

■ Silvano Fashion Group ■



Silvano Fashion Group AS

Consolidated Interim Financial Report for Q1 of 2017 (unaudited)

Beginning of the reporting period	1 January 2017
End of the reporting period	31 March 2017
Business name	Silvano Fashion Group AS
Registration number	10175491
Legal address	Tulika 15/17, 10613 Tallinn
Telephone	+372 684 5000
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E-mail	info@silvanofashion.com
Website	www.silvanofashion.com
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	PricewaterhouseCoopers AS

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Management Report

General information about Silvano Fashion Group AS

Silvano Fashion Group AS (hereinafter “the Group”) is a holding company that controls group of enterprises involved in the design, manufacturing, wholesale, franchise and retail sales of ladies lingerie. The Group’s income is generated by sales of Milavitsa, Alisee, Aveline, Lauma Lingerie, Laumelle and Hidalgo branded products through wholesales channel, franchised sales and own retail operated via Milavitsa and Lauma Lingerie retail stores. Key sales markets for the Group are Russia, Belarus, Ukraine, other CIS countries and the Baltics.

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

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

As of 31 March 2017 the Group employed 2 235 people (as of 31 December 2016: 2 163 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 31.03.2017	Ownership interest 31.12.2016
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%	84.92%
Yunona OAO	Belarus	Manufacturing and wholesale	58.33%	58.33%
Gimil OOO	Belarus	Manufacturing and wholesale	100%	100%
Lauma Lingerie AS	Latvia	Manufacturing and wholesale	100%	100%
Alisee SARL	Monaco	Holding	99%	99%
Stolichnaja Torgovaja Kompanija “Milavitsa” ZAO	Russia	Holding	100%	100%
Baltsped logistik OOO	Belarus	Logistics	50%	50%

Business environment and results

The Group's sales amounted to 14 542 thousand EUR during Q1 of 2017, representing a 8.9% increase as compared to the same period of previous year. The Group's gross profit during Q1 of 2017 amounted to 6 783 thousand EUR and decreased by 11.7% compared to Q1 of 2016. Gross margin during Q1 of 2017 decreased to 46.6% from 57.5% in the respective to Q1 of 2016.

Consolidated operating profit Q1 of 2017 decreased by 45.0% to 2 407 thousand EUR, compared to 4 376 thousand EUR in Q1 of 2016. Consolidated EBITDA for Q1 of 2017 decreased by 39.6% and was 2 909 thousand EUR, compared to 4 818 thousand EUR in Q1 of 2016.

Reported consolidated net profit for Q1 of 2017 amounted to 109 thousand EUR, decreasing by 94.8% compared to prior result of 2 114 thousand EUR. Net profit attributable to equity holders of the Parent company for Q1 of 2017 decreased by 97.7% and amounted to 50 thousand EUR.

Group's results for 3 months of 2017 were defined by continued challenges in economies of its major sales markets – Russia, Belarus and Ukraine. Group achieved growth in sales compared to 3 months of 2016, but gross margin and gross profit decreased compared to same period last year. The purchasing power in region's countries remains low, therefore it is hard to see some kind of relatively fast recovery in growth rates of economies under discussion.

The recovery in economic activity, which started in Russia in the second quarter of 2016, appears to be fragile. Russian economy is adapting to new reality, but purchasing power of population in real terms is still low. Following a buoyant performance in January, consumer demand weakened in February. Retail trade contracted by 0.4% in real terms month to month, seasonally adjusted. Retail trade yearly decrease was 2.6% in February. Inflation slowed further in March, partly aided by the ruble's appreciation. Supported by a stronger ruble, the monthly inflation totalled 0.1% in March 2017 compared to 0.5% in the same period last year. The 12-month Consumer Price Index (CPI) decreased in March to 4.3%. Unemployment declined to 5.2% in February. Real wages continued to grow, rising in February by 1.3% compared to the same period of previous year; however, the growth decelerated. Real disposable incomes contracted in February by 4.1% compared to the same period in 2016, and they decreased in monthly terms after seasonal adjustment.

Group's sales on Russian market totalled 8 076 thousand EUR, increase is 5.2% compared to 3 months of 2016. In local currency sales decreased by 20.2% during 3 months. Group's Russian subsidiary opened 3 stores in Q1 of 2017, total 30 own stores is now opened. The Group will continue opening own stores as this gives growing sales opportunity and better control of the market.

