

Supervisory Board report on AS Silvano Fashion Group 2016 financial year

This report has been prepared by the Supervisory Board of Silvano Fashion Group in accordance with the § 333 of the Commercial Code and shall be presented to the Annual General Meeting.

I Approval of Annual Report

The Supervisory Board has revised the 2016 Annual Report of AS Silvano Fashion Group, composed by the Management Board and audited by AS PricewaterhouseCoopers (01.01.16-31.12.16), the financial statements and management report (the annual report), and the Board's proposal for profit distribution.

In opinion of the Supervisory Board of AS Silvano Fashion Group the Annual Report has been prepared in accordance with the company's Articles of Association, corporate governance, accounting principles, IFRS, regulatory requirements and internal regulations. The Supervisory Board considers that the financial statements give a true picture of the financial results of AS Silvano Fashion Group for 2016 financial year.

II Organization and management of the activities of the Company

According to the Commercial Code and the Articles of Association of the Company members of the Supervisory Board of AS Silvano Fashion Group are elected by the shareholders' meeting.

During 2016, the Supervisory Board consisted of 5 members in the following composition: Mr. Toomas Tool (Chairman), Mr. Stephan David Balkin, Mr. Risto Mägi, Mr. Ants Susi and Mr. Mart Mutso.

Supervisory Board members align their activities in accordance with the Articles of Association of the Company, the Corporate Governance Code, the regulations of the Tallinn Stock Exchange and the current legislation.

The Supervisory Board is responsible for planning and managing the activities of AS Silvano Fashion Group and for controlling the activities of the Management Board. In 2016 the Supervisory Board convened 5 times.

Supervisory Board members take an active part in defining long-term objectives of the Company, the annual operating plan and approval of the Company's budget. According to the Articles of Association, the Supervisory Board also approves the activities beyond the scope of everyday business transactions, and reconciles transactions in which the Company's management has asked the Supervisory Board's position.

The Management Board and the Supervisory Board hold joint meetings on matters relating to the Company's strategy. The Management Board members have participated in all Supervisory Board meetings, delivered information about the Company's business results and have provided the substantive explanations.

The interaction between the management board and the Supervisory Board has been working smoothly, and the Supervisory Board has been able to carry out control over the activities of the management.

Signed:

/signed/

Toomas Tool

/signed/

Ants Susi

/signed/

Mart Mutso

/signed/

Risto Mägi