AS Silvano Fashion Group

Consolidated Annual Report 2022

(translation of Estonian original)

Beginning of the reporting period	1 January 2022
End of the reporting period	31 December 2022

Business name	AS Silvano Fashion Group
Registration number	10175491
Legal address	Tulika 17, 10613, Tallinn, Estonia
Telephone	+372 684 5000
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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.

Translation of the Group's consolidated financial statements in PDF-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100001751/reports).

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MANAGEMENT REPORT

General information about AS Silvano Fashion Group

AS Silvano Fashion Group (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. In 2022 and 2021 key sales markets for the Group were Russia, Belarus, Ukraine (in 2022 the Group has frozen its operations in Ukraine), other CIS countries and the Baltics.

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

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

As of 31 December 2022 the Group employed 1 616 people (as of 31 December 2021: 1 602 people).

The Group comprises the following companies:

	Location	Main activity	Ownership interest 31.12.2022	Ownership interest 31.12.2021
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities belonging to the Silvano Fashion Group:				
CJSC Silvano Fashion*	Russia	Retail and wholesale	100%	100%
LLC Silvano Fashion	Belarus	Retail and wholesale	99%	99%
LLC Silvano Fashion	Ukraine	Wholesale	100%	100%
SIA Silvano Fashion	Latvia	Retail	100%	100%
CJSC Milavitsa	Belarus	Manufacturing and wholesale	85.02%	85.02%
JSC Sewing firm Yunona**	Belarus	Manufacturing and wholesale	58.33%	58.33%
LLC Gimil***	Belarus	Manufacturing and wholesale	100%	100%
JSC Lauma Lingerie	Latvia	Manufacturing and wholesale	100%	100%
Alisee SARL	Monaco	Holding	99%	99%
JSC Metropolitan Trade Company Milavitsa ****	Russia	Holding	100%	100%
LLC Baltsped logistik	Belarus	Logistics	50%	50%

* CJSC Silvano Fashion is 100% owned by JSC Metropolitan Trade Company Milavitsa (same was effective as of 31.12.2021).
** JSC Sewing firm Yunona is owned by AS Silvano Fashion Group with the share of 49.27% and SIA Silvano Fashion with the share of 9.07%, the rest of the 41.66% shares belongs to the investors outside the consolidation group (same was effective as of 31.12.2021).
*** LLC Gimil is owned by AS Silvano Fashion Group with the share of 99.80% and SIA Silvano Fashion with the share of 0.20% (same was effective as of 31.12.2021).
**** JSC Metropolitan Trade Company Milavitsa is owned by AS Silvano Fashion Group and SIA Silvano Fashion, each holding 50% (same was effective as of 31.12.2021).

In addition, as of 31.12.2022 the subsidiary of AS Silvano Fashion Group, CJSC Milavitsa, had investment in associate LLC Trade house „Milavitsa" Novosibirsk with a 25% ownership interest (same was effective as of 31.12.2021).

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 and non-financial indicators

Summarized selected financial indicators of the Group for 12 months of 2022 compared to 12 months of 2021 and 31 December 2022 compared to 31 December 2021 were as follows:

in thousands of EUR	**12m 2022**	**12m 2021**	**Change**
Revenue	57 667	46 686	23.5%
Gross Profit	30 884	25 410	21.5%
Operating profit	14 665	13 005	12.8%
EBITDA	18 283	16 242	12.6%
Net profit for the period	12 544	9 924	26.4%
Net profit attributable to equity holders of the Parent company	11 796	9 031	30.6%
Earnings per share (EUR)	0,33	0,25	32.0%
Operating cash flow for the period	14 062	12 996	8.2%

in thousands of EUR	**31.12.2022**	**31.12.2021**	**Change**
Total assets	63 991	53 753	19.0%
Total current assets	50 309	40 331	24.7%
Total equity attributable to equity holders of the Parent company	44 786	34 148	31.2%
Cash and cash equivalents	25 909	17 098	51.5%

Margin analysis, %	**12m 2022**	**12m 2021**	**Change**
Gross profit	53.6	54.4	-1.5%
Operating profit	25.4	27.9	-9.0%
EBITDA	31.7	34.8	-8.9%
Net profit	21.8	21.3	2.3%
Net profit attributable to equity holders of the Parent company	20.5	19.3	6.2%

Financial ratios, %	**31.12.2022**	**31.12.2021**	**Change**
ROA	19.0	17.9	6.1%
ROE	28.1	28.7	-2.1%
Price to earnings ratio (P/E)	3.4	7.8	-56.4%
Current ratio	5.1	4.3	18.6%
Quick ratio	2.8	2.1	33.3%

Underlying formulas:

EBITDA = net profit for the period + depreciation and amortization -/+ net financial income/expense + income tax expense
Gross profit margin = gross profit / revenue
Operating profit margin = operating 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 equity holders of the Parent company / average total assets
ROE (return on equity) = net profit attributable to equity holders of the Parent company / average equity attributable to equity holders of the Parent company
EPS (earnings per share) = net profit attributable to equity holders of the Parent 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 equity holders of the Parent company
Current ratio = current assets / current liabilities
Quick ratio = (current assets – inventories) / current liabilities

Own & franchise store locations, geography

Group-managed stores and franchised stores at the end of 2022:

	Own	Franchise	Total
Russia	49	345	394
Belarus	59	0	59
Baltics	6	21	27
Other regions	0	88	88
Total	**114**	**454**	**568**

At the end of the reporting period the Group and its franchising partners operated 535 Milavitsa and 33 Lauma Lingerie brand stores, including 114 stores operated directly by the Group. At the end of 2021 there was a total of 110 of Group-managed stores and 485 franchise stores.

Total selling area of Group-managed stores as of 31 December 2022 reached 10 774 (31 December 2021: 10 140) square meters with the following breakout by prime locations:

	31.12.2022	31.12.2021	Change
Russia	4 018	3 378	18.95%
Belarus	6 387	6 393	-0.09%
Baltics	369	369	0.00%
Total	**10 774**	**10 140**	**6.25%**

Business environment in 2022

Core operating markets for the AS Silvano Fashion Group in 2022 and 2021 were Russia, Belarus, other CIS countries and the Baltics. The Group's results for the 12 months of 2022 were determined by the situation in the economy of the main markets – Russia and Belarus. In addition, the whole Group's operations were impacted by situation in Ukraine. The start of the military conflict between Russia and Ukraine on 24 February 2022 marked a geopolitical and macroeconomic turning point with huge consequences for the economies across the globe. It had a significant impact not only on the money and capital markets, but also on the movement of goods, commercial trade, and supply chains, as well as on energy supplies. The entire year was characterized by highly volatile market environment and uncertainties.

On 23 February 2022 EU adopted first sanctions package in response to Russian recognition of the non-government controlled areas of the Donetsk and Luhansk oblasts of Ukraine. Restrictive measures were imposed on high profile individuals and entities and included an asset freeze and a prohibition from making funds available to the listed individuals and entities as well as travel bans for the listed persons. EU decided to introduce a sectoral prohibition to finance the Russian Federation, its government and Central Bank. By restraining the ability of the Russian state and government to access the EU's capital and financial markets and services, the EU aimed to limit the financing of escalatory and aggressive policies.

The situation evolved rapidly and just a few days after EU adopted wide ranging individual and economic sanctions. The package adopted expanded the existing financial restrictions, cutting Russian access to the most important capital markets. This action aimed at increasing Russia's borrowing costs, raising inflation and gradual erosion of Russia's industrial base. This sanctions package also touched energy, transport and technology sectors. However, at that point of time, there was no effect on the Group's operations.

Escalating situation led to new set of measures to respond to the Russia-Ukraine armed conflict, which among other things included a ban on transactions with the Russian Central Bank and SWIFT ban for seven Russian banks. As a result, Bank Otkritie, Novikombank, Promsvyazbank, Rossiya Bank, Sovcombank, Vnesheconombank and VTB Bank were disconnected from the international financial system and their ability to operate globally was harmed. This, however, did not affect the cash flows between parent company and the Group's subsidiaries in Russia since Russian subsidiaries of AS Silvano Fashion Group hold their cash in other banks that are not included in sanctions list. The EU has also introduced a ban on selling, supplying, transferring or exporting euro banknotes to Russia or to any natural or legal person or entity in Russia.

Later, in the beginning of March, EU agreed new measures in response to the involvement of Belarus in Russian-Ukraine military conflict, targeting the Belarusian financial sector. The agreed measures included restriction of the provision of specialised financial messaging services (SWIFT) to three Belarusian banks, ban on transactions with the Central Bank of Belarus, ban on the provision of euro-denominated banknotes to Belarus and others. This set of measures did not impact the operations in Belarus, in particular cash flows within the Group as Belarusian subsidiaries have bank accounts in non-sanctioned banks.