Belarusian economy at the moment isn't demonstrating signs of stabilisation yet. The economy is projected to emerge from the recession over the course of this year as loans from international institutions will support activity. However, the overall economic situation will remain bleak as Russia—Belarus' main trading partner—will not make a strong recovery in 2017. Against this backdrop analysts forecast that GDP will increase by just 0.2-0.4% in 2017. Consumer prices rose 0.3% in March from the previous month, down from February's 0.5% increase and the lowest reading in three months. According to the Belstat, March's increase came on the back of higher prices for services and non-food goods. Inflation cooled in March, dropping to 6.4% from 7.0% in February. This marked the lowest reading since July 2010. Annual average inflation was 10.6% in March, below February's 11.2% and also a multi-year low. Analysts see inflation averaging 10.3% in 2017.

Group's sales in Belarus in 3 months of 2017 were 4 201 thousand EUR and increasing 3.2% compared to 3 months of 2016. Sales in local currency decreased by 8.1% 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 sales areas.

Recent developments in Ukraine are starting to derail the economy's fragile recovery. The government formalized an economic blockade of the rebel-held eastern regions in March, escalating a tense political situation, a large number of Ukrainian companies located in this territory. On a bright note, the government received USD 1.0 billion in fresh funds from the IMF in April. However, a number of reforms need to be implemented to secure additional aid going forward. The economic blockade has soured the country's economic outlook. Analysts see GDP rising by 2.4% this year. In March, consumer prices rose 1.8% from the previous month, which followed February's 1.0% increase. March's reading was driven by soaring prices for clothing and footwear as well as higher prices for housing, electricity, gas and other fuels. Inflation edged up from February's 14.2% to 15.1% in March—a 12-month high. However, annual average inflation continued to ease, falling from 11.1% in February to 10.6% in March, the lowest result since November 2014. Analysts expect inflation to end 2017 at 9.3%.

Group's sales in Ukraine in 3 months of 2017 reached the level of 701 thousand EUR, which is 136% more than previous year same period. Sales in local currency increased by 137% during same period.

Sales structure

Sales by markets

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 89.2% of its total sales. Measured in local currencies sales decrease was accordingly 20.2% in Russia and 8.1% in Belarus. In Ukraine sales in local currency increased 137.0%.

	Q1 2017	Q1 2016	Change	Change, %
Russia, th RUB	505 396	633 188	-127 792	-20,20%
Belarus, th BYN	8 570	9 323	-753	-8,10%
Ukraine, th UAH	20 230	8 536	11 694	137,00%

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

in thousands of EUR	Q1 2017	Q1 2016	Change, EUR	Change, %	Q1 2017, % of sales	Q1 2016, % of sales
Russia	8 076	7 674	402	5,2%	55,5%	57,4%
Belarus	4 201	4 071	130	3,2%	28,9%	30,5%
Ukraine	701	297	404	136,0%	4,8%	2,2%
Baltics	370	304	66	21,7%	2,6%	2,3%
Other markets	1 194	1 012	182	18,0%	8,2%	7,6%
Total	14 542	13 358	1 184	8,9%	100,00%	100,00%

The majority of lingerie sales revenue during Q1 of 2017 in the amount of 8 076 thousand EUR was generated in Russia, accounting for 55.5% of total sales. The share of Russian market decreased by 1.9 pp. The second largest market was Belarus, where sales reached to 4 201 thousand EUR, contributing 28.9% of lingerie sales (both retail and wholesale).

Sales by business segments

in thousands of EUR	Q1 2017	Q1 2016	Change, EUR	Change, %	Q1 2017, % of sales	Q1 2016, % of sales
Wholesale	10 096	10 208	-112	-1,1%	69,4%	76,4%
Retail	4 414	3 131	1 283	41,0%	30,4%	23,5%
Other operations	32	19	13	68,4%	0,2%	0,1%
Total	14 542	13 358	1 184	8,9%	100,0%	100,0%

During Q1 of 2017 wholesale revenue decreased by 1.1% and amounted to 10 096 thousand EUR, representing 69.4% of the Group's total revenue (Q1 of 2016: 76.4%). The share of wholesale decreased by 7.0 pp during the Q1 of 2017. The main wholesale regions were Russia, Belarus and Ukraine.

Group's retail revenue increased by 41.0% and amounted to 4 414 thousand EUR, this represents 30.4% of the Group's total revenue.

Own & franchise store locations by countries

	Own	Franchise	Total
Russia	30	371	401
Ukraine	0	50	50
Belarus	60	5	65
Baltics	7	26	33
Other regions	0	124	124
Total	97	576	673

At the end of the reporting period the Group and its franchising partners operated 624 Milavitsa and 49 Lauma Lingerie branded stores, including 97 stores operated directly by the Group.

