



## **AS Silvano Fashion Group**

### **Consolidated Interim Financial Report for Q1 of 2018 (unaudited)**

(translation of the Estonian original)\*

Beginning of the reporting period	1 January 2018
End of the reporting period	31 March 2018
Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 15/17, 10613 Tallinn
Telephone	+372 684 5000
Fax	+372 684 5300
E-mail	<a href="mailto:info@silvanofashion.com">info@silvanofashion.com</a>
Website	<a href="http://www.silvanofashion.com">www.silvanofashion.com</a>
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	AS PricewaterhouseCoopers

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

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## Management Report

### General information about Silvano Fashion Group AS

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

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

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

As of 31 March 2018 the Group employed 2 219 people (as of 31 December 2017: 2 279 people).

The Group comprises the following companies:

	<b>Location</b>	<b>Main activity</b>	<b>Ownership interest 31.03.2018</b>	<b>Ownership interest 31.12.2017</b>
<b>Parent company</b>				
Silvano Fashion Group AS	Estonia	Holding		
<b>Entities belonging to the Silvano Fashion Group</b>				
Silvano Fashion ZAO	Russia	Retail and Wholesale	100%	100%
Silvano Fashion OOO	Belarus	Retail and wholesale	100%	100%
Silvano Fashion TOV	Ukraine	Wholesale	100%	100%
Silvano Fashion SIA	Latvia	Retail	100%	100%
Milavitsa SP ZAO	Belarus	Manufacturing and wholesale	84.92%	84.92%
Yunona OAO	Belarus	Manufacturing and wholesale	58.33%	58.33%
Gimil OOO	Belarus	Manufacturing and wholesale	100%	100%
Lauma Lingerie AS	Latvia	Manufacturing and wholesale	100%	100%
Alisee SARL	Monaco	Holding	99%	99%
Stolichnaja Torgovaja Kompanija “Milavitsa” ZAO	Russia	Holding	100%	100%
Baltsped logistik OOO	Belarus	Logistics	50%	50%

## Business environment and results

The Group's sales amounted to 16 157 thousand EUR during the Q1 of 2018, representing a 11.1% increase as compared to the same period for the previous year. The Group's gross profit during the Q1 of 2018 amounted to 9 308 thousand EUR and increased by 37.2% compared to Q1 of 2017. The Gross margin during the Q1 of 2018 increased to 57.6% from 46.6% as compared to Q1 of 2017.

Consolidated operating profit for Q1 of 2018 increased by 114.9% to 5 173 thousand EUR, compared to 2 407 thousand EUR in Q1 of 2017. Consolidated EBITDA for Q1 of 2018 increased by 91.5% and was 5 570 thousand EUR, compared to 2 909 thousand EUR in Q1 of 2017.

Reported consolidated net profit for Q1 of 2018 amounted to 4 062 thousand EUR, increasing by 3 626.6% as compared to the result of 109 thousand EUR in the prior year's same period. Net profit attributable to equity holders of the Parent company for Q1 of 2018 increased by 7 290.0% and amounted to 3 695 thousand EUR.

According to the Russian Federal State Statistics Service (Rosstat), the monthly inflation rate in Russia was 0.29% in March 2018. That is 0.08 more than it was in February 2018 and 0.16 more than in March 2017. At the same time, 2018 year to date inflation rate is 0.81% and year over year inflation rate is 2.36%. Rising oil prices, a healthy labor market and improved consumer confidence should cause growth to gather steam this year. However, limited oil output and structural rigidities will hamper activity, while the impact of the fresh sanctions is still uncertain. FocusEconomics Consensus Forecast panelists see GDP expanding 1.8% in 2018, which is unchanged from last month's forecast. In 2019, growth is seen stable at 1.8%.

The Group's sales on the Russian market totalled 10 327 thousand EUR, increase is 27.9% compared to 3 months of 2017. Local currency sales increased by 41.9% during 3 months of 2018 compared to the same 3 months of 2017. The Group's Russian subsidiary opened 2 new stores in Q1 of 2018, a total of 38 own stores are now operating. The Group will continue opening its own stores. In addition to growing sales and better control of the market this allows further developing of the retail concept of the Group's brands to make it more attractive for us and our franchise retail partners.

According to Belstat in Belarus the monthly inflation rate in Belarus was 0.75% in January 2018. That is 0.58 more than it was in December 2017 and 0.12 less than in January 2017. At the same time, 2018 year to date inflation rate is 0.75% and year over year inflation rate is 4.47%. Strong domestic demand and a robust external sector are set to drive the economy forward in 2018. Private consumption growth should come on the back of tight labor market conditions, while strong demand from CIS countries and the EU will fuel exports allowing GDP to maintain the momentum gained in 2017. FocusEconomics panelists expect the economy to grow 2.5% in 2018, which is up 0.4 percentage points from last month's forecast, and 2.3% in 2019.

The Group's sales in Belarus in the 3 months of 2018 were 3 626 thousand EUR and decreased by 13.7% compared to the 3 months of 2017. Sales in local currency increased by 2.8% during the same period. In Belarus the Group will focus on improving profitability of its retail business, we will also continue to expand our store chain there depending on the availability of reasonably priced sales areas.

