AS Silvano Fashion Group

Consolidated Annual Report 2015

(translation of the Estonian original)*

Beginning of the reporting period	1 January 2015
End of the reporting period	31 December 2015

Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 15/17, 10613, Tallinn, Estonia
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.*

Contents

Management`s Confirmation to the Management Report

The Management Board acknowledges its responsibility and confirms, to the best of its knowledge, that the Management Report as set out on pages 4 to 16 is an integral part of Consolidated Annual Report of AS Silvano Fashion Group for 2015 and gives a true and fair view of the trends and results of operations, main risks and uncertainties of AS Silvano Fashion Group and its subsidiaries as a group.

Jarek Särgava
Member of the Management board
22 April 2016

Aleksei Kadõrko
Member of the Management board
22 April 2016

Management Report

General information about AS Silvano Fashion Group

AS Silvano Fashion Group (hereinafter "the Group") is an international women and men's underwear distribution group involved in the design, manufacturing and marketing of women and men's lingerie. The Group's income is generated by sales of "Milavitsa", "Alisee", "Lauma Lingerie", "Laumelle" and "Hidalgo" branded products through wholesales channel, franchised sales and own retail operated under the "Milavitsa" and "Lauma Lingerie" retail stores. Key sales markets for the Group are Russia, Belarus, Ukraine, Kazakhstan, other CIS countries and the Baltics.

The parent company of the Group is 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 AS Silvano Fashion Group are listed on the Tallinn Stock Exchange and on the Warsaw Stock Exchange.

As of 31 December 2015 the Group employed 2 045 people (as of 31 December 2014: 2 749 people).

The Group comprises the following companies (percentages are different from information presented in note 6, as the latter presents effective ownership interests in subsidiaries):

	Location	Main activity	Ownership interest 31.12.2015	Ownership interest 31.12.2014
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
ZAO "Silvano Fashion"	Russia	Retail and Wholesale	100%	100%
TOV "Silvano Fashion"	Ukraine	Wholesale	100%	100%
OOO "Silvano Fashion"	Belarus	Retail and wholesale	100%	100%
SIA "Silvano Fashion"	Latvia	Retail	100%	100%
SP ZAO "Milavitsa"	Belarus	Manufacturing and wholesale	84.91%	83.73%
OAO "Yunona"	Belarus	Manufacturing and wholesale	58.33%	58.33%
OOO "Gimil"	Belarus	Manufacturing and wholesale	100%	100%
AS "Lauma Lingerie"	Latvia	Manufacturing and wholesale	100%	100%
SARL "France Style Lingerie"	France	Holding	100%	100%
SARL "Alisee"	Monaco	Holding	99%	99%
ZAO "Stolichnaja Torgovaja Kompanija "Milavitsa"	Russia	Holding	100%	100%
OOO "Baltsped logistik"	Belarus	Logistics	50%	50%

Selected Financial Indicators

Summarized selected financial indicators of the Group for 2015 compared to 2014 and 31.12.2015 compared to 31.12.2014 were as follows:

in thousands of EUR	2015	2014	Change
Revenue	65 254	100 868	-35.3%
EBITDA	16 620	15 422	7.8%
Net profit for the period	10 620	10 584	0.3%
Net profit attributable equity holders of the Parent company	9 689	9 097	6.5%
Earnings per share (EUR)	0.26	0.23	10.4%
Operating cash flow for the period	16 409	13 355	22.9%

in thousands of EUR	31.12.2015	31.12.2014	Change
Total assets	53 635	67 339	-20.4%
Total current assets	40 870	47 005	-13.1%
Total equity attributable to equity holders of the Parent company	40 194	46 753	-14.0%
Cash and cash equivalents	21 274	13 308	59.9%

Margin analysis, %	2015	2014	Change
Gross profit	46.8	36.3	28.8%
EBITDA	25.5	15.3	66.6%
Net profit	16.3	10.5	55.1%
Net profit attributable equity holders of the Parent company	14.8	9.0	64.6%

Financial ratios, %	31.12.2015	31.12.2014	Change
ROA	17.4	11.9	45.7%
ROE	23.7	17.2	37.9%
Price to earnings ratio (P/E)	5.0	5.0	-0.6%
Current ratio	4.2	3.6	17.5%
Quick ratio	2.6	1.6	67.1%

Underlying formulas:

EBITDA = net profit for the period + depreciation and amortization -/+ net financial income/expense + 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 (P/E) = 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

Our business in 2015

Group`s results in 2015 were affected by the crisis in countries of Eastern Europe. Company`s major markets shrinked substantially. Purchasing power in region`s countries was negatively affected by devaluation of local currencies, high inflation rates, growing unemployment (including latent unemployment) and negative future expectations of consumers. Compared to Group`s functional currency, which is EUR, during 2015 Russian rouble devalued by 17%, Belarusian rouble devalued by 41%, Ukrainian hryvnia devalued by 36% and Kazakh tenge by 68%. As a result, lingerie and apparel markets in core markets of the Group shrinked by 30-40% as estimated by industry analysts.

Over the year the Group managed to cut its production, commercial and administrative expenses. Total number and functions of personnel were also optimised.

Russia demonstrated GDP decline of 3.7% in 2015, yearly inflation rate was 12.9%, retail sales in the country contracted by 10% (including contraction of non-food retail by 18.5%), investments were down by 8.4%, salaries in real terms dropped by 9.5%, unemployment rate is 5.8%. This sad statistics is complemented by disastrous beginning of 2016, major analysts predict further diminishing of GDP up to 2% in 2016, drop in retail sales is believed to be 2%. Despite harsh realities successful Russian businesses managed to keep rouble sales on the same level as in 2014 and increased profitability margins. Our immediate target is to restore our rouble sales in Russia to pre-crisis level and continue to grow them.

Our Russian subsidiary opened Cash & Carry warehouse in Moscow in October 2015 with the aim of increasing availability and offer of Group's brands, which suffered during 2015 as our wholesale partners were reluctant or unable to keep required level and quality of inventory stock.

Rental prices in Russian capital came down to a reasonable level which allows us to operate stores profitably. During Q4 2015 the Group opened 5 own stores in Russia in Moscow, in January 2016 6th store was opened in Moscow region. 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 GDP decreased by 3.9% in 2015, inflation rate was 12%, investments were down by 15.2%, retail sales measured in BYR stagnated (increase by 0.2%), average salary in December 2015 in USD terms diminished by more than 30% compared to December 2014 and comprised 412 USD. Further diminishing of GDP up to 1% in 2016 is predicted. We will continue growing out retail network in Belarus. Until the end of 2015 landlords (especially in Minsk) refused to acknowledge changes in economy and were reluctant to negotiate over more favourable rental terms. But now we are starting to see changes towards greater flexibility, which should allow us to pursue our development goals there.

Ukraine economic data for 2015 is the worst – GDP declined 13%, inflation rate - 43.3%, nominal growth of retail sales (without adjustment for inflation) is only 9%, this means decline in real terms more than 35%. No surprise that Group sales there dropped there by more than 50%. As business climate remains complicated in Ukraine the Group is working towards establishing more productive relationships with partners there urging them to develop Group brands by offering required support in operational activities.

Kazakhstan data for 2015 is better – near zero GDP growth, inflation rate - 13.6%. During 2015 Kazakhstan was best performing market of the Group as government of the country fought declining oil prices and recession of main trading partners, but since August 2015 Kazakhs let tenge afloat, which is a game changer for this market.

Business outlook

Group`s business is built on good quality, reasonably priced and known to our current target markets lingerie products, to be even more specific – classic corsetry products. Notwithstanding the drop in the business volumes, our business is sustainable and is built on solid brands. Further to this, the company has a strong distribution network with a total of 710 shops, of which 71 are managed by ourselves.

Current crisis demands structural changes in the businesses on markets where the Group operates. The purchasing power on our core markets is deteriorating. Price inflation, fixed salaries, expensive credits and reduced international trade all lead to the erosion of the income of our buyers.

Silvano Fashion Group is well positioned given its very good product range, reasonable price point, focus on the functional segment of lingerie products, availability of the product line for the price-conscious buyers. Further to this, the Group operates debt-free, which is a big advantage for the consumer business in the era of squeezing credit environment.

More specifically, Silvano Fashion Group will focus on the following:

- The Group will continue building leaner organizational structure in order to make management of the Group more transparent and efficient;
- Group`s distribution companies (Russia, Belarus Ukraine, Latvia) will focus on the development of sales network, opening new stores and supporting of franchise businesses in order to increase sales and profitability;
- Group`s manufacturing companies will continue with optimization of product portfolio in order to streamline purchasing and manufacturing activities and be in line with market trends;
- The Group will continue with optimization of costs and personnel.
- The Group is open to partnerships, which could widen range of Group`s activities or sales geography.

On the store openings, we try to shift the mindset of our partners from quantity to quality that should ultimately increase the profitability of their business, and reduce the risk of failure. We advocate for store openings, since it allows us and our franchise partners to control revenue stream better.

Financial performance

The Group`s sales amounted to 65 254 thousand EUR during 2015, representing a 35.3% decrease as compared to previous year. Overall, wholesales decreased by 37.5% and retail sales decreased by 25.7%, measured in EUR.

The Group's reported gross profit margin during 2015 continued to improve, increasing year-to-year to 46.8%, reported gross margin was 36.3% in previous year. Consolidated operating profit for 2015 amounted to 14 125 thousand EUR, compared to 12 377 thousand EUR in 2014. The consolidated operating profit margin was 21.7% in 2015 (12.3% in 2014). Consolidated EBITDA for 2015 was 16 620 thousand EUR, which is 25.5% in margin terms (15 422 thousand EUR and 15.3% for 2014).

During 2015 the Group executed internal restructuring, which will allow us to streamline internal management and intragroup capital allocation. This brought 2.4 million EUR of additional income tax expense. As a result reported consolidated net profit attributable to equity holders of the Parent company for 2015 amounted to 9 689 thousand EUR, compared to net profit of 9 097 thousand EUR in 2014, net profit margin attributable to equity holders of the Parent company for 2015 was 14.8% against 9.0% in 2014.

Financial position

As of 31 December 2015 consolidated assets amounted to 53 635 thousand EUR representing decrease by 20.4% as compared to the position as of 31 December 2014.

Trade and other receivables decreased by 3 109 thousand EUR as compared to 31 December 2014 and amounted to 4 126 thousand EUR as of 31 December 2015. Inventory balance decreased by 10 992 thousand EUR and amounted to 15 470thousand EUR as of 31 December 2015.

Equity attributable to equity holders of the Parent company decreased by 6 559 thousand EUR and amounted to 40 194 thousand EUR as of 31 December 2015. Current liabilities decreased by 3 392 thousand EUR during 2015.

Sales structure

Sales by markets

in thousands of EUR	**2015**	**2014**	**Change, EUR**	**2015 % from sales**	**2014 % from sales**
Russia	34 507	55 266	-20 759	52.9%	54.8%
Belarus	20 896	29 982	-9 086	32.0%	29.7%
Kazakhstan	2 851	4 022	-1 171	4.4%	4.0%
Ukraine	2 060	4 352	-2 292	3.2%	4.3%
Latvia	1 138	1 851	-713	1.7%	1.8%
Moldova	879	1 565	-686	1.3%	1.6%
Lithuania	408	771	-363	0.6%	0.8%
Estonia	286	524	-238	0.4%	0.5%
Other markets	2 229	2 535	-306	3.4%	2.5%
Kokku	**65 254**	**100 868**	**-35 614**	**100.0%**	**100.0%**

The majority of lingerie sales revenue during 2015 in the amount of 34 507 thousand EUR was generated in Russia, accounting for 52.9% of total sales for 2015. The second largest market was Belarus, where sales slightly decreased down to 20 896 thousand EUR, contributing 32% of lingerie sales (both retail and wholesale) as compared to 29 982 thousand EUR in 2014.