Selected Financial Indicators

Summarized selected financial indicators of the Group for Q1 of 2017 compared to Q1 of 2016 and 31.03.2017 compared to 31.12.2016 were as follows:

in thousands of EUR	Q1 2017	Q1 2016	Change
Revenue	14 542	13 358	8,9%
EBITDA	2 909	4 818	-39,6%
Net profit for the period	109	2 114	-94,8%
Net profit attributable equity holders of the Parent company	50	2 159	-97,7%
Earnings per share (EUR)	0,001	0,057	-98,2%
Operating cash flow for the period	2 908	2 604	11,7%

in thousands of EUR	31.03.2017	31.12.2016	Change
Total assets	58 526	56 145	4,2%
Total current assets	44 870	42 677	5,1%
Total equity attributable to equity holders of the Parent company	43 921	43 402	1,2%
Cash and cash equivalents	23 121	22 303	3,7%

Margin analysis, %	Q1 2017	Q1 2016	Change
Gross profit	46,6	57,5	-18,9%
EBITDA	20,0	36,1	-44,6%
Net profit	0,75	15,8	-95,3%
Net profit attributable equity holders of the Parent company	0,34	16,2	-97,9%

Financial ratios, %	31.03.2017	31.12.2016	Change
ROA	7,0	14,7	-52,4%
ROE	9,3	19,6	-52,5%
Price to earnings ratio (P/E)	26,8	13,2	103,0%
Current ratio	3,9	4,9	-20,4%
Quick ratio	2,3	3,0	-23,3%

Underlying formulas:

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

Gross profit margin = gross profit / revenue

EBITDA margin = EBITDA / revenue

Net profit margin = net profit / revenue

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

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

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

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

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

Current ratio = current assets / current liabilities

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

Financial performance

The Group's sales amounted to 14 542 thousand EUR during Q1 of 2017, representing a 8.9% increase as compared to the same period of previous year. Overall, wholesales decreased by 1.1% and retail sales increased by 41.0%, measured in EUR.

The Group's gross profit during Q1 of 2017 amounted to 6 783 thousand EUR and decrease by 11.7% compared to previous year. The gross margin during Q1 of 2017 decreased to 46.6%, from 57.5% in the respective period of previous year. The cost of sold goods increased by 36.7%.

Consolidated operating profit for Q1 of 2017 amounted to 2 407 thousand EUR, compared to 4 376 thousand EUR in Q1 of 2016, decrease 45.0%. The consolidated operating profit margin was 16.6% for Q1 of 2017 (32.8% in Q1 of 2016). Consolidated EBITDA for Q1 of 2017 decreased by 39.6% and amounted to 2 909 thousand EUR, which is 20.0% in margin terms (4 818 thousand EUR and 36.1% for Q1 of 2016).

Reported consolidated net profit attributable to equity holders of the Parent company for Q1 of 2017 amounted to 50 thousand EUR, compared to net profit of 2 159 thousand EUR in Q1 of 2016, net profit margin attributable to equity holders of the Parent company for Q1 of 2017 was 0.34% against 16.2% in Q1 of 2016.

Financial position

As of 31 March 2017 consolidated assets amounted to 58 526 thousand EUR representing an increased by 4.2% as compared to the position as of 31 December 2016.

Trade and other receivables decreased by 439 thousand EUR as compared to 31 December 2016 and amounted to 3 729 thousand EUR as of 31 March 2017. Inventory balance increased by 1 824 thousand EUR and amounted to 18 011 thousand EUR as of 31 March 2017.

Equity attributable to equity holders of the Parent company increased by 519 thousand EUR and amounted to 43 921 thousand EUR as of 31 March 2017. Current liabilities increased by 2 801 thousand EUR during Q1 of 2017.

Investments

During Q1 of 2017 the Group's investments into property, plant and equipment totalled 160 thousand EUR, in previous year same period 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 2017, the Group employed 2 235 employees, including 475 people in retail operations, during same period previous year accordingly total employee count 2041, including 355 in retail. The rest were employed in production, wholesale, administration and support operations. In 31.12.2016 there were 2 163 employees, including 480 in retail.