According to the data released by the State Statistics Service of Ukraine the monthly inflation rate in Ukraine was 1.50% in January 2018. That is 0.50 more than it was in December 2017 and 0.40 more than in January 2017. At the same time, 2018 year to date inflation rate is 1.50% and year over year inflation rate is 14.12%. Growth is expected to pick up pace this year as the effects of last year's trade embargo fade. However, activity will remain hampered by limited reform implementation and ongoing geopolitical concerns. FocusEconomics panelists see GDP rising 3.0% in 2018, which is up a notch from last month's forecast. In 2019, growth is also seen at 3.0%.

The Group's sales in Ukraine in the 3 months of 2018 increased by 63 thousand EUR, which is 9.0% more than in the previous year's same period. Sales in local currency increased by 26.3% during the same period.

## Sales structure

### Sales by markets

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 91.1% of its total sales. Measured in local currencies sales growth was accordingly 41.9%, 2.8% and 26.3%

	Q1 2018	Q1 2017	Change,	Change, %
Russia, th RUR	716 987	505 396	211 591	41,9%
Belarus, th BYN	8 811	8 570	241	2,8%
Ukraine, th UAH	25 542	20 230	5 312	26,3%

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

in thousands of EUR	Q1 2018	Q1 2017	Change, EUR	Change, %	Q1 2018, % of sales	Q1 2017, % of sales
Russia	10 327	8 076	2 251	27,9%	63,9%	55,5%
Belarus	3 626	4 201	-575	-13,7%	22,5%	28,9%
Ukraine	764	701	63	9,0%	4,7%	4,8%
Baltics	305	370	-65	-17,6%	1,9%	2,6%
Other markets	1 135	1 194	-59	-4,9%	7,0%	8,2%
<b>Total</b>	<b>16 157</b>	<b>14 542</b>	<b>1 615</b>	<b>11,1%</b>	<b>100,0%</b>	<b>100,0%</b>

The majority of lingerie sales revenue during Q1 of 2018 in the amount of 10 327 thousand EUR was generated in Russia, accounting for 63.9% of total sales. The second largest market was Belarus, where sales reached 3 626 thousand EUR, contributing 22.5% of lingerie sales (both retail and wholesale). Volumes in Ukraine increased to 764 thousand EUR, accounting for 4.7% of total sales.

### Sales by business segments

in thousands of EUR	Q1 2018	Q1 2017	Change, EUR	Change, %	Q1 2018, % from sales	Q1 2017, % from sales
Wholesale	11 686	10 096	1 590	15,7%	72,3%	69,4%
Retail	4 463	4 414	49	1,1%	27,6%	30,4%
Other operations	8	32	-24	-75,0%	0,1%	0,2%
<b>Total</b>	<b>16 157</b>	<b>14 542</b>	<b>1 615</b>	<b>11,1%</b>	<b>100,0%</b>	<b>100,0%</b>

During Q1 of 2018 wholesale revenue amounted to 11 686 thousand EUR, representing 72.3% of the Group`s total revenue (Q1 of 2017: 69.4%). The main wholesale regions were Russia, Belarus and Ukraine.

Our retail revenue increased by 1.1% and amounted to 4 463 thousand EUR, this represents 27.6% of the Group`s total revenue.

### Own & franchise store locations, geography

	Own	Franchise	Total
Russia	38	372	410
Ukraine	0	50	50
Belarus	64	0	64
Baltics	8	27	35
Other regions	0	119	119
<b>Total</b>	<b>110</b>	<b>568</b>	<b>678</b>

At the end of the reporting period the Group and its franchising partners operated 631 Milavitsa and 47 Lauma Lingerie branded stores, including 110 stores operated directly by the Group.

## Selected Financial Indicators

Summarized selected financial indicators of the Group for Q1 of 2018 compared to Q1 of 2017 and 31.03.2018 compared to 31.12.2017 were as follows:

in thousands of EUR	Q1 2018	Q1 2017	Change
Revenue	16 157	14 542	11.1%
EBITDA	5 570	2 909	91.5%
Net profit for the period	4 062	109	3 626.6%
Net profit attributable equity holders of the Parent company	3 695	50	7 290.0%
Earnings per share (EUR)	0,10	0,0014	7 042,9%
Operating cash flow for the period	4 874	2 908	67.6%

in thousands of EUR	31.03.2018	31.12.2017	Change
Total assets	48 015	52 880	-9.2%
Total current assets	37 267	41 708	-10.6%
Total equity attributable to equity holders of the Parent company	33 252	40 974	-18.8%
Cash and cash equivalents	15 159	21 230	-28.6%

Margin analysis, %	Q1 2018	Q1 2017	Change
Gross profit	57,6	46,6	23.6%
EBITDA	34,5	20,0	72.5%
Net profit	25,1	0,75	3 246.7%
Net profit attributable to equity holders of the Parent company	22,9	0,34	6 635.3%

Financial ratios, %	31.03.2018	31.12.2017	Change
ROA	27,9	19,9	40.2%
ROE	38,7	27,1	42.8%
Price to earnings ratio (P/E)	6,8	9,5	-28.4%
Current ratio	3,3	4,7	-29.8%
Quick ratio	1,7	2,7	-37.0%

### Underlying formulas:

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

Gross profit margin = gross profit / revenue

EBITDA margin = EBITDA / revenue

Net profit margin = net profit / revenue

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

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

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

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

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

Current ratio = current assets / current liabilities

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

## **Financial performance**

The Group's sales amounted to 16 157 thousand EUR during Q1 of 2018, representing a 11.1% increase as compared to the same period of previous year. Overall, wholesales increased by 15.7%, measured in EUR.

