | -1 078 | -1 052 |
| Tax prepayments | 1 272 | 1 207 |
| Other receivables | 373 | 412 |
| Total | 4 770 | 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 | 31.03.16 | 31.12.15 |
|-------------------------|---------------|---------------|
| Raw and other materials | 3 383 | 3 119 |
| Work in progress | 929 | 1 039 |
| Finished goods | 10 460 | 10 743 |
| Other inventories | 395 | 569 |
| Total | 15 167 | 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 |
|--------------------------------------|--------------------------|------------------------|------------------------------------|---------------------------------|----------------|
| 31.12.14 | | | | | |
| 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 Q1 2015 | | | | | |
| Additions | 0 | 1 | 210 | 80 | 291 |
| Disposals | 0 | 0 | -8 | -1 | -9 |
| Reclassifications | 0 | 58 | 42 | -97 | 3 |
| Depreciation | -55 | -393 | -128 | 0 | -576 |
| Unrealised exchange rate differences | -512 | -1 014 | -91 | -6 | -1 623 |
| Closing net book amount | 4 820 | 8 404 | 1 372 | 0 | 14 596 |
| 31.03.2015 | | | | | |
| Cost | 7 737 | 24 224 | 4 980 | 0 | 36 941 |
| Accumulated depreciation | -2 917 | -15 820 | -3 608 | 0 | -22 345 |
| Net book amount | 4 820 | 8 404 | 1 372 | 0 | 14 596 |
| 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 Q1 2016 | | | | | |
| Additions | 0 | 2 | 34 | 6 | 42 |
| Disposals | 0 | 0 | 8 | 0 | 8 |
| Depreciation | -40 | -258 | -80 | 0 | -378 |
| Unrealised exchange rate differences | -369 | -638 | -72 | -4 | -1 083 |
| Closing net book amount | 3 221 | 4 860 | 858 | 4 | 8 943 |
| 31.03.2016 | | | | | |
| Cost | 5 426 | 17 407 | 3 842 | 4 | 26 679 |
| Accumulated depreciation | -2 205 | -12 547 | -2 984 | 0 | -17 736 |
| Net book amount | 3 221 | 4 860 | 858 | 4 | 8 943 |

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 31 March 2016.

Note 5 Trade and other payables

| in thousands of EUR | 31.03.16 | 31.12.15 |
|---------------------|--------------|--------------|
| Trade payables | 5 849 | 6 026 |
| Accrued expenses | 487 | 398 |
| Provisions | 56 | 63 |
| Other payables | 1 060 | 1 498 |
| Total | 7 452 | 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 31 March 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 31 March 2016 AS Silvano Fashion Group had 1 812 shareholders (as of 31 December 2015 – 1 851 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for Q1 of 2016 (Q1 of 2015) is based on profit attributable to owners and a weighted average number of ordinary shares.

| in thousands of shares | Q1 2016 | Q1 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 | -794 | -835 |
| Weighted average number of ordinary shares for the period | 37 610 | 38 412 |

| in thousands of EUR | Q1 2016 | Q1 2015 |
|--|---------|---------|
| Profit for the period attributable to equity holders of the Parent company | 2 159 | -521 |
| Basic earnings per share (EUR) | 0.06 | -0.01 |
| Diluted earnings per share (EUR) | 0.06 | -0.01 |

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

Note 8 Revenue

| in thousands of EUR | Q1 2016 | Q1 2015 |
|-----------------------------|---------------|---------------|
| Revenue from wholesale | 10 207 | 9 199 |
| Revenue from retail | 3 131 | 3 857 |
| Subcontracting and services | 19 | 8 |
| Other sales | 1 | 9 |
| Total | 13 358 | 13 073 |

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 | Q1 2016 | Q1 2015 |
| Associates | 246 | 120 |
| Total | 246 | 120 |

| Balances with related parties | | |
|--------------------------------------|-----------------|-----------------|
| in thousands of EUR | 31.03.16 | 31.12.15 |
| Trade receivables from associates | 110 | 0 |
| Total | 110 | 0 |

| Benefits to key management of the group (including the key executives of all subsidiaries) | | |
|---|----------------|----------------|
| in thousands of EUR | Q1 2016 | Q1 2015 |
| Remunerations and benefits | 258 | 350 |
| Total | 258 | 350 |