Total salaries and related taxes during Q1 of 2017 amounted to 2 764 thousand EUR, in Q1 of 2016 total 2 758 thousand EUR, increase by 0.2%. The remuneration of key management of the Group, including the key executives of all subsidiaries, totalled 232 thousand EUR, decrease by 10.1%

Decisions made by governing bodies during Q1 2017

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

Shares of Silvano Fashion Group AS

As of 31 March 2017 registered share capital of AS Silvano Fashion Group amounted to 11 100 thousand EUR divided into 37 000 000 ordinary shares with a nominal value of 0.30 EUR each. The share register is electronic and maintained at the Estonian Central Register of Securities. The Company has been listed on Nasdaq OMX Tallinn Stock Exchange main list (since 21.11.2006) and on Warsaw Stock Exchange (since 23.07.2007).

AS Silvano Fashion Group Consolidated Interim Financial Report for Q1 of 2017

As of 31 March 2017 AS Silvano Fashion Group had 1 650 shareholders (as of 31 December 2016: 1 711 shareholders).

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

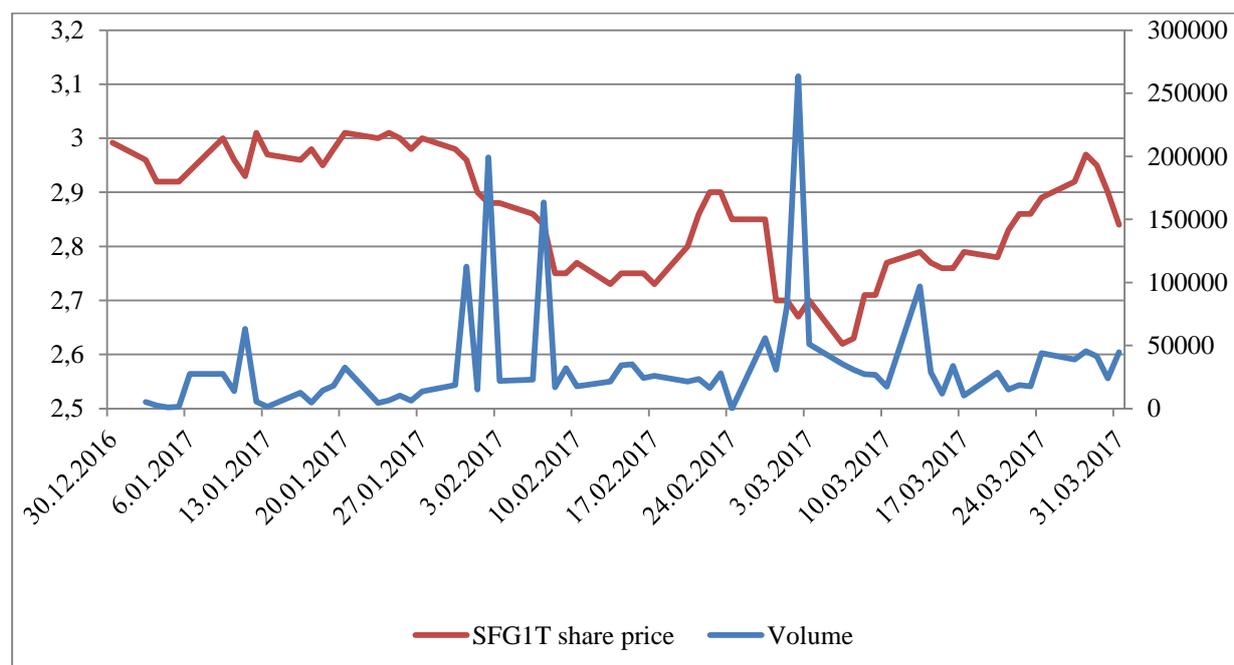
Name	Number of shares	Shareholding
Major shareholders	22 990 579	62.14%
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 014 005	24.36%
AS SEB PANK CLIENTS	8 000 000	21.62%
UNICREDIT BANK AUSTRIA AG	3 339 879	9.03%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	2 636 695	7.13%
Other shareholders	14 009 421	37.86%
Total number of shares	37 000 000	100.00%

