Silvano Fashion Group AS

Consolidated Annual Report 2020

(translation of Estonian original)

Beginning of the reporting period	1 January 2020
End of the reporting period	31 December 2020

Business name	Silvano Fashion Group AS
Registration number	10175491
Legal address	Tulika 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	Ernst & Young Baltic AS

* 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 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 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 December 2020 the Group employed 1 744 people (as of 31 December 2019: 1 888 people).

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

	Location	Main activity	Ownership interest 31.12.2020	Ownership interest 31.12.2019
Parent company				
Silvano Fashion Group AS	Estonia	Holding		
Entities belonging directly to the Silvano Fashion Group:				
Silvano Fashion ZAO	Russia	Retail and Wholesale	100%	100%
Silvano Fashion OOO	Belarus	Retail and wholesale	100%	100%
Silvano Fashion TOV	Ukraine	Wholesale	100%	100%
Silvano Fashion SIA	Latvia	Retail	100%	100%
Milavitsa SP ZAO	Belarus	Manufacturing and wholesale	85.02%	84.96%
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%

Silvano Fashion Group mission is to create comfort, positive emotions and confidence for our customers, employees and stockholders, through excellent products and a retail environment which is mood enhancing, helps to shape the style, and encourages the individuality and self-esteem of each customer. Group`s business model is based on vertical integration design, manufacturing and retailing functions across a variety of brands.

Group`s strategic goal is to become a leading branded lingerie manufacturer and retail operator with strong franchisee partners with focus on Russia, Belarus, Ukraine, Baltics, CIS countries and, in the long term, in countries of Central and Eastern Europe. Group intends to achieve these objectives by expanding and strengthening its franchising and own retail networks in existing markets, entering new geographical regions, developing intra-group synergies, and pooling resources and know-how between the various Group companies.

Group strategy is focused on the implementation of the proven business model of a vertically-integrated fashion group with brand management, strong retail operations, its own flexible production facilities and outsourcing expertise, differentiated independent sources of raw materials, and integral logistics. The Group aims to create value by offering a wide variety of lingerie in an attractive environment with good service, excellent quality and reasonable prices.

Selected Financial Indicators

We hereby note that preliminary Q4 and 12 month report differed from the audited annual report as in Q4 net profit for the period was published as 2 551 thousand EUR, but in annual report audited net profit for the period is 1 667 thousand EUR. The difference was detected during the audit process and appeared due to the different interpretations of local accounting and IAS.

Summarized selected financial indicators of the Group for 12 months of 2020 compared to 12 months of 2019 and 31.12.2020 compared to 31.12.2019 were as follows:

in thousands of EUR	**12m 2020**	**12m 2019**	**Change**
Revenue	38 479	56 943	-32.4%
Gross Profit	23 209	29 651	-21.7%
Operating profit	10 544	12 712	-17.1%
EBITDA	14 111	17 004	-17.0%
Net profit for the period	1 667	11 149	-85.0%
Net profit attributable to equity holders of the Parent company	1 347	10 663	-87.4%
Earnings per share (EUR)	0,04	0,30	-86.7%
Operating cash flow for the period	6 356	15 086	-57.9%

in thousands of EUR	**31.12.2020**	**31.12.2019**	**Change**
Total assets	42 256	46 309	-8.8%
Total current assets	29 597	27 123	9.1%
Total equity attributable to equity holders of the Parent company	24 504	26 324	-6.9%
Cash and cash equivalents	8 980	5 152	74.3%

Margin analysis, %	**12m 2020**	**12m 2019**	**Change**
Gross profit	60,3	52,1	15.7%
Operating profit	27,4	22,3	22.9%
EBITDA	36,7	29,9	22.7%
Net profit	4,3	19,6	-78.1%
Net profit attributable to equity holders of the Parent company	3,5	18,7	-81.3%

Financial ratios, %	**31.12.2020**	**31.12.2019**	**Change**
ROA	3,2	22,2	-85.6%
ROE	5,6	38,9	-85.6%
Price to earnings ratio (P/E)	41,7	7,3	471.2%
Current ratio	3,4	2,7	25.9%
Quick ratio	1,3	0,8	62.5%

Underlying formulas:

EBITDA = net profit for the period + depreciation and amortization -/+ net financial income/expense + income tax expense
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

Business environment in 2020

Core operating markets for the Silvano Fashion Group are Russia, Belarus, Ukraine, other CIS countries and the Baltics. The Group's results for the 12 months of 2020 were determined by the situation in the economy of the main markets - Russia, Belarus and Ukraine.

According to the Russian Federal State Statistics Service (Rosstat) the annual inflation rate in Russia rose to 4.9 percent in December of 2020 from 4.4 percent in the previous month, in line with preliminary Rosstat estimates. It was the highest inflation rate since May of 2020 and remained well above the central bank's 4% target. Cost advanced faster for food products (6.7 percent vs 5.8 percent in November), non-food products (4.8 percent vs 4.5 percent) and services (2.7 percent vs 2.5 percent). On a monthly basis, consumer prices went up 0.8 percent, following a 0.7 percent gain in November.
FocusEconomics panelists see inflation ending 2021 at 3.5%, for 2022 inflation is projected at 3.8% by the end of the year.

According to Belstat the annual inflation rate in Belarus rose further to 7.4 percent in December of 2020 from 6.6 percent in the previous month. It was the highest inflation rate since January of 2017. Upward pressure came from prices of services (8.4 percent vs 7.4 percent in November); non-food products (8.1 percent, the same pace as in November) and food products (6.2 percent vs 5.1 percent). On a monthly basis, consumer prices were up 1.2 percent, after increasing 0.7 percent in the previous month.
FocusEconomics analysts project inflation to average 5.8% in 2021, for 2022, the panel sees inflation averaging 5.5%.

According to the data released by the State Statistics Service of Ukraine Ukraine's annual inflation rate jumped to 3.8 percent in November 2020, the highest since December 2019 and above market expectations of 3.4 percent. Upward pressure came from housing, water, electricity, gas and other fuels (10.8 percent vs 5.5 percent in October), transport (1.1 percent vs -0.1 percent), food and non-alcoholic beverages (3.2 percent vs 1.6 percent), and miscellaneous goods and services (5.0 percent vs 3.9 percent). Meanwhile, restaurants and hotels inflation slowed (3.7 percent vs 4.2 percent), while clothing and footwear prices continued to fall (-6.1 percent vs -5.1 percent). On a monthly basis, consumer prices increased 1.3 percent, also beating consensus of 0.9 percent.
FocusEconomics Consensus Forecast panelists project inflation to end 2021 at 5.5%, for 2022, the panel sees year-end inflation at 5.1%.

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 Group has a strong distribution network with a total of 594 shops, of which 109 are managed by ourselves.

Silvano Fashion Group is well positioned given its strong brands, very good product range, reasonable price point, a focus on the functional segment of lingerie products. 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 operational 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 mind-set 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.

Russia Economic Outlook

The economy contracted 3.1% year-on-year in 2020, according to a preliminary national accounts estimate released by Rosstat on 1 February 2021. The full-year contraction was spearheaded by a significant downturn in domestic demand due to the constraining effects of the pandemic. Private consumption nosedived 8.6% annually in 2020,

contrasting 2019's revised 3.2% increase (previously reported: +2.5% yoy) and marking the worst result in five years.
Looking ahead, the economy is expected to gradually recover in the coming quarters as the vaccination program gathers momentum and pandemic-related restrictions are gradually removed. Rebounding consumer demand and a healthier external backdrop are set to spearhead the recovery, with fiscal and monetary stimulus expected to further support the upturn. FocusEconomics panelists project GDP to rebound and grow 3.0% in 2021, which is down 0.1 percentage points from last month's forecast. For 2022, economy is seen expanding 2.4 %.

Belarus Economic Outlook

A preliminary estimate revealed the economy shrank 0.9% in 2020 as a whole, improving from the 1.2% decrease observed in the first three quarters of the year and suggesting the economy picked up pace in Q4. The improvement in the fourth quarter was likely in part because the external sector enjoyed price competitiveness brought by currency depreciation, bolstering exports and limiting imports. Belarus markedly outperformed most countries in the region last year, amid less stringent social distancing measures. Looking at individual sectors in 2020, the key retail and wholesale trade sub-sector fell 1.4% due to the pandemic, and protests during Q3. Going forward, the economy should return to growth this year on stronger external demand. FocusEconomics Consensus Forecast panelists expect the economy to expand 1.7% in 2021, for 2022, panelists see GDP growth at 2.1%.

Ukraine Economic Outlook

Industrial production jumped 4.8% in December, rebounding strongly from November's 0.3% slip and marking the first increase in output since September 2019. The result reflected a broad-based improvement across all sub-components of the index. On a seasonally-adjusted monthly basis, factory output rose 1.1% in December, moderating from November's 1.5% increase. Meanwhile, the trend improved, with the annual average variation of industrial production coming in at minus 5.2% in December, up from November's minus 6.2%.
FocusEconomics Consensus Forecast panelists project that industrial output will rise 4.0% in 2021, which is up 0.5 percentage points from last month's forecast, and 3.6% in 2022.

Latvia Economic Outlook

GDP fell 1.4% on an annual basis in the last quarter of 2020, according to preliminary national accounts data released by Latvia's Statistical Institute on 1 February. The result followed the 2.6% decline recorded in Q3 and marked the fourth consecutive quarter of contracting output. Meanwhile, GDP expanded 1.1% quarter-on-quarter in seasonally-adjusted terms in Q4, markedly below the 7.1% surge in Q3. For 2020 overall, GDP contracted an estimated 3.5%, contrasting 2.0% growth in 2019 and marking the sharpest downturn in a decade.
The fourth quarter's pullback was mainly driven by shrinking services-sector activity amid the reintroduction of Covid-19 restrictions, which hampered consumption. The economy is projected to recover from the Covid-19 fallout this year as restrictions at home and abroad are lifted and activity resumes in turn.
FocusEconomics panelists see GDP increasing 3.8% in 2021, which is down 0.2 percentage points from last month's estimate. In 2022, the economy is seen expanding 4.2%.

Financial performance

The Group`s sales amounted to 38 479 thousand EUR during 12 months of 2020, representing a 32.4% decrease as compared to the same period of previous year. Overall, retail decreased by 32.4%, measured in EUR.

The Group's gross profit during 12 months of 2020 amounted to 23 209 thousand EUR and decreased by 21.7% compared to previous year. The gross margin during 12 months of 2020 increased to 60.3%, from 52.1% in the respective period of previous year.

Consolidated operating profit for 12 months of 2020 amounted to 10 544 thousand EUR, compared to 12 712 thousand EUR in 12 months of 2019, decrease by 17.1%. The consolidated operating profit margin was 27.4% for 12 months of 2020 (22.3% in 12 months of 2019). Consolidated EBITDA for 12 months of 2020 decreased by 17.0% and amounted to 14 111 thousand EUR, which is 36.7% in margin terms (17 004 thousand EUR and 29.9% for 12 months of 2019).

Reported consolidated net profit attributable to equity holders of the Parent company for 12 months of 2020 amounted to 1 347 thousand EUR, compared to net profit of 10 663 thousand EUR in 12 months of 2019, net profit margin attributable to equity holders of the Parent company for 12 months of 2020 was 3.5% against 18.7% in 12 months of 2019.

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 88.8% of its total sales.

The Group’s sales on the Russian market totaled 22 120 thousand EUR, decrease is 34.1% compared to 12 months of 2019. Local currency sales decreased by 25.2% during 12 months of 2020 compared to the same 12 months of 2019. The majority of the loss of sales revenue came from April and May, when there was an emergency situation in Russia and the stores were closed. At the end of the reporting period, there were a total of 44 stores operated by the Group itself.

The Group’s sales in Belarus in the 12 months of 2020 were 10 927 thousand EUR and decreased by 32.1% compared to the 12 months of 2019. Sales in local currency decreased by 20.0% during the same period. There are currently a total of 60 stores operated by the Group itself.

The Group’s sales in Ukraine in the 12 months of 2020 were 1 127 thousand EUR and decreased by 27.0% compared to the 12 months of 2019. Sales in local currency decreased by 22.4% during the same period.

Overall, the Group's sales decreased by 32.4% compared to 12 months of 2019. The decline in lingerie sales was influenced by the situation with the COVID-19. Going into 2021, the pace of vaccinations could be one of the most important drivers for the resumption of economic activity and the government’s efforts to facilitate the economic recovery. The economy is projected to recover from the effects of COVID-19 2021 year, as domestic and international restrictions are lifted and activities in turn resume.

Financial position

As of 31 December 2020 consolidated assets amounted to 42 256 thousand EUR representing decrease by 8.8% as compared to the position as of 31 December 2019.

Trade and other receivables decreased by 522 thousand EUR as compared to 31 December 2019 and amounted to 2 088 thousand EUR as of 31 December 2020. Inventory balance decreased 832 thousand EUR and amounted to 18 527 thousand EUR as of 31 December 2020.

Equity attributable to equity holders of the Parent company decreased by 1 820 thousand EUR and amounted to 24 504 thousand EUR as of 31 December 2020. Current liabilities decreased by 1 371 thousand EUR during 12 months of 2020.

Sales structure

Sales by markets

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 88.8% of its total sales. Measured in local currencies sales decrease was accordingly – -25.2%, -20.0% and -22.4%

	12m 2020	12m 2019	Change	Change, %
Russia, th RUB	1 799 417	2 406 844	-607 427	-25.2%
Belarus, th BYN	30 331	37 918	-7 587	-20.0%
Ukraine, th UAH	35 117	45 238	-10 121	-22.4%

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

in thousands of EUR	12m 2020	12m 2019	Change, EUR	Change, %	12m 2020, % of sales	12m 2019, % of sales
Russia	22 120	33 582	-11 462	-34.1%	57.5%	59.0%
Belarus	10 927	16 082	-5 155	-32.1%	28.4%	28.2%
Ukraine	1 127	1 543	-416	-27.0%	2.9%	2.7%
Baltics	1 089	1 323	-234	-17.7%	2.8%	2.3%
Other markets	3 216	4 413	-1 197	-27.1%	8.4%	7.8%
Total	**38 479**	**56 943**	**-18 464**	**-32.4%**	**100.0%**	**100.0%**

The majority of lingerie sales revenue during 12 months of 2020 in the amount 22 120 thousand EUR was generated in Russia, accounting for 57.5% of total sales. The second largest market was Belarus, where sales were 10 927 thousand EUR, contributing 28.4% of lingerie sales (both retail and wholesale). Volumes in Ukraine were 1 127 thousand EUR, accounting for 2.9% of total sales.

Sales by business segments

in thousands of EUR	12m 2020	12m 2019	Change, EUR	Change, %	12m 2020, % of sales	12m 2019, % of sales
Wholesale	24 771	36 546	-11 775	-32.2%	64.4%	64.2%
Retail	13 608	20 137	-6 529	-32.4%	35.4%	35.4%
Other operations	100	260	-160	-61.5%	0.2%	0.4%
Total	**38 479**	**56 943**	**-18 464**	**-32.4%**	**100.0%**	**100.0%**

During 12 months of 2020 wholesale revenue amounted 24 771 thousand EUR, representing 64.4% of the Group's total revenue (12 months of 2019: 64.2%). The main wholesale regions were Russia and Belarus.

Our retail revenue decreased by 32.4% and amounted 13 608 thousand EUR, this represents 35.4% of the Group`s total revenue.

As of 31 December 2020 there were altogether 594 Milavitsa and Lauma Lingerie branded shops, including 562 under Milavitsa and 32 under Lauma Lingerie brand. Own retail operations were conducted in Belarus, Russia and Latvia. As of the end of 2020 the Group operated 109 own retail stores. As of 31 December 2020, there were 485 Milavitsa and Lauma Lingerie branded shops operated by franchise partners.

