



Ernst & Young Baltic AS  
Rävala 4  
10143 Tallinn  
Eesti  
Tel.: +372 611 4610  
Tallinn@ee.ey.com  
www.ey.com/et\_ee

Äriregistri kood 10877299  
KMKR: EE 100770654

Ernst & Young Baltic AS  
Rävala 4  
10143 Tallinn  
Estonia  
Phone.: +372 611 4610  
Tallinn@ee.ey.com  
www.ey.com/en\_ee

Code of legal entity 10877299  
VAT payer code EE 100770654

Translation of the Estonian Original

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS Silvano Fashion Group

### Report on the audit of the consolidated financial statements

#### **Opinion**

We have audited the consolidated financial statements of AS Silvano Fashion Group and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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.

#### **Material uncertainty related to going concern**

We draw attention to Note 3 in the consolidated financial statements, which indicates that further escalation of Russia-Ukraine conflict and future potential sanctions and restrictive measures, if any, could result in adverse effect on the results of operations, financial position and net assets of AS Silvano Fashion Group. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **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. In addition to the matter described in the "Material uncertainty related to going concern" section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. 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.

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Inventory write down to net realizable value</b></p> <p>As at 31 December 2023 the Group's inventory balance in the consolidated statement of financial position of the Group amounted to EUR 23 940 thousand, accounted for at the lower of cost or net realizable value (Note 11).</p> <p>The Group sells ladies' lingerie that is subject to changing consumer demands and fashion trends. The fast-moving nature of fashion requires assessing whether net realizable value of inventory is higher than the cost of inventory which involves significant management's judgment. Changes in judgments and assumptions made by the management may have a material effect on the consolidated financial statements and consequently inventory write down to net realizable value is considered a key audit matter.</p> <p>In addition, this matter is significant to our audit due to materiality of the amounts as inventories constitute 33.1% of the total assets of the Group in the consolidated statement of financial position as at 31 December 2023.</p>	<p><b>During the audit procedures, we did, among other things, the following:</b></p> <ul style="list-style-type: none"> <li>▶ We updated our understanding of the inventory valuation process, including assumptions and methods that management uses in their assessment of inventory write down to net realizable value.</li> <li>▶ We performed inventory count observations using remote observation tools at selected locations and involved component auditors to attend physical inventory counts at selected locations to validate procedures related to inspection of existence of the inventory, including assessment of the condition of inventory.</li> <li>▶ We assessed the production plans for the foreseeable future and considered whether raw materials could be used in production to identify obsolete raw materials that require a write down.</li> <li>▶ We assessed the management analysis of slow moving and obsolete inventories as at 31 December 2023 by reviewing inventory ageing as well as inventory movements during 2023 and subsequent to year-end in 2024 to identify slow moving items.</li> <li>▶ We compared planned sales prices for finished goods according to approved price lists for 2024 to their cost as well as tested actual subsequent sales of finished goods in January 2024 to identify items sold below their cost comparing the actual results with the management's estimate.</li> <li>▶ We independently calculated the 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.</li> <li>▶ We recalculated the inventory write downs to net realizable value for accuracy.</li> <li>▶ We considered adequacy of the disclosures in the consolidated financial statements in this area (Note 3 and 11).</li> </ul>

#### Other information

Other information consists of the Management Report, including Corporate Governance Report, Corporate Social Responsibility Report, Remuneration 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. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as indicated below.

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.



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With respect to the Management report, we also performed the procedures required by the Auditors Activities Act of the Republic of Estonia. Those procedures include considering whether the Management report is consistent, in all material respects, with the consolidated financial statements and is prepared in accordance with the requirements of the Accounting Act of the Republic of Estonia.

Furthermore, in accordance with Securities Market Act of the Republic of Estonia we are required to consider whether the Remuneration Report is prepared in compliance with the requirements of Article 135<sup>3</sup> of the Securities Market Act of the Republic of Estonia.