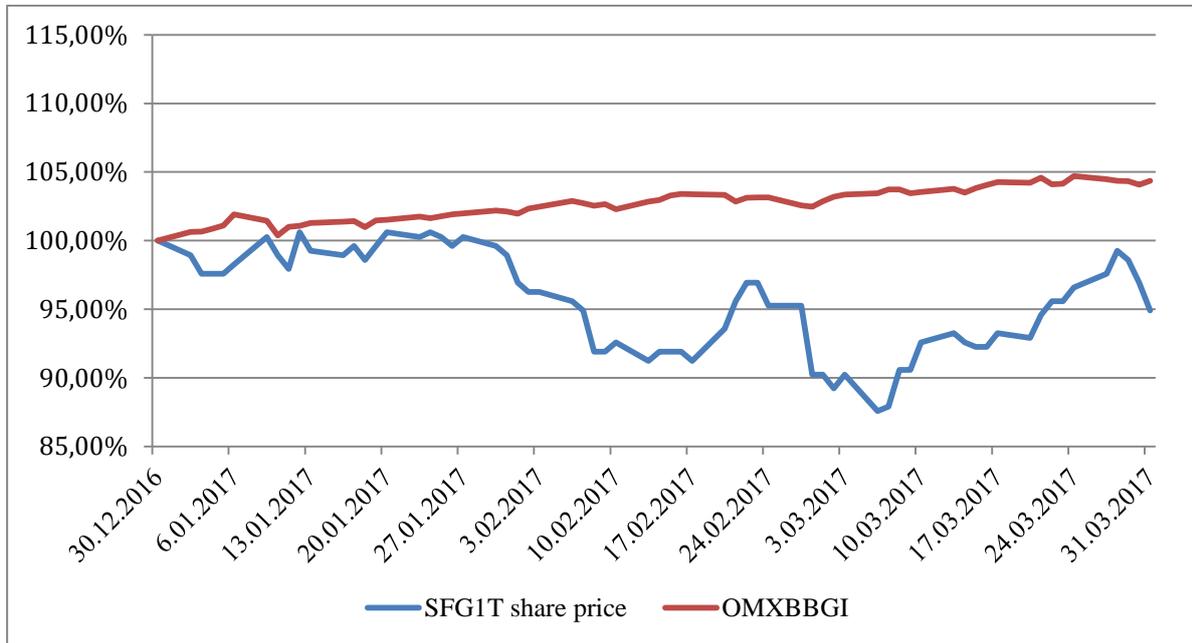
As of 31 December 2016 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

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

Share price development and turnover on the Tallinn Stock Exchange during Q1 of 2017 (EUR)

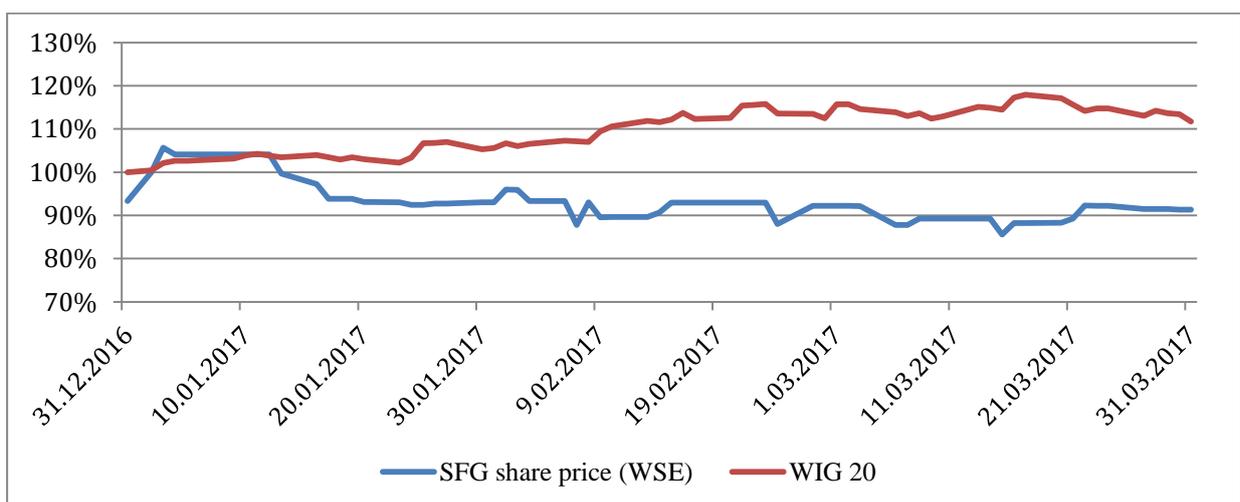
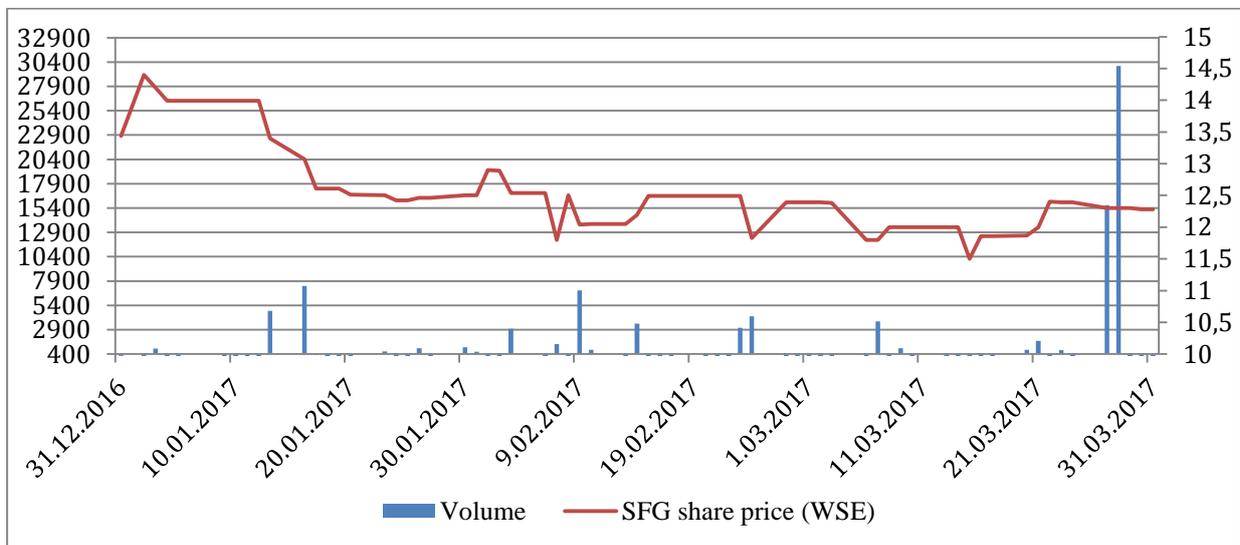
During Q1 of 2017 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 3.02 EUR and 2.55 EUR, respectively.