Own & franchise store locations, geography

	Own	Franchise	Total
Russia	44	356	400
Ukraine	0	20	20
Belarus	60	0	60
Baltics	5	20	25
Other regions	0	89	89
Total	**109**	**485**	**594**

Investments

During 12 months of 2020 the Group's investments into property, plant and equipment totaled 289 thousand EUR, in previous year same period 1 216 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.

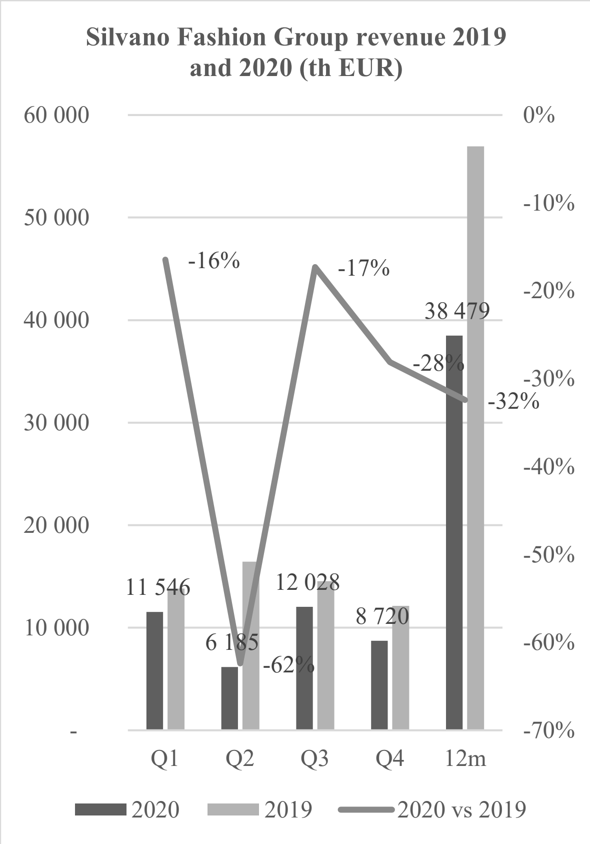
The Group is planning to invest during year 2021 around 520 thousand EUR to existing operations, of which about half is planned to open new stores and the renovation of existing retail stores, and the second half mainly for the updates of the software programs and renew production technology and equipment.

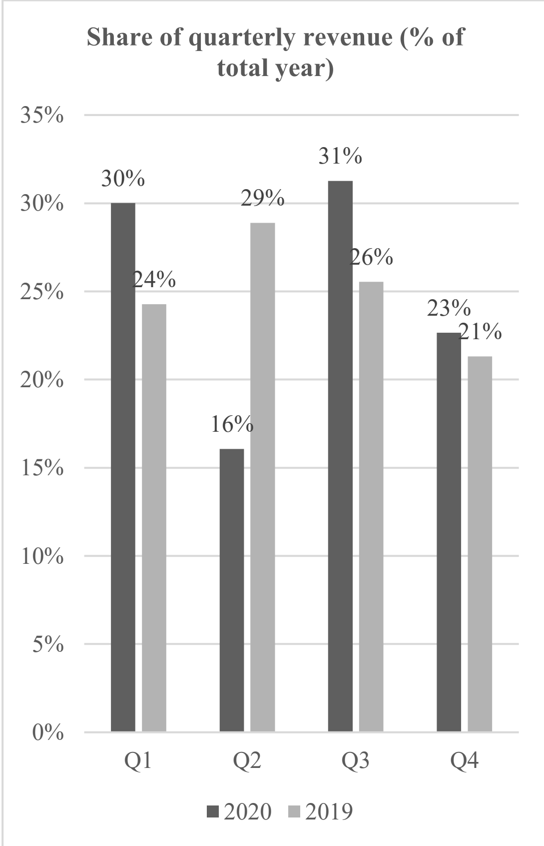
Seasonality of business

The operations of Silvano Fashion Group are not exposed to major seasonal fluctuations. As is common for clothing and fashion business, especially lingerie segment, the fourth quarter is slightly lower than average sales (respectively -9% of the average quarterly revenue in 2020). The majority of the loss of sales revenue in the second quarter came from April and May, when there was an emergency situation in Russia and the stores were closed.

The third quarter was slightly higher than quarterly average revenue (+ 25% in 2020).

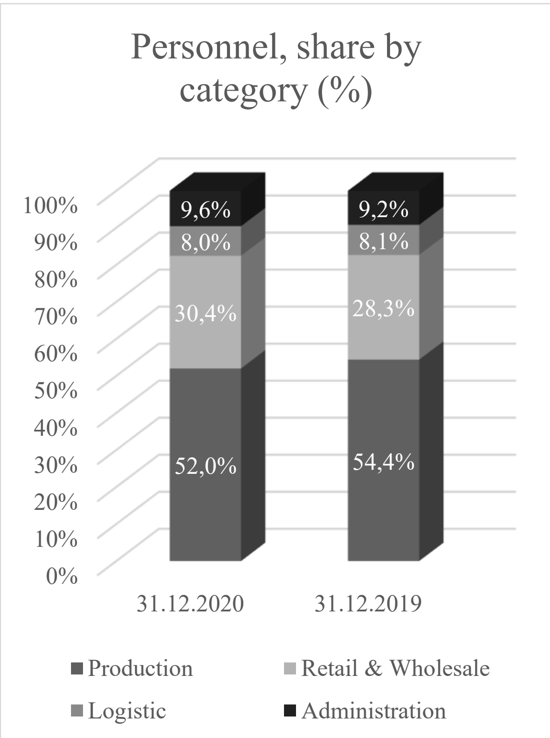
Half year results are fairly equal, in recent years, the first half year was slightly lower proportion, accounting for 46% of total annual sales. A similar trend is also part of the operating profit.

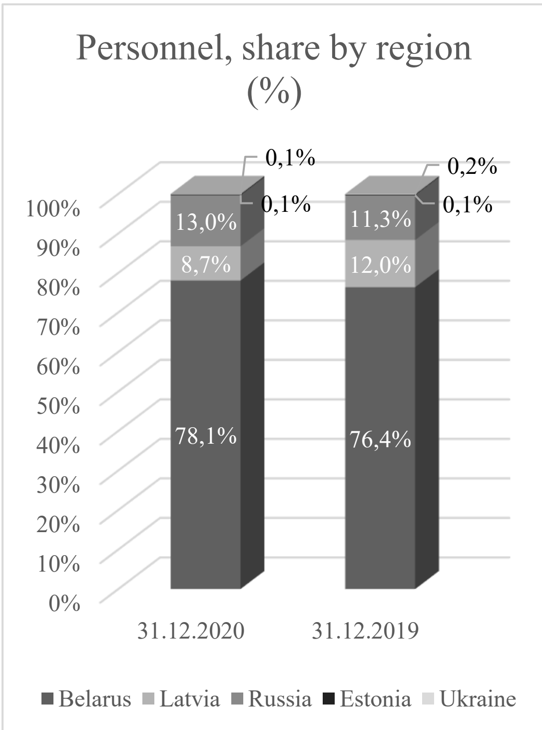




Personnel

As of 31 December 2020, the Group employed 1 744 employees including 500 in retail (as of 31 December 2019: 1 888 and 503 respectively). The rest were employed in production, wholesale, logistics, administration and support operations.





Total salaries and related taxes during 12 months of 2020 amounted 9 854 thousand EUR (13 195 thousand EUR in 12 months of 2019). The remuneration of key management of the Group, including the key executives of all subsidiaries, totaled 710 thousand EUR.

The teams of the Silvano Fashion Group companies are comprised of highly-qualified and professional specialists who have long-term experience in the women's lingerie industry. To meet the growing demands of its business the Group pays careful attention to the development of all levels of management and to the training of own personnel and subcontractors, who need to meet common Group requirements and perform in line with the overall strategy of the Group.

Silvano Fashion Group continually works with its employees and business partners to ensure the sustained success of the Group. The objective of the human resources policy of Silvano Fashion Group is to value, develop and respect the Group's employees based on common principles, involving human resources management and planning, well thought out recruitment and selection processes, followed by purposeful and motivational development and the establishment of an environment that supports it. We are guided by the principle that success is based on loyal, committed, ethical and result-oriented employees.

Key events during 2020 until the release of Annual Report

On June 30, 2020 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted the following decisions.

- The Meeting approved the 2019 Annual Report.
- The Meeting decided to leave the net profit undistributed and include the net profit of the financial year 2019 in retained earnings.
- The Meeting decided: To annul Article 5.7 of the Articles of Association which includes: The public limited company may be represented in all legal transactions only by two members of the Management Board jointly. To approve the new Articles of Association of the Company.
- The Meeting decided: To recall Toomas Tool, Mart Mutso, Risto Mägi, Triin Nellis and Stephan David Balkin from the Supervisory Board of SFG. To elect Toomas Tool as member of the Supervisory Board of SFG for the next 5-year period until June 30, 2025. To elect Mari Tool as member of the Supervisory Board of SFG for the next 5-year period until June 30, 2025. To elect Risto Mägi as member of the Supervisory Board of SFG for the next 5-year period until June 30, 2025. To elect Triin Nellis as member of the Supervisory Board of SFG for the next 5-year period until June 30, 2025. To elect Stephan David Balkin as member of the Supervisory Board of SFG for the next 5-year period until June 30, 2025.
- The Meeting decided: To appoint the auditing company Ernst & Young Baltic AS (registry code 10877299, located at Rävala 4, 10143 Tallinn) as the auditor of AS Silvano Fashion Group in 2020, 2021 and 2022 the financial years.

Shares of AS Silvano Fashion Group

	Nasdaq OMX Tallinn Stock Exchange	Warsaw Stock Exchange
ISIN	EE3100001751	EE3100001751
Ticker	SFG1T	SFG
List/segment	BALTIC MAIN LIST	MAIN LIST
Issuer	Silvano Fashion Group (SFG)	Silvano Fashion Group (SFG)
Nominal value	0.10 EUR	0.10 EUR
Total number of securities	36,000,000	36,000,000
Number of listed securities	36,000,000	36,000,000
Listing date	20.05.1997	23.07.2007

As of 31 December 2020 registered share capital of AS Silvano Fashion Group amounted to 3 600 thousand EUR divided into 36 000 000 ordinary shares with a nominal value of 0.1 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 since 20.05.1997 I-list and since 21.11.2006 main list and on Warsaw Stock Exchange since 23.07.2007.

Common shareholders are entitled to receive dividends when the company distributes them. Each ordinary share gives one vote at the general meeting of shareholders of Silvano Fashion Group AS. The shares are freely transferable, there are no restrictions imposed on them by the articles of association likewise there are no restrictions imposed on the transfer of securities concluded between the company and its shareholders. There are no known restrictions imposed on the transfer of securities laid down in the contracts between the shareholders.

Information on SFG shares

Key share details	2016	2017	2018	2019	2020
Number of shares outstanding at year end	37 000 000	36 000 000	36 000 000	36 000 000	36 000 000
Weighted average number of shares	36 863 270	36 048 850	36 000 000	36 000 000	36 000 000
Year-end share price, in EUR	2.96	2.88	2.31	2.17	1.56
Earnings per share, in EUR	0.22	0.3	0.3	0.3	0.04
Dividend per share, in EUR	0.5	0.2*	0.2**	n/a	n/a
Dividend / Net profit	2.27	0.67	0.67	n/a	n/a
Price to earnings ratio (P/E)	13.45	9.60	7.70	7.23	39.00

* Further to 0.20 EUR dividend declared for 2017, the company provided in-kind dividends (capital reduction) in amount of EUR 0.20 per share.

** Further to 0.20 EUR dividend declared for 2018, the company provided in-kind dividends (capital reduction) in amount of EUR 0.10 per share.

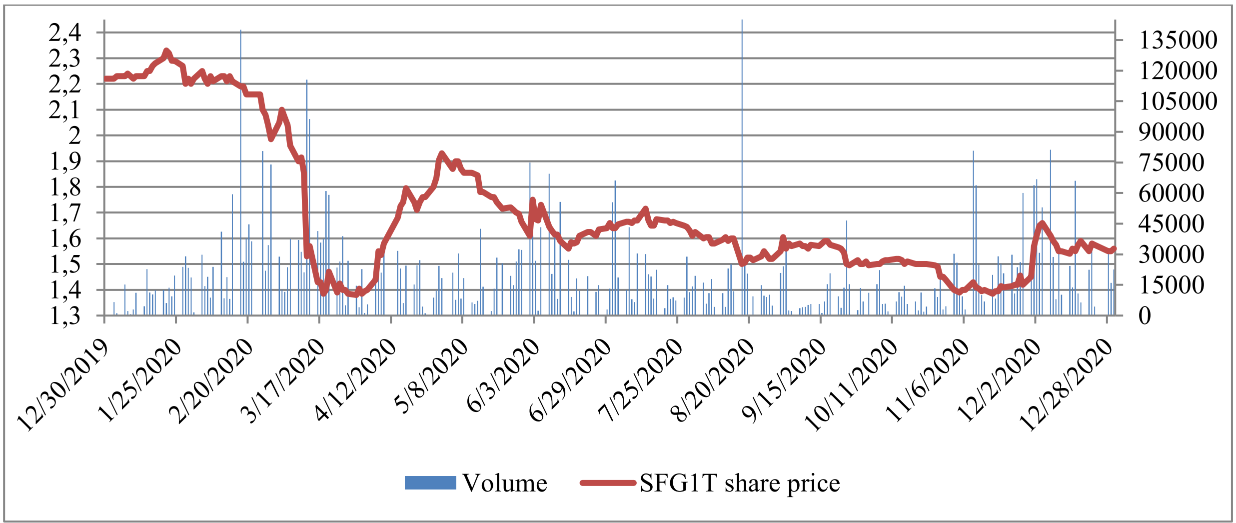
Share price performance and trading history

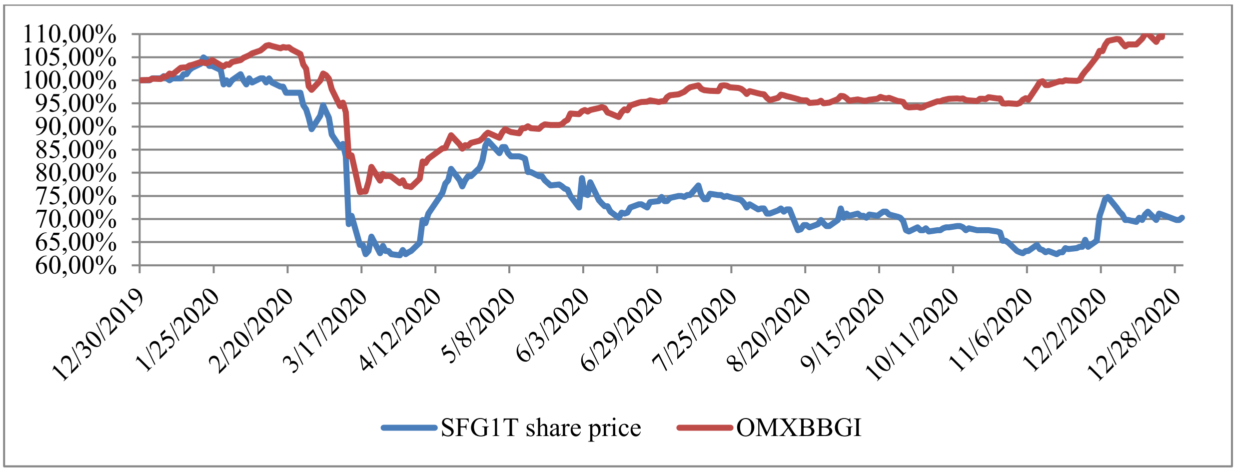
In 2020, SFG's share price decreased by 28% and the Group's market capitalization decreased by EUR 21.96 million.