Further restrictive measures included trade restrictions for certain types of goods. However, lingerie products are not included in sanctions lists and hence, the Group's activities were not impacted. The fifth round of sanctions, adopted on 8 April 2022, included a ban on Russian and Belarusian road transport operators from entering the EU. As a result, transportation expenses of the Group increased significantly in the second half of 2022. In June 2022, the EU extended existing prohibition on the provision of specialized financial messaging services (SWIFT) to three additional Russian credit institutions and one Belarusian bank. Also, provision of accounting, auditing, including statutory audit, bookkeeping and tax consulting services, as well as business and management consulting or public relations services was prohibited to the Russian government, as well as to legal persons such as companies and other entities or bodies established in Russia. For the Group, that would mean that the parent company cannot longer provide its services to Russian subsidiaries. However, the Council Regulation was later amended, and this restriction does not apply to the provision of services intended for the exclusive use of legal persons, entities or bodies established in Russia that are owned by, or solely or jointly controlled by, a legal person, entity or body which is incorporated or constituted under the law of a Member State of the EU. That is, AS Silvano Fashion Group is allowed to provide management services to its Russian subsidiaries.

The restrictive measures had been tightened during summer 2022 as well as several packages of sanctions were adopted in the second half of the reporting year. However, those were targeting other sectors and the Group's activities were not impacted as a result of new sanctions adopted. Nevertheless, the restrictive measures adopted by EU led to countersanctions from Russia and Belarus.

Since February 2022, the escalation of geopolitical tensions and the conflict between Russia and Ukraine have had a negative impact on the economic situation in Belarus. In 2022, Belarusian GDP decreased by 4.7% compared to 2021 and amounted to BYN 191.4 billion at current prices. The balance of foreign trade for services in 2022 was positive but decreased by 10.7% compared to 2021. The Belarusian rouble weakened against the main foreign currencies. Increased volatility in the foreign exchange market, outflow of bank deposits, and acceleration of inflationary processes in the country were observed in the first half of 2022. Since March 2022, the National Bank of the Republic of Belarus increased its refinancing rate from 9.25 to 12 percent per annum in order to ensure macroeconomic steadiness and stabilize the situation in the domestic foreign exchange and deposit markets. Inflation in 2022 was 12.8%.

In Russia political situation is relatively unstable as Russian economy has been negatively impacted by sanctions imposed against Russia, overall geopolitical situation and fluctuations in crude oil prices. Starting from the end of February the rouble has been volatile but despite the weakening that has occurred, the RUB exchange rate remains stronger than early 2022 levels. Inflation expectations reached the level of 18% with the start of the conflict and decreased in the end of spring. In December 2022 inflation in Russia was 11.9%. Russian GDP in 2022 decreased by 2.5%.

The Baltic region experienced a turbulent year in 2022 too with new risks emerged such as energy crisis, the highest inflation in 25 years and sharp increase in interest rates.

Notwithstanding the macroeconomic and geopolitical shocks, the Group's business continues to be strong and resilient as the Group was able to adapt to rapidly changing environment. The management of the Group monitored the situation closely during the reporting year and will continue to keep a close eye on the development of the geopolitical situation in Eastern Europe and the potential implications for the Group.

Business outlook

Group`s business is built on good quality, reasonably priced and known to our current target markets lingerie products. Our business is sustainable and is built on solid brands. Further to this, the Group has a strong distribution network with a total of 568 shops, of which 114 are managed by ourselves.

AS 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, AS 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, 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 Group's sales on the Russian market totalled 35 215 thousand EUR, increase is 28.0% compared to 12 months of 2021. Local currency sales increased by 3.0% during 12 months of 2022 compared to the same 12 months of 2021. At the end of the reporting period, there were a total of 49 stores operated by the Group itself (as of 31 December 2021: 44 stores). Group will focus on improving profitability of its retail business, we will also continue to expand our store chain there depending on the availability of reasonably priced sales areas. In February 2023, we opened our first store in Saint Petersburg.

Belarus Economic Outlook

The Group's sales in Belarus in the 12 months of 2022 were 14 619 thousand EUR and increased by 26.4% compared to the 12 months of 2021. Sales in local currency increased by 19.0% during the same period. At the end of the reporting period, there were a total of 59 stores operated by the Group itself (as of 31 December 2021: 60 stores).

Ukraine Economic Outlook

The Group's sales in Ukraine in the 12 month of 2022 were 233 thousand EUR and decreased by 85.1% compared to the 12 month of 2021. Starting from March 2022, sales in Ukraine have been suspended. In the summer of 2022, the government of Ukraine excluded the underwear segment from the list of prohibited goods for import into Ukraine and allowed payments to the importers in hryvnia. The first trial batch of goods manufactured by Lauma in the quantity of 1,844 pieces was delivered and sold to LLC Silvano Fashion in December 2022. At the moment, customers are placing orders for Lauma products and the second batch of goods was shipped on February 28, 2023. The Group expects that sales activity in Ukraine will gradually recover in 2023.