The Group's reported gross profit margin during Q1 of 2018 continued to improve increasing to 57.6%, reported gross margin was 46.6% in the respective period of previous year. Consolidated operating profit for Q1 of 2018 amounted to 5173 thousand EUR, compared to 2 407 thousand EUR in Q1 of 2017. The consolidated operating profit margin was 32.0% for Q1 of 2018 (16.6% in Q1 of 2017). Consolidated EBITDA for Q1 of 2018 was 5 570 thousand EUR, which is 34.5% in margin terms (2 909 thousand EUR and 20.0% for Q1 of 2017).

Reported consolidated net profit attributable to equity holders of the Parent company for Q1 of 2018 amounted to 3 695 thousand EUR, compared to net profit of 50 thousand EUR in Q1 of 2017, net profit margin attributable to equity holders of the Parent company for Q1 of 2018 was 22.9% against 0.3% in Q1 of 2017.

## **Financial position**

As of 31 March 2018 consolidated assets amounted to 48 015 thousand EUR representing decrease by 9.2% as compared to the position as of 31 December 2017.

Trade and other receivables increased by 1 027 thousand EUR as compared to 31 December 2017 and amounted to 3 743 thousand EUR as of 31 March 2018. Inventory balance increased by 603 thousand EUR and amounted to 18 363 thousand EUR as of 31 March 2018.

Equity attributable to equity holders of the Parent company decreased by 7 722 thousand EUR and amounted to 33 252 thousand EUR as of 31 March 2018. Current liabilities increased by 2 558 thousand EUR during Q1 of 2018.

## **Investments**

Q1 of 2018 the Group's investments into property, plant and equipment totalled 119 thousand EUR, in previous year same period 160 thousand EUR. Investments were made mainly into opening and renovating own stores, as well into equipment and facilities to maintain effective production for future periods.

## **Personnel**

As of 31 March 2018, the Group employed 2 219 employees, including 500 people in retail operations. The rest were employed in production, wholesale, administration and support operations. In 31.12.2017 there were 2 279 employees, including 506 people in retail operations.

Total salaries and related taxes during Q1 of 2018 amounted to 3 238 thousand EUR (3 587 thousand EUR in Q1 of 2017). The remuneration of key management of the Group, including the key executives of all subsidiaries, totalled 209 thousand EUR.

## **Decisions made by governing bodies Q1 2018**

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

## **Shares of AS Silvano Fashion Group**

As of 31 March 2018 registered share capital of AS Silvano Fashion Group amounted to 10 800 thousand EUR divided into 36 000 000 ordinary shares with a nominal value of 0.30 EUR each. The share register is electronic and maintained at the Estonian Central Register of Securities. The Company has been listed on Nasdaq OMX Tallinn Stock Exchange main list (since 21.11.2006) and on Warsaw Stock Exchange (since 23.07.2007).

As of 31 March 2018 AS Silvano Fashion Group had 1 882 shareholders (as of 31 December 2017: 1 719 shareholders).

AS Silvano Fashion Group Consolidated Interim Financial Report for Q1 of 2018

As of 31 March 2018 shareholders, whose interest in AS Silvano Fashion Group exceeded 5% included:

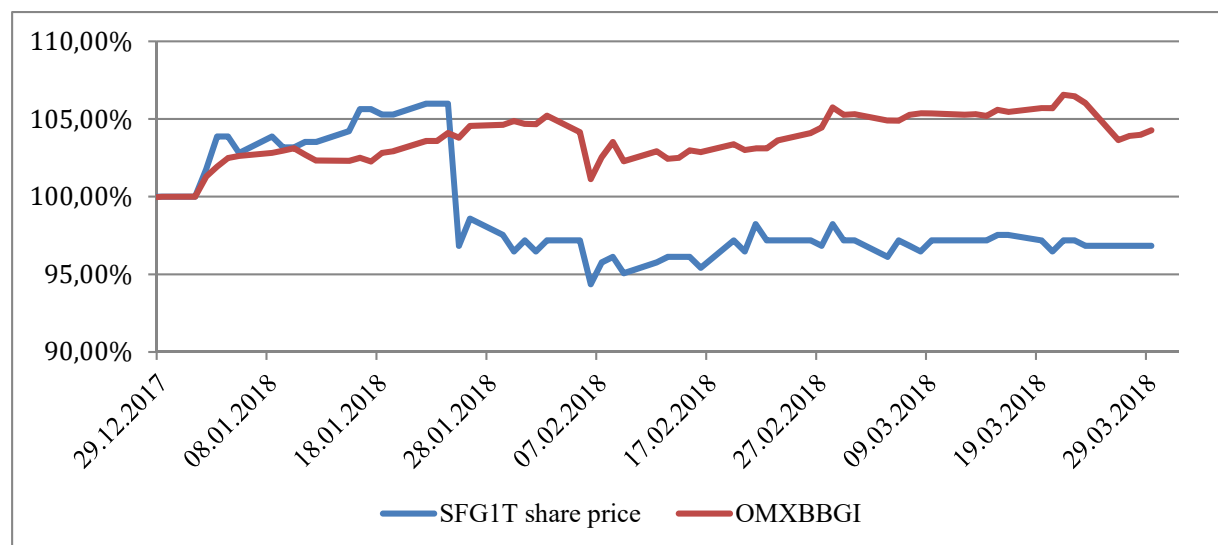
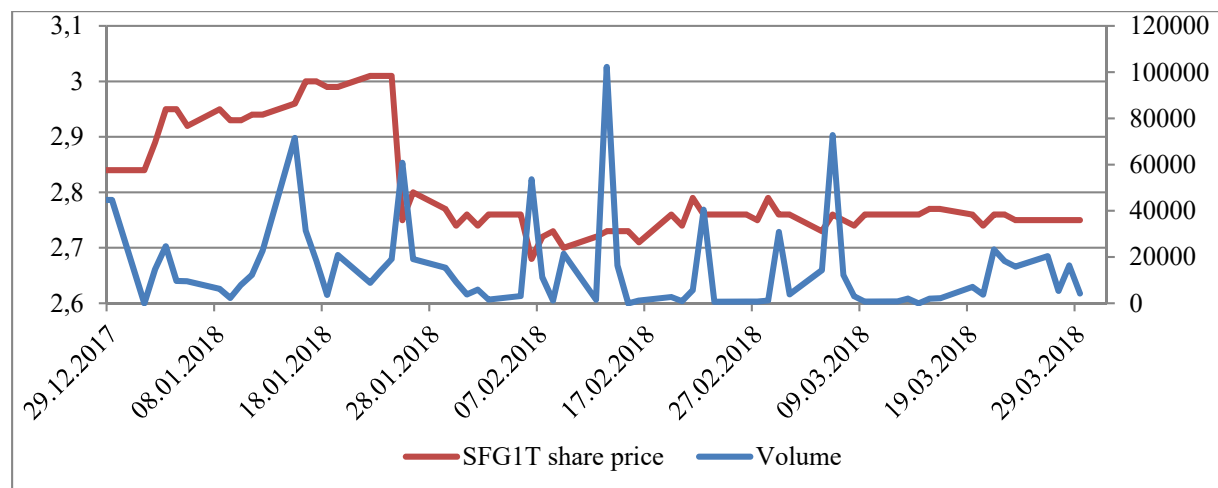
Name	Number of shares	Shareholding
<b>Major shareholders</b>	<b>22 887 206</b>	<b>63.58%</b>
CLEARSTREAM BANKING LUXEMBOURG S.A. CLIENTS	9 003 605	25.01%
AS SEB PANK CLIENTS	8 000 000	22.22%
UNICREDIT BANK AUSTRIA AG	3 490 924	9.70%
KRAJOWY DEPOZYT PAPIEROW WARTOŚCIOWYCH S.A.	2 392 677	6.65%
<b>Other shareholders</b>	<b>13 112 794</b>	<b>36.42%</b>
<b>Total number of shares</b>	<b>36 000 000</b>	<b>100.00%</b>

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

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

**Share price development and turnover on the Tallinn Stock Exchange during Q1 of 2018 (EUR)**

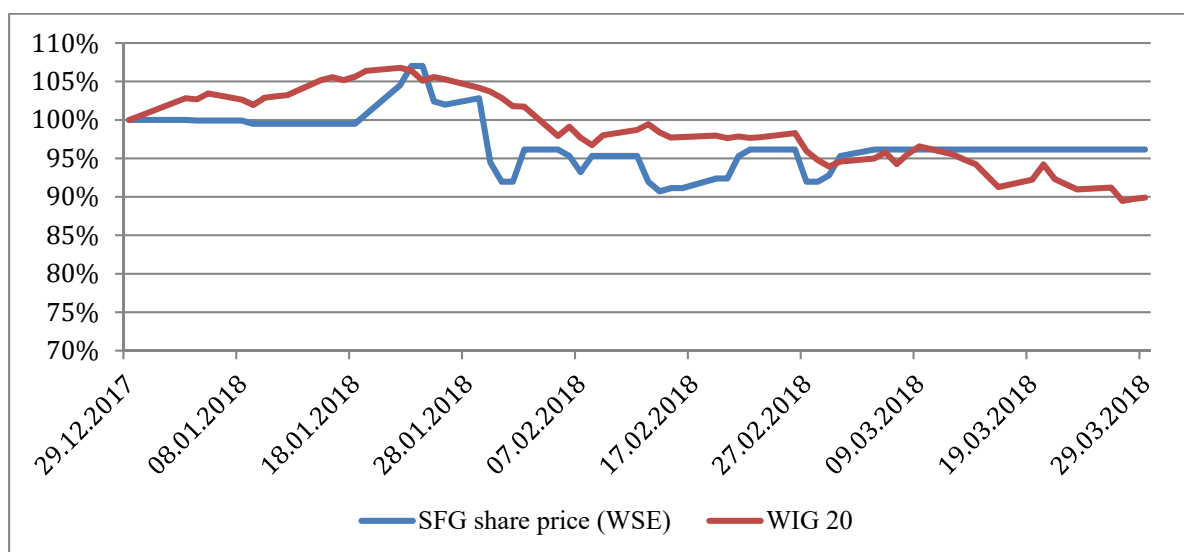
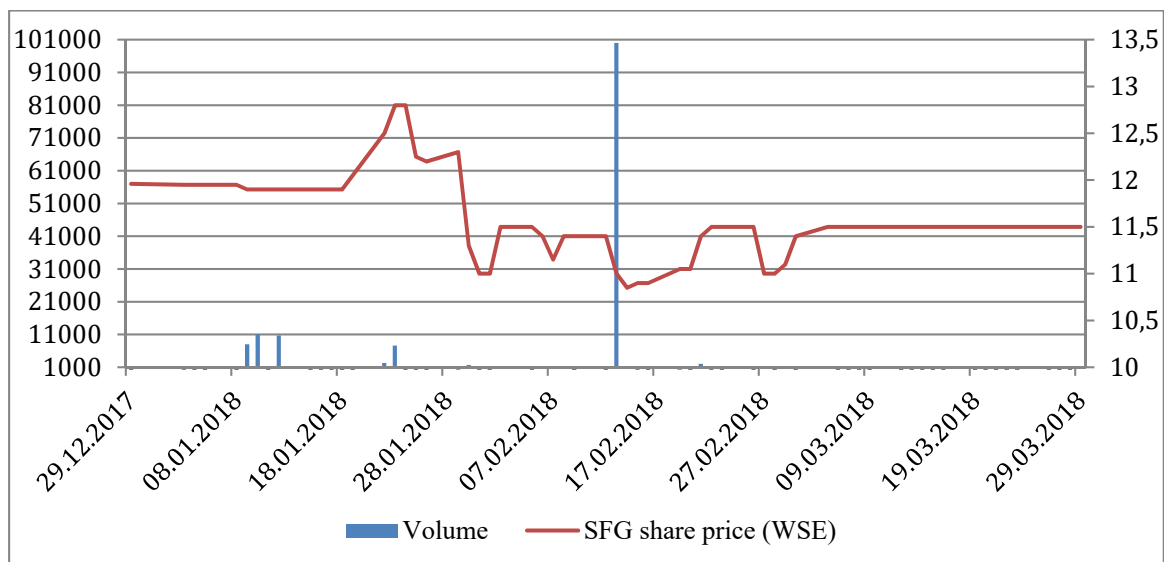
During Q1 of 2018 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 3.01 EUR and 2.65 EUR, respectively