Sales by business segments

in thousands of EUR	**2015**	**2014**	**Change, EUR**	**2015, % from sales**	**2014, % from sales**
Wholesale	49 488	79 144	-29 656	75.8%	78.5%
Retail	15 712	21 158	-5 446	24.1%	21.0%
Other operations	54	566	-512	0.1%	0.6%
Total	**65 254**	**100 868**	**-35 614**	**100.0%**	**100.0%**

During 2015 wholesale revenue amounted to 49 488 thousand EUR, representing 75.8% of the Group's total revenue (2014: 78.5%). The main wholesale regions were Russia, Belarus, Kazakhstan and Ukraine.

As in any crisis retail sales were more stable and performed better. Retail revenue during 2015 amounted to 15 712 thousand EUR, representing 24.1% of the Group's total revenue.

Own & franchise store locations, geography

	Own	Franchise	Total
Russia	5	387	392
Ukraine	0	93	93
Belarus	56	6	62
Baltics	10	25	35
Kazakhstan	0	58	58
Moldova	0	26	26
Other regions	0	44	44
Total	**71**	**639**	**710**

At the end of the reporting period the Group and its franchising partners operated 660 Milavitsa and 50 Lauma Lingerie branded stores, including 71 stores operated directly by the Group.

Investments

During 2015 the Group's investments into property, plant and equipment and intangible assets totalled 834 thousand EUR (588 thousand EUR in 2014). Main investments were made into equipment and facilities to improve logistic facilities and maintain effective production for future periods.

Personnel

As of 31 December 2015, the Group employed 2 045 employees including 361 in retail (as of 31 December 2015: 2 749 and 481 respectively). The rest were employed in production, wholesale, administration and support operations.

Total salaries and related taxes during 2015 amounted to 14 872 thousand EUR (23 692 thousand EUR in 2014). The remuneration of key management of the Group, including the key executives of the subsidiaries, totalled 1 321 thousand EUR (1 305 thousand EUR in 2014).

Decisions made by governing bodies during 2015

On June 29, 2015 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted following decisions.

- The Meeting approved the 2014 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.10 EUR per share (record date 13.07.2015, payment completed on 15.07.2015).

- The Meeting decided to re-appoint AS PricewaterhouseCoopers as the Group`s auditor for financial year 2015.
- The Meeting decided to cancel the 1 000 000 own shares acquired within the own share buy-back programme as approved by the shareholders of AS Silvano Fashion Group on 30th of June 2014;
- The Meeting decided to adopt a share buy-back program in the following: effective period until 29.06.2016; maximum number of shares to be acquired not more than 1 000 000; maximum share price 2.00 EUR per share.

In October 2015 the Group named Jarek Särgava as a new member of the Management Board, he replaced Märt Meerits at this position.

Shares of AS Silvano Fashion Group

As of 31 December 2015 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 reduction in the share capital and the total amount of shares is a result of the cancellation of treasury shares held by the Company (recorded on 9th October 2015).

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).

Information on SFG shares

Key share details	2011	2012	2013	2014	2015
Number of shares outstanding at year end	39 500 000	39 400 000	39 400 000	39 000 000	38 000 000
Weighted average number of shares	39 423 964	39 481 086	39 357 000	38 692 000	37 810 000
Year-end share price, in EUR	3.05	2.74	2.67	1.18	1.28
Earnings per share, in EUR	0.55	0.36	0.28	0.23	0.26
Dividend per share, in EUR	0.25*	0.1**	0.30	0.1	n/a
Dividend / Net profit	0.45	0.28	1.07	0.43	n/a
P/E ratio	5.55	7.61	9.61	5.03	5.00

* Further to 0.25 EUR dividend declared for 2011, the company provided in-kind dividends (capital reduction) in amounts of EUR 0.14 (declared on 17.03.11) and EUR 0.10 (declared on 30.06.11)
** Further to 0.10 EUR dividend declared for 2012, the company provided in-kind dividends (capital reduction in amount of EUR 0.10 per share.

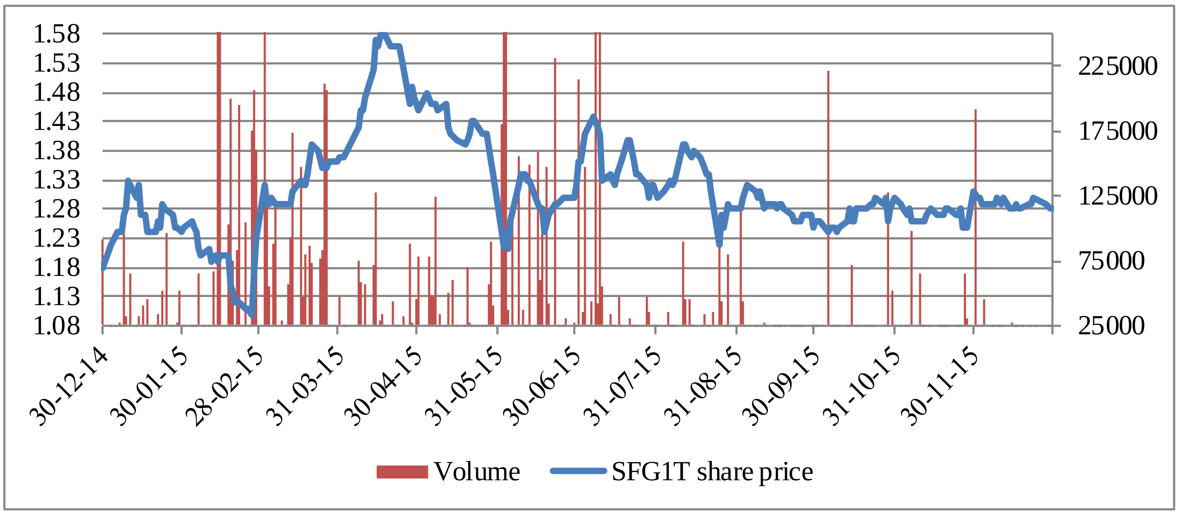
Share price performance and trading history

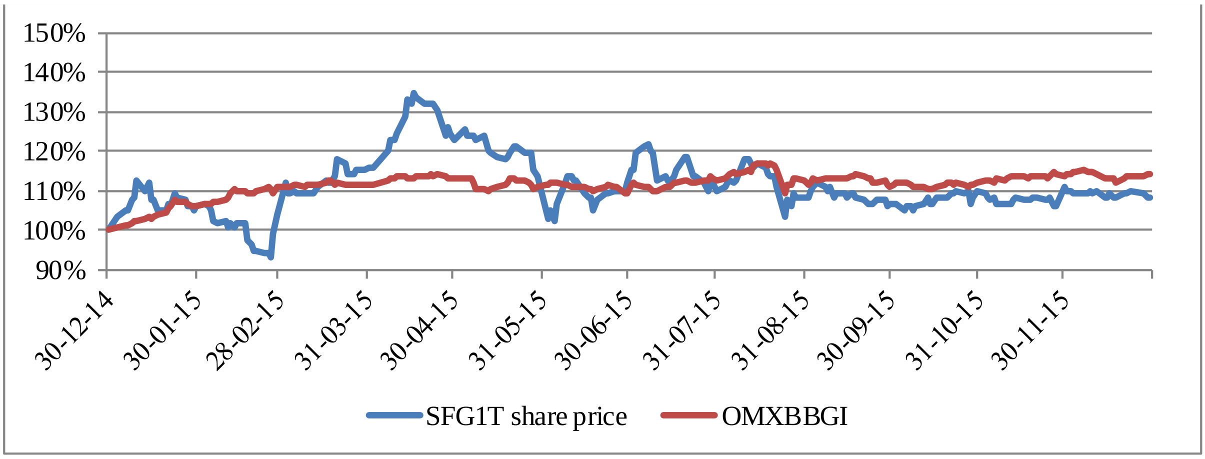
In 2015, SFG's share price increased by 8% and the Group's market capitalization increased by EUR 2.6 million.

Tallinn Stock Exchange trading history	2011	2012	2013	2014	2015
High, in EUR	3.55	3.65	2.95	2.70	1.61
Low, in EUR	2.55	2.36	2.47	1.18	1.10
Last, in EUR	3.05	2.74	2.67	1.18	1.28
Traded volume	11 766 505	9 792 762	11 800 143	8 680 446	13 380 757
Turnover, in EUR million	36.84	30.35	30.88	16.53	17.37
Market capitalization, in EUR million	120.67	107.96	105.2	46.02	48.64

Share price development and reference OMX Tallinn (OMXBGI) index on Tallinn Stock Exchange during 2015, EUR

During 2015 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 1.61 EUR and 1.10 EUR, respectively.

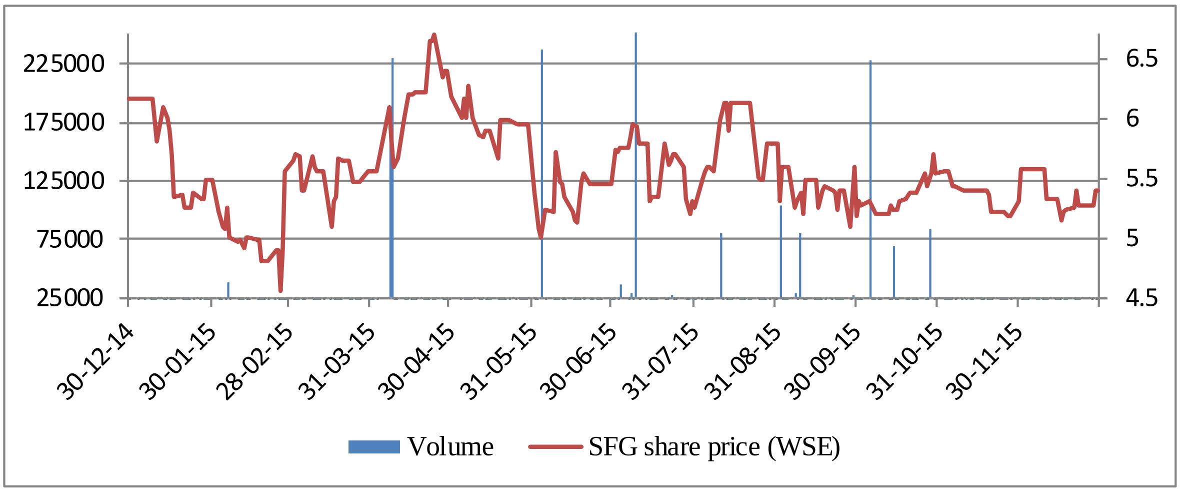




Warsaw Stock Exchange trading history	**2011**	**2012**	**2013**	**2014**	**2015**
High, in PLN	16.48	15.85	13.08	11.89	6.70
Low, in PLN	9.4	10.00	10.00	5.70	4.51
Last, in PLN	13.85	12.00	11.75	6.17	5.4
Traded volume	6 959 987	3 579 510	3 965 470	2 458 127	2 261 427
Turnover, in PLN million	87.5	46.8	45.3	20.8	12.5

Share price development and reference WIG-20 index on Warsaw Stock Exchange during 2015, PLN

During 2015, the highest and lowest prices of the AS Silvano Fashion Group`share on the Warsaw Stock Exchange were 6.70 PLN and 4.51 PLN respectively.