Based on the work performed during our audit, in our opinion:

- ▶ the Management Report is consistent, in all material respects, with the consolidated financial statements;
- ▶ the Management Report has been prepared in accordance with the applicable requirements of the Accounting Act of the Republic of Estonia;
- ▶ the Remuneration Report is prepared in compliance with the requirements of Article 135<sup>3</sup> of the Securities Market Act of the Republic of Estonia.

#### ***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 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.

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**

#### **1. Report on the compliance of format of the consolidated financial statements with the requirements for European Single Electronic Reporting Format („ESEF“)**

Based on our agreement we have been engaged by the management of the Group to conduct a reasonable assurance engagement for the verification of compliance with the applicable requirements of the European Single Electronic Reporting Format of the consolidated financial statements of the Group for the year ended 31 December 2023 (the Single Electronic Reporting Format of the consolidated financial statements) contained in the file 529900JNG41RRJKJYB65-2023-12-31-en.zip (SHA-256-checksum: d856af9e6edaa207df7fb747f2dcab9dab0709ec0e3c88192b6b0bf9972bac04).

#### **Description of a subject and applicable criteria**

The Single Electronic Reporting Format of the consolidated financial statements has been applied by the management of the Group to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation"). The applicable requirements regarding the Single Electronic Reporting Format of the consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding sentence determine the basis for application of the Single Electronic Reporting Format of the consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

#### **Responsibilities of management and those charged with governance**

The management of the Group is responsible for the application of the Single Electronic Reporting Format of the consolidated financial statements that complies with the requirements of the ESEF Regulation.

This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.



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Those charged with governance are responsible for overseeing the financial reporting process, which includes also the preparation of consolidated financial statements in the single electronic reporting format required by applicable requirements.

#### ***Auditor's responsibility***

Our responsibility was to express a reasonable assurance conclusion whether the Single Electronic Reporting Format of the consolidated financial statements complies, in all material respects, with the ESEF Regulation.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (Estonia) 3000 (Revised) "Assurance Engagements other than Audits and Reviews of Historical Financial Information" (ISAE (EE) 3000 (Revised)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the consolidated financial statements is prepared, in all material respects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (Revised) will always detect the existing material misstatement (significant non-compliance with the requirements).

#### ***Quality control requirements***

We apply the provisions of the International Standard on Quality Management (Estonia) 1 (Revised) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

#### ***Summary of the work performed***

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the consolidated financial statements was applied, in all material respects, in accordance with the applicable requirements and such application is free from material errors or omissions. Our procedures included in particular:

- ▶ obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the consolidated financial statements, including the preparation of the XHTML format and marking up the consolidated financial statements;
- ▶ verification whether the XHTML format was applied properly;
- ▶ evaluating the completeness of marking up the consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of Single Electronic Reporting Format as described in the ESEF Regulation;
- ▶ evaluating the appropriateness of the Group's use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified;
- ▶ evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

#### ***Conclusion***

In our opinion, the Single Electronic Reporting Format of the consolidated financial statements for the year ended 31 December 2023 complies, in all material respects, with the ESEF Regulation.



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**2. 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***

We were first appointed as auditors of AS Silvano Fashion Group, as public interest entity, for the financial year ended 31 December 2018 in accordance with the decision made by the General Meeting of Shareholders on 28 June 2018. In accordance with the decision made by the Extraordinary General Meeting of Shareholders on 9 April 2024 we were appointed to carry out the audit of the Group's consolidated financial statements for the year ended 31 December 2023. Our total uninterrupted period of engagement is 6 years, covering the periods ended 31 December 2018 to 31 December 2023.

***Consistency with the additional report submitted to the audit committee***

Our report on audit of the consolidated financial statements expressed herein is consistent with the additional report to the 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 prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Except for the statutory audit services and assurance engagement on the compliance of format of the consolidated financial statements with the requirements for the European Single Electronic Reporting Format, no other services were provided by us to the Group.

Tallinn, 16 April 2024

*/signed digitally/*

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

*/signed digitally/*

Olga Pliškina  
Authorised Auditor's number 736