**Share price development on the Warsaw Stock Exchange during Q1 of 2018 (PLN)**

During Q1 of 2018, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 12.80 PLN and 10.85 PLN respectively.



## **Declaration of the Management Board**

The Management Board of AS Silvano Fashion Group has reviewed and approved Consolidated Interim Financial Report for Q1 of 2018 (hereinafter “the Interim Report”).

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

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

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



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Jarek Särgava  
Member of the Management Board  
May 11, 2018

**Consolidated Statement of Financial Position**

in thousands of EUR	Note	31.03.2018	31.12.2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		15 159	21 230
Current loans granted		2	2
Trade and other receivables	2	3 743	2 716
Inventories	3	18 363	17 760
<b>Total current assets</b>		<b>37 267</b>	<b>41 708</b>
<b>Non-current assets</b>			
Long-term receivables		261	255
Investments in associates		59	55
Available-for-sale investments		314	320
Deferred tax asset		912	900
Intangible assets		221	217
Investment property		894	920
Property, plant and equipment	4	8 087	8 505
<b>Total non-current assets</b>		<b>10 748</b>	<b>11 172</b>
<b>TOTAL ASSETS</b>		<b>48 015</b>	<b>52 880</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	5	9 155	8 025
Tax liabilities		2 277	849
<b>Total current liabilities</b>		<b>11 432</b>	<b>8 874</b>
<b>Non-current liabilities</b>			
Deferred tax liability		10	10
Long-term provisions		51	52
<b>Total non-current liabilities</b>		<b>61</b>	<b>62</b>
<b>Total liabilities</b>		<b>11 493</b>	<b>8 936</b>
<b>Equity</b>			
Share capital	6	10 800	10 800
Share premium		8 567	8 567
Statutory reserve capital		1 306	1 306
Revaluation reserve		710	710
Unrealised exchange rate differences		-16 205	-15 588
Retained earnings		28 074	35 179
<b>Total equity attributable to equity holders of the Parent company</b>		<b>33 252</b>	<b>40 974</b>
Non-controlling interest		3 270	2 970
<b>Total equity</b>		<b>36 522</b>	<b>43 944</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48 015</b>	<b>52 880</b>

### Consolidated Income Statement

in thousands of EUR	Note	Q1 2018	Q1 2017
Revenue	8	16 157	14 542
Cost of goods sold		-6 849	-7 759
<b>Gross Profit</b>		<b>9 308</b>	<b>6 783</b>
Distribution expenses		-2 938	-2 874
Administrative expenses		-1 065	-1 275
Other operating income		59	43
Other operating expenses		-191	-270
<b>Operating profit</b>		<b>5 173</b>	<b>2 407</b>
Currency exchange income/(expense)		-40	-1 198
Other finance income/(expenses)		24	67
<b>Net financial income</b>		<b>-16</b>	<b>-1 131</b>
Profit (loss) from associates using equity method		8	9
<b>Profit before income tax</b>		<b>5 165</b>	<b>1 285</b>
Income tax expense		-1 103	-1 176
<b>Profit for the period</b>		<b>4 062</b>	<b>109</b>
<b>Profit for the period</b>		<b>4 062</b>	<b>109</b>
Attributable to :			
Equity holders of the Parent company		3 695	50
Non-controlling interest		367	59
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	7	0,10	0,00

### Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	Q1 2018	Q1 2017
<b>Profit for the period</b>		<b>4 062</b>	<b>109</b>
<b>Exchange rate differences attributable to foreign operations</b>		<b>-672</b>	<b>1 493</b>
Attributable to :			
Equity holders of the Parent company		-617	1 427
Non-controlling interest		-55	66
<b>Total comprehensive income for the period</b>		<b>3 390</b>	<b>1 602</b>
Attributable to :			
Equity holders of the Parent company		3 078	1 477
Non-controlling interest		312	125

**Consolidated Statement of Cash Flows**

in thousands of EUR	Q1 2018	Q1 2017
<b>Cash flow from operating activities</b>		
<b>Profit for the period</b>	<b>4 062</b>	<b>109</b>
Adjustments for:		
Depreciation and amortization of non-current assets	397	502
Share of profit of equity accounted investees	-8	-9
(Gains)/ losses on the sale of PPE and IA	0	-2
Net finance income / costs	16	1 131
Provision for long-term benefits	-1	0
Income tax expense	1 103	1 176
Change in inventories	-603	-1 824
Change in trade and other receivables	-1 027	-439
Change in trade and other payables	1 195	2 921
Income tax paid	-260	-657
<b>Net cash from operating activities</b>	<b>4 874</b>	<b>2 908</b>
 <b>Cash flow from investing activities</b>		
Interest received	14	54
Proceeds from disposal of property, plant and equipment	0	3
Acquisition of property, plant and equipment	-119	-160
Acquisition of intangible assets	-36	-37
<b>Net cash used in/from investing activities</b>	<b>-141</b>	<b>-140</b>
 <b>Cash flow from financing activities</b>		
Dividends paid	-10 812	-1 040
Acquisition of own shares	0	-958
<b>Net cash used in/ from financing activities</b>	<b>-10 812</b>	<b>-1 998</b>
 <b>Increase in cash and cash equivalents</b>	<b>-6 079</b>	<b>770</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>21 230</b>	<b>22 303</b>
Effect of exchange rate fluctuations on cash held	8	48
<b>Cash and cash equivalents at the end of period</b>	<b>15 159</b>	<b>23 121</b>

### Consolidated Statement of Changes in Equity

in thousands of EUR	Share Capital	Share Premium	Treasury shares	Statutory reserve capital	Revaluation reserve	Unrealised exchange rate differences	Retained earnings	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
<b>Balance as at 31 December 2016</b>	<b>11 100</b>	<b>10 787</b>	<b>-998</b>	<b>1 306</b>	<b>710</b>	<b>-10 968</b>	<b>31 465</b>	<b>43 402</b>	<b>3 955</b>	<b>47 357</b>
Profit for the period	0	0	0	0	0	0	50	50	59	109
Other comprehensive income for the period	0	0	0	0	0	1 427	0	1 427	66	1 493
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 427</b>	<b>50</b>	<b>1 477</b>	<b>125</b>	<b>1 602</b>
<b>Transactions with owners, recognised directly in equity</b>										
Dividends declared	0	0	0	0	0	0	0	0	-1 040	-1 040
Purchase of treasury shares	0	0	-958	0	0	0	0	-958	0	-958
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>-958</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-958</b>	<b>-1 040</b>	<b>-1 998</b>
<b>Balance as at 31 March 2017</b>	<b>11 100</b>	<b>10 787</b>	<b>-1 956</b>	<b>1 306</b>	<b>710</b>	<b>-9 541</b>	<b>31 515</b>	<b>43 921</b>	<b>3 040</b>	<b>46 961</b>
<b>Balance as at 31 December 2017</b>	<b>10 800</b>	<b>8 567</b>	<b>0</b>	<b>1 306</b>	<b>710</b>	<b>-15 588</b>	<b>35 179</b>	<b>40 974</b>	<b>2 970</b>	<b>43 944</b>
Profit for the period	0	0	0	0	0	0	3 695	3 695	367	4 062
Other comprehensive income for the period	0	0	0	0	0	-617	0	-617	-55	-672
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-617</b>	<b>3 695</b>	<b>3 078</b>	<b>312</b>	<b>3 390</b>
<b>Transactions with owners, recognised directly in equity</b>										
Dividends declared	0	0	0	0	0	0	-10 800	-10 800	-12	-10 812
Purchase of treasury shares	0	0	0	0	0	0	0	0	0	0
<b>Total transactions with owners, recognised directly in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10 800</b>	<b>-10 800</b>	<b>-12</b>	<b>-10 812</b>
<b>Balance as at 31 March 2018</b>	<b>10 800</b>	<b>8 567</b>	<b>0</b>	<b>1 306</b>	<b>710</b>	<b>-16 205</b>	<b>28 074</b>	<b>33 252</b>	<b>3 270</b>	<b>36 522</b>

## Notes to the Interim Report

### Note 1 Summary of significant accounting policies

AS Silvano Fashion Group is a company registered in Estonia. This Interim Report of the Group is prepared for the reporting period ended 31 March 2018 and comprises parent company and its subsidiaries.

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

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

#### Basis for preparation

This Interim Report of AS Silvano Fashion Group for Q1 and of 2018 ended on 31 March 2018 has been prepared in accordance with IAS 34 “Interim financial reporting” as adopted by the European Union. The Interim Report should be read in conjunction with the Annual Report for the financial year ended on 31 December 2017, which have been prepared in accordance with IFRS as adopted by the European Union.