Financial risks

The operations of the Group may be accompanied by a variety of financial risks, including the credit risk, liquidity risk, risk of changing interest rates and exchange rates having the most significant impact. Financial risk management falls within the sphere of competence of the Group's Management Board which seeks to minimize potential adverse effects of financial risks on the financial performance of the Group and includes the identification and measurement of the risks and checking the efficiency of the alleviation measures. The purposes of financial risk management are the alleviation of financial risks and the reduction of the volatility of the financial results. The financial risk management of the Group is guided by the risk management strategy established in the Group. The Supervisory Board of the Group is in charge for supervision of the measures taken by the Management Board to alleviate the risks. More information on the financial risks is disclosed in the Note 5 Financial Risk Management to the Consolidated Financial Statements.

Financial performance

Overall, Group sales grew by 23.5% compared to 12 months of 2021. The growth in underwear sales was affected by the situation caused by the withdrawal of some world brands from the markets of the Russian Federation and the Republic of Belarus which significantly strengthened the position of AS Silvano Fashion Group brands in the named markets. Overall, retail increased by 35.2%, measured in EUR.

The Group's gross profit during 12 months of 2022 amounted to 30 884 thousand EUR and increase by 21.5% compared to previous year. The gross margin during 12 months of 2022 decreased to 53.6%, from 54.4% in the respective period of previous year. The cost of sold goods increased by 25.9%.

Consolidated operating profit for 12 months of 2022 amounted to 14 665 thousand EUR, compared to 13 005 thousand EUR for 12 months of 2021, increase by 12.8%. The consolidated operating profit margin was 25.4% for 12 months of 2022 (27.9% for 12 months of 2021). Consolidated EBITDA for 12 months of 2022 increased by 12.6% and amounted to 18 283 thousand EUR, which is 31.7% in margin terms (16 242 thousand EUR and 34.8% for 12 months of 2021).

Reported consolidated net profit attributable to equity holders of the Parent company for 12 months of 2022 amounted to 11 796 thousand EUR, compared to net profit of 9 031 thousand EUR for 12 months of 2021, net profit margin attributable to equity holders of the Parent company for 12 months of 2022 was 20.5% against net profit 19.3% for 12 months of 2021.

Financial position

As of 31 December 2022 consolidated assets amounted to 63 991 thousand EUR representing increase by 19.0% as compared to the position as of 31 December 2021. The main driver of this change is significant increase in highly liquid assets. The Group continued to accumulate additional liquidity in the form of cash throughout 2022 and as at 31 December 2022 has increased its cash reserves located in Estonia by EUR 10 586 thousands. Inventory balance increased by 1 358 thousand EUR and amounted to 22 264 thousand EUR as of 31 December 2022. Trade and other receivables decreased by 41 thousand EUR as compared to 31 December 2021 and amounted to 1 044 thousand EUR as of 31 December 2022.

Equity attributable to equity holders of the Parent company increased by 10 638 thousand EUR and amounted to 44 786 thousand EUR as of 31 December 2022. Current liabilities increased by 534 thousand EUR during 12 months of 2022 with the most significant increase in tax payables, caused by tax uncertainties arisen as a result of changes in tax legislation occurred in 2020 in one of the countries of the Group's operations which led to recognition of additional provision in 2022 (see Note 3).

Sales structure

Sales by markets

Group sales in its 2 major markets – Russia and Belarus – were 86.4% of its total sales.

	12m 2022	12m 2021	Change	Change, %
Russia, th RUB	2 451 014	2 380 773	70 241	3.0%
Belarus, th BYN	41 350	34 751	6 599	19.0%
Ukraine, th UAH	7 531	50 622	-43 091	-85.1%

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

in thousands of EUR	12m 2022	12m 2021	Change, EUR	Change, %	12m 2022, % of sales	12m 2021, % of sales
Russia	35 215	27 511	7 704	28.0%	61.1%	58.9%
Belarus	14 619	11 569	3 050	26.4%	25.3%	24.8%
Ukraine	233	1 565	-1 332	-85.1%	0.4%	3.3%
Baltics	1 490	1 241	249	20,1%	2.6%	2.7%
Other markets	6 110	4 800	1 310	27.3%	10.6%	10.3%
Total	**57 667**	**46 686**	**10 981**	**23.5%**	**100.0%**	**100.0%**

Sales by business segments

in thousands of EUR	12m 2022	12m 2021	Change, EUR	Change, %	12m 2022, % of sales	12m 2021, % of sales
Wholesale	36 323	30 828	5 495	17.8%	63.0%	66.0%
Retail	21 304	15 757	5 547	35.2%	36.9%	33.8%
Other operations	40	101	-61	-60.4%	0.1%	0.2%
Total	**57 667**	**46 686**	**10 981**	**23.5%**	**100.0%**	**100.0%**

The main wholesale regions were Russia and