Share price development on the Warsaw Stock Exchange during Q1 of 2017 (PLN)

During Q1 of 2017, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 14.40 PLN and 11.50 PLN respectively.



Declaration of the Management Board

The Management Board of Silvano Fashion Group AS has reviewed and approved Consolidated Interim Financial Report for Q1 of 2017 (hereinafter “the Interim Report”).

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

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

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



Kati Kusmin
Member of the Management Board
May 12, 2017



Jarek Särgava
Member of the Management Board
May 12, 2017

Consolidated Statement of Financial Position

in thousands of EUR	Note	31.03.2017	31.12.2016
ASSETS			
Current assets			
Cash and cash equivalents		23 121	22 303
Current loans granted		9	19
Trade and other receivables	2	3 729	4 168
Inventories	3	18 011	16 187
Total current assets		44 870	42 677
Non-current assets			
Long-term receivables		233	21
Investments in associates		27	19
Available-for-sale investments		375	369
Deferred tax asset		1 128	1 012
Intangible assets		269	291
Investment property		1 101	1 091
Property, plant and equipment	4	10 523	10 665
Total non-current assets		13 656	13 468
TOTAL ASSETS		58 526	56 145
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5	9 815	6 894
Tax liabilities		1 737	1 857
Total current liabilities		11 552	8 751
Non-current liabilities			
Deferred tax liability		13	37
Total non-current liabilities		13	37
Total liabilities		11 565	8 788
Equity			
Share capital	6	11 100	11 100
Share premium		10 787	10 787
Treasury shares	6	-1 956	-998
Statutory reserve capital		1 306	1 306
Revaluation reserve		710	710
Unrealised exchange rate differences		-9 541	-10 968
Retained earnings		31 515	31 465
Total equity attributable to equity holders of the Parent company		43 921	43 402
Non-controlling interest		3 040	3 955
Total equity		46 961	47 357
TOTAL EQUITY AND LIABILITIES		58 526	56 145

Consolidated Income Statement

in thousands of EUR	Note	Q1 2017	Q1 2016
Revenue	8	14 542	13 358
Cost of goods sold		-7 759	-5 677
Gross Profit		6 783	7 681
Distribution expenses		-2 874	-2 015
Administrative expenses		-1 275	-1 121
Other operating income		43	83
Other operating expenses		-270	-252
Operating profit		2 407	4 376
Currency exchange income/(expense)		-1 198	-1 519
Other finance income/(expenses)		67	65
Net financial income		-1 131	-1 454
Profit (loss) from associates using equity method		9	0
Profit before tax		1 285	2 922
Income tax expense		-1 176	-808
Profit for the period		109	2 114
Attributable to :			
Equity holders of the Parent company		50	2 159
Non-controlling interest		59	-45
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0,00	0,06