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

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

#### New standards and interpretations

In additions to disclosures already made in the Annual Report for the financial year ended on 31 December 2017 there are no new IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2018 and that would be expected to have a material impact on the group.

### Note 2 Trade and other receivables

in thousands of EUR	31.03.18	31.12.17
Trade receivables from third parties	2 603	1 463
Impairment of receivables	-129	-128
Tax prepayments	768	813
Other receivables	501	568
<b>Total</b>	<b>3 743</b>	<b>2 716</b>

The fair values of trade and other receivables are not materially different from the carrying values based on the expected discounted cash flows. All non-current receivables are due within more than one year from reporting date.

### Note 3 Inventories

in thousands of EUR	31.03.18	31.12.17
Raw and other materials	4 930	5 370
Work in progress	1 406	1 068
Finished goods	11 429	10 834
Other inventories	598	488
<b>Total</b>	<b>18 363</b>	<b>17 760</b>

**Note 4 Property, plant and equipment**

The Group didn't have any significant binding commitments to purchase property plant and equipment as of 31 March 2018.

in thousands of EUR					
	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Other equipment and fixtures</b>	<b>Assets under construction</b>	<b>Total</b>
<b>31.12.2016</b>					
Cost	6 520	20 013	4 637	34	<b>31 204</b>
Accumulated depreciation	-2 707	-14 455	-3 377	0	<b>-20 539</b>
<b>Net book amount</b>	<b>3 813</b>	<b>5 558</b>	<b>1 260</b>	<b>34</b>	<b>10 665</b>
<b>Movements during Q1 2017</b>					
Additions	0	0	41	119	<b>160</b>
Disposals	0	0	1	0	<b>1</b>
Reclassifications	0	3	34	-37	<b>0</b>
Depreciation	-43	-293	-111	0	<b>-447</b>
Unrealised exchange rate differences	63	31	46	4	<b>144</b>
<b>Closing net book amount</b>	<b>3 833</b>	<b>5 299</b>	<b>1 271</b>	<b>120</b>	<b>10 523</b>
<b>31.03.2017</b>					
Cost	6 630	20 306	4 704	120	<b>31 760</b>
Accumulated depreciation	-2 797	-15 007	-3 433	0	<b>-21 237</b>
<b>Net book amount</b>	<b>3 833</b>	<b>5 299</b>	<b>1 271</b>	<b>120</b>	<b>10 523</b>
<b>31.12.2017</b>					
Cost	5 661	17 676	4 552	91	<b>27 980</b>
Accumulated depreciation	-2 491	-13 609	-3 375	0	<b>-19 475</b>
<b>Net book amount</b>	<b>3 170</b>	<b>4 067</b>	<b>1 177</b>	<b>91</b>	<b>8 505</b>
<b>Movements during Q1 2018</b>					
Additions	0	8	54	57	<b>119</b>
Reclassifications	0	26	47	-73	<b>0</b>
Depreciation	-33	-211	-125	0	<b>-369</b>
Unrealised exchange rate differences	-58	-66	-42	-2	<b>-168</b>
<b>Closing net book amount</b>	<b>3 079</b>	<b>3 824</b>	<b>1 111</b>	<b>73</b>	<b>8 087</b>
<b>31.03.2018</b>					
Cost	5 574	17 426	4 518	73	<b>27 591</b>
Accumulated depreciation	-2 495	-13 602	-3 407	0	<b>-19 504</b>
<b>Net book amount</b>	<b>3 079</b>	<b>3 824</b>	<b>1 111</b>	<b>73</b>	<b>8 087</b>



### Note 5 Trade and other payables

in thousands of EUR	31.03.18	31.12.17
Trade payables	7 191	6 563
Accrued expenses	516	416
Provisions	21	42
Other payables	1 427	1 004
<b>Total</b>	<b>9 155</b>	<b>8 025</b>

Fair values of trade and other payables are not materially different from book values due to short maturities.

### Note 6 Equity

#### Shares

As of 31 March 2018 registered share capital of AS Silvano Fashion Group amounted to 10 800 thousand EUR divided into 36 000 000 shares with a nominal value of 0.30 EUR each (as of 31 December 2017, 10 800 thousand EUR, 36 000 000 shares and 0.30 EUR nominal value, respectively). All shares of AS Silvano Fashion Group are ordinary shares and all are registered. Each ordinary share gives a shareholder one vote in General Meeting of Shareholders. No share certificates are issued for registered shares. The share register is electronic and maintained at the Estonian Central Depository for Securities. All shares have been paid for.

As of 31 March 2018 AS Silvano Fashion Group had 1 882 shareholders (as of 31 December 2017 – 1 719 shareholders).

### Note 7 Earnings per share

The calculation of basic earnings per share for Q1 of 2018 (Q1 of 2017) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	Q1 2018	Q1 2017
Number of ordinary shares at the beginning of the period	36 000	37 000
Effect of own shares held at the beginning of the period	0	-460
Number of ordinary shares at the end of the period	36 000	37 000
Effect of own shares held at the end of the period	0	-805
<b>Weighted average number of ordinary shares for the period</b>	<b>36 000</b>	<b>36 368</b>

in thousands of EUR	Q1 2018	Q1 2017
Profit for the period attributable to equity holders of the Parent company	3 695	50
Basic earnings per share (EUR)	0.10	0.00
Diluted earnings per share (EUR)	0.10	0.00

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

### Note 8 Revenue

in thousands of EUR	Q1 2018	Q1 2017
Revenue from wholesale	11 686	10 095
Revenue from retail	4 463	4 413
Subcontracting and services	6	33
Other sales	2	1
<b>Total</b>	<b>16 157</b>	<b>14 542</b>

## Note 9 Transactions with related parties

The following parties are considered to be related;

- a) Shareholders owning, directly or indirectly, a voting power in the parent company or its significant subsidiaries that gives them significant influence over the parent company or its significant subsidiaries and companies under their control.
- b) Associates - enterprises in which parent company or its subsidiaries have significant influence;
- c) Members of the Management Board and Supervisory Boards of parent company and its significant subsidiaries and their immediate family members and companies under their control or significant influence.