Tallinn Stock Exchange trading history	2016	2017	2018	2019	2020
High, in EUR	3.12	3.02	3.18	2.76	2.34
Low, in EUR	1.21	2.39	2.27	2.08	1.37
Last, in EUR	2.96	2.88	2.31	2.17	1.56
Traded volume	7 041 158	5 485 736	3 932 331	3 443 297	5 504 119
Turnover, in EUR million	13.3	15.22	10.72	7.96	9.35
Market capitalization, in EUR million	109.52	103.68	83.16	78.12	56.16

Share price development and turnover on the Tallinn Stock Exchange during 12 months of 2020 (EUR)

During 12 months of 2020 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 2.34 EUR and 1.37 EUR, respectively:

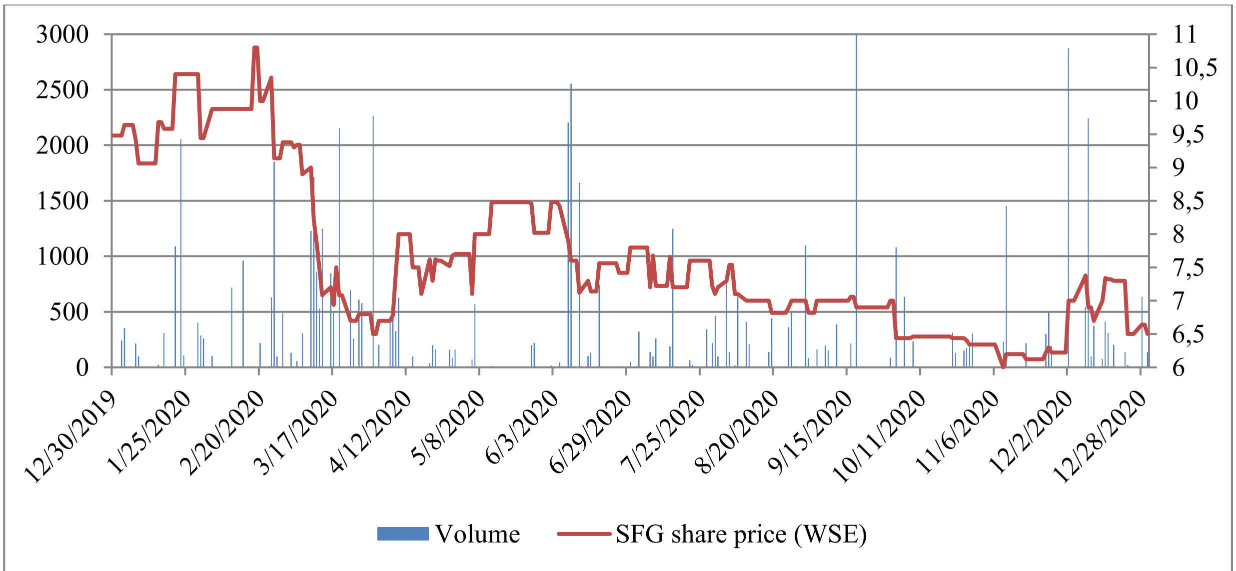


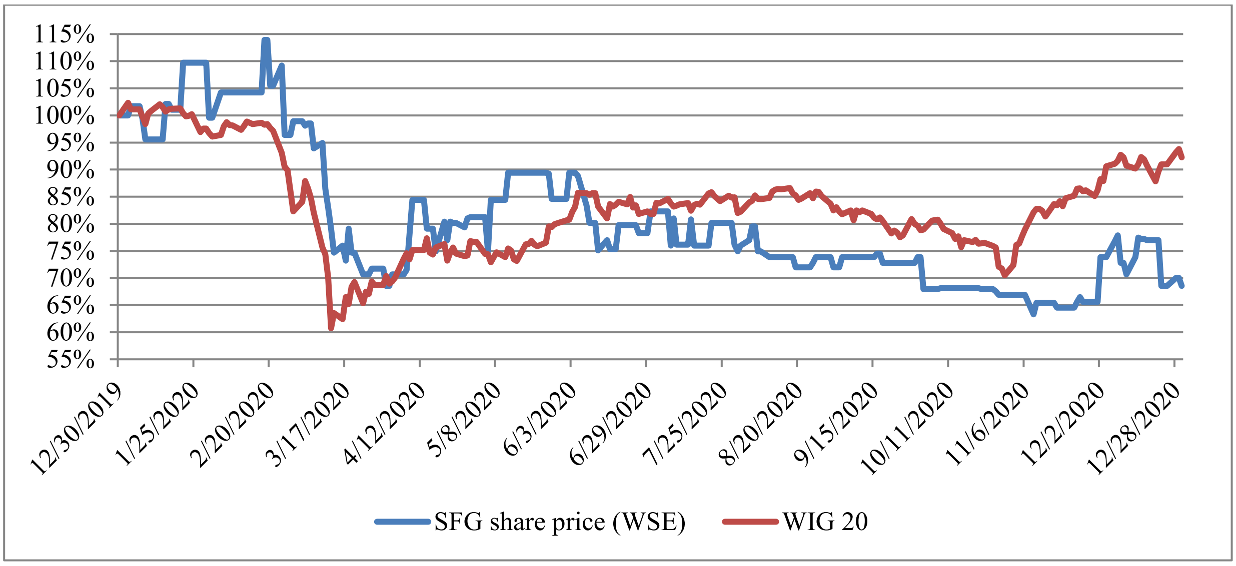


Warsaw Stock Exchange trading history	2016	2017	2018	2019	2020
High, in PLN	14.63	14.40	13.90	11.60	10.8
Low, in PLN	5.17	9.96	10.00	8.96	6.00
Last, in PLN	13.44	11.96	10.35	9.48	6.50
Traded volume	1 489 604	261 419	513 511	268 377	68 573
Turnover, in PLN million	10.40	2.96	5.87	2.89	0.52

Share price development on the Warsaw Stock Exchange during 12 months of 2020 (PLN)

During 12 months of 2020, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 10.80 PLN and 6.00 PLN respectively.





The members of the Management Board of Silvano Fashion Group AS have no right to issue or buy back shares of Silvano Fashion Group AS without permission and terms given by the shareholders meeting. In addition, there are no commitments between the company and its employees providing for compensation in case of mergers and acquisitions under section 19' of Securities Market Trade Act.

Shareholder structure

As of 31 December 2020 AS Silvano Fashion Group had 2 931 shareholders (as of 31 December 2019: 2 231 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 2020:

	31.12.2020			31.12.2019		
Shareholdings	**Number of shareholders**	**% of votes**	**Number of shares**	**Number of shareholders**	**% of votes**	**Number of shares**
>10%	2	46.72	16 820 000	2	46.72	16 820 000
1.0–10.0%	12	26.25	9 451 047	13	30.32	10 916 058
0.1–1.0%	40	12.65	4 552 749	40	11.55	4 156 036
<0.1%	2 877	14.38	5 176 204	2 176	11.41	4 107 906
Total	**2 931**	**100,00%**	**36 000 000**	**2 231**	**100.0%**	**36 000 000**

Largest shareholders of Silvano Fashion Group AS (% of votes):

	31.12.2020	31.12.2019
Baltplast AS	24,50%	24,50%
AS SEB Pank Clients	22,22%	22,22%
Clearstream Banking AG	4,92%	2,83%
UNICREDIT BANK AUSTRIA AG	4,64%	4,64%
CITIBANK (NEW YORK) / GOVERNMENT OF NORWAY	2,43%	2,43%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	2,26%	2,60%
SWEDBANK AS CLIENTS	2,26%	2,09%
NORDEA BANK ABP/NON TREATY CLIENTS	2,10%	2,09%
Krajowy Depozyt Papierow Wartošciowych S.A.	2,10%	4,99%
FIREBIRD REPUBLICS FUND LTD	1,75%	2,14%
AB SEB BANKAS	1,36%	1,34%
osaühing Hausman & Toran	1,25%	1,25%
Olegs Radcenko	1,17%	0,00%
FIREBIRD FUND L.P.	1,13%	1,53%

On March 29, 2019, Mari Tool transferred 8 200 000 shares of AS Silvano Fashion Group held by her to AS Baltplast. On March 29, 2019, Toomas Tool transferred 620 000 shares of AS Silvano Fashion Group held by him to AS Baltplast. As a result of the transaction, AS Baltplast now holds 24,5 % of the voting shares of Silvano Fashion Group AS.

Shareholders who had over 1% of all votes as at 31.12.2019: CACEIS BANK UCITS CLIENTS did not have shares at 31.12.2020, FIREBIRD AVRORA FUND, LTD. did not have shares over 1% of all votes as at 31.12.2020.

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 31.12.2020 Funds managed by Eastern Star Consulting (Firebird Funds), did not have shares over 5% of all votes, 1 372 481 shares (4.22% of all votes) in 31.12.2020.

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

The Management board and the Supervisory Board did not have shares held as of 31.12.2020.
During 2020 financial year there was no buy-back of shares of Silvano Fashion Group.

As of 15 May 2019, Tartu County Court registered the increase of the share capital to 7 200 thousand EUR according to the resolution of the Annual General Meeting (May 03, 2019). The new registered share capital of the Company is 7 200 000 euros, which is divided into 36 000 000 ordinary shares with nominal value of 0.2 euros per share.

On September 23, 2019, the decrease of share capital of Silvano Fashion Group AS was registered in the Estonian Commercial Register based on the resolutions adopted by the General Meeting of Shareholders of the Company held on June 19, 2019. The new registered share capital of the Company is 3 600 000 euros, which is divided into 36 000 000 ordinary shares with nominal value of 0.1 euros per share.

Dividends

Silvano Fashion Group AS 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: 1) the Corporate Governance Recommendations adopted by the NASDAQ OMX Tallinn Stock Exchange and the Estonian Financial Supervision Authority (hereinafter CGR); 2) 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.

The Management Board and the Supervisory Board of the Parent company confirm, to the best of their knowledge that they did everything possible to ensure 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 2019 such a deviation is explained below.

Silvano Fashion Group has not implemented a diversity policy, which applies to all group companies yet, as we operate in many different legislative and cultural zone countries, most of them non-EU countries. But we follow diversity principles in our company culture and everyday activities to ensure that there is sufficient diversity in the governing bodies among the Group entities to have different opinions and views in the management positions and freedom to introduce new ideas. This approach will support effective management's decisions, the leadership and supervision of the exercise by the board and management teams and, therefore, the results of the companies. Diversity increased transparency will contribute significantly to the promotion of equal treatment and the fight against discrimination in the relevant decision-making bodies of other companies. Religion or belief, disability, age or sexual orientation discrimination as well as discrimination based on sex, racial and ethnic origin in the employment and occupation is not acceptable in the company culture of Silvano Fashion Group.

General Meeting of Shareholders

The highest governing body of the 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. The annual general meeting is held once a year and extraordinary general meetings may be convened by the Management Board in the events prescribed by law. The general meeting is competent to change the articles of association, elect members of the Supervisory Board and decide on their remuneration, appoint an auditor, approve the annual report and allocate profit, as well as decide on other matters stipulated by the articles of association and laws. The articles of association do not provide for any rights to shares of a different class which would bring about unequal treatment of shareholders in voting.

A general meeting can adopt resolutions if over one-half of the votes represented by shares are present. A resolution of general meeting is adopted if over one-half of the votes represented at the meeting are in favour unless a larger majority is required by law.

The resolutions of the general meeting were published on Nasdaq OMX Tallinn and Warsaw stock exchanges and on Parent company's website in Estonian and English language

- On June 30, 2020 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The meeting was held in Estonian language. The agenda of the Annual General Meeting included 5 items: 1) approval of the 2019 Annual Report; 2) distribution of profits; 3) amendment of the Articles of Association; 4) removal of members of the supervisory board from the supervisory board and election of members of the supervisory board; 5) Appointment of the auditor of AS Silvano Fashion Group in 2020 – 2022 for the financial years and determination of the auditor's fee. The general meeting passed the resolutions on all items in the agenda.
- The meeting was attended by Mr. Särgava the Member of Management Board. The Chairman of the Supervisory Board, Mr Tool couldn't attend due to unexpected duties in abroad.
- The notice calling the annual general meeting was published on 08.06.2020 on the NASDAQ OMX Tallinn Stock Exchange website, on the Warsaw Stock Exchange website and on the Company's website and on 08.06.2020 in the daily newspaper "Eesti Päevaleht". The notice was published in Estonian and English language.
- The resolutions of the general meeting were published on Nasdaq OMX Tallinn and Warsaw stock exchanges and on Parent company's website in Estonian and English language.

Considering the aforementioned descriptions of general meeting held in 2020, the Company has largely complied with the Corporate Governance Code in informing the shareholders, convening and holding the general meeting.

Company has not complied the section 1.3.3 of the CGR issued by Financial Supervision Authority in Estonia: the Issuers shall make participation in the General Meeting possible by means of communication equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive for the Issuer. Since Silvano Fashion Group does not have the required technical equipment, that would allow secure identification of shareholders, the currently attendance and participation in general meetings is not possible by means of communication equipment.

Management Board

The Management Board is a governing body of Silvano Fashion Group AS that represents and directs the parent company on a daily basis. In accordance with the articles of association, the Management Board may have one to three members. In accordance with the Commercial Code, members of the Management Board of Silvano Fashion Group AS are elected by the Supervisory Board. In order to elect a member of the Management Board, his or her consent is required. According to the articles of association, a member of the Management Board shall be elected for a specified term of up to three years.

All resolutions are adopted by the Management Board in collaboration with the parent's company Supervisory Board. Under the direction of the parent company, close cooperation is carried out with the management of subsidiaries and the people responsible for respective areas. The Company believes that such a division protects the best the interests of all shareholders and ensures sustainability of the Group.

As of 31 December 2020 the management board had 1 member: Mr. Jarek Särgava.

Upon assuming the office, member of the Management Board has executed a board member contract with the Company or service contract 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 favours.

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 has three to five members according to the resolution of the general meeting and the member is elected for up to five years. The work of the Supervisory Board is organised by the Chairman of the Supervisory Board. The meetings of the Supervisory Board are held as necessary, but not less frequently than once every three months.

As of 31 December 2020 the Supervisory Board of the Parent company consists of five members: Mr. Toomas Tool (Chairman), Mr. Stephan Balkin, Ms. Mari Tool, Mr. Risto Mägi and Ms. Triin Nellis. The current composition of the Supervisory Board is available on the Parent company's website.

In accordance with Section 3.2.2. 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.

Based on CGR Section 3.2.5: "The amount of remuneration of a member of the Supervisory Board shall be published in the Corporate Governance Recommendations Report, indicating separately basic and additional payment (incl. compensation for termination of contract and other payable benefits)." The remuneration of the members of the Supervisory Board of Silvano Fashion Group AS has been approved by the resolution of the General Meeting of Shareholders dated 03.05.2019. This constitutes of EUR 2 000 as gross monthly remuneration for each supervisory board member and EUR 5 000 as gross monthly remuneration for the Chairman of the Supervisory Board. No severance pay is paid to resigning members of the supervisory board.

Based on CGR Section.3.3.2: "All conflicts of interests that have arisen in preceding year shall be indicated in the Corporate Governance Recommendations Report along with their resolutions." The Management Board of the Parent company is not aware of any conflicts of interests between the Supervisory Board members and the Group.