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	Q1 2017	Q1 2016
Profit for the period		109	2 114
<i>Other comprehensive income for the period</i>			
Exchange rate differences attributable to foreign operations		1 493	-1 041
Total other comprehensive income for the period		1 493	-1 041
Attributable to :			
Equity holders of the Parent company		1 427	-777
Non-controlling interest		66	-264
Total comprehensive income for the period		1 602	1 073
Attributable to :			
Equity holders of the Parent company		1 477	1 382
Non-controlling interest		125	-309

Consolidated Statement of Cash Flows

in thousands of EUR	Q1 2017	Q1 2016
Cash flow from operating activities		
Profit for the period	109	2 114
Adjustments for:		
Depreciation and amortization of non-current assets	502	442
Share of profit of equity accounted investees	-9	0
(Gains)/ losses on the sale of PPE and IA	-2	-9
Net finance income / costs	1 131	1 454
Provision for impairment losses on trade receivables	0	-5
Income tax expense	1 176	808
Change in inventories	-1 824	-252
Change in trade and other receivables	-439	-611
Change in trade and other payables	2 921	-533
Income tax paid	-657	-804
Net cash from operating activities	2 908	2 604
Cash flow from investing activities		
Interest received	54	16
Proceeds from disposal of property, plant and equipment	3	10
Acquisition of property, plant and equipment	-160	-34
Acquisition of intangible assets	-37	-3
Acquisition of shares of a subsidiary	0	-3
Net cash used in/from investing activities	-140	-14
Cash flow from financing activities		
Dividends paid	-1 040	-404
Acquisition of own shares	-958	-460
Net cash used in/ from financing activities	-1 998	-864
Increase in cash and cash equivalents	770	1 726
Cash and cash equivalents at the beginning of period	22 303	21 274
Effect of exchange rate fluctuations on cash held	48	-24
Cash and cash equivalents at the end of period	23 121	22 976

Consolidated Statement of Changes in Equity

SFG consolidated

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 2015	11 400	11 914	-579	1 306	0	-16 238	32 391	40 194	3 782	43 976
Profit for the period	0	0	0	0	0	0	2 159	2 159	-45	2 114
Other comprehensive income for the period	0	0	0	0	0	-777	0	-777	-264	-1 041
Total comprehensive income for the period	0	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	0	-460	0	-460
Total transactions with owners, recognised directly in equity	0	0	-460	0	0	0	0	-460	0	-460
Balance as at 31 March 2016	11 400	11 914	-1 039	1 306	0	-17 015	34 550	41 116	3 473	44 589
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	50	50	59	109
Other comprehensive income for the period	0	0	0	0	0	1 427	0	1 427	66	1 493
Total comprehensive income for the period	0	0	0	0	0	1 427	50	1 477	125	1 602
Transactions with owners, recognised directly in equity										
Dividends declared	0	0	0	0	0	0	0	0	-1 040	-1 040
Purchase of treasury shares	0	0	-958	0	0	0	0	-958	0	-958
Total transactions with owners, recognised directly in equity	0	0	-958	0	0	0	0	-958	-1 040	-1 998
Balance as at 31 March 2017	11 100	10 787	-1 956	1 306	710	-9 541	31 515	43 921	3 040	46 961

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 2017 and comprises parent company and its subsidiaries.

The principal accounting policies applied in the preparation of this Interim Report are set out below. The policies have been consistently applied to all the years presented unless otherwise stated.

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

Basis for preparation

This Interim Report of AS Silvano Fashion Group for Q1 of 2017 ended on 31 March 2017 has been prepared in accordance with IAS 34 “Interim financial reporting” as adopted by the European Union. The Interim Report should be read in conjunction with the Annual Report for the financial year ended on 31 December 2016, which have been prepared in accordance with IFRS as adopted by the European Union.