The Group's owners are legal and physical persons and no sole shareholder has control over the Group's activities. According to management's assessment, the prices applied in transactions with related parties did not differ significantly from the market terms.

### Sales of goods and services

in thousands of EUR	Q1 2018	Q1 2017
Associates	1 292	354
<b>Total</b>	<b>1 292</b>	<b>354</b>

### Balances with related parties

in thousands of EUR	31.03.2018	31.12.2017
Trade receivables from associates	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

### Benefits to key management of the group

in thousands of EUR	Q1 2018	Q1 2017
Remunerations and benefits	209	232
<b>Total</b>	<b>209</b>	<b>232</b>

## Note 10 Operating segments

The Group's operating segments have been determined based on regular reports being monitored and analysed by Management and Supervisory Boards of the parent company on an on-going basis.

The Management and Supervisory Board consider the business primarily from the activity perspective, monitoring separately wholesale and retail activities.

- The wholesale segment includes purchasing and production of women's lingerie, and distribution to external wholesale customers and the retail segment. The Group's manufacturing facilities are located in Latvia and Belarus.
- The retail segment sells the lingerie through own retail network in Latvia, Belarus and Russia.

There is a strong integration between wholesale and retail segments. The accounting policies of reportable segments are the same. Management estimates that intersegment transactions have been done on arm-length basis.

Primary measures monitored by the Supervisory Board are segment revenues, segment EBITDA (which is defined as profit before depreciation, amortisation, net financial income, income tax expense and gain on net monetary position) and segment net profit. These measures are included in the internal management reports that are reviewed by the Management Board and the Supervisory Board. Segment EBITDA is used to measure performance, as management believes that such information is the most relevant in evaluating the results of certain segment relative to other entities that operate within the industry.

Interest income and interest expenses are not core activities of operating segments and are not provided to management and are not evaluated by management as performance assessment criteria of segments' performance. Therefore, interest income and interest expenses are presented on net basis.

Unallocated revenues include revenues from services, commissions and rental income. Unallocated assets include cash and bank deposits not used in daily operations of either of the segments.

**Operating segments**  
in thousands of EUR

**Q1 2018**

	<b>Lingerie retail</b>	<b>Lingerie wholesale</b>	<b>Total segments</b>	<b>Unallocated</b>	<b>Eliminations</b>	<b>Total</b>
Revenue from external customers	<b>4 463</b>	<b>11 686</b>	<b>16 149</b>	<b>8</b>		<b>16 157</b>
Intersegment revenues	0	36 669	<b>36 669</b>	4 715	-41 384	<b>0</b>
<b>EBITDA</b>	<b>1 094</b>	<b>4 374</b>	<b>5 468</b>	<b>102</b>		<b>5 570</b>
Amortization and depreciation	-81	-198	<b>-279</b>	-118	0	<b>-397</b>
<b>Operating income, EBIT</b>	<b>1 013</b>	<b>4 176</b>	<b>5 189</b>	<b>-16</b>	<b>0</b>	<b>5 173</b>
Profit from associates using equity method	0	8	<b>8</b>	0	0	<b>8</b>
Net financial income	-24	303	<b>279</b>	-295	0	<b>-16</b>
Income tax	-88	-884	<b>-972</b>	-131	0	<b>-1 103</b>
<b>Net profit</b>	<b>901</b>	<b>3 603</b>	<b>4 504</b>	<b>-442</b>	<b>0</b>	<b>4 062</b>
Investments in associates	0	59	<b>59</b>	0	0	<b>59</b>
Other operating segments assets	3 394	32 631	<b>36 025</b>	11 931	0	<b>47 956</b>
Reportable segments liabilities	249	10 850	<b>11 099</b>	394	0	<b>11 493</b>
Capital expenditures	83	72	<b>155</b>	0	0	<b>155</b>
Number of employees as of reporting date	500	1 551	<b>2 051</b>	168		<b>2 219</b>

**Operating segments**  
in thousands of EUR

**Q1 2017**

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

**Revenue and non-current assets breakdown by geographical areas**

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

<b>Geographical segments</b>	<b>Sales revenue</b>	<b>Sales revenue</b>	<b>Non-current</b>	<b>Non-current</b>
in thousands of EUR	<b>Q1 2018</b>	<b>Q1 2017</b>	<b>assets 31.03.2018</b>	<b>assets 31.12.2017</b>
Russia	10 327	8 076	1 286	1 308
Belarus	3 626	4 201	9 258	9 581
Ukraine	764	701	1	1
Baltics	305	370	179	258
Other countries	1 135	1 194	24	24
<b>Total</b>	<b>16 157</b>	<b>14 542</b>	<b>10 748</b>	<b>11 172</b>