Altogether 2 meetings of the Supervisory Board were held in the reporting year. Most members 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.

Cooperation 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.

The Management Board regularly informs the Supervisory board of the key circumstances regarding the activity plans and business activities of Silvano Fashion Group, the risks involved and management of such risks.

No conflicts of interests occurred on financial year of 2020.

Based on CGR Section 5.6: „The Issuer shall disclose the dates and places of meetings with analysts and presentations and press conferences organized for analysts, investors or institutional investors on its website." In accordance with the rules of the Nasdaq OMX Tallinn Stock Exchange, Silvano Fashion Group first discloses all material and price sensitive information through the stock exchange system. The information disseminated at meetings with analysts is limited to previously disclosed data. All information which has been made public, including presentations made at meetings, is available on the Group's website (www.silvanofashion.com), which lists the contacts of persons who can provide further information. Presenting a schedule of meetings on the corporate website is not currently relevant. As a rule, the issuer cannot enable other shareholders to attend the meetings held with institutional investors and analysts. To ensure the objectivity and unbiased nature of the meetings, institutional investors observe internal rules which do not allow third parties to attend such meetings.

Disclosure of Information

Since listing of the shares of 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/ where the materials related to the General Meetings, including notices, agendas, resolutions, annual reports, information on the membership of 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.

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

Audit committee

Silvano Fashion Group AS has an audit committee, with rules of procedure approved by Supervisory Board. The audit committee is responsible for monitoring and analyzing the processing of financial information, the effectiveness of risk management and internal controls, and the external audit of the consolidated financial statements. The committee is also responsible for making recommendations in relation to the above issues to prevent or eliminate problems and inefficiencies. The audit committee reports to the Supervisory Board and its members are appointed and removed by the Supervisory Board. The committee has two to five members whose term of office is timeless. The members of the audit committee are not remunerated for serving on the committee. Members of the committee are Mr. Otto Tamme and Mr. Risto Mägi.

Financial Reporting and Auditing

The Management Board of Silvano Fashion Group AS publishes the annual report once each year and interim reports during the financial year. The annual report, which is signed by the members of the Management Board and Supervisory Board, is submitted to shareholders for examination. 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 (Ernst & Young Baltic AS) is auditing this Consolidated Annual Report of the Group for the third consecutive year.

During 2020, the auditor of the Group has provided to the Group other tax and advisory services that are permissible in accordance with the Auditors Activities Act of Republic of Estonia.

Based on CGR Section 6.2.1: "Also the remuneration the Issuer has paid or shall pay to the auditor shall be published." 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.

Based on CGR Section 6.2.4: "Pursuant to the contract the auditor obliges to disclose to the Supervisory Board and at the General Meeting the facts, which become evident to them during the course of exercising of a regular audit, indicating noncompliance with the Corporate Governance Recommendations by the Management Board or the Supervisory Board. The Auditor shall prepare a memorandum to the Issuer regarding these facts along with the auditor's report. The auditor shall not reflect in the memorandum the facts that the Management Board has explained in the Corporate Governance Recommendations Report." The agreement entered into by an audit firm is governed by International Standards on Auditing, the Estonian Auditing Guidelines and the risk management policies of the audit firm that do not require the auditor to submit a memorandum on the issuer's non-compliance with the Corporate Governance Code. Accordingly, the agreement signed between Silvano Fashion Group AS and its audit firm does not include a corresponding article and the auditor does not submit such a memorandum.

In our opinion, the financial audit conducted in 2020 has been in conformity with the regulatory provisions, international standards and the set expectations. Ernst & Young Baltic AS has introduced the results of the work during the interim audit and for the final audit before issuing the auditor's report. The independent auditor's report is presented on pages 71-75.

Corporate Social Responsibility

Silvano Fashion Group AS 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.

Sustainable business

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.

Impacts of the COVID-19 pandemic

The protective measures imposed by countries due to the COVID-19 pandemic began to affect the Group from the second half of March 2020. The state of emergency declared in Estonia in March 2020 lasted until 17 May.

The COVID-19 pandemic in Latvia is part of the ongoing worldwide pandemic of coronavirus disease 2019 (COVID-19). The government declared a state of emergency on 13 March with a number of epidemiological safety measures and restrictions, primarily limiting gatherings, travel, most public venues, and educational institutions. As the new confirmed cases stayed in the low two-digit range per day, the emergency was periodically extended until mid-2020, when the confirmed infection case dropped to almost 0 and the state of emergency ended on 9 June. Most restrictions were lifted. The rates spiked again by the end of September, from a few dozen per day to low hundreds by November, and many of the restrictions were restored and tightened, including a range of new ones. Eventually, a new state of emergency was reinstated on 9 November. The number of cases kept rising at the turn of the year and the state of emergency was extended to April 6. The vaccination began at the start of the year 2021.

On March 28, most regions of Russia introduced ‘Recommended Restrictive Measures’ due to the situation with coronavirus. Cafes and catering establishments, shopping and leisure centers, cinemas and cultural institutions were closed. Group stores in Russia were closed due to epidemic coronavirus (COVID-19) infection since 28th March 2020. On 01 June, permission was granted to reopen stores in Russia. In connection with the virus threat, the Group immediately took measures to ensure the safety of both its customers and employees. The gradual opening of the regions of Russia made it possible to resume wholesale sales. On June 30, all of the Group's sales premises were reopened.
Belarus remains the only country in the region, which keeps its borders open. The Ministry believes that the closure of the country's borders will not cease the spreading of Covid-19 and the quarantine has not been declared in Belarus. All group enterprises in Belarus continue to work.

On 3 March, Ukraine announced its first confirmed SARS-CoV-2 case. On 25 March, the Government introduced a 30-day emergency regime across Ukraine that was scheduled planned to end on 24 April. The Ukrainian government extended the quarantine until 22 May. On 11 November, the government approved weekend lockdowns were non-essential businesses would close for the weekend for three weeks starting from 14 November. On January 8, Ukraine introduced a new lockdown in an effort to curb high daily infection numbers. Ukraine lifted most of these lockdown restrictions, roughly three weeks later, on January 25.

There were no restrictions on cargo transportation between the countries where the Group's enterprises operate.

In connection with the virus threat, the Group immediately took measures to ensure the safety of both its customers and employees. To ensure the safety of customers, the Group’s retail units were equipped with hand disinfectants and instructions for their use at store entrances. To protect the health of store employees, at the checkout there are protective gloves and masks for customers and staff.

In the changed situation, the entire Group's cost base is critically reviewed. Various measures have been used to reduce labour costs. Negotiations are underway with lessors to reduce the rental costs of closed sales areas.
The reduced purchasing power, the loss of revenue of closed sales units and the additional costs incurred to prevent the spread of the virus put pressure on the Group's profit.
We estimate that the economic changes caused by the virus will not affect the Group's ability to continue as a going concern.

Environmental responsibility

Silvano Fashion Group AS 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.

Silvano Fashion Group AS and its largest subsidiary Milavitsa SP ZAO has always paid attention on issues of ecology of production and safe environment. Milavitsa SP ZAO certified the system of environmental management according to ISO 14000 already in 2003. Afterwards, in 2009 there was made certification according to ISO 14001 (version of 2005). In Milavitsa SP ZAO BS OHSAS 18001:2007 certification was made in 2006 - standard for occupational health and safety management systems. BS OHSAS 18001:2007 certification according to version of 2007, was made in 2009. In 2018, the labor protection and environmental management system was recertified for compliance with the requirements of BS OHSAS 18001 and ISO 14001 versions of the 2015 version. 06.06.2018 TIC 15 104 151343 and TIC 15 116 12364 certificate were obtained for the compliance of the integrated system with the ISO 14001: 2015 and BS OHSAS 18001: 2007 standards.

Another subsidiary of Silvano Fashion Group AS - Lauma Lingerie obtained the ISO 14001:1996 environmental standard certificate and the ISO 9001:2000 quality management certificate already in 2003.

Social responsibility

Silvano Fashion Group AS 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 labour rights protection.
2. Guarantee safe working conditions to its employees: detect and analyse 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 labour 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, Silvano Fashion Group AS and its largest subsidiary Milavitsa SP ZAO 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.

Complying with human rights

Silvano Fashion Group confirms its continuing commitment to honour the UN Convention for the Protection of Human Rights and Fundamental Freedoms and contributes to ensuring the objectives of the declaration through complying with human rights and fundamental freedoms in all of its activities.

Fighting corruption

Silvano Fashion Group considers as corruption the abuse of power resulting from the official position for personal gain and admits that corruption jeopardises democracy and human rights, undermines good governance, social justice, damages the competitiveness and economic development of states, and endangers democratic institutions and the moral foundations of the society. Our main goal is to prevent corruption, however, we also pay considerable attention to the control of our activities. Major methods include avoiding conflict of interests, ensuring transparency, and increasing awareness within the Group. Main forms of corruption, the prevention of which is also in the focus of the Group, are:

1. granting and accepting gratuities or bribes;
2. abuse of official position or power;
3. conflict of interests;
4. nepotism;
5. embezzlement;
6. trading with know-how and inside information or using it for personal interests.

In combating corruption, we proceed from the following principles:

1. When communicating with the employees, the heads of the Group's companies draw their attention to the fact that no form of corruption is accepted in the Group and is in conflict with the ethical beliefs of the Group.
2. We proceed from ethical, fair and transparent business and implement measures that contribute to it (such as rules, instructions, contracts, declarations, etc.).
3. In our relationships with partners, we follow mutually and in every way the principles of preventing corruption.
4. Upon the emergence of incidents of corruption, we forward the respective information to the police or prosecuting authority.

Quality management

A high quality business and management model is one of the assets of Silvano Fashion Group AS. 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.

Silvano Fashion Group largest subsidiary - Milavitsa SP ZAO was the first Belarussian company who made the certification of its management systems already in 1996. ISO 9000 certification was made in 2003 according to the requirements of International quality standards. As requirements changed in 2009, Milavitsa made recertification according to ISO 9001. Milavitsa has been following the standard through the years. In 2018, the company successfully passed a certification audit for compliance with the requirements of STB ISO 9001-2015.

Management Board´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 3 to 21 is an integral part of Consolidated Annual Report of AS Silvano Fashion Group for 2020 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 during the reporting period.

Jarek Särgava
Member of the Management Board
April 29, 2021

CONSOLIDATED FINANCIAL STATEMENTS

Management´s Board confirmation to the Consolidated Financial Statements

The Management Board acknowledges its responsibility and confirms, to the best of its knowledge, that the Consolidated Financial Statements as set out on pages 24 to 69 is an integral part of Consolidated Annual Report of AS Silvano Fashion Group for 2020 and the accounting policies used in preparing the financial statements are in compliance with International Financial Reporting Standards adopted in European Union; the financial statements give true and fair view of the financial position, the results of the operations and the cash flows of the Parent Company and the Group; Silvano Fashion Group AS and its subsidiaries are going concerns.

Jarek Särgava
Member of the Management Board
April 29, 2021

Consolidated Statement of Financial Position

in thousands of EUR	Note	31.12.2020	31.12.2019
ASSETS			
Current assets			
Cash and cash equivalents	5, 7	8 980	5 152
Trade receivables	5, 8	1 022	962
Prepayments	8	846	1 422
Other receivables	5, 8	222	228
Inventories	9	18 527	19 359
Total current assets		**29 597**	**27 123**
Non-current assets			
Long-term receivables	8	249	334
Investments in associates		57	82
Investments in other shares	10	238	321
Deferred tax asset	14	1 032	905
Intangible assets	11	374	423
Investment property	12	1 018	869
Property, plant and equipment	13	9 691	16 252
Total non-current assets		**12 659**	**19 186**
TOTAL ASSETS		**42 256**	**46 309**
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	5, 8	400	0
Short-term lease liabilities	23	2 121	2 362
Trade and other payables	5, 8	5 583	6 899
Tax liabilities	14	675	889
Total current liabilities		**8 779**	**10 150**
Non-current liabilities			
Deferred tax liability	14	500	14
Long-term borrowings	5, 8	400	0
Long-term lease liabilities	23	4 707	6 333
Long-term provisions		52	61
Total non-current liabilities		**5 659**	**6 408**
Total liabilities		**14 438**	**16 558**
Equity			
Share capital	15	3 600	3 600
Share premium		4 967	4 967
Statutory reserve capital	15	1 306	1 306
Revaluation reserve	2.5	355	355
Unrealised exchange rate differences		-18 864	-15 697
Retained earnings		33 140	31 793
Total equity attributable to equity holders of the Parent company		**24 504**	**26 324**
Non-controlling interest		3 314	3 427
Total equity		**27 818**	**29 751**
TOTAL EQUITY AND LIABILITIES		**42 256**	**46 309**

Notes on pages 28 to 69 are integral part of these Consolidated Financial Statements.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Consolidated Income Statement

in thousands of EUR	Note	12m 2020	12m 2019
Revenue from contracts with customers	17, 24	38 479	56 943
Cost of goods sold	18	-15 270	-27 292
Gross Profit		**23 209**	**29 651**
Distribution expenses	19	-8 548	-11 714
Administrative expenses	20	-3 779	-4 582
Other operating income		336	300
Other operating expenses	21	-674	-943
Operating profit		**10 544**	**12 712**
Currency exchange income/(expense)	22	-6 062	3 057
Other finance income/(expenses)	22	-428	-590
Net finance income/(expenses)		**-6 490**	**2 467**
Profit (loss) from associates using equity method		1	8
Profit before tax		**4 055**	**15 187**
Income tax expense	14	-2 388	-4 038
Profit for the period		**1 667**	**11 149**
Attributable to:			
Equity holders of the Parent company		1 347	10 663
Non-controlling interest		320	486
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	16	0,04	0,30

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	12m 2020	12m 2019
Profit for the period		**1 667**	**11 149**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-3 187	-699
Other comprehensive income (loss) for the year		**-3 187**	**-699**
Total comprehensive income (loss) for the period		**-1 520**	**10 450**
Attributable to:			
Equity holders of the Parent company		-1 820	9 662
Non-controlling interest		300	788

Notes on pages 28 to 69 are integral part of these Consolidated Financial Statements.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Consolidated Statement of Cash Flows

in thousands of EUR	Note	12m 2020	12m 2019
Cash flow from operating activities			
Profit for the period		**1 667**	**11 149**
Adjustments for:			
Depreciation and amortization of non-current assets	11, 13	3 567	4 292
Share of profit of equity accounted investees		-1	-8
Losses on the sale of property, plant and equipment	13	9	50
Net finance income / costs		450	-2 467
Provision for impairment losses on trade receivables	5, 19	20	45
Provision for inventories	9	202	263
Provision for benefits to employees		52	0
Impairment of deferred tax asset	14	0	678
Income tax expense	14	2 388	4 038
Change in inventories	9	832	-1 714
Change in trade and other receivables	8, 14	427	944
Change in trade and other payables	8, 14	-1 512	114
Interest paid		-9	0
Income tax paid		-1 736	-2 298
Net cash flow from operating activities		**6 356**	**15 086**
Cash flow from investing activities			
Interest received		13	12
Dividends received		46	0
Proceeds from disposal of property, plant and equipment	13	75	84
Proceeds from repayments of loans granted		0	6
Acquisition of property, plant and equipment	13	-289	-1 216
Acquisition of intangible assets	11	-110	-219
Net cash flow from investing activities		**-265**	**-1 333**
Cash flow from financing activities			
Acquisition of non-controlling interests	6	-26	0
Proceeds from borrowings	8	800	0
Payment of principal portion of lease liabilities		-2 003	-2 988
Interest paid on lease liabilities		-492	-636
Dividends paid		-413	-7 710
Reduction of share capital		0	-10 800
Net cash flow from financing activities		**-2 134**	**-22 134**
Net increase in cash and cash equivalents		**3 957**	**-8 381**
Cash and cash equivalents at the beginning of period	7	**5 152**	**13 603**
Effect of exchange rate fluctuations on cash held	7	-129	-70
Cash and cash equivalents at the end of period		**8 980**	**5 152**