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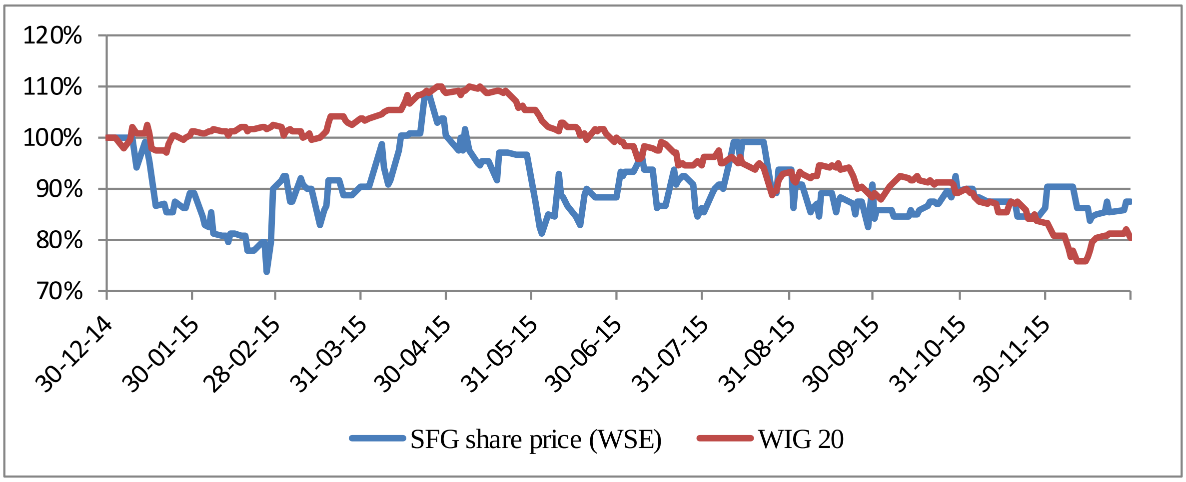
Volume
SFG share price (WSE)



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31-08-15
30-09-15
31-10-15
30-11-15
SFG share price (WSE)
WIG 20

Shareholder structure

As of 31 December 2015 AS Silvano Fashion Group had 1 851 shareholders (as of 31 December 2014 – 1 772 shareholders).

A complete list of the Company's shareholders is available on the website of the Estonian Central Register of Securities (http://statistics.e-register.ee/et/shareholders).

The distribution of shares as of 31 December:

	2015			2014		
Shareholdings	**Number of shareholders**	**% of votes**	**Number of shares**	**Number of shareholders**	**% of votes**	**Number of shares**
>10%	2	42.11	16 003 605	3	54.96%	21 436 264
1.0–10.0%	14	38.33	14 565 193	13	27.51%	10 728 402
0.1–1.0%	39	10.47	3 978 047	33	9.76%	3 804 850
<0.1%	1 796	9.09	3 453 155	1 723	7.77%	3 031 484
Total	**1 851**	**100.0%**	**38 000 000**	**1 772**	**100.0%**	**39 000 000**

Largest shareholders of Silvano Fashion Group

	31.12.15	**31.12.14**
Clearstream Banking Luxembourg S.A. Clients	21.06%	20.52%
AS SEB Pank Clients	21.05%	20.51%
Krajowy Depozyt Papierow Wartošciowych S.A.	9.47%	13.93%
UNICREDIT BANK AUSTRIA AG	7.14%	2.57%
BP2S PARIS/CLIENT ASSETS	4.09%	3.97%
FIREBIRD REPUBLICS FUND LTD	2.63%	1.97%
Central Securities Depository of Lithuania	2.01%	1.40%
Nordea Bank Finland Plc. Clients	1.87%	1.53%
Toomas Tool	1.63%	0%
CITIBANK (LONDON)/ UBS AG LONDON BRANCH-IPB CLIENT ACCOUNT	1.57%	0.95%
Firebird New Russia Fund	1.50%	1.32%
Firebird Avrora Fund	1.47%	1.25%
Firebird Fund L.P.	1.31%	1.15%
SWEDBANK AS/PENSION PLAN DYNAMICS	1.26%	1.03%
osaühing Hausman & Toran	1.24%	0.51%
AS Silvano Fashion Group	1.15%	0.87%

Because the allocation of voting rights does not necessarily coincide with legal ownership, the shareholders' register of the Company may not include full details of persons who hold over 5% of voting rights represented by its shares. As of 31.12.2015, the known key investors of SFG were:

- Funds managed by Eastern Star Consulting (Firebird Funds), holding 2 623 623 shares (6.90% of all votes).

Shares held by the members of the Management board and the Supervisory Board

Supervisory board	Number of shares held as of 31.12.2015
Mr. Toomas Tool	620 000
Mr. Aleksei Kadõrko	14 000

Dividends

Silvano Fashion Group is under no permanent or fixed obligation of paying dividends to its shareholders. Recommendations of the Management Board and the Supervisory Board for profit allocation are based on financial performance, requirements for current capital management, investment needs and strategic considerations.

Corporate Governance Report

The shares of AS Silvano Fashion Group have been admitted to trading on the Nasdaq OMX Tallinn Stock Exchange and the Warsaw Stock Exchange. Two corporate governance codes apply to the Company: (i) the Corporate Governance Recommendations adopted by the NASDAQ OMX Tallinn Stock Exchange and the Estonian Financial Supervision Authority (hereinafter CGR); (ii) the Code of Best Practice for WSE Listed Companies.

According to CGR, the Company shall describe its management practices in corporate governance recommendations report and confirm its compliance or not with CGR. If the Company does not comply with CGR, the Company shall explain in the report the reasons for its non-compliance. The Code of Best Practice for WSE Listed Companies provides the same obligation which is applicable to the Company due to its listing on the Warsaw Stock Exchange.

I Summary

The Management Board and the Supervisory Board of the Parent company confirm, to the best of their knowledge that the management practices were in compliance with CGR in all substantial matters during the reporting year. If the management practices deviated, in the Management Board's and/or the Supervisory Board's opinion, from particular provisions of CGR during 2015 such a deviation is explained below.

II General Meeting of Shareholders

The highest directing body of a Company is the General Meeting of Shareholders. The competence of the General Meeting, the procedure for calling a meeting and passing of decisions is set forth in the Articles of Association of the Parent company.

One annual general meeting of the shareholders was held on 29.06.2015. The substantial facts related to the general meeting are set out below.

- <u>The Annual General Meeting</u> was held on 29.06.2015 in Tallinn. The agenda of the Annual General Meeting included 5 items: (i) approval of the 2014 Annual Report; (ii) distribution of profits; (iii) appointment of the auditor; (iv) reduction of share capital; (v) share buy-back program; (vi) appointment of supervisory board members. The general meeting passed the resolutions on all items in the agenda.

The meeting was attended by Mr. Meerits and Mr. Kadõrko from the management board, Mr. Susi, Mr. Mägi and Mr. Mutso from the Supervisory Board.

The notice calling the annual general meeting was published on 4.06.2015 on the NASDAQ OMX Tallinn Stock Exchange website, on the Warsaw Stock Exchange website and on the Company's website and on 06.06.2015 in the daily newspaper "Eesti Päevaleht". The notice was published in Estonian and English language.

The resolutions of the general meeting were published on Tallinn and Warsaw stock exchanges and on Parent company's website.

III Management Board

As of 31 December 2015 the management board had 2 members: Mr. Jarek Särgava and Mr. Aleksei Kadõrko.

Upon assuming the office, member of the Management Board has executed a service contract with the Company or with a company belonging to the Group governing the service assignments of that member. Those contracts specify the rights, obligations and liability of the member of the management board, and lay down the provisions governing payment of principal remuneration. The amount of the remuneration was agreed upon in line with the service assignments and activities entrusted to the relevant member of the management board, the current state of the business, and the future trends.

The Parent company does not comply with the requirement to publish the remuneration, bonus system and other payments and benefits received by the individual members of the Management Board on the web page of the Company and in this report (section 2.2.7 of CGR issued by Financial Supervision Authority in Estonia). The Parent company is of the opinion that such disclosure may impair the rights of the members of the Management Board and the Parent company itself. Breakdown of aggregated amounts paid to the members of the managing bodies is included in the Consolidated Annual Report of the Group.

Members of the Management Board have informed the Parent company of their participation in other business entities, which are not members of the Group or management bodies thereof. No members of the Management Board are in direct competition with the Group. There is no conflict of the interest between the members of the Management Board and the Group and certain interest held by the members of Management Board, and their participation in managing bodies do not constitute a breach of the prohibition from competition. Moreover, the members of the Management Board have assumed the obligation to refrain from any breach of the non-competition obligation under their respective agreements.

Furthermore, the internal work procedure rules of the Group stipulate that no member of the Management Board or any employee shall demand or accept in their own personal interest any money or other benefits from any third persons in connection with their job, nor grant any third persons unlawful or unreasonable favors.

IV Supervisory Board

The task of the Supervisory Board is to plan the operations of the Parent company, organize the business and carry out supervision over the activities of the Management Board. The General Meeting of Shareholders elects the members of the Supervisory Board of the Parent company.

The Supervisory Board of the Parent company consists of 5 members: Mr. Toomas Tool (Chairman), Mr. Stephan Balkin, Mr. Mart Mutso, Mr. Risto Mägi and Mr. Ants Susi. The current composition of the Supervisory Board is available on the Parent company's website.

In accordance with Sec 3.2.2.I CGR more than one-half of the members of the supervisory board were independent. The Company is currently complying with the requirement of having at least half members of the Supervisory Board as independent members as set out in Section 3.2.2 of CGR.

The members of the Supervisory Board elect and appoint the chairman of the supervisory board. Mr. Toomas Tool serves as the chairman of the supervisory board from 15 November 2012.

The remuneration of the members of the Supervisory Board has been approved by the resolution of the General Meeting of Shareholders dated 30.06.2012. This constitutes of EUR 1 000 as gross monthly remuneration for each supervisory board member and EUR 2 500 as gross monthly remuneration for the Chairman of the Supervisory Board. No severance pay is paid to resigning members of the supervisory board.

The Management Board of the Parent company is not aware of any conflicts of interests between the Supervisory Board members and the Group.

Altogether 8 meetings of the Supervisory Board were held in the reporting year. Most member of the Supervisory Board of the Company participated in more than one-half of the meetings of the Supervisory Board held during their term of office.

V Co-operation of Management Board and Supervisory Board

The Management Board and the Supervisory Board work in close co-operation. The Management Board and the Supervisory Board hold joint meetings when matters concerning the Group's strategy are discussed, and the parties continuously exchange information pertaining to the strategic development of the Group. At such meetings the Management Board informs the Supervisory Board of any deviations from the Group's plans and targets and the reasons thereof. Meetings of the Chairman of the Supervisory Board and Management Board members are held to exchange information when needed. With respect to exchange of information, the internal rules governing the keeping, disclosure of internal information, as well as transactions with the shares of the Parent company are applied.

VI Disclosure of Information

Since listing of the shares the Parent company on the Nasdaq OMX Tallinn Stock Exchange and the Warsaw Stock Exchange the Parent company has been adhering to the information disclosure requirements stipulated in the stock exchange to procure an equal treatment to the Parent company's shareholders.

The website of the Parent company can be found at the address www.silvanofashion.com. The information targeted at shareholders is available at the easily found section http://www.silvanofashion.com/investors.html where the materials related to the General Meetings, including notices, agendas, resolutions, annual reports, information on the candidates to the Supervisory Board, and auditors and other materials related to the agenda items have been published. The materials are available in Estonian and English languages.

The Parent company has disclosed on its website all the facts and assessment pertaining to the Group, which have been disclosed to financial analysts or other persons. Moreover, the website of the Parent Company provides presentations made to analysts or investors and general directions of the Group's strategy.

The Parent company publishes all its announcements in the Estonian and the English languages on the parent company's webpage and the webpage of the Tallinn Stock Exchange and in English language on Warsaw stock exchange.

VII Financial Reporting and Auditing

Consolidated Annual Report of the Group has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. The auditor (AS PricewaterhouseCoopers) is auditing this Consolidated Annual Report of the Group for the fourth time.