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 Q1 2016

| in thousands of EUR | Lingerie retail | Lingerie wholesale | Total segments | Unallocated | Eliminations | Total |
|--|-----------------|--------------------|----------------|-------------|--------------|--------------|
| Revenue from external customers | 3 131 | 10 208 | 13 339 | 19 | | 13 358 |
| Intersegment revenues | 0 | 9 623 | 9 623 | 956 | -10 579 | 0 |
| EBITDA | 869 | 3 840 | 4 709 | 109 | | 4 818 |
| Amortization and depreciation | -18 | -285 | -303 | -139 | 0 | -442 |
| Operating income, EBIT | 851 | 3 568 | 4 419 | -30 | 0 | 4 376 |
| Profit from associates using equity method | 0 | 0 | 0 | 0 | 0 | 0 |
| Net financial income | -31 | -1 209 | -1 240 | -214 | 0 | -1 454 |
| Income tax | -93 | -552 | -645 | -163 | 0 | -808 |
| Net profit | 727 | 1 807 | 2 534 | -407 | 0 | 2 114 |
| Investments in associates | 0 | 0 | 0 | 0 | 0 | 0 |
| Other operating segments assets | 2 809 | 30 446 | 33 255 | 20 817 | 0 | 54 072 |
| Reportable segments liabilities | 847 | 8 121 | 8 968 | 515 | 0 | 9 483 |
| Capital expenditures | 29 | 15 | 44 | 0 | 0 | 44 |
| Number of employees as of reporting date | 355 | 1 683 | 2 037 | 4 | | 2 041 |

Operating segments Q1 2015

| in thousands of EUR | Lingerie retail | Lingerie wholesale | Total segments | Unallocated | Eliminations | Total |
|--|-----------------|--------------------|----------------|---------------|--------------|--------------|
| Revenue from external customers | 3 857 | 9 208 | 13 065 | 8 | | 13 073 |
| Intersegment revenues | 0 | 7 636 | 7 636 | 1 140 | -8 776 | 0 |
| EBITDA | 652 | 1 395 | 2 047 | 304 | | 2 351 |
| Amortization and depreciation | -48 | -386 | -434 | -222 | 0 | -656 |
| Operating income, EBIT | 604 | 1 009 | 1 613 | 82 | 0 | 1 695 |
| Profit from associates using equity method | 0 | -2 | -2 | 0 | 0 | -2 |
| Net financial income | 286 | 282 | 568 | -484 | 0 | 84 |
| Income tax | -59 | -470 | -529 | -1 597 | 0 | -2 126 |
| Net profit | 831 | 819 | 1 650 | -2 066 | 0 | -349 |
| Investments in associates | 0 | 84 | 84 | 0 | 0 | 84 |
| Other operating segments assets | 8 269 | 32 088 | 40 357 | 19 414 | 0 | 59 771 |
| Reportable segments liabilities | 6 290 | 2 922 | 9 212 | 4 133 | 0 | 13 345 |
| Capital expenditures | 6 | 306 | 312 | 56 | 0 | 368 |
| Number of employees as of reporting date | 429 | 1 913 | 2 342 | 4 | | 2 346 |

Revenue and non-current assets breakdown by geographical areas

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

| in thousands of EUR | Sales revenue Q1 2016 | Sales revenue Q1 2015 | Non-current assets 31.03.2016 | Non-current assets 31.12.2015 |
|---------------------|----------------------------------|----------------------------------|--|--|
| Russia | 7 675 | 6 077 | 291 | 193 |
| Belarus | 4 071 | 5 076 | 10 510 | 12 189 |
| Kazakhstan | 460 | 639 | 0 | 0 |
| Ukraine | 297 | 191 | 1 | 2 |
| Moldova | 232 | 219 | 0 | 0 |
| Latvia | 219 | 259 | 349 | 380 |
| Estonia | 119 | 58 | 2 | 2 |
| Lithuania | 77 | 85 | 0 | 0 |
| Other countries | 208 | 469 | 0 | 0 |
| Total | 13 358 | 13 073 | 11 153 | 12 765 |