Notes on pages 28 to 69 are integral part of these Consolidated Financial Statements.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Consolidated Statement of Changes in Equity

in thousands of EUR	Share Capital	Share Premium	Statutory reserve capital	Revaluation reserve	Unrealised exchange rate differences	Retained earnings	Total equity attributable to equity holders of the Parent company	Non-controlling interest	Total equity
Balance as at 31 December 2018	**3 600**	**8 567**	**1 306**	**355**	**-14 696**	**28 330**	**27 462**	**3 149**	**30 611**
Profit for the period	0	0	0	0	0	10 663	10 663	486	11 149
Other comprehensive income for the period	0	0	0		-1 001	0	-1 001	302	-699
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-1 001**	**10 663**	**9 662**	**788**	**10 450**
Transactions with owners, recognised directly in equity									
Dividends declared	0	0	0	0	0	-7 200	**-7 200**	-510	**-7 710**
Reduction of share capital and share premium	-3 600	0	0	0	0	0	**-3 600**	0	**-3 600**
Change in share capital and share premium	3 600	-3 600	0	0	0	0	**0**	0	**0**
Total transactions with owners, recognised directly in equity	**0**	**-3 600**	**0**	**0**	**0**	**-7 200**	**-10 800**	**-510**	**-11 310**
Balance as at 31 December 2019	**3 600**	**4 967**	**1 306**	**355**	**-15 697**	**31 793**	**26 324**	**3 427**	**29 751**
Balance as at 31 December 2019	**3 600**	**4 967**	**1 306**	**355**	**-15 697**	**31 793**	**26 324**	**3 427**	**29 751**
Profit for the period	0	0	0	0	0	1 347	**1 347**	320	**1 667**
Other comprehensive income for the period	0	0	0	0	-3 167	0	**-3 167**	-20	**-3 187**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-3 167**	**1 347**	**-1 820**	**300**	**-1 520**
Transactions with owners, recognised directly in equity									
Dividends declared	0	0	0	0	0	0	**0**	-413	**-413**
Total transactions with owners, recognised directly in equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-413**	**-413**
Balance as at 31 December 2020	**3 600**	**4 967**	**1 306**	**355**	**-18 864**	**33 140**	**24 504**	**3 314**	**27 818**

Notes on pages 28 to 69 are integral part of these Consolidated Financial Statements.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

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 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 17, 10613 Tallinn, registration number is 10175491. There is no controlling shareholder. These financial statements were authorized for issue by the Management Board of AS Silvano Fashion Group on 29 April 2021.

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"). The consolidated financial statements have been prepared under the historical cost basis, except for equity financial assets that have been measured at fair value through profit or loss, as presented in the accounting policies below.

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

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2020:

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the

beginning of that period, with earlier application permitted. Management has assessed that there is no impact of application of the amendments on Consolidated Financial Statements.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has assessed the impact of application of the amendments to be minimal.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). Management has assessed that there is no impact of application of the amendments on Consolidated Financial Statements.

- **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**
  In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. Management has assessed the impact of application of the amendments to be minimal.

- **IFRS 16 Leases - Covid 19 Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

Management has assessed the impact of application of the amendments to be minimal.

Certain new or revised standards and interpretations have been issued that are mandatory for the Group's annual periods beginning on or after 01 January 2021, and which the Group has not early adopted.

2.1.2 Standards issued but not yet effective and not early adopted by the Group

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management has assessed that there is no impact of application of the amendments on the Consolidated Financial Statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. Management has assessed the impact of application of the amendments to be not material.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

  The amendments have not yet been endorsed by the EU. Management has assessed the impact of application of the amendments to be minimal.

- **IFRS 16 Leases - Covid 19 Related Rent Concessions (Amendment)**
  In February 2021 the IASB issued a proposal to extend the relief period by another year, i.e. to apply the practical expedient on rent concessions to a change in lease payments originally due on or before 30 June 2022 from 30 June 2021. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted. The amendments have not yet been endorsed by the EU. Management has assessed the impact of application of the amendments to be not material.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments):**
  The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU. Management has assessed the impact of application of the amendments to be minimal.

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments):**
  The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU. Management has assessed the impact of application of the amendments to be not material.

  There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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. 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 the Group's accounting policies.

a) Business combinations

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 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 acquiree 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.

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 expenses".

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.

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.

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 and less impairment, except for the warehouse equipment of Baltsped logistik OOO, which was recognized by using revaluation model till 31.12.2017. Equipment at Baltsped logistik OOO was recognised at fair value based on periodic, but at least triennial, valuations by external independent values, less subsequent depreciation. A revaluation surplus was credited to Revaluation reserves. Increases in the carrying amounts arising on revaluation of production equipment were recognised, net of tax, in other comprehensive income and accumulated in Revaluation reserves. Decreases that reverse previous increases of the same asset were first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases were charged to profit or loss.

Starting from 01.01.2018, the warehouse equipment is accounted at historical cost less impairment as all other property, plant and equipment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The Group does not restate opening balances due to the change in accounting principles as the impact of this change is considered immaterial.

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 over their estimated useful lives, as follows:

<u>Buildings:</u>	
Production buildings	30-75 years
Other buildings	20-50 years
<u>Plant and equipment:</u>	
Sewing equipment	7-10 years
Vehicles	5-7 years
Other equipment	5-10 years
<u>Other equipment and fixtures:</u>	
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 income" or "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 and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years. The amortisation of intangible assets is based on the specifics asset function included in cost of goods sold, distribution and administrative expenses of Consolidated Income Statement.

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. Detailed information is disclosed in Note 11.

2.7 Investment property

The property (land or a building) held by the Group for earning long-term rental yields or for capital appreciation, rather than it its own operations, is recorded as investment property. Investment property is initially recognized in the statement of financial position at cost, including any directly attributable expenditure (e.g. notary fees, property transfer taxes, professional fees for legal services, and other transaction costs without which the transaction would have not taken place). Investment property is subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is calculated based on straight-line method. The useful lives of the Investment property (buildings) are within the range between 20 and 50 years.

Investment property is derecognized on disposal or when the asset is withdrawn from use and no future economic benefits are expected. Gains or losses from de-recognition of investment property are included within other operating income or other operating expenses in the income statement in the period in which de-recognition occurs. When the purpose of use of an investment property changes, the asset is reclassified in the balance sheet. From the date of the change, the accounting policies of the Group into which the asset has been transferred are applied to the asset.

2.8 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations are recognised in the consolidated income statement in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

2.9.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus (unless it is trade receivable that does not have a material financing component and is initially measured at transaction price), in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate method. Impairment losses are deducted from amortised cost. Foreign exchange gains and losses and impairment losses are presented as separate line items in the consolidated income statement. Any gain or loss arising on derecognition is recognised directly in profit or loss.

As at 1 January 2020 and 31 December 2020 and during 2020, the Group's debt instruments were trade receivables and other non-current financial assets classified as trade and other receivables.

Equity instruments
Equity instruments are subsequently carried at fair value through profit or loss.

As at 1 January 2020 and 31 December 2020 and during 2020, the Group's equity instruments were investments in other shares.

2.10 Impairment of financial assets

Impairment loss model is used for financial assets measured at amortised cost. Financial assets measured at amortised cost include trade receivables, cash and cash equivalents and all other financial assets not accounted at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive discounted at the original effective interest rate.

The measurement of expected credit losses shall take into account: (i) an unbiased and probability-weighted amount, the determination of which shall assess a number of possible different outcomes, (ii) the time value of the money and (iii) reasonable and justified information available at the end of the reporting period, without excessive cost or effort, on past events, current conditions and forecasts of future economic conditions.

The Group measures loss allowances as follows:
- for trade receivables (including operating lease receivables) at an amount equal to lifetime ECLs;
- for cash and cash equivalents that are determined to have low credit risk at the reporting date (the management considers 'low credit risk' to be an investment grade credit rating with at least one major rating agency) at an amount equal to 12-month ECLs;
- for all other financial assets at an amount of 12-month ECLs, if the credit risk (i.e. the risk of default occurring over the expected life of the financial asset) has not increased significantly since initial recognition; if the risk has increased significantly, the loss allowance is measured at an amount equal to lifetime ECLs.

2.11 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. The Group applies the effective interest rate to discount estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

2.12 Cash and cash equivalents

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

2.13 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 are 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).

2.14 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 Financial liabilities

2.15.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables.

2.15.2 Subsequent measurement

Trade payables and other liabilities 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 subsequently measured at amortised cost using the effective interest method.

2.15.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

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 tax 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.

Estonia
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. 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. From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 is the first year to be taken into account.

Latvia
The change of corporate income tax in Latvia came into effect applicable from 1 January 2018. In accordance with the changed Latvian Income Tax Act, income tax is not levied on companies' profits but on dividends distributed. The tax rate in 2020 was 20/80 of the amount distributed as the net dividend (20/80 in 2019) As the object of taxation is dividends, not profit, there are no differences between the carrying amounts and tax bases of assets and liabilities which could give rise to deferred tax assets or liabilities. The income tax payable on dividends is recognised as the income tax expense of the period in which the dividends are declared.

Deferred income tax is provided on retained earnings and other movements in reserves of subsidiaries in Latvia, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries in Latvia or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

Other countries
The Group's foreign entities pay tax on corporate profits in accordance with the laws of their domicile. In Monaco the tax rate is 33.33%, in Russia 20%, in Belarus 18% and in Ukraine 18%.

For the subsidiaries in the abovementioned countries, the deferred income tax assets and liabilities are determined for all temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet date. Deferred corporate income tax is calculated on the basis of tax rates applicable on the balance sheet date and current legislation, expected to prevail when the deferred tax assets are settled. Deferred tax assets are recognized in the statement of financial position only when it is probable that future taxable profit will be available against which the deductions can be made.

2.17 Provisions and contingent liabilities

Provisions for 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. 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.

Other obligations whose settlement is not probable or the amount of accompanying expenditure of which cannot be measured with sufficient reliability, but that in certain circumstances may become obligations, are disclosed as contingent liabilities in the notes to the financial statements.

2.18 Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is measured in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to a customer.

<u>Sale of goods – retail</u>
Revenue from the sale of goods is recognised at the time when a sales transaction is completed for the client in a retail store. The client generally pays in cash, by credit card or with bank transfer.

<u>Sale of goods – wholesale</u>

The Group's wholesale mainly consists of sale of lingerie to wholesalers. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesalers, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect acceptance of the products by the wholesaler. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are shipped as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Group uses its accumulated historical experience to estimate the number of returns by using the expected value method. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Because the number of products returned has been steady for years, it is not highly probable that a significant reversal in the cumulative revenue recognised will occur.

<u>Financing component</u>
The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

2.19 Leases

The Group as the Lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Commercial premises – 3 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.8 Impairment of non-financial assets. Right-of-use assets are presented in the consolidated statement of financial position on row "Property, plant and equipment".

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liabilities are presented in statement of financial position on row "Lease liabilities".

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group as the Lessor

As a lessor, the Group determines at lease inception whether the lease is a finance lease or an operating lease. If the Group determines that the lease transfers substantially all of the risks and rewards of ownership of the underlying asset, the lease is a finance lease. Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Income statement due to its operating nature. Contingent rents are recognized as revenue in the period in which they are earned.

2.20 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grants related to income are deducted in reporting the related expense.

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.
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.

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 of inventories is determined as follows: 100% write-down of raw materials not intended for further use, 100% write-down of 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).

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. The amounts of write-downs are disclosed in Note 9.

Determination of the lease term for lease contracts with renewal and termination options (Group as lessee)

The lease term as the non-cancellable term of the lease is determined with taking into account all periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. significant leasehold improvements or significant customization of the leased asset).

Impairment of right-of-use assets

Due to the outbreak of COVID-19 and rigorous measures taken by many countries, including those in which Group companies operate, in order to slowdown the spread of the pandemic, the business of the Group was negatively affected. Retail stores located in Russia and operated by the Group were closed for several months leading to a significant loss of sales. Therefore, management estimated the recoverable amounts of the cash-generating units (retail stores) and tested the carrying amounts of the right-of-use assets for impairment in accordance with accounting policies described in Note 2 section 2.8 Impairment of non-financial assets.

The recoverable amounts of the CGUs were determined based on value in use calculation by using discounted cash flow model. The valuation uses cash flow projections based on financial estimates covering maximum of a five-year period. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash flows. The estimation of future cash flows and selection of discount rate require the use of judgments and estimates.

The estimated value in use of the CGUs (retail stores) was determined using a pre-tax discount rate of 15% and a zero terminal value growth rate. The discount rate is a pre-tax measure that reflects weighted average cost of capital. The components of the discount rate are

- market-specific risk-free rate
- market risk premium
- business-specific beta, which is a measure of the market's view of the unit's risk premium
- cost of debt
- debt-to-equity ratio, which corresponds to the capital structure in retail industry (lease liabilities have been taken into account in the calculation of the discount rate).

The impairment test of right-of-use assets made by the Group at the end of the reporting period shows that no impairment shall be recognized in the consolidated financial statements.

Deferred tax assets and uncertain tax positions

a) 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 1 032 thousand as of 31 December 2020 (EUR 905 thousand as of 31 December 2019). The management believes that full amount of deferred tax assets will be utilized. The management has concluded that the deferred tax asset will be recoverable using the estimated future taxable income based on the approved business plans and budgets for subsidiaries the deferred tax asset arises from.

b) The Group has contingent liability related to the uncertain tax environment for its foreign subsidiaries operating abroad for which potential amount is unclear as of 31 December 2020 but can be material. Based on management estimate the maximum potential exposure of the contingent liability is approximation EUR 8,4 million as of 31 December 2020. The realization of this contingent liability may have a material adverse effect on the financial position, results of operations and cash flows of the Group. The assessment of the realization of contingent liabilities involves a significant management judgment to assess the probable outcomes of the uncertainties and consequently the amount of provisions to be recorded and contingent liabilities to be disclosed in the financial statements.
In 2020 the Management decided to recognize the provision for potential tax liabilities total 500 000 EUR (2019: 0 EUR) according to IFRIC 23 "Uncertainty over income tax treatments" in the consolidated financial statements of AS SFG as of December 2020. The respective expense was presented in the Consolidated Income Statement within "Income tax expense". Management believes that the current tax treatment is probable (probable = more likely than not as per definition in IFRS) to be accepted by the tax authorities and the provision recognized is sufficient to cover potential losses if any. Management's analysis is based on the recent court practice as well as the internal documentation, reasonings and grounds of the facts and circumstances available to the Group.

Deferred Tax related to an Investment in a Subsidiary

The parent company's Latvian subsidiary recognizes corporate income tax only when dividends are paid. Undistributed profits of the subsidiary give rise to 'outside' temporary differences, i.e. differences between the tax bases of the investments or interests (their original cost) and the carrying amounts of net assets of the relevant investments or interests. As the parent company is able to control when and whether the retained earnings of subsidiaries are distributed, and it has currently been determined that no such distributions will be made in the foreseeable future, no deferred tax liability has been recognized from the 'outside' temporary differences.

Estimates concerning useful lives of tangible and intangible assets

The useful lives of tangible and intangible assets are determined by management at the time the asset is acquired and reviewed on an annual basis for appropriateness. The useful lives are based on historical experiences with similar assets as well as anticipation of future events, which may impact their life.