The Group does not disclose the amount of the fee paid to the auditor, inasmuch as, in the opinion of the Group, the non-disclosure thereof does not affect the reliability of the auditor's report prepared following the auditing.

Corporate Social Responsibility

AS Silvano Fashion Group is aware of its special responsibility towards society and the environment. Accordingly, in addition to economic growth, its corporate strategy and business operations are also oriented to ecological and social values. For the Group, this responsibility translates into numerous areas of involvement designed to promote the health and professional development of employees as well as activities to protect the environment and the ecosystem.

Economic responsibility

AS Silvano Fashion Group continually works with its employees and business partners to ensure the sustained success of the Group. For this purpose the business strategy focuses on the long-term enhancement of brand value, without neglecting the short-term requirements of the consumer and capital markets.

Ecological responsibility

AS Silvano Fashion Group acknowledges its responsibility for preserving environment for future generations, aims at improving living standards of both its employees and people living in the area of the Group's operations, seeks to enhance the quality of goods produced and thus commits to the following:

1. Observe both national and international legislation on environment protection.
2. Produce goods with maximum ecological efficiency, consume materials and energy resources efficiently.
3. Reduce the level of environmental impact and waste products by improving current and adopting new resource saving, low waste or non-waste technologies.
4. Constantly improve employees' knowledge on environment and ecology.
5. Improve current environmental management system through its ongoing development and performance evaluation.
6. Regularly inform the public and partners on the measures taken by management and employees to protect environment and increase ecological efficiency of production process.

Social responsibility

AS Silvano Fashion Group acknowledges its responsibility for life and health of its employees as well as business partners, aims at improving safety and quality of working conditions and thus commits to the following:

1. Observe both national and international legislation on labor rights protection.
2. Guarantee safe working conditions to its employees: detect and analyze related risks on a regular basis; take all possible actions and allocate necessary funds to minimize negative impact of dangerous and harmful factors in the workplace.
3. Constantly improve quality of working conditions and guarantee social support to the employees through the Program of Health Promotion.
4. Take care of employees' health by preventing work-related diseases, providing medical support within the framework of the Program of Health Promotion.
5. Use modern equipment and new technologies to ensure safe working conditions and high level of labor productivity.
6. Ensure employees' satisfaction, motivation and dedication by investing in professional training and education.
7. Carry out standardized employee performance reviews in all business areas in order to identify and promote personal development and career opportunities for each employee.

Besides that, AS Silvano Fashion Group and its largest subsidiary SP ZAO Milavitsa are conscious of a certain responsibility for the general development of the region and well-being of the local community in Belarus, focusing mainly on children, youth and sportsmen by supporting their educational efforts, spending their leisure time in good surroundings and professional sport development.

Quality management

A high quality business and management model is one of the assets of AS Silvano Fashion Group. The objective is to develop business processes, practices and systems based on the principles of continuous improvement and in accordance with the customers' needs and expectations. Quality development is a continuous process where every employee has a central role to play. The Group particularly emphasizes the handling of customer feedback so that the necessary information reaches the relevant employees with minimum delay and that corrective and preventive action can be effectively implemented.

Consolidated Financial Statements

Consolidated Statement of Financial Position

in thousands of EUR	Note	31.12.2015	31.12.2014
ASSETS			
Current assets			
Cash and cash equivalents	5,7	21 274	13 308
Trade and other receivables	5,8	4 126	7 235
Inventories	9	15 470	26 462
Total current assets		**40 870**	**47 005**
Non-current assets			
Long-term receivables		0	241
Investments in associates		1	84
Available-for-sale investments	10	372	525
Deferred tax asset	14	465	649
Intangible assets	11	443	687
Investment property	12	1 130	1 638
Property, plant and equipment	13	10 354	16 510
Total non-current assets		**12 765**	**20 334**
TOTAL ASSETS		**53 635**	**67 339**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5,8	7 985	9 703
Tax liabilities	14	1 661	3 335
Total current liabilities		**9 646**	**13 038**
Non-current liabilities			
Deferred tax liability	14	13	283
Total non-current liabilities		**13**	**283**
Total liabilities		**9 659**	**13 321**
Equity			
Share capital	15	11 400	11 700
Share premium		11 914	13 066
Treasury shares	15	-579	-585
Statutory reserve capital		1 306	1 306
Unrealised exchange rate differences		-16 238	-5 649
Retained earnings		32 391	26 915
Total equity attributable to equity holders of the Parent company		**40 194**	**46 753**
Non-controlling interest		3 782	7 265
Total equity		**43 976**	**54 018**
TOTAL EQUITY AND LIABILITIES		**53 635**	**67 339**

Notes on pages 21 to 51 are integral part of these Consolidated Financial Statements.

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Consolidated Income Statement

in thousands of EUR	Note	2015	2014
Revenue	17	65 254	100 868
Cost of goods sold	18	-34 737	-64 246
Gross Profit		**30 517**	**36 622**
Distribution expenses	19	-9 362	-15 661
Administrative expenses	20	-6 163	-7 403
Other operating income		358	455
Other operating expenses	21	-1 225	-1 636
Operating profit		**14 125**	**12 377**
Currency exchange income/(expense)	22	1 746	703
Other finance income/(expenses)	22	374	690
Net financial income		**2 120**	**1 393**
Profit from associates using equity method		-79	4
Profit before income tax and gain (loss) on net monetary position		**16 166**	**13 774**
Income tax expense	14	-5 546	-6 091
Profit before gain/(loss) on net monetary position		**10 620**	**7 683**
Gain (loss) on net monetary position		0	2 901
Profit for the period		**10 620**	**10 584**
Attributable to :			
Equity holders of the Parent company		9 689	9 097
Non-controlling interest		931	1 487
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	16	0.26	0.23

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	2015	2014
Profit for the period		**10 620**	**10 584**
Items that may be subsequently reclassified to profit or loss			
Exchange rate differences attributable to foreign operations		-11 676	-5 057
Total comprehensive income for the period		**-1 056**	**5 527**
Attributable to :			
Equity holders of the Parent company		-1 152	4 663
Non-controlling interest		413	864

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Consolidated Statement of Cash Flows

in thousands of EUR	2015	2014
Cash flow from operating activities		
Profit for the period	**10 620**	**10 584**
Adjustments for:		
Depreciation and amortization of non-current assets	2 495	3 045
Share of profit of equity accounted investees	79	4
(Gains)/ losses on the sale of property, plant and equipment	-1	26
Net finance income / costs	-2 120	-1 393
Gain / loss on net monetary position	0	-2 900
Provision for impairment losses on trade receivables	21	1 227
Income tax expense	5 546	6 091
Change in inventories	6 509	-1 589
Change in trade and other receivables	2 786	3 068
Change in trade and other payables	-3 392	68
Interest paid	0	-18
Income tax paid	-6 134	-4 858
Net cash from operating activities	**16 409**	**13 355**
Cash flow from investing activities		
Interest received	315	696
Dividends received	2	0
Proceeds from sale of property, plant and equipment	16	256
Loans granted	0	-317
Acquisition of property, plant and equipment	-282	-420
Acquisition of intangible assets	-260	-169
Acquisition of shares of a subsidiary	-282	-200
Net cash used in/from investing activities	**-491**	**-154**
Cash flow from financing activities		
Repayment of borrowings	0	-72
Dividends paid	-5 970	-14 960
Acquisition of own shares	-1 448	-1 237
Net cash used in/ from financing activities	**-7 418**	**-16 269**
Increase in cash and cash equivalents	**8 500**	**-3 086**
Cash and cash equivalents at the beginning of period	**13 308**	**19 165**
Effect of translation to presentation currency	0	-1 308
Effect of exchange rate fluctuations on cash held	-534	-1 482
Cash and cash equivalents at the end of period	**21 274**	**13 308**

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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 2013	**11 820**	**13 822**	**-224**	**1 306**	**-1 215**	**26 861**	**52 370**	**10 485**	**62 855**
Effect of hyperinflation on opening balances	0	0	0	0	0	2 597	**2 597**	-548	**2 049**
Profit for the period	0	0	0	0	0	9 097	**9 097**	1 487	**10 584**
Other comprehensive income for the period	0	0	0	0	-4 434	0	**-4 434**	-623	**-5 057**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-4 434**	**9 097**	**4 663**	**864**	**5 527**
Transactions with owners, recognised directly in equity									
Dividends paid	0	0	0	0	0	-11 640	**-11 640**	-3 320	**-14 960**
Reduction of share capital	-120	-756	876	0	0	0	**0**	0	**0**
Change in non-controlling interest	0	0	0	0	0	0	**0**	-217	**-217**
Purchase of treasury shares	0	0	-1 237	0	0	0	**-1 237**	0	**-1 237**
Total transactions with owners, recognised directly in equity	**-120**	**-756**	**-361**	**0**	**0**	**-11 640**	**-12 877**	**-3 537**	**-16 414**
Balance as at 31 December 2014	**11 700**	**13 066**	**-585**	**1 306**	**-5 649**	**26 915**	**46 753**	**7 264**	**54 018**
Effect of hyperinflation on opening balances	0	0	0	0	0	-252	**-252**	-281	**-533**
Profit for the period	0	0	0	0	0	9 689	**9 689**	931	**10 620**
Other comprehensive income for the period	0	0	0	0	-10 589	0	**-10 589**	-1 087	**-11 676**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-10 589**	**9 437**	**-1 152**	**-437**	**-1 589**
Transactions with owners, recognised directly in equity									
Dividends paid	0	0	0	0	0	-3 791	**-3 791**	-2 179	**-5 970**
Dividends declared and outstanding	0	0	0	0	0	0	**0**	-535	**-535**
Change in non-controlling interest	0	0	0	0	0	-170	**-170**	-330	**-500**
Cancellation of treasury shares	-300	-1 152	1 453	0	0	0	**0**	0	**0**
Purchase of treasury shares	0	0	-1 447	0	0	0	**-1 447**	0	**-1 447**
Total transactions with owners, recognised directly in equity	**-300**	**-1 152**	**6**	**0**	**0**	**-3 961**	**-5 408**	**-3 044**	**-8 452**
Balance as at 31 December 2015	**11 400**	**11 914**	**-579**	**1 306**	**-16 238**	**32 391**	**40 194**	**3 783**	**43 976**

Notes on pages 21 to 51 are integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

Note 1 General information

AS Silvano Fashion Group (the "Parent Company" or "Group") is an international women and men's underwear distribution group involved in the design, manufacturing and marketing of women and men's lingerie. The Group's income is generated by sales of "Milavitsa", "Alisee", "Lauma Lingerie", "Laumelle" and "Hidalgo" branded products through wholesales channel, franchised sales and own retail operated under the "Milavitsa" and "Lauma Lingerie" retail chains. Key sales markets for the Group are Russia, Belarus, Ukraine, Kazakhstan, other CIS countries, the Baltics and other markets.

The Parent company is a public limited company, which is listed on NASDAQ OMX Tallinn Stock Exchange and on Warsaw Stock Exchange. The Parent company is incorporated and domiciled in Estonia. The address of its registered office is Tulika 15/17, 10613 Tallinn, registration number is 10175491. There is no controlling shareholder. These financial statements were authorised for issue by the Management Board of AS Silvano Fashion Group on 22 April 2015.

The consolidated financial statements are part of the annual report that has to be approved by the shareholders, and they serve as a basis for adopting a resolution for distributing the profit. Shareholders may decide not to approve the annual report, which has been prepared by the management board and approved by the supervisory board, and may demand that a new annual report be prepared.

Note 2 Summary of significant accounting policies

Principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of AS Silvano Fashion Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

As the Belarus economy has ceased to be hyperinflationary starting from 01.01.2015, the Group has discontinued the preparation and presentation of financial statements by applying IAS 29 "Financial Reporting in Hyperinflationary Economies". The amounts expressed in the measuring unit current (e.g. inventory, property, plant and equipment) as at 31.12.2014 are the basis for the carrying amounts in its subsequent financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group`s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Changes in accounting policy and disclosures

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group have not early adopted.

IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial.

Disclosure Initiative – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2016). The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements.

Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after 1 July 2014). IFRS 8 "Operating segments" was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements.

Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after 1 January 2016). IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (effective for annual periods beginning on or after 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements.

IFRS 16, Leases (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group and the Parent are currently assessing the impact of the new standard on the consolidated and separate financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's financial statements.

2.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Supervisory Board of the Parent company.

2.4 Foreign currency transactions

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "currency exchange income /(expense)". All other foreign exchange gains and losses are presented in the income statement within "other operating income" or "other operating profit).

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average monthly, quarterly or yearly exchange rates, depending on which average rate is a more reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates. If none of the given approximations reasonably reflect the cumulative effect of the rates prevailing on the transaction dates, then income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

d) Hyperinflation in Belarus

As the Belarus economy has ceased to be hyperinflationary starting from 01.01.2015, the Group has discontinued the preparation and presentation of financial statements by applying IAS 29 “Financial Reporting in Hyperinflationary Economies”. The amounts expressed in the measuring unit current (e.g. inventory, property, plant and equipment) as at 31.12.2014 are the basis for the carrying amounts in its subsequent financial statements.

2.5 Property, plant and equipment

Property, plant and equipment are tangible items that:
(a) are held for use in the production or supply of goods or services, or for administrative purposes; and
(b) are expected to be used during more than one period.

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings:	
Production buildings	30-75 years
Other buildings	20-50 years
Plant and equipment:	
Sewing equipment	7-10 years
Vehicles	5-7 years
Other equipment	5-10 years
Other equipment and fixtures:	
Computers, tools and other items of equipment	3-5 years
Store furnishings	3-5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “Other operating expenses” in the income statement.

2.6 Intangible assets

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 to 10 years.

2.7 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the investment property. The estimated useful lives used are 50 years.

Investment property is derecognized when either it has been disposed of or when an investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the income statement in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

2.8 Impairment of non-financial assets

Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following categories, loans and receivables, and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'cash and cash equivalents' and "long-term receivables" in the balance sheet.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Impairment of financial assets

a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

b) Assets classified as available for sale

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories, whose net realisable value are lower than cost is considered as obsolete. Obsolete inventories include: raw materials not intended for further use, standard finished goods not intended for further sale, finished goods that will be definitely included in seasonal sales and promo-events (30% average discount), non-standard finished goods (rejects, defected finished goods) percentage (85% of closing balance in average).

2.12 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or.

2.14 Share capital

Ordinary shares are classified as equity. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Parent company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

In accordance with effective legislation, in Estonia corporate income tax is not levied on profits earned. Therefore, deferred tax assets and liabilities do not arise. Instead of profit earned, income tax is levied on dividends and other distributions. From 1 January 2008 until 31 December 2014 the tax rate was 21/79 of the amount distributed as the net dividend. Starting from 1 January 2015 the tax rate is 20/80. The income tax payable on dividends is recognized in the income statement of the period in which the dividends are declared, irrespective of the period for which the dividends are declared or in which they are paid.

The Group's foreign entities pay tax on corporate profits in accordance with the laws of their domicile. In Latvia the tax rate is 15%, in France - 33.33%, in Russia - 20%, in Belarus - 18% and in Ukraine – 18%. There have been one change in tax rates in the countries where the Group operates: the tax rate in Ukraine has changed from 19% to 18%.

2.17 Provisions

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Rental income from investment property is recognized in profit or loss on straight line basis over the term of the lease.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease income from operating leases is recognized in the consolidated income statement on a straight-line basis over the lease term as other income.

Note 3 Critical accounting estimates, judgments and uncertainties

The preparation of consolidated financial statements in accordance with IFRS as adopted in the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.

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Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available in the period when deductible temporary differences realize against which those differences can be utilized. The amount of deferred tax assets of the Group equals to EUR 465 thousand as of 31 December 2015 (EUR 649 thousand as of 31 December 2014). The management believes that full amount of deferred tax assets will be utilized.

Allowance for doubtful accounts receivable

For accounts receivable, which are not overdue or past due for less than 30 days, no allowance is recognized. For accounts receivable past due for more than 30 days analysis on item by item basis is used, including involvement of legal department specialists for the purpose of assessment the likelihood of collectability.

Amount of inventory write-off to net realizable value

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. However actual selling price at the time of transaction may differ from the estimates. The need for and extent of writing down inventories is determined as follows: in case of finished goods on the basis of their sales potential, date of model origination and net realizable value; in case of raw and other materials on the basis of their usability in the production of finished goods and generation of revenue; and in case of work in progress on the basis of their stage of completion which can be measured reliably.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The amounts of write-downs are disclosed in note 9.

Uncertainties in operating environment

The Republic of Belarus displays characteristics of an emerging market, which is a subject to economic, political, social, legal and legislative risks, these are different from the risks of more developed markets. Laws and regulations affecting businesses in Belarus continue to change rapidly. Tax, currency and customs legislation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Belarus. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial system continues to face serious problems. In many countries the rates of economic growth have reduced. Moreover, the uncertainty has increased regarding the creditworthiness of several Eurozone countries and financial institutions which carry significant risks for the sovereign debt of these countries. These problems can result in slower global growth rate and the growth rate of the Belarusian economy, adversely affect the availability and cost of capital for the Group and the Parent, as well as the business of the Group and the Parent in general, results of its operations, financial position and prospects of development.

Devaluation of Belarusian ruble – in the year 2011 the National Bank performed phased devaluation of Belarusian ruble (in May and in October 2011), which as of 31 December 2011 resulted in 172% decrease of exchange rates to the currency basket compared to the 31 December 2010. In 2015 Belarusian ruble devalued significantly by 36% to the currency basket.

During the year 2011 the National Bank of the Republic of Belarus gradually increased the refinancing rate, which was 45% as of 31 December 2011. In 2012 they started to decrease the refinancing rate and it was 23.5% and 20% as of 31 December 2013 and 31 December 2014 respectively. In September 2011 the Standard & Poor's Rating Services downgraded long-term credit rating of the Republic of Belarus for national and foreign currency liabilities from B to B-. However the rating became stable since mid of 2012.

Inflation – starting from 1 January 2011 the economy of Republic of Belarus was recognized hyperinflationary for the purpose of IFRS reporting. Belarus economy has ceased to be hyperinflationary starting from 01.01.2015.

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According to statistical data, consumer price index for the year ended 31 December 2015 amounted to 12% (16.2% for the year ended 31 December 2014).

The Russian Federation also displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2015 the Russian economy was negatively impacted by a decline in oil prices and ongoing political tension in the region and international sanctions against certain Russian companies and individuals. As a result during 2015 the Central Bank of the Russian Federation exchange rate fluctuated between RR 52 and RR 81 per EUR. Through 2015 the CBRF key interest rate gradually decreased to 11% on 03.08.2015 and remains stable to date. Russia's credit rating was downgraded by Fitch Ratings in January 2015 to BBB-, whilst Standard & Poor's cut it to BB+ and in February 2015 Moody's Investors Service downgraded it to Ba1, putting it below investment grade for the first time in a decade. Fitch Ratings still have Russia as investment grade.

The Ukrainian economy is considered to be developing and characterised by relatively high economic and political risks. The future stability of the Ukrainian economy is largely dependent upon reforms and the effectiveness of economic, financial and monetary measures undertaken by government, together with tax, legal, regulatory, and political developments. As a developing economy, it is vulnerable to market downturns and economic slowdowns elsewhere in the world. Due to political instability in Ukraine and downturn of its economy Group's operations in Ukraine continued to drop substantially by 52.7% from EUR 4 352 thousand of net revenue in 2014 to EUR 2 060 thousand in 2015.

In 2015 Ukraine's GDP decreased by 12% year on year (2014: decreased by 8.2). The Government of Ukraine introduced a number of restrictions in relation to foreign exchange aiming to support the national currency, the Ukrainian Hryvnia. Inflation during the year was 40%. The national foreign exchange reserves reduced to the level of 3 month imports at year end due to reduced inflows from sale of commodities and agro produce, the need to settle scheduled payments, primarily with the International Monetary Fund, and to pay the current and past purchase of natural gas.

The final resolution and the effects of the political and economic crisis are difficult to predict but they may have significant effects on the Ukrainian economy and the Group's business.

The financial results of the Group have been impacted by both the changes in the currency exchange rates and the overall negative changes in the economy.

Note 4 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values as at 31 December 2015 and 31 December 2014. The fair values of trade receivables and payables are determined at third level. The fair value of financial liabilities, which comprise only trade payables and assumed to be close to to the balance sheet's value since their payments are anticipated within the next 12 months.

Note 5 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and fair value interest rate risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Management Board has an overall responsibility for establishment and oversight of the Group's risk management framework. The achievement of risk management goals in the Group is organized in such a way that risk management is part of normal business operations and management. Risk management is a process of identifying, assessing and managing business risks that can prevent or jeopardize the achievement of business goals.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises mostly from the Group's receivables from customers.

Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a quality rating are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of each local entity. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The definition of financial assets is contained in note 3. The carrying amount of financial assets (except for available-for-sale financial assets) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

in thousands of EUR	**31.12.15**	**31.12.14**
Cash and cash equivalents	21 274	13 308
Trade receivables from third parties	2 440	4 706
Trade receivables from related parties	88	197
Other receivables	102	627
Total	**23 898**	**18 838**

Maximum exposure to credit risk for cash and cash equivalents was as follows:

in thousands of EUR	**31.12.2015**	**31.12.2014**
Fitch rating A-AAA	706	445
Fitch rating B-BBB	9 437	9 542
Fitch rating C-CCC	0	2 717
Not rated	11 131	485
of those not rated, within EU	10 745	82
Total cash equivalents	**21 274**	**13 308**

The ageing of trade and other receivables was:

in thousands of EUR	**Gross 2015**	**Impairment 2015**	**Gross 2014**	**Impairment 2014**
Not past due	2 437	0	4 208	0
Overdue 1-30 days	127	0	1 210	0
Overdue 31-90 days	2	0	132	-21
Overdue 91-180 days	0	0	27	-27
More than 180 days	1 111	-1 052	1 134	-1 134
Total	3 676	-1 052	6 711	-1 182

Not past due trade receivables are towards wholesale customers. There is no substantial risk concentration in trade receivables. These receivables have been settled by the date of this report.

Trade receivables that have been considered impaired because debtors are experiencing significant financial difficulties and the probability of payments is low. Movements in the allowance for the impairment in respect of trade receivables and other receivables during the year were as follows:

in thousands of EUR	**2015**	**2014**
Balance at the beginning of period	**-1 182**	**-640**
Impairment losses for the period	-22	-1 227
Effect of movements in exchange rates	152	685
Balance at the end of period	**-1 052**	**-1 182**

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Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasting is performed in the operating entities of the group in and aggregated by group finance. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's financing plans, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

As of 31 December 2015 and 31 December 2014, the Group's current assets exceeded its current liabilities.

The table below analyses Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

in thousands of EUR **As of 31 December 2015**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities						
Trade payables	6 026	6 026	6 026	0	0	0
Other payables	85	85	85	0	0	0
Total	**6 111**	**6 111**	**6 111**	**0**	**0**	**0**

in thousands of EUR **As of 31 December 2014**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities						
Trade payables	5 829	5 829	5 829	0	0	0
Other payables	1 739	1 739	1 739	0	0	0
Total	**7 566**	**7 566**	**7 566**	**0**	**0**	**0**

Market risks

Market risks are risks that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk on sales, purchases and cash that are denominated in a currency other than respective functional currencies of the Group entities. In the Group's markets, sale and purchase prices are fixed in the following currencies: EUR (Euro), RUB (Russian rubles), BYR (Belarusian rubles), UAH (Ukrainian hryvnia). Other purchase and sales transactions are mainly in Euro and in US dollars. Intra-group transactions are primarily in Euros, Russian rubles and Belarusian rubles.