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

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

New standards and interpretations

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

Note 2 Trade and other receivables

in thousands of EUR	31.03.17	31.12.16
Trade receivables from third parties	3 312	2 946
Trade receivables from related parties	0	97
Impairment of receivables	-1 138	-1 098
Tax prepayments	958	1 525
Other receivables	597	698
Total	3 729	4 168

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	31.03.17	31.12.16
Raw and other materials	5 285	4 358
Work in progress	1 366	1 158
Finished goods	10 568	10 245
Other inventories	792	426
Total	18 011	16 187

Note 4 Property, plant and equipment

in thousands of EUR					
	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction	Total
31.12.2015					
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
Reclassifications	0	36	1	-37	0
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
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 Q1 2017					
Additions	0	0	41	119	160
Disposals	0	0	1	0	1
Transfers to assets held for sale	0	0	0	0	0
Reclassifications	0	3	34	-37	0
Depreciation	-43	-293	-111	0	-447
Unrealised exchange rate differences	63	31	46	4	144
Closing net book amount	3 833	5 299	1 271	120	10 523
31.03.2017					
Cost	6 630	20 306	4 704	120	31 760
Accumulated depreciation	-2 797	-15 007	-3 433	0	-21 237
Net book amount	3 833	5 299	1 271	120	10 523

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 31 March 2017.

Note 5 Trade and other payables

in thousands of EUR	31.03.17	31.12.16
Trade payables	6 638	5 220
Accrued expenses	768	567
Provisions	50	58
Other payables	2 359	1 049
Total	9 815	6 894

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 2017 registered share capital of AS Silvano Fashion Group amounted to 11 100 thousand EUR divided into 37 000 000 shares with a nominal value of 0.30 EUR each (as of 31 December 2016, 11 100 thousand EUR, 37 000 000 shares and 0.30 EUR nominal value, respectively). All shares of AS Silvano Fashion Group are ordinary shares and all are registered. Each ordinary share gives a shareholder one vote in General Meeting of Shareholders. No share certificates are issued for registered shares. The share register is electronic and maintained at the Estonian Central Depository for Securities. All shares have been paid for.

As of 31 March 2017 AS Silvano Fashion Group had 1 650 shareholders (as of 31 December 2016 – 1 711 shareholders).

Note 7 Earnings per share

The calculation of basic earnings per share for Q1 of 2017 (Q1 of 2016)) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	Q1 2017	Q1 2016
Number of ordinary shares at the beginning of the period	37 000	38 000
Effect of own shares held at the beginning of the period	-460	-450
Number of ordinary shares at the end of the period	37 000	38 000
Effect of own shares held at the end of the period	-805	-794
Weighted average number of ordinary shares for the period	36 368	37 610

in thousands of EUR	Q1 2017	Q1 2016
Profit for the period attributable to equity holders of the Parent company	50	2 159
Basic earnings per share (EUR)	0.00	0.06
Diluted earnings per share (EUR)	0.00	0.06

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 2017	Q1 2016
Revenue from wholesale	10 095	10 207
Revenue from retail	4 413	3 131
Subcontracting and services	33	19
Other sales	1	1
Total	14 542	13 358

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 2017	Q1 2016
Associates	354	246
Total	354	246

Balances with related parties

in thousands of EUR	31.03.2017	31.12.2016
Trade receivables from associates	0	0
Total	0	0

Benefits to key management of the group

in thousands of EUR	Q1 2017	Q1 2016
Remunerations and benefits	232	258
Total	232	258

Corporate income tax

in thousands of EUR	31.03.17	31.12.16
Prepayment	-256	-255
Liability	1 147	629
Total	891	374

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 2017

in thousands of EUR

	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	4 414	10 096	14 510	32		14 542
Intersegment revenues	0	10 192	10 192	1 218	-11 410	0
EBITDA	1 237	1 342	2 579	330		2 909
Amortization and depreciation	-19	-325	-344	-158	0	-502
Operating income, EBIT	1 218	1 017	2 235	172	0	2 407
Profit from associates using equity method	0	9	9	0	0	9
Net financial income	-436	-574	-1 010	-121	0	-1 131
Income tax	-104	-338	-442	-734	0	-1 176
Net profit	678	114	792	-683	0	109
Investments in associates	0	27	27	0	0	27
Other operating segments assets	3 354	46 930	50 284	8 215	0	58 499
Reportable segments liabilities	1 347	9 764	11 111	454	0	11 565
Capital expenditures	149	48	197	0	0	197
Number of employees as of reporting date	475	1 579	2 054	181		2 235

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	3 555	4 406	-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	1 794	2 521	-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	1 682	2 037	4		2 041

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 Q1 2017	Sales revenue Q1 2016	Non- current assets 31.03.2017	Non- current assets 31.12.2016
Russia	8 076	7 675	1 439	1196
Belarus	4 201	4 071	11 937	11 962
Ukraine	701	297	1	1
Baltics	370	415	255	285
Other countries	1 194	900	24	24
Total	14 542	13 358	13 656	13 468