Effects of the coronavirus

In the reporting year, the spread of COVID-19 had the greatest economic impact worldwide, and hence the financial results of the Group.

The protective measures imposed by countries due to the COVID-19 pandemic began to affect the Group from the second half of March 2020. The state of emergency declared in Estonia in March 2020 lasted until 17 May.

The Group's stores in Russia were closed due to coronavirus (COVID-19) epidemic from March 28, 2020 to June 1, 2020. The vaccination that began in Russia at the end of 2020 gives confidence in the restoration of sales.

Belarus was the only country in the region that kept its borders open. Quarantine was not announced in Belarus. All enterprises of the Group in Belarus continue to work.

To limit the spread of the virus, the Government of Ukraine periodically introduced quarantines throughout 2020 in accordance with the infection situation (COVID-19). On January 8, 2021, a new quarantine was announced. Ukraine lifted most of the restrictions after about three weeks, on January 25.

The economic activity of AS LAUMA LINGERIE in 2020 was affected by the pandemic caused by COVID-19, as a result of which the operation of retail stores in Latvia and in most of the company's export markets was temporarily suspended starting from March, 2020. Due to these circumstances, the demand for the company's products decreased and some of the company's employees were idle. Starting in June, the restrictions on retail sales were gradually lifted and the company resumed its full operations until the end of the year, when we were again forced to go down due to the adopted restrictions. To mitigate the negative effect of pandemic COVID-19 AS LAUMA LINGERIE received state financial support by compensating the costs of downtime in the total amount of EUR 184’765.80 by transferring it to the employees' accounts in April – June and December 2020.

Due to the changes in the economic environment caused by the coronavirus, the Group's revenue from sales decreased by 18.4 million euros compared to the previous year.

The Group has assessed the potential impact of COVID-19 pandemic situation on the financial statements, including going concern assumption. We estimate that the economic changes caused by the virus will not affect the Group's sustainability and will not affect the Group’s ability to continue as a going concern during the next 12 months as among all the Group has sufficient cash balance, good liquidity ratio and very limited external borrowing facilities. Furthermore, the Group's operations subsequent to the reporting date demonstrate gradual recovery from negative effects of COVID-19 and financial performance is in line with management's expectations.

Note 4 Fair value estimation

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management estimates that the carrying amount of the Group’s financial assets and liabilities does not significantly differ from their fair value. Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. The fair values of trade receivables and payables are determined at third level. Fair value of borrowings is determined at second level of fair value hierarchy. Management estimates that the Group's interest rates on borrowings correspond to market conditions therefore their carrying amount is close to their fair value. Fair value of investments in other shares is determined at third level. Fair value of such equity instruments is valued using models with both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and country in which the investee operates.

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.

Credit risk is managed on the 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, management 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 carrying amount of financial assets (except for financial assets measured at fair value through profit or loss) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

in thousands of EUR	**Note**	**31.12.2020**	**31.12.2019**
Cash and cash equivalents	7	8 980	5 152
Trade receivables from third parties	8	1 022	962
Other current receivables	8	133	126
Long-term receivables	8	249	334
Total		**10 384**	**6 574**

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

in thousands of EUR	**31.12.2020**	**31.12.2019**
Fitch rating A-AAA	576	467
Fitch rating B-BBB	8 165	4 444
Fitch rating C-CCC	0	0
Not rated	239	241
of those not rated, within EU	10	10
Total cash equivalents	**8 980**	**5 152**

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The ageing of trade and other receivables was:

in thousands of EUR	Gross 31.12.2020	Expected credit loss 2020	Gross 31.12.2019	Expected credit loss 2019
Not past due	1 216	0	1 242	0
Overdue 1-30 days	102	0	139	0
Overdue 31-90 days	37	0	17	0
Overdue 91-180 days	9	0	19	0
More than 180 days	97	-57	66	-61
Total	**1 461**	**-57**	**1 483**	**-61**
Total net	**1 404**		**1 422**	

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 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	2020	2019
Balance at the beginning of period	**-61**	**-20**
Accrued during the period	-20	-41
Reversed during the period	24	0
Balance at the end of period	**-57**	**-61**

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 and aggregated by group finance function. Group finance function 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 restriction.

As of 31 December 2020 and 31 December 2019, the Group’s current assets exceeded its current liabilities.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

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 2020**	**Note**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Financial liabilities at amortized cost							
Trade payables	8	4 086	4 086	4 076	0	0	10
Borrowings	8	800	800	200	200	400	0
Lease liabilities	23	6 828	7 532	1 242	1 236	1 746	3 308
Other payables	8	570	570	570	0	0	0
Total		**12 284**	**12 988**	**6 088**	**1 436**	**2 146**	**3 318**

in thousands of EUR **As of 31 December 2019**	**Note**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Financial liabilities at amortized cost							
Trade payables	8	4 980	4 980	4 980	0	0	0
Lease liabilities	23	8 695	10 009	1 436	1 386	2 262	4 925
Other payables	8	758	758	758	0	0	0
Total		**14 433**	**15 747**	**7 174**	**1 386**	**2 262**	**4 925**

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 roubles), BYN (Belarusian roubles), UAH (Ukrainian hryvnia). Other purchase and sales transactions are mainly in Euro and in US dollars. Intra-group transactions are primarily in Euros, Russian roubles and Belarusian roubles.

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 roubles (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 BYN and RUB. 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 BYN and RUB which corresponds to the amount required to fulfil 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 -31% (2019: -16.5%), US dollar +9.9% (2019: -2.4%), Belarusian ruble -34.7% (2019: -4.9%) and Russian ruble -35,5% (2019: +13.0%).

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

in thousands of EUR

as at 31 December 2020	Note	Total	EUR	BYN	RUB	USD	UAH
Cash and cash equivalents	8	**8 980**	8 333	409	111	0	127
Trade receivables, net	8	**1 022**	388	255	336	0	43
Investments on other shares	8	**238**	-	238	-	0	0
Other current receivables	8	**133**	115	12	4	0	2
Long-term receivables	8	**249**	22	-	227	0	0
Trade payables	8	**-4 086**	-2 997	-439	-16	-634	0
Other payables	8	**-570**	-75	-468	-24	-3	0
Total statement of financial position exposure		**5 966**	**5 786**	**7**	**638**	**-637**	**172**

in thousands of EUR

as at 31 December 2019	Note	Total	EUR	BYN	RUB	USD	UAH
Cash and cash equivalents	8	**5 152**	3 688	686	553	0	225
Trade receivables, net	8	**962**	189	387	335	0	51
Investments in other shares	8	**321**	0	321	0	0	0
Other current receivables	8	**126**	39	47	24	13	3
Long-term receivables	8	**334**	22	0	312	0	0
Trade payables	8	**-4 980**	-3 424	-749	-240	-567	0
Other payables	8	**-758**	-107	-595	-43	-12	-1
Total statement of financial position exposure		**1 157**	**407**	**97**	**941**	**-566**	**278**

Based on current economic situation and predictions of major economists for the coming year the management don't anticipate the fluctuation in EUR/BYN and RUB/EUR exchange rate more than 20% in average per annum.

A 20 percent weakening of BYN against EUR as of 31 December 2020 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 2019.

Effect on profit before tax in thousands of EUR

	2020	2019
EUR	1	19
Total	**1**	**19**

Effect on equity in thousands of EUR

	2020	2019
EUR	1	16
Total	**1**	**16**

A 20 percent strengthening of BYN 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.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

A 20 percent weakening of RUB against EUR as of 31 December 2020 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 2019.

Effect on profit before tax in thousands of EUR

	2020	**2019**
EUR	128	188
Total	**128**	**188**

Effect on equity in thousands of EUR

	2020	**2019**
EUR	105	154
Total	**105**	**154**

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 27 818 thousand EUR as of 31 December 2020 and 29 751 as of 31 December 2019. 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.

Uncertainties in operating environment

The Republic of Belarus and Russian Federation display characteristics of an emerging markets, which are 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 and Russia 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 and Russia. The future economic direction of the countries is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The financial results of the Group have been impacted by both the changes in the currency exchange rates and the overall changes in the economy as well as political risks escalated in Belarus in middle of 2020.

Note 6 Group entities and business combinations

	Location	Main activity	Effective Ownership interest 31.12.2020	Effective Ownership interest 31.12.2019
Parent company				
Silvano Fashion Group AS	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
Silvano Fashion ZAO	Russia	Retail and Wholesale	100%	100%
Silvano Fashion OOO	Belarus	Retail and wholesale	99%	99%
Silvano Fashion TOV	Ukraine	Wholesale	100%	100%
Silvano Fashion SIA	Latvia	Retail	100%	100%
Milavitsa SP ZAO	Belarus	Manufacturing and wholesale	85.02%	84.96%
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%

Transactions during 2020

On 9 January 2020, Silvano Fashion Group AS acquired 5 shares of Milavitsa SP ZAO from other shareholders increasing Group’s participation from 84.96% to 85.02%.

Transactions during 2019
There have been no business combinations and disposal of shares in the Group that have significant effect on the financial statements of the Group.

Summary related to the entities associated with material NCI:

The total non-controlling interest is EUR 3 314 thousand (2019: EUR 3 427 thousand), of which EUR 2 453 thousand is for Milavitsa SP ZAO (2019: EUR 2 171 thousand). The non-controlling interest in respect of Yunona OAO,OOO Silvano Fashion Belarus and Baltsped logistik OOO is not material.

There are no significant restrictions on group’s ability to access or use assets, settle liabilities of all of its subsidiaries with non-controlling interest.

a) Summarised financial information on subsidiaries with material non-controlling interests:

Summarised balance sheet of Milavitsa SP ZAO

in thousands of EUR	**31.12.2020**	**31.12.2019**
Current assets	16 497	19 158
Non-current assets	4 490	6 339
Total assets	**20 987**	**25 497**
Current liabilities	4 612	5 035
Net assets	16 375	20 462
Total liabilities and equity	**20 987**	**25 497**

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Summarised income statement of Milavitsa SP ZAO

in thousands of EUR	2020	2019
Revenue	20 588	30 783
Profit before income tax	5 555	4 395
Income tax expense	-1 120	(963)
Profit for the period	**4 435**	**3 432**
Other comprehensive income (loss)	(400)	(176)
Total comprehensive income	**4 035**	**3 256**
Total comprehensive income allocated to non-controlling interests	604	490
Dividends paid to non-controlling interest	(404)	(486)

Summarised statement of cash flows of Milavitsa SP ZAO

in thousands of EUR	2020	2019
Profit for the period	**4 435**	**3 432**
Net cash flow from operating activities	2 125	3 798
Net cash flow from investing activities	114	(357)
Net cash flow from financing activities	-2 824	(2 905)
Net increase/(decrease) in cash and cash equivalents	**-585**	**536**
Cash and cash equivalents at the beginning of the period	**1 113**	**592**
Effect of exchange rate fluctuations on cash	230	(39)
Effect of translation to presentation currency	-266	24
Cash and cash equivalents at the end of the period	**492**	**1 113**

b) Basis for control over Baltsped logistik OOO:

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

Note 7 Cash and cash equivalents

in thousands of EUR **As of 31 December**	**Note**	**2020**	**2019**
Short-term deposits in all currencies		211	1 046
Short-term guarantee deposits		20	32
Current bank accounts in EUR		8 302	3 107
Current bank accounts in other currencies than EUR		208	726
Cash in transit		173	140
Cash on hand		66	101
Total	5	**8 980**	**5 152**

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Note 8 Financial assets and financial liabilities

in thousands of EUR

As of 31 December Financial assets	Note	31.12.2020	31.12.2019
Investments in other shares	10	238	321
Trade receivables	5	1 022	962
Other current receivables	5	133	126
Cash and cash equivalents	5, 7	8 980	5 152
Total short-term assets		**10 373**	**6 561**
Long-term other receivables	5	249	334
Total long-term assets		**249**	**334**

in thousands of EUR

Financial liabilities		31.12.2020	31.12.2019
Trade payables	5	4 086	4 980
Lease liabilities	23	2 121	2 362
Borrowings*	5	400	0
Other payables	5	570	758
Total short-term liabilities		**7 177**	**8 100**
Long-term Lease liabilities	23	4 707	6 333
Long-term Borrowings*	5	400	0
Total long-term liabilities		**5 107**	**6 333**

* As at 31 December 2020 borrowings include state loan (from Latvian state-owned development finance institution ALTUM) with a maturity date of 10 October 2022 and with interest rate of 2.9% issued to Lauma Lingerie. The loan was fully repaid in January 2021.

Trade and other receivables Note

in thousands of EUR

As of 31 December Short-term trade and other receivables	Note	2020	2019
Trade receivables from third parties		1 022	962
Current taxes prepaid	14	471	645
Prepayments		375	777
Other current receivables, net		133	126
Receivables from employees		1	6
Deferred expenses		83	90
Other assets		5	6
Total		**2 090**	**2 612**

Long-term trade and other receivables	2020	2019
Long-term guarantee deposits*	249	334
Total	**249**	**334**

* Security deposits under lease agreements.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Trade and other payables

in thousands of EUR
As of 31 December

	2020	2019
Trade payables	4 086	4 980
Payables to employees	312	450
Other payables	258	308
Accrued expenses	405	501
Customer advances for products and services*	485	621
Short-term provisions	37	39
Total	**5 583**	**6 899**

*Customer advances for products and services are contract liabilities and includes prepayments for products which the Group is obligated to sell subsequent to balance sheet date.

The Group has no contractual obligations to purchase assets, nor any contingent liabilities that are not reflected in the financial statements.

Note 9 Inventories

in thousands of EUR	31.12.20	31.12.19
Raw and other materials	3 691	4 717
Work in progress	954	980
Finished goods	13 065	12 985
Other inventories	817	677
Total	**18 527**	**19 359**

The Group writes-down obsolete inventories on ongoing basis. Also the Group monitors on ongoing basis the net realizable value of the inventory. As of 31 December 2020 the Group's write-downs of raw materials to net realizable value amounted to EUR 202 thousand (2019: EUR 263 thousand). As of 31 December 2020 the Group's write-downs of finished goods to net realizable value amounted to zero (2019: also zero EUR thousand). The write-downs are included in cost of goods sold.

Note 10 Investments in other shares

Details of the Group's investments in other shares are presented below:

			Ownership as of		Carrying value	
in thousands of EUR	Domicile	Core activity	2020	2019	31.12.20	31.12.19
OJSC Svitanok	Belarus	Manufacturing	11,3730%	11,3730%	225	304
CJSC Minsk Transit Bank	Belarus	Financing	0,0262%	0,0311%	7	9
OJSC Belvnesheconombank	Belarus	Financing	0,0030%	0,0030%	6	8
OJSC Belinvestbank	Belarus	Financing	0,0000%	0,0000%	0	0
National Pension Fund of Belarus	Belarus	Financing	0,0005%	0,0005%	0	0
Total					**238**	**321**

The investments to other shares are classified as equity instruments and are stated at fair value third level, because the shares are not traded in an active market. As of 31 December 2020 (and 31 December 2019) the fair value of abovementioned shares of unlisted companies was close to carrying amount and determined by techniques based on the managements' judgment.