Most materials required for the manufacturing of women's lingerie are imported from EU member states. Those purchases are mainly in Euros.

Most of the Group's wholesale sales to third parties are in RUB. The Group's retail sales prices are fixed in the currency of the retail market. Fluctuations in the exchange rates of local currencies affect both the Group's revenue and expenses. Rapid changes in the market's economic environment and increases or decreases in the value of its currency may have a significant impact on the Group's operations and the customers' purchasing power.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept on an acceptable level (a reasonable level in prevailing circumstances) by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is the most exposed to currency risks arising from fluctuations in the exchange rates of BYR, RUB and UAH. The Group has addressed this risk by keeping money in more stable currencies such as EUR. Currency risk management includes maintaining an appropriate balance in BYR, RUB or UAH which corresponds to the amount required to fulfill liabilities to respective suppliers. The Group does not use hedging to reduce currency risks.

During the reporting year, the exchange rates of currencies affecting the Group's operating results changed as follows against EUR (based on closing figures): Ukrainian hryvnia 36.2% (2014: +69.4%), US dollar -9.9% (2014: -11.8%), Belarusian rouble 41.2% (2014: +9.9%) and Russian rouble 18.6% (2014: +48.6%).

The Group's exposure to foreign currency risk was as follows based on notional amounts:

in thousands of EUR

as at 31 December 2015	Total	EUR	BYR	RUB	USD	Other
Cash and cash equivalents	**21 274**	20 604	541	26	0	103
Trade receivables, net	**2 501**	408	801	1 292	0	0
Financial assets available-for-sale	**372**	0	372	0	0	0
Other current receivables	**123**	81	-51	93	0	0
Trade payables	**-6 026**	-3 618	-1 883	-151	-375	0
Other payables	**-85**	0	-85	0	0	0
Gross statement of financial position exposure	**18 159**	**17 476**	**-306**	**1 260**	**-375**	**103**

in thousands of EUR

as at 31 December 2014	Total	EUR	BYR	RUB	USD	Other
Cash and cash equivalents	**13 308**	10 226	2 934	109	0	39
Trade receivables, net	**4 903**	1 102	1 198	2 285	0	318
Financial assets available-for-sale	**525**	0	525	0	0	0
Other current receivables	**626**	3	584	39	0	0
Trade payables	**-5 829**	-3 984	-1 596	-13	0	-236
Other payables	**-1 738**	0	-1 737	0	0	0
Gross statement of financial position exposure	**11 796**	**7 347**	**1 908**	**2 419**	**0**	**122**

A 20 percent weakening of BYR against EUR as of 31 December 2015 would affect profit or loss by the amounts presented below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

Effect on profit before tax
in thousands of EUR

	2015	2014
EUR	-61	382
Total	**-61**	**382**

Effect on equity
in thousands of EUR

	2015	2014
EUR	-50	313
Total	**-50**	**313**

A 20 percent strengthening of BYR against EUR would have had the equal but the opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

A 20 percent weakening of RUB against EUR as of 31 December 2015 would affect profit or loss by the amounts presented below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

Effect on profit before tax
in thousands of EUR

	2015	2014
EUR	252	484
Total	**252**	**484**

Effect on equity
in thousands of EUR

	2015	2014
EUR	202	387
Total	**202**	**387**

A 20 percent strengthening of RUB against EUR would have had the equal but the opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Exposure to the interest rate risk arises from deposits with fixed interest rates. Management estimates that interest rate risk is not significant as Group does not have any long-term deposits or borrowings.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group manages total equity including non-controlling interest as capital. The amount of capital managed by the Group was equal to 43 976 thousand EUR as of 31 December 2015 and 54 018 as of 31 December 2014. The externally imposed capital requirements arise from Estonian Commercial code, requiring a certain minimum level of owner's equity to be maintained. Those requirements are incorporated into the management of capital and have been met for all reporting periods. There were no changes in the Group's approach or in external requirements imposed on the group's capital and capital management during the year. There are no plans to engage significant external capital.

Note 6 Group entities and business combinations

	Location	Main activity	Effective ownership interest 31.12.2015	Effective ownership interest 31.12.2014
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
SP ZAO "Milavitsa"	Belarus	Manufacturing and wholesale	84.91%	83.19%
AS "Lauma Lingerie"	Latvia	Manufacturing, wholesale and retail	100%	100%
OOO "Gimil"	Belarus	Manufacturing and wholesale	100%	83.39%
OAO "Yunona"	Belarus	Manufacturing and wholesale	58.33%	58.33%
SOOO Silvano Fashion	Belarus	Retail and wholesale	99%	91.60%
ZAO Silvano Fashion	Russia	Retail and wholesale	100%	100%
ZAO Stolichnaja Torgovaja Kompanija "Milavitsa"	Russia	Holding	92.45%	91.60%
TOV "Silvano Fashion"	Ukraine	Wholesale	100%	100%
OOO "Baltsped logistic"	Belarus	Logistics	50%	41.60%
SARL "France Style Lingerie"	France	Holding	100%	100%
SARL "Alisee"	Monaco	Holding	99%	99%
SIA "Silvano Fashion"	Latvia	Retail	100%	100%

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Transactions during 2015

There were no transactions that have significant effect on the financial statements of the Group.

Transactions during 2014

In December 2014, AS Silvano Fashion Group founded a subsidiary in Monaco, SARL "Alisee" with a capital of 15 000 EUR.

During 2014, AS Silvano Fashion Group acquired 120 shares of SP ZAO Milavitsa from other shareholders increasing Group's participation from 82.47% to 83.19%.

Neither of the transactions have significant effect on the financial statements of the Group.

a) Summary related to the entities associated with material NCI:

The total non-controlling interest for the period is EUR 3 782 thousand, of which EUR 2 340 thousand is for SP ZAO "Milavitsa", EUR 963 thousand is for ZAO "Stolichnaja Torgovaja Kompanija "Milavitsa", EUR 104 thousand is for OOO "Baltsped-logistik" and EUR 372 thousand is attributed to OAO "Yunona". The non-controlling interest in respect of SOOO "Silvano Fashion" Belarus is not material.

b) Basis for control over OOO "Baltsped logistic":

The Group has control over Baltsped logistik due to the ability to direct relevant activities of Baltsped logistik through a combination of voting rights arising from the shareholding, and the existence of operational agreements whereby a significant portion of Baltsped logistik's activities involve the Group.

Note 7 Cash and cash equivalents

in thousands of EUR

As of 31 December	2015	2014
Short-term deposits in all currencies	3 657	8 730
Current bank accounts in other currencies than EUR	260	3 519
Cash in transit	183	200
Current bank accounts in EUR	17 106	836
Short-term guarantee deposits	37	0
Cash on hand	31	23
Total	**21 274**	**13 308**

Note 8 Financial assets and financial liabilities

in thousands of EUR

As of 31 December

Assets	2015	2014
Available-for-sale financial assets	372	525
Trade receivables, net	2 528	4 903
Other receivables	102	459
Cash and cash equivalents	21 274	13 308
Total	**24 270**	**19 195**

in thousands of EUR

Liabilities	2015	2014
Trade payables	6 026	5 829
Other payables	85	1 737
Total	**6 111**	**7 566**

Other payables do not include Customer advances for products and services in the amount of EUR 442 thousand (EUR 543 thousand in 2014), short-term provisions in the amount of EUR 63 thousand (EUR 85 thousand in 2014), accrued expenses in the amount of EUR 1 365 thousand (EUR 1 504 thousand in 2014) and deferred

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income in the amount of EUR 4 thousand (EUR 5 thousand in 2014) as these liabilities do not represent financial instruments. Other receivables do not include deferred expenses in the amount of EUR 77 thousand (EUR 77 thousand in 2014), prepayments in the amount of EUR 218 thousand (EUR 447 thousand in 2014), prepaid taxes in the amount of EUR 1 207 thousand (EUR 1 256 thousand in 2014) as these assets are not financial instruments. In 2015 there were no short-term loans provided to 3rd parties. In 2014 the balance was EUR 329 thousand, which was included in other receivables.

Note 9 Inventories

in thousands of EUR	31.12.15	31.12.14
Raw and other materials	3 119	4 379
Work in progress	1 039	1 602
Finished goods	10 743	19 474
Other inventories	569	1 007
Total	**15 470**	**26 462**

The Group writes-down 100% of all obsolete inventories. As of 31 December 2015 the Group's write-downs of raw materials to net realizable value amounted to zero (2014: EUR 26 thousand). As of 31 December 2015 the Group's write-downs of finished goods to net realizable value amounted to zero (2014: EUR 102 thousand). The write-downs are included in cost of goods sold.

Note 10 Available for sale investments

Details of the Group's available-for-sale financial assets

			Ownership as of		Carrying value	
in thousands of EUR	Domicile	Core activity	2015	2014	31.12.15	31.12.14
OJSC Svitanok	Belarus	Manufacturing	11,3726%	11.3726%	351	496
CJSC Minsk Transit Bank	Belarus	Financing	0,0600%	0.0600%	11	15
OJSC Belvnesheconombank	Belarus	Financing	0,4700%	0.0047%	10	14
National Pension Fund of Belarus	Belarus	Financing	0,0500%	0.0005%	0	0
OJSC Belinvestbank	Belarus	Financing	0,0001%	0.0001%	0	0
Total					**372**	**525**

Available for sale investments are stated at cost, because the shares are not traded in an active market and their fair value cannot be measured reliably. OAO Belvnesheconombank, ZAO Minsk Transit Bank and OAO Svitanok are profitable companies and value of these investments has no signs of impairment.

Note 11 Intangible assets

in thousands of EUR	Software	Trademarks	Prepayments	Total
As of 31 December 2013				
Cost	1 634	40	379	**2 053**
Accumulated amortization	-953	-19	-362	**-1 334**
Net book amount	**681**	**21**	**17**	**719**
Movements during 2014				
Effect of hyperinflation on opening balances	98	2	3	**103**
Acquisition	87	0	82	**169**
Transfers and reclassifications	116	0	-50	**66**
Disposals	-1	0	0	**-1**
Amortization	-297	-6	0	**-303**
Unrealised exchange rate differences	-61	-2	-3	**-66**
Closing net book amount	**624**	**14**	**49**	**687**
As of 31 December 2014				
Cost	1 896	37	432	**2 365**
Accumulated amortization	-1 272	-23	-383	**-1678**
Net book amount	**624**	**14**	**49**	**687**
Movements during 2015				
Acquisition	35	17	208	**260**
Transfers and reclassifications	223	0	-223	**0**
Disposals	0	2	0	**2**
Amortization	-303	-5	0	**-308**
Unrealised exchange rate differences	-179	-7	-12	**-198**
Closing net book amount	**400**	**21**	**22**	**443**
As of 31 December 2015				
Cost	1 608	41	293	1 942
Accumulated amortization	-1 208	-20	-271	-1 499
Net book amount	**400**	**21**	**22**	**443**

As of 31 December 2015 the cost of fully amortized items of intangible assets still in use amounted to EUR 926 thousand (2014: 1 303).