Note 11 Intangible assets

in thousands of EUR	Software	Trademarks	Prepayments	Total
As of 31 December 2018				
Cost	1 598	71	316	**1 985**
Accumulated amortization	-1 471	-30	-223	**-1 724**
Net book amount	**127**	**41**	**93**	**261**
Movements during 2019				
Acquisition	21	0	198	**219**
Transfers and reclassifications	15	0	5	**20**
Amortization	-84	-8	0	**-92**
Unrealised exchange rate differences	6	4	5	**15**
Closing net book amount	**85**	**37**	**301**	**423**
As of 31 December 2019				
Cost	1 705	74	535	**2 314**
Accumulated amortization	-1 620	-37	-234	**-1 891**
Net book amount	**85**	**37**	**301**	**423**
Movements during 2020				
Acquisition	8	0	102	**110**
Transfers and reclassifications	11	0	-11	**0**
Disposals	0	0	-6	**-6**
Amortization	-33	-7	0	**-40**
Unrealised exchange rate differences	-20	-9	-84	**-113**
Closing net book amount	**51**	**21**	**302**	**374**
As of 31 December 2020				
Cost	1 333	58	474	**1 865**
Accumulated amortization	-1 282	-37	-172	**-1 491**
Net book amount	**51**	**21**	**302**	**374**

As of 31 December 2020 the cost of fully amortized items of intangible assets still in use amounted to EUR 571 thousand (2019: 1 675 thousand).

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Note 12 Investment property

in thousands of EUR	**Buildings**
31.12.2018	
Cost	1 258
Accumulated depreciation	-407
Net book amount	**851**
Movements during 12m 2019	
Unrealised exchange rate differences	44
Depreciation	-26
Closing net book amount	**869**
31.12.2019	
Cost	1 302
Accumulated depreciation	-433
Net book amount	**869**
Movements during 12m 2020	
Unrealised exchange rate differences	-277
Depreciation	-20
Transfer from property, plant and equipment	446
Closing net book amount	**1 018**
31.12.2020	
Cost	1 471
Accumulated depreciation	-453
Net book amount	**1 018**

During 2020 the Group's investment property increased by premises located in Minsk, ul. Starovilenskaya, 131 (2,091.20 sq. M.), which were transferred from property, plant and equipment in 2020 as they were not used by the Group and were leased to the third parties.

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 236 thousand (2019: EUR 181 thousand).

The expenses related (including maintenance and repairs) to both premises earning rental income and those not earning any rent were insignificant in both years.

According to management estimates, the carrying value of investment property as of 31 December 2020 and 31 December 2019 is not significantly different from the fair value. The fair values estimated by the management for disclosure 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 value measurement (Level 2 in the fair value hierarchy) included recent selling transactions of property with similar size, location, technical characteristics. The Group did not involve external expert in the assessment of the fair value of investment property.

Note 13 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Right-of-use asset	Assets under construction and prepayments	Total
31.12.2018						
Cost	5 402	16 086	5 376	0	17	**26 881**
Accumulated depreciation	-2 380	-12 818	-4 289	0	0	**-19 487**
Net book amount	**3 022**	**3 268**	**1 087**	**0**	**17**	**7 394**
Movements during 12m 2019						
Additions	0	5	321	11 394	890	**12 610**
Disposals	0	-33	-101	0	0	**-134**
Reclassifications	80	453	327	0	-860	**0**
Depreciation	-122	-716	-601	-2 761	0	**-4 200**
Unrealised exchange rate differences	72	234	150	110	16	**582**
Closing net book amount	**3 052**	**3 211**	**1 183**	**8 743**	**63**	**16 252**
31.12.2019						
Cost	5 781	17 834	5 354	11 564	63	**40 596**
Accumulated depreciation	-2 729	-14 623	-4 171	-2 821	0	**-24 344**
Net book amount	**3 052**	**3 211**	**1 183**	**8 743**	**63**	**16 252**
Movements during 12m 2020						
Additions	0	15	92	867	182	**1 156**
Disposals	0	-1	-65	-112	0	**-178**
Transfers to Investment property	-446	0	0	0	0	**-446**
Reclassifications	2	94	101	0	-197	**0**
Depreciation	-115	-659	-521	-2 232	0	**-3 527**
Unrealised exchange rate differences	-716	-715	-190	-1 931	-14	**-3 566**
Closing net book amount	**1 777**	**1 945**	**600**	**5 335**	**34**	**9 691**
31.12.2020						
Cost	3 709	13 734	4 271	9 372	34	**31 120**
Accumulated depreciation	-1 932	-11 789	-3 671	-4 037	0	**-21 429**
Net book amount	**1 777**	**1 945**	**600**	**5 335**	**34**	**9 691**

For accounting policies applied refer to Note 2 section 2.5.

As of 31 December 2020 the cost of fully depreciated items of property, plant and equipment still in use amounted to EUR 9 157 thousand (2019: EUR 8 989 thousand). For right-of use assets recognition please refer to Note 23.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Note 14 Taxes

Taxes prepaid and payable

	Notes	31.12.2020		31.12.2019	
		Prepaid taxes	**Taxes payable**	**Prepaid taxes**	**Taxes payable**
Value added tax		438	282	522	484
Property tax		0	1	0	2
Corporate income tax		16	112	111	130
Personnel income tax		0	82	0	83
Social security		17	187	12	173
Other taxes		0	11	0	17
Total taxes	**8**	**471**	**675**	**645**	**889**

Income tax expense comprises the following:

in thousands of EUR	**2020**	**2019**
Current income tax	2 374	3 449
Deferred tax	14	589
Income tax expense	**2 388**	**4 038**

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

The income tax rates applicable to the majority of the Group's 2020 income is 18% and 20% (2019 – also 18% and 20%). The income tax rate applicable to the income of subsidiaries ranges from 0% to 20% (2019: from 0% to 20%). Reconciliation between the expected and the actual taxation charge is provided below.

in thousands of EUR

	2020	**2019**
Profit before tax	**4 055**	**15 187**
Theoretical income tax at the statutory tax rate*	758	2 857
Non-deductible expenses	1 244	590
Withholding tax on intra-group dividends	386	591
Income tax expense for the year	**2 388**	**4 038**

** The theoretical income tax rate for the Group in 2020 was 18.7% based on weighted average of income tax rates and revenue of the Group by geographical areas (see note 24), in 2019 – 18.8%*

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:

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

in thousands of EUR	1 January 2019	Charged to profit or loss	FX impact	31 December 2019
Effect from deductible temporary differences:				
Property, plant and equipment	194	183	0	377
Inventories	459	148	0	607
Trade and other accounts receivable	2	-2	0	0
Other temporary differences*	778	-911	54	-79
Deferred tax asset	**1 433**	**-582**	**54**	**905**
Set-off of deferred tax	0	0	0	0
Net deferred tax assets	**1 433**	**-582**	**54**	**905**
Effect from taxable temporary differences:				
Property, plant and equipment	-7	0	0	-7
Inventories	0	-7	0	-7
Other temporary differences	0	0	0	0
Deferred tax liability	**-7**	**-7**	**0**	**-14**
Set-off of deferred tax	0	0	0	0
Net deferred tax liability	**-7**	**-7**	**0**	**-14**
Net deferred tax position	**1 426**	**-589**	**54**	**891**

in thousands of EUR	1 January 2020	Charged to profit or loss	FX impact	31 December 2020
Effect from deductible temporary differences:				
Property, plant and equipment	377	-62	0	315
Inventories	607	256	-277	586
Other temporary differences	-79	278	-68	131
Deferred tax asset	**905**	**472**	**-345**	**1 032**
Set-off of deferred tax	0	0	0	0
Net deferred tax assets	**905**	**472**	**-345**	**1 032**
Effect from taxable temporary differences:				
Property, plant and equipment	-7	7	0	0
Inventories	-7	7	0	0
Other temporary differences*	0	-500	0	-500
Deferred tax liability	**-14**	**-486**	**0**	**-500**
Set-off of deferred tax	0	0	0	0
Net deferred tax liability	**-14**	**-486**	**0**	**-500**
Net deferred tax position	**891**	**-14**	**-345**	**532**

*Other temporary differences charge to profit or loss recognized in 2020 includes provision for deferred tax in the amount of EUR 500 thousand. In 2019 other temporary differences charge to profit or loss included impairment of deferred tax asset in the amount of EUR 678 thousand.

Potential income tax on dividends payable by AS Lauma Lingerie

The Group didn't recognize potential income tax on dividends payable by AS Lauma Lingerie in 2018 (profit before tax 566'889 EUR, potential income tax 113'378 EUR), in 2019 (profit before tax 500'435 EUR, potential income tax 100'087 EUR) and in 2020 (profit before tax 162'720 EUR, potential income tax 32'544 EUR), because the Group doesn't plan to pay dividends in foreseeable future perspective. Management estimates and judgments are disclosed in Note 3.

Potential liabilities arising from tax inspection

In 2020 the tax authority did not conduct tax audit in parent and its subsidiaries. The tax authorities may at any time inspect the books and records of the companies within 5 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. Due to the risks described in Note 3 arising from business operations in Russian Federation, it is possible that tax liabilities and penalties may be imposed as a result of these reviews. The Management decided to recognize the provision for potential tax liabilities (Note 3).

Note 15 Equity

As of 31 December 2020 registered share capital of AS Silvano Fashion Group amounted to 3 600 thousand EUR divided into 36 000 000 shares with a nominal value of 0.1 EUR each (as of 31 December 2019, 3 600 thousand EUR, 36 000 000 shares and 0.10 EUR nominal value, respectively). All shares as of 31 December 2020 (and 31 December 2019) are ordinary shares and fully paid.

As at 31 December 2020 the Group's retained earnings distributable to shareholders as dividends amounted to 25 748 thousand EUR (as at 31December 2019: 23 845 thousand EUR). The related income tax payable on those dividends would be 7 392 thousand EUR (as at 31 December 2019: 7 948 thousand EUR) as part of the corporate income tax has already been paid on those profits by the Group.

The minimum share capital and maximum share capital in accordance with articles of association of AS Silvano Fashion Group amount to 3 600 EUR thousand and 14 400 EUR thousand respectively. All issued shares have been fully paid for.

As of 31 December	**2020**	**2019**
Share capital, in thousands of EUR	3 600	3 600
Number of shares	36 000 000	36 000 000
Par value of a share, in EUR	0.1	0.1

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 consolidated financial statements of the Group.

As of 31 December 2020 AS Silvano Fashion Group had 2 931 shareholders (31 December 2019: 2 231 shareholders).

Statutory reserve

The Group has formed statutory reserve capital in accordance with the Commercial Code of the Republic of Estonia. During each financial year, at least 1/20 of the net profit shall be entered in reserve capital, until reserve capital is at least 1/10 of share capital. Reserve capital may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from reserve capital.

Note 16 Earnings per share

The calculation of basic earnings per share for 2020 and for 2019 is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	2020	2019
Number of ordinary shares at the beginning of the period	36 000	36 000
Number of ordinary shares at the end of the period	36 000	36 000
Weighted average number of ordinary shares for the period	**36 000**	**36 000**

In thousands of EUR	2020	2019
Profit for the period attributable to equity holders of the Parent company	1 347	10 663
Basic earnings per share (EUR)	0,04	0,30
Diluted earnings per share (EUR)	0,04	0,30

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 from contracts with customers

in thousands of EUR	2020	2019
Revenue from wholesale	24 771	36 546
Revenue from retail sale	13 608	20 137
Subcontracting and services	87	238
Other sales	13	22
Total	**38 479**	**56 943**

In the reporting period and comparable period, the Group did not have any clients whose revenue would exceed 10% of the Group revenue.

Note 18 Cost of goods sold

in thousands of EUR	2020	2019
Raw materials	10 090	14 243
Purchased goods	1 005	1 196
Purchased services	1 742	2 688
Personnel costs	4 552	6 378
Depreciation and amortization (note 11, 12, 13)	447	562
Rent (note 23)	46	61
Utilities	253	304
Other production costs	1 033	1 893
Changes in inventories	(3 898)	(33)
Total	**15 270**	**27 292**

The Group total payroll expenses and average number of employees are disclosed in Note 20.

Note 19 Distribution expenses

in thousands of EUR	2020	2019
Advertising and marketing expenses	391	695
Payroll expenses	3 788	5 025
Storage and packaging	7	8
Rent (note 23)	264	607
Transportation services	100	169
Depreciation and amortization (note 11, 12, 13)	2 764	3 389
Utilities	461	595
Materials usage	246	407
Business trips	8	46
Bad debt expenses (note 5)	20	45
Bank charges retail sale	233	363
Other expenses	266	365
Total	**8 548**	**11 714**

The Group total payroll expenses and average number of employees are disclosed in Note 20.

Note 20 Administrative expenses

in thousands of EUR	2020	2019
Payroll expenses	1 514	1 792
Management fees	710	870
Depreciation and amortization (note 11, 12, 13)	252	227
Rent (note 23)	218	239
Utilities	196	211
Professional services	253	300
IT costs	133	148
Bank and listing fees	120	177
Business trips	40	142
Office expenses	71	95
Communication expenses	44	56
Insurance	30	35
Other expenses	198	290
Total	**3 779**	**4 582**

Payroll expenses

in thousands of EUR	2020	2019
Wages and salaries	7 572	10 156
Social security taxes	2 282	3 039
Total payroll expenses	**9 854**	**13 195**
Average number of employees in the reporting period	1 807	1 984

In 2020 the Group has received state financial support for compensation of the payroll expenses (Note 26).

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Note 21 Other operating expenses

in thousands of EUR	2020	2019
Social benefits to employees	172	204
Other taxes	188	288
Auxiliary materials	26	36
Loss on disposal of property, plant, equipment and intangible assets	9	52
Expenses for donations	2	4
Depreciation and amortization (note 11, 12, 13)	104	114
Other expenses	173	245
Total	**674**	**943**

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 finance expense

in thousands of EUR	2020	2019
Interest income on bank deposits	13	12
Other finance income	67	44
Interest expense of lease liabilities (note 23)	-492	-636
Interest expense of other loans	-8	0
Other finance expenses	-8	-10
Total other finance income/ expenses	**-428**	**-590**
Gain/(loss) on conversion of foreign currencies	-6 062	3 057
Net finance income/(expense)	**-6 490**	**2 467**

The change of net finance income/(expense) compared to year 2019 is mainly caused by high fluctuations of FX-rates in Belarus and Russia and interest expense on lease liabilities.

Note 23 Lease

The Group as the Lessee

Set out below are the carrying amounts of lease liabilities (included under lease liabilities) and the movements during the period:

in thousands of EUR	2020	2019
Lease liabilities as of 1 January	**8 695**	**8 199**
Additions	645	4 120
Unrealised exchange rate differences	-509	-1 272
Finance costs	492	636
Repayments	-2 495	-2 988
Lease liabilities as of 31 December	**6 828**	**8 695**

The maturity analysis of lease liabilities is disclosed below:

in thousands of EUR **as at 31 December**	**2020**	**2019**
Payable in less than one year	2 121	2 362
Payable between one and five years	4 707	4 624
Payable in over five years	0	1 709
Total	**6 828**	**8 695**

The following are the amounts recognized in profit or loss:

in thousands of EUR	**2020**	**2019**
Depreciation expense of right-of-use assets (note 13)	2 232	2 761
Finance costs (note 22)	492	636
Expenses relating to short-term leases (included in cost of goods sold and distribution expenses)	310	668
Expenses relating to low value assets (included in administrative expenses)	218	239
Total amount recognized in profit or loss	**3 252**	**4 304**

The Group had total cash outflows for leases of EUR 3 117 thousand in 2020 (2019: EUR 3 931 thousand). Movements in right-of-use asset balance in financial year 2020 and 2019 are disclosed in note 13.

Variable vs Fixed Lease Payments
in thousands of EUR

2020	**Fixed Payments**	**Variable Payments**	**Total Payments**
Fixed rent	1 592	0	**1 592**
Variable rent with minimum payment	903	88	**991**
Variable rent only	0	6	**6**
Total rent	**2 495**	**94**	**2 589**

2019	**Fixed Payments**	**Variable Payments**	**Total Payments**
Fixed rent	1 755	0	**1 755**
Variable rent with minimum payment	1 233	14	**1 247**
Variable rent only	0	22	**22**
Total rent	**2 988**	**36**	**3 024**

The Group as the Lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain manufacturing buildings (see Note 12). These leases have terms of between 4 and 14 years. Rental income recognised by the Group during the year is EUR 236 thousand (2019: EUR 181 thousand). The Group as the lessor do not have any non-cancellable operating lease contracts.

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 and Belarus.
- Operations, assets and liabilities of holding companies and the logistic center are disclosed separately under the heading "Unallocated".
- Intersegment revenues include sales to both other segments as well as within the same segment.

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 finance 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.

Operating segments 2020

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	**13 608**	**24 771**	**38 379**	**100**		**38 479**
Intersegment revenues	0	22 433	**22 433**	2 358	-24 791	**0**
EBITDA	**5 849**	**7 993**	**13 842**	**269**		**14 111**
Amortization and depreciation	-2 221	-728	**-2 949**	-618	0	**-3 567**
Operating income, EBIT	**3 628**	**7 265**	**10 893**	**-349**	**0**	**10 544**
Profit from associates using equity method	0	1	**1**	0	0	**1**
Net financial income/(expense)	-686	-670	**-1 356**	-5 134	0	**-6 490**
Income tax	-303	-1 311	**-1 614**	-774	0	**-2 388**
Net profit	**2 639**	**5 285**	**7 924**	**-6 257**	**0**	**1 667**
Investments in associates	0	57	**57**	0	0	**57**
Other operating segments assets	4 311	27 017	**31 328**	10 871	0	**42 199**
Reportable segments liabilities	1 999	8 678	**10 677**	3 761	0	**14 438**
Capital expenditures	1 032	180	**1 212**	54	0	**1 266**
Number of employees as of reporting date	500	1 126	**1 626**	118		**1 744**

Operating segments 2019

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	**20 137**	**36 546**	**56 683**	**260**		**56 943**
Intersegment revenues	0	33 440	**33 440**	3 507	-36 947	**0**
EBITDA	**9 097**	**7 959**	**17 056**	**-52**		**17 004**
Amortization and depreciation	-2 659	-929	**-3 588**	-704	0	**-4 292**
Operating income, EBIT	**6 438**	**7 030**	**13 468**	**-756**	**0**	**12 712**
Profit from associates using equity method	0	8	**8**	0	0	**8**
Net financial income/(expense)	5	-238	**-233**	2 700	0	**2 467**
Income tax	-823	-1 607	**-2 430**	-1 608	0	**-4 038**
Net profit	**5 620**	**5 193**	**10 813**	**336**	**0**	**11 149**
Investments in associates	0	82	**82**	0	0	**82**
Other operating segments assets	3 460	34 837	**38 297**	7 930	0	**46 227**
Reportable segments liabilities	6 245	6 629	**12 874**	3 684	0	**16 558**
Capital expenditures	8 283	31	**8 314**	4 515	0	**12 829**
Number of employees as of reporting date	503	1 233	**1 736**	152		**1 888**

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.

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Geographical segments in thousands of EUR	**Sales revenue 2020**	**Sales revenue 2019**	**Non-current assets 31.12.2020**	**Non-current assets 31.12.2019**
Russia	22 120	33 582	1 968	3 799
Belarus	10 927	16 082	10 341	14 832
Ukraine	1 127	1 543	1	1
Baltics	1 089	1 323	324	529
Other countries	3 216	4 413	25	25
Total	**38 479**	**56 943**	**12 659**	**19 186**

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 the management's assessment, the prices applied in transactions with related parties did not differ significantly from the market terms.

The Group didn't recognise any allowance for doubtful receivables from associates as of 31 December 2020 and as of 31 December 2019.

Sales of goods and services in thousands of EUR	**2020**	**2019**
Associates	639	1 283
Total	**639**	**1 283**

Balances with related parties in thousands of EUR	**31.12.2020**	**31.12.2019**
Trade receivables from associates	0	0
Total	**0**	**0**

Benefits to key management of the group in thousands of EUR	**12m 2020**	**12m 2019**
Remunerations and benefits	710	870
Total	**710**	**870**

There is no severance compensation for the Management Board members in case of termination or ending of the Board member contract.

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Note 26 Government grants

	2020	2019
At 1 January	**0**	**0**
Received during the year	185	0
Released to the consolidated income statement	-185	0
At 31 December	0	0

AS LAUMA LINGERIE received state financial support by compensating the costs of downtime in the total amount of EUR 184’765.80 by transferring it to the employees' accounts in April – June and December 2020. There were no unfulfilled conditions and other contingencies attaching to mentioned government assistance recognized in 2020.

Note 27 Separate financial information of the Parent company

In accordance with the Accounting Act of Estonia, unconsolidated primary financial statements of consolidating unit (parent company) have been disclosed in the notes of the consolidated annual report. These unconsolidated primary financial statements do not constitute the parent company`s separate financial statements as defined in IAS 27 (Consolidated and Separate Financial Statements). The parent company’s primary reports are prepared using the same accounting principles and estimation basis used on consolidated financial statements, excluding subsidiaries, which are accounted for in parent company’s unconsolidated primary financial statements using cost method (minus impairment).

Statement of Financial Position

in thousands of EUR	**31.12.2020**	**31.12.2019**
ASSETS		
Current assets		
Cash and bank	7 208	2 588
Trade receivables	54	216
Other receivables	2 061	2 123
Total current assets	**9 323**	**4 927**
Non-current assets		
Long-term receivables	20 315	20 230
Investment in subsidiaries	24 124	24 098
Property, plant and equipment	32	43
Total non-current assets	**44 471**	**44 371**
TOTAL ASSETS	**53 794**	**49 298**
LIABILITIES AND EQUITY		
Current liabilities		
Short-term lease liabilities	11	10
Trade and other payables	21	50
Tax liabilities	18	18
Total current liabilities	**50**	**78**
Non-current liabilities		
Long-term lease liabilities	23	34
Total non-current liabilities	**23**	**34**
Total liabilities	**73**	**112**
Equity		
Share capital	3 600	3 600
Share premium	4 967	4 967
Statutory reserve capital	1 306	1 306
Accumulated profits/losses	43 848	39 313
Total equity	**53 721**	**49 186**
TOTAL EQUITY AND LIABILITIES	**53 794**	**49 298**

Income Statement and Other Comprehensive Income

in thousands of EUR	**2020**	**2019**
Administrative expenses	-637	-590
Other operating income	888	1 057
Operating profit	**251**	**467**
Other finance expense	-2	-2
Currency exchange income/(expense)	-22	10
Other finance income	4 694	6 950
Net financial income	**4 670**	**6 958**
Profit before tax	**4 921**	**7 425**
Income tax expense	-386	-591
Profit for the period	**4 535**	**6 834**
Other comprehensive income	0	0
Total comprehensive income for the period	**4 535**	**6 834**

EY FOR IDENTIFICATION PURPOSES ONLY 29.04.2021 IK

Statement of Cash Flows

in thousands of EUR	2020	2019
Cash flow from operating activities		
Profit for the period	**4 535**	**6 834**
Adjustments for:		
Depreciation and amortization of non-current assets	11	15
Net finance income / costs	-4 670	-6 958
Income tax expense	386	591
Change in trade and other receivables	160	-93
Change in trade and other payables	-3	10
Income tax paid (-)	0	-6
Net cash from operating activities	**419**	**393**
Cash flow from investing activities		
Interest received	53	84
Dividends received	3 571	5 539
Loans granted	-2 211	-243
Proceeds from repayments of loans granted	2 826	6 048
Acquisition of shares of subsidiaries	-26	0
Net cash used in/from investing activities	**4 213**	**11 428**
Cash flow from financing activities		
Dividends paid	0	-7 200
Repayment of lease liabilities	-12	-12
Reduction of share capital	0	-10 800
Net cash used in/ from financing activities	**-12**	**-18 012**
Increase in cash and cash equivalents	**4 620**	**- 6 191**
Cash and cash equivalents at the beginning of period	**2 588**	**8 779**
Cash and cash equivalents at the end of period	**7 208**	**2 588**

Statement of Changes in Equity

in thousands of EUR	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
Balance as at 31 December 2018	**3 600**	**8 567**	**1 306**	**39 679**	**53 152**
Profit for the period	0	0	0	6 834	**6 834**
Other comprehensive income for the period	0	0	0	0	0
Total comprehensive income for the period	0	0	0	6 834	**6 834**
Transactions with owners, recognised directly in equity					
Dividends paid	0	0	0	-7 200	**-7 200**
Increase of share capital	3 600	-3 600	0	0	**0**
Reduction of shares capital	-3 600	0	0	0	**-3 600**
Total transactions with owners, recognised directly in equity	**0**	**-3 600**	**0**	**-7 200**	**-10 800**
Balance as at 31 December 2019	**3 600**	**4 967**	**1 306**	**39 313**	**49 186**
Carrying amount of interests under control or significant influence					**-24 098**
Carrying amount of interests under control or significant influence under the equity method					**1 236**
Adjusted unconsolidated equity as at 31 December 2019					**26 324**
Profit for the period	0	0	0	4 535	4 535
Other comprehensive income for the period	0	0	0	0	0
Total comprehensive income for the period	0	0	0	**4 535**	**4 535**
Transactions with owners, recognised directly in equity					
Dividends paid	0	0	0	0	**0**
Increase of share capital	0	0	0	0	**0**
Reduction of shares capital	0	0	0	0	**0**
Total transactions with owners, recognised directly in equity	0	0	0	0	**0**
Balance as at 31 December 2020	**3 600**	**4 967**	**1 306**	**43 848**	**53 721**
Carrying amount of interests under control or significant influence					**-24 124**
Carrying amount of interests under control or significant influence under the equity method					**0**
Adjusted unconsolidated equity as at 31 December 2020					**29 597**

As at 31 December 2020 the adjusted unconsolidated equity differs from the consolidated equity attributable to equity holders of the Company because the Company's share of other comprehensive losses of certain subsidiaries and associates, arising from translating their financial statements into presentation currency of the Company, exceeds its interest in respective entities accounted for under equity method.

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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 2020 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 2020 for presentation at the Annual General Meeting of Shareholders.

Jarek Särgava
Member of the Management Board
April 29, 2021

Toomas Tool	Chairman of the Supervisory Board	____________________	______2021
Triin Nellis	Member of the Supervisory Board	____________________	______2021
Mari Tool	Member of the Supervisory Board	____________________	______2021
Risto Mägi	Member of the Supervisory Board	____________________	______2021
Stephan David Balkin	Member of the Supervisory Board	____________________	______2021

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Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Silvano Fashion Group AS

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Silvano Fashion Group AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Estonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Building a better
working world

Key Audit Matter	*How our audit addressed the key audit matter*
Inventory write down to net realizable value As at 31 December 2020 the Group's inventory balance amounted to EUR 18 527 thousand in the statement of financial position of the Group, accounted for at the lower of cost or net realizable value (Note 9). Assessing whether net realizable value of inventory is higher than the cost of inventory involves significant management's judgment. Moreover, due to COVID-19 pandemic and quarantine, part of the Group stores were closed, or activities restricted during 2020. As a result, inventory turnover has dropped leading to a higher level of obsolete inventories in the Group. In addition, this matter is significant to our audit due to materiality of the amounts as inventories constitute over 43% of the total assets of the Group in the statement of financial position as at 31 December 2020.	*Our audit procedures included, among others:* • Understanding of the inventory valuation process. • We attended physical inventory counts at selected locations to validate procedures related to inspection of existence of the inventory, during which we also assessed the condition of inventory. • We performed assessment of the management analysis of slow moving and obsolete inventories as at 31 December 2020 by reviewing inventory movements during 2020 as well as subsequent to year-end in 2021 to identify slow moving items. • We tested the subsequent sales of inventory in January 2021 to identify items sold below their cost comparing the actual results with the management's estimate. • We developed an independent estimate of the write-down loss for potentially discounted items, by applying the historical sales data to the inventory at the balance sheet date while taking into account its profile and age and comparing it to the calculations performed by the management. • We recalculated the inventory write-downs to net realizable value for accuracy. • We discussed with the management COVID-19 impact on inventory obsolescence and considered management assessment of the impact, including allowance calculations. • We considered the adequacy of the disclosures in the consolidated financial statements in this area (Note 9).
Impairment assessment of right-of-use assets The Group's consolidated statement of financial position as at 31 December 2020 includes right-of-use assets in amount of EUR 5 335 thousand. As disclosed in the note 3, given the Group's business performance during the year, management performed an impairment assessment on the right-of-use assets as at 31 December 2020. Management considers each store to be a cash-generating unit. The carrying amounts of the relevant cash-generating units are compared with the corresponding recoverable amounts in the context of the impairment test. The recoverable amounts are calculated on the basis of value in use by using discounted cash flow model. The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the	*Our audit procedures included, among others:* • We obtained an understanding of the process (including assumptions and methods) on how management performs their assessment of right-of-use assets impairment; • We considered significant assumptions used by the management in the estimation of cash flows forecasts such as expected trends in revenue and level of costs by comparing them to historical actual performance levels; • We reconciled input data in the impairment test to the approved business plan; • We discussed and considered specific circumstances related to COVID-19 and management assessment of pandemic impact on the future cash flows;

Group's cash-generating units to which the individual assets are allocated. The impairment test determined that no write-down on the right-of-use assets shall be recognised. The impairment test was significant to our audit as it involves significant management's judgments regarding the assumptions made for the purpose of assessment of the recoverable amounts of the right-of-use assets. Furthermore, the right-of-use assets represent a significant portion of the total assets of the Group as at 31 December 2020.	• We involved internal valuation specialists to assist us with assessing the methodology of the assessments based on the discounted cash flows calculation, including consideration of the discount rate used; • Finally, we considered the adequacy of the Group's disclosures included in Note 3 about the assumptions used in the impairment test and the outcome of the test.

Other information

Management is responsible for the other information. Other information consists of Management report, Corporate Governance report, Corporate Social Responsibility report and Management Board´s confirmation to the Management Report, but does not consist of the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Building a better working world

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other requirements of the auditor's report in accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Appointment and approval of the auditor

In accordance with the decision made by the shareholder we have been appointed to carry out the audit of Group's consolidated financial statements the first time in 2018. Our appointment to carry out the audit of Group's consolidated financial statements in accordance with the decision made by shareholder has been renewed annually and the period of total uninterrupted engagement is 3 years.

Consistency with Additional Report to Supervisory Board and Audit Committee

Our audit opinion on the annual consolidated financial statements expressed herein is consistent with the additional report to the Supervisory Board and Audit Committee of the Group, which we issued in accordance with Article 11 of the Regulation (EU) No. 537/2014 on the same date as the date of this report.

Non-audit services

We confirm that in light of our knowledge and belief, services provided to the Group are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council. In addition to statutory audit services we provided to the Group tax advisory services. Except for statutory audit services and tax advisory services, no other services were provided by us to the Group.

The responsible certified auditor on the audit resulting in this independent auditors' report is Olesia Abramova.

Tallinn, 29 April 2021

Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58

PROFIT ALLOCATION PROPOSAL

Retained earnings attributable to equity holders of Silvano Fashion Group AS as of 31 December 2020:

Accumulated retained earnings	31 793 000 EUR
Profit for the year ended 31 December 2020	1 347 000 EUR
Total retained earnings year ended 31 December 2020	33 140 000 EUR

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

Payment of dividends to shareholders	0 EUR
Transfer of profit to retained earnings	1 347 000 EUR
Retained earnings after allocations	33 140 000 EUR

Jarek Särgava
Member of the Management Board
April 29, 2021