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Note 12 Investment property

in thousands of EUR	2015	2014
31.12.2014		
Cost	1 927	1 835
Accumulated depreciation	-289	-243
Net book amount	**1 638**	**1 592**
Effect of hyperinflation on opening balances and change in exchange rates of presentation currency	-472	90
Depreciation	-36	-44
Closing net book amount	**1 130**	**1 638**
31.12.2015		
Cost	1 455	1 927
Accumulated depreciation	-325	-289
Net book amount	**1 130**	**1 638**

As of 31 December 2015 and 31 December 2014 investment property of the Group consisted of premises located at Nemiga 8, Minsk (Belarus) (728.3 sq. m.) acquired in 2007 and two more properties in Minsk and Mogilev (Belarus) that were transferred from property, plant and equipment in 2009, because the buildings were no longer used by the Group and were leased to a third party. The fair value of investment property was determined at third level.

The investment property is recognized at cost less accumulated depreciation and any impairment losses. Rental income generated by the investment property and recognized in consolidated income statement amounted to EUR 239 thousand (2014: EUR 293 thousand). According to management estimates, the carrying value of investment property as of 31 December 2015 and 31 December 2014 is not significantly different from the fair value. The fair values estimated by the management for information purposes only are based on prices that would be received to sell similar assets in similar conditions in an orderly transaction between market participants at the measurement date. The available market data used for fair values measurement included recent selling transactions of property with similar area, location, technical characteristics, accumulated depreciation rates, remaining useful lives. The Group did not involve external expert in the assessment of the fair value of investment property.

The assumptions used in the assessment of the fair value of the investment property meet the definition of Level 3 according to the classification in IFRS 13.

Note 13 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Assets under construction and prepayments	Total
31.12.2013					
Cost	8 091	25 633	5 482	194	**39 400**
Accumulated depreciation	-2 756	-14 847	-3 640	0	**-21 243**
Net book amount	**5 335**	**10 784**	**1 844**	**194**	**18 157**
Movements during 12m 2014					
Effect of hyperinflation on opening balances	786	1 467	235	28	**2 516**
Additions	0	37	105	278	**420**
Disposals	0	-29	-118	-135	**-282**
Reclassifications	4	216	102	-322	**0**
Depreciation	-256	-1 767	-668	0	**-2 691**
Unrealised exchange rate differences	-482	-958	-151	-19	**-1 610**
Closing net book amount	**5 387**	**9 752**	**1 347**	**24**	**16 510**
31.12.2014					
Cost	8 556	26 737	5 424	24	**40 741**
Accumulated depreciation	-3 169	-16 985	-4 077	0	**-24 231**
Net book amount	**5 387**	**9 752**	**1 347**	**24**	**16 510**
Movements during 12m 2015					
Additions	0	84	326	164	574
Disposals	0	-1	-13	-1	-15
Reclassifications	3	24	111	-138	0
Depreciation	-208	-1 489	-454	0	-2 151
Unrealised exchange rate differences	-1 552	-2 652	-346	-10	-4 560
Closing net book amount	**3 630**	**5 718**	**967**	**39**	**10 354**
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**

As of 31 December 2015 the cost of fully depreciated items of property, plant and equipment still in use amounted to EUR 7 470 thousand (2014: EUR 9 229 thousand).

Note 14 Taxes

Income tax expense comprises the following:

in thousands of EUR	2015	2014
Current income tax	5 617	7 949
Deferred tax	-71	-1 858
Income tax expense	**5 546**	**6 091**

As of 31 December 2015 the majority of tax liabilities on the balance sheet comprise of corporate income tax in the amount of 883 EUR thousand (31.12.2014: 2 720 EUR thousand) and VAT in the amount of 524 EUR thousand (31.12.2014: 263 EUR thousand).

Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's 2015 income is 20% (2014 – 20%) . The income tax rate applicable to the income of subsidiaries ranges from 15% to 20% (2014: from 15% to 20%). Reconciliation between the expected and the actual taxation charge is provided below.

in thousands of EUR	2015	2014
Profit before tax	**16 166**	**16 678**
Theoretical income tax at the statutory tax rate*	3 639	3 203
Non-deductible expenses	445	397
Reversal of statutory revaluation	-122	-194
Forex gain recognition	0	0
IAS 29 – loss on tax base of assets and liabilities	0	734
IAS 29 – restatement of current income tax	0	128
IAS 29 – restatement of dividends	0	-119
IAS 29 – restatement of inventories	0	22
Effect of other permanent differences	-26	-282
Withholding tax on intra-group dividends	1 531	1 744
Other adjustments	79	458
Income tax expense for the year	**5 546**	**6 091**

** The theoretical income tax rate for the Group in 2015 was 19.0% based on weighted average of income tax rates and revenue of the Group by geographical areas (see note 24), in 2014 - 19.2%.*

Deferred tax arises from temporary differences between the carrying amount of an asset or a liability in the statement of financial position and its tax base. The Group's deferred tax asset and liability are attributable to the following assets and liabilities:

in thousands of EUR	1 January 2014	Effect of hyperinflation on opening balances and change in exchange rates	Charged to profit or loss	31 December 2014
Effect from deductible temporary differences:				
Property, plant and equipment	-11	0	2 082	2 071
Inventories	258	-3	974	1 229
Trade and other accounts receivable	97	0	116	213
Other temporary differences	103	0	78	181
Deferred tax asset	**446**	**-3**	**3 250**	**3 694**
Effect from taxable temporary differences:				
Property, plant and equipment	-1	-1	-2 525	-2 527
Inventories	103	0	-392	-289
Trade and other accounts receivable	-53	0	53	0
Accrued expenses	-1 933	-282	2 159	-56
Other temporary differences	-55	0	-401	-456
Deferred tax liability	**-1 939**	**-283**	**-1 106**	**-3 328**
Net deferred tax position	**-1 493**	**-286**	**2 144**	**366**

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in thousands of EUR	1 January 2015	Effect of hyperinflation on opening balances and change in exchange rates	Charged to profit or loss	31 December 2015
Effect from deductible temporary differences:				
Property, plant and equipment	2 071	0	-221	1 850
Inventories	1 229	0	-920	309
Trade and other accounts receivable	213	0	-19	194
Other temporary differences	181	0	-127	54
Deferred tax asset	**3 694**	**0**	**-1 287**	**2 407**
Set-off of deferred tax	**0**	**0**	**0**	**-1 942**
Net deferred tax assets	**3 694**	**0**	**-1 287**	**465**
Effect from taxable temporary differences:				
Property, plant and equipment	-2 527	0	872	-1 655
Inventories	-289	0	202	-87
Trade and other accounts receivable	0	0	-184	-184
Accrued expenses	-56	0	47	-9
Other temporary differences	-456	0	436	-20
Deferred tax liability	**-3 328**	**0**	**1 373**	**-1 955**
Set-off of deferred tax	**0**	**0**	**0**	**1 942**
Net deferred tax liability	**-3 328**	**0**	**1 373**	**13**
Net deferred tax position	**366**	**0**	**71**	**452**

Note 15 Equity

As of 31 December 2015 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 2014, 11 700 thousand EUR, 39 000 000 shares and 0.30 EUR nominal value, respectively). Compared to 31 December 2014 share capital was reduced by EUR 300 thousand due to cancellation of the 1 000 000 own shares acquired within the own share buy-back programme. In 2015 the Company paid out dividends in amount of EUR 0.1 per share.

The minimum share capital and maximum share capital in accordance with articles of association of AS Silvano Fashion Group amount to EUR 4 500 thousand and EUR 18 000 thousand respectively. All issued shares have been fully paid for.

As of 31 December	2015	2014
Share capital, in thousands of EUR	11 400	11 700
Number of shares	38 000 000	39 000 000
Par value of a share, in EUR	0.3	0.3

All shares issued by AS Silvano Fashion Group are registered ordinary shares. Each ordinary share grants the holder one vote at the general meeting of shareholders. The Company does not issue share certificates to shareholders. The Company's share register is electronic and maintained at the Estonian Central Register of Securities.

Each ordinary share grants the holder the right to participate in profit distributions in proportion to the number of shares held. General Meeting decides the amount that will be distributed as dividends on the basis of the Parent company's approved annual report.

Cancelation of shares in 2015

On 29 June 2015 AS Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting decided to cancel 1 000 000 own shares held by the Parent company, effectively reducing the total number of shares to 38.0 million, all necessary registration proceedings were completed by the end of 2015.

Own Shares

The reserve for the Group's own shares comprises the cost of the Company's shares held by the Group. As of 31 December 2015 AS Silvano Fashion Group held 450 089 own shares (2014: 339 951) acquired under share buy-back program. The buyback took place under the following conditions:

AS Silvano Fashion Group is entitled to buy back its own shares from the date of the approval of the buyback until 29.06.2016:

- The total number of own shares to be bought back by SFG may not exceed 1 000 000;
- The maximum price payable by SFG for one share to be EUR 2.00.

The buyback period started on 01.07.2015. During the period from 01.07.2015 to 31.12.2015 number of shares bought back amounted to 450 089, average price per share amounted to 1.3203 EUR resulting in total cost of EUR 594 thousand.

As of 31 December 2015 AS Silvano Fashion Group had 1 851 shareholders (31.12.2014: 1 772 shareholders).

Note 16 Earnings per share

The calculation of basic earnings per share for 2015 (2014) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	**2015**	**2014**
Number of ordinary shares at the beginning of the period	39 000	39 400
Effect of own shares held at the beginning of the period	-340	-88
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	-450	-308
Weighted average number of ordinary shares for the period	**37 810**	**38 692**

In thousands of EUR	**2015**	**2014**
Profit for the period attributable to equity holders of the Parent company	9 689	9 097
Basic earnings per share (EUR)	0.26	0.23
Diluted earnings per share (EUR)	0.26	0.23

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 17 Revenue

in thousands of EUR	**2015**	**2014**
Revenue from wholesale	49 475	79 144
Revenue from retail sale	15 711	21 158
Subcontracting and services	54	111
Other sales	13	455
Total	**65 254**	**100 868**

Note 18 Cost of goods sold

in thousands of EUR	2015	2014
Raw materials	16 036	37 194
Purchased goods	2 105	2 770
Purchased services	2 996	11 075
Personnel costs	7 165	13 146
Depreciation	877	1 355
Rent and utilities	486	754
Other production costs	910	1 260
Changes in inventories	4 162	(3 308)
Total	**34 737**	**64 246**

Note 19 Distribution expenses

in thousands of EUR	2015	2014
Advertising and marketing expenses	664	2 118
Payroll expenses	3 978	6 078
Storage and packaging	40	557
Rent (note 23)	2 059	2 035
Transportation services	208	466
Depreciation and amortization	991	1 272
Utilities	447	491
Materials usage	413	665
Business trips	77	101
Bad debt expenses (note 5)	21	1 227
Bank charges retail sale	128	146
Other expenses	336	505
Total	**9 362**	**15 661**

Note 20 Administrative expenses

in thousands of EUR	2015	2014
Payroll expenses	2 801	3 775
Depreciation and amortization	403	418
Rent and utilities (note 23)	602	636
Professional services	228	223
IT costs	191	292
Bank and listing fees	305	277
Business trips	144	180
Office expenses	52	139
Communication expenses	68	86
Insurance	84	109
Other expenses	1 285	1 268
Total	**6 163**	**7 403**

Note 21 Other operating expenses

in thousands of EUR	2015	2014
Social benefits to employees	500	760
Other taxes	280	294
Auxiliary materials	121	227
Expenses for donations	6	50
Depreciation	224	44
Other expenses	94	261
Total	**1 225**	**1 636**

Social benefits to employees include costs related to the social programs and additional benefits provided to the employees (mainly in Belarus) and expenses related to social infrastructure, maintenance expenses of employee dormitories, first aid station and canteen.

Note 22 Net financial income

in thousands of EUR		
Interest expenses	**2015**	**2014**
Interest expense on bank loans	0	-18
Total interest expenses	**0**	**-18**
Other financial income/ expenses		
Interest income on loans	4	12
Interest income on bank deposits	227	578
Other finance income	164	120
Other finance expenses	-21	-2
Total other finance income/ expenses	**374**	**708**
Gains on conversion of foreign currencies	**1 746**	**703**
Net finance income	**2 120**	**1 393**

Note 23 Operating lease

The Group as a lessee

In 2015 the Group made operating lease payments for stores, office and production premises and plant and equipment. In 2015 operating lease expenses of the Group amounted to EUR 2 596 thousand (2014: EUR 2 626 thousand). There were no significant restrictions under the lease agreements in both years.

Minimum non-cancellable operating lease rentals have been calculated on the basis of the non-cancellable periods of operating lease contracts.

in thousands of EUR
As of 31 December

Minimum operating lease rentals	**2015**	**2014**
Payable in less than one year	1 136	1 876
Payable between one and five years	421	600
Payable in over five years	0	1
Total	**1 558**	**2 476**

The Group as a lessor

The Group as a lessor do not have any non-cancellable operating lease contracts.

The Group leases out property under the terms of operating lease. In 2015 operating lease income amounted to EUR 239 thousand (2014: EUR 293 thousand). As of 31 December 2015 net book value of property, plant and equipment leased out by the Group equals to EUR 13 thousand (2014: EUR 16 thousand).

Note 24 Operating segments

The Group`s operating segments have been determined based on regular reports being monitored and analysed by Management and Supervisory Boards (chief operational decision maker) of the parent company on an ongoing basis.

The Supervisory Board considers 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 purchases women's lingerie from wholesale segment, and subsequently sells the lingerie through own retail network in Latvia, Belarus and Russia.

There is a strong integration between wholesale and retail segments mainly through sales of goods from wholesale segment for subsequent resale in own retail network. 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 2015

in thousands of EUR	**Lingerie retail**	**Lingerie wholesale**	**Total segments**	**Unallocated**	**Eliminations**	**Total**
Revenue from external customers	15 712	49 488	**65 200**	54	0	65 254
EBITDA	**2 437**	**13 004**	**15 441**	**1 186**	**0**	16 627
Amortization and depreciation	-145	-1 507	**-1 652**	-850	0	-2 502
Operating income, EBIT	**2 292**	**11 497**	**13 789**	**336**	**0**	**14 125**
Profit from associates using equity method	0	-79	**-79**	0	0	-79
Net financial income	-66	3 255	**3 189**	-1 069	0	2 120
Income tax	-140	-2 540	**-2 680**	-2 866	0	-5 546
Net profit	**2 086**	**12 132**	**14 218**	**-3 598**	**0**	**10 620**
Investments in associates	0	1	**1**	0	0	1
Other operating segments assets	2 638	30 433	**33 071**	20 563	0	53 634
Reportable segments liabilities	511	8 690	**9 201**	458	0	9 659
Capital expenditures	32	712	**744**	90	0	834
Number of employees as of reporting date	361	1 680	**2 041**	4	0	2 045

Operating segments 2014

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	**21 158**	**79 144**	**100 302**	**566**	**0**	**100 868**
EBITDA	**3 370**	**11 495**	**14 865**	**557**	**0**	**15 422**
Amortization and depreciation	-294	-1 899	**-2 193**	-852	0	**-3 045**
Operating income, EBIT	**3 076**	**9 596**	**12 672**	**-295**	**0**	**12 377**
Profit from associates using equity method	0	4	**4**	0	0	**4**
Net financial income	297	874	**1 171**	222	0	**1 393**
Income tax	-340	-3 847	**-4 187**	-1 904	0	**-6 091**
Gain on net monetary position	-431	2 673	**2 242**	659	0	**2 901**
Net profit	**2 602**	**9 300**	**11 902**	**-1 318**	**0**	**10 584**
Investments in associates	0	84	**84**	0	0	**84**
Other operating segments assets	7 610	46 619	**54 229**	13 026	0	**67 255**
Reportable segments liabilities	1 325	8 486	**9 811**	3 510	0	**13 321**
Capital expenditures	66	396	**462**	126	0	**588**
Number of employees as of reporting date	481	2 264	**2 745**	4	0	**2 749**

Information about 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 2015	Sales revenue 2014	Non-current assets 31.12.2015	Non-current assets 31.12.2014
Russia	34 507	55 266	194	423
Belarus	20 896	29 982	12 186	19 649
Baltics	1 832	3 146	383	475
Ukraine	2 060	4 352	1	2
Kazakhstan	2 851	4 022	0	0
Other countries	3 109	4 100	0	-0
Total	**65 254**	**100 868**	**12 765**	**20 549**

Note 25 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	2015	2014
Associates	910	2 508
Total	**910**	**2 508**

Balances with related parties

in thousands of EUR	31.12.2015	31.12.2014
Trade receivables from associates	88	197
Total	**88**	**197**

Benefits to key management of the group (incl. management of subsidiaries)

in thousands of EUR	12m 2015	12m 2014
Remunerations and benefits	1 321	1 305
Total	**1 321**	**1 305**

Note 26 Separate financial information of the Parent company

Statement of Financial Position

in thousands of EUR	31.12.2015	31.12.2014
ASSETS		
Current assets		
Cash and bank	10 780	102
Trade and other receivables	714	8 355
Total current assets	**11 494**	**8 457**
Non-current assets		
Investment in subsidiaries	24 802	20 489
Intangible assets	2	4
Property, plant and equipment	2	3
Total non-current assets	**24 806**	**20 496**
TOTAL ASSETS	**36 300**	**28 953**
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	14	26
Tax liabilities	14	17
Total current liabilities	**28**	**43**
Total liabilities	**28**	**43**
Equity		
Share capital	11 400	11 700
Share premium	11 914	13 066
Treasury shares	-579	-585
Statutory reserve capital	1 306	1 306
Retained earnings	12 231	3 423
Total equity	**36 272**	**28 910**
TOTAL EQUITY AND LIABILITIES	**36 300**	**28 953**

Income Statement

Statement of Comprehensive Income

in thousands of EUR	2015	2014
Revenue	0	0
Cost of goods sold	0	0
Gross Profit	**0**	**0**
Administrative expenses	-393	-457
Other operating income	764	898
Operating profit	**371**	**441**
Currency exchange income/(expense)	-3 063	0
Other finance income/(expenses)	16 824	18 553
Net financial income	**13 761**	**18 553**
Profit before tax	**14 132**	**18 995**
Income tax expense	-1 531	-1 744
Profit for the period	**12 601**	**17 250**
Total comprehensive income for the period	**12 601**	**17 250**

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PricewaterhouseCoopers, Tallinn

Statement of Cash Flows

in thousands of EUR	2015	2014
Cash flow from operating activities		
Profit for the period	**12 601**	**17 250**
Adjustments for:		
Depreciation and amortization of non-current assets	3	4
Net finance income / costs	-13 761	-18 553
Income tax expense	1 531	1 744
Change in trade and other receivables	-199	-36
Change in trade and other payables	-15	17
Income tax paid	- 1 531	0
Net cash from operating activities	**-1 371**	**425**
Cash flow from investing activities		
Interest received	13	68
Dividends received	21 457	8 723
Loans granted	-150	-1 057
Proceeds from sale of investments	68	0
Proceeds from repayments of loans granted	0	2 603
Acquisition of shares of subsidiaries	-4 100	-429
Net cash used in/from investing activities	**17 287**	**9 908**
Cash flow from financing activities		
Dividends paid	-3 791	-11 640
Acquisition of own shares	-1 447	-1 237
Net cash used in/ from financing activities	**-5 239**	**-12 877**
Increase in cash and cash equivalents	**10 678**	**-2 543**
Cash and cash equivalents at the beginning of period	**102**	**2 645**
Effect of exchange rate fluctuations on cash held	-10	17
Cash and cash equivalents at the end of period	**10 780**	**102**

Statement of Changes in Equity

in thousands of EUR	Share capital	Share premium	Treasury shares	Statutory reserve capital	Retained earnings	Total
Balance as at 31 December 2013	**11 820**	**13 822**	**-224**	**1 306**	**-2 187**	**24 537**
Reduction of share capital	-120	-756	876	0	0	**0**
Dividends paid	0	0	0	0	-11 640	**-11 640**
Repurchase of treasury shares	0	0	-1 237	0	0	**-1 237**
Profit for the period	0	0	0	0	17 250	**17 250**
Balance as at 31 December 2014	**11 700**	**13 066**	**-585**	**1 306**	**3 423**	**28 910**
Carrying amount of interests under control or significant influence						**-20 489**
Carrying amount of interests under control or significant influence under the equity method						**40 021**
Adjusted unconsolidated equity as at 31 December 2014						**48 442**
Dividends paid	0	0	0	0	-3 791	**-3 791**
Repurchase of treasury shares	0	0	-1 447	0	0	**-1 447**
Cancellation of shares	-300	-1 153	1 453	0	0	**0**
Profit for the period	0	0	0	0	12 601	**12 601**
Balance as at 31 December 2015	11 400	11 914	-579	1 306	12 233	**36 273**
Carrying amount of interests under control or significant influence						**-24 802**
Carrying amount of interests under control or significant influence under the equity method						**39 196**
Adjusted unconsolidated equity as at 31 December 2015						**40 078**

Declaration of the Management Board and the Supervisory Board

The Management Board has prepared the Management Report, the Consolidated Financial Statements and the Profit Allocation Proposal of AS Silvano Fashion Group for the year ended on 31 December 2015 in accordance with the accounting standards and the financial statements present a true and fair view of the group's assets, liabilities, financial position and profit.

The Supervisory Board of AS Silvano Fashion Group has reviewed the Consolidated Annual Report, prepared by the Management Board, consisting of the Management Report, the Consolidated Financial Statements, the Management Board's Profit Allocation Proposal and the Independent Auditor's Report, and has approved the Consolidated Annual Report 2015 for presentation at the Annual General Meeting of Shareholders.

Jarek Särgava	Member of the Management board	______________	22.04 2016
Aleksei Kadõrko	Member of the Management board	______________	22.04 2016
Toomas Tool	Chairman of the Supervisory Board	______________	______2016
Ants Susi	Member of the Supervisory Board	______________	______2016
Mart Mutso	Member of the Supervisory Board	______________	______2016
Risto Mägi	Member of the Supervisory Board	______________	______2016
Stephan David Balkin	Member of the Supervisory Board	______________	______2016

INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)*

To the Shareholders of AS Silvano Fashion Group

We have audited the accompanying consolidated financial statements of AS Silvano Fashion Group and its subsidiaries, which comprise the consolidated statement of financial position as of 31 December 2015 and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management Board's Responsibility for the Consolidated Financial Statements

Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AS PricewaterhouseCoopers, Pärnu mnt 15, 10141 Tallinn, Estonia; License No. 6; Registry code: 10142876
T: +372 614 1800, F: +372 614 1900, www.pwc.ee

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS Silvano Fashion Group and its subsidiaries as of 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

AS PricewaterhouseCoopers

Tiit Raimla	Jüri Koltsov
Auditor's Certificate No. 287	Auditor's Certificate No. 623

28 April 2016

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* *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.*

PROFIT ALLOCATION PROPOSAL

Retained earnings attributable to equity holders of AS Silvano Fashion Group as of 31 December 2015:

Accumulated retained earnings as of 31.12.2014	26 915 000 EUR
Profit for the year ended 31 December 2015	9 689 000 EUR
Total retained earnings as of 31.12.2015	32 391 000 EUR

The Management Board of AS Silvano Fashion Group makes the following proposal to the Annual General Meeting:

Payment of dividends to shareholders	5 700 000 EUR
Transfer of profit to retained earnings	3 989 000 EUR
Retained earnings after allocations	26 691 000 EUR

Jarek Särgava	Member of the Management board		22.04.2016
Aleksei Kadõrko	Member of the Management board		22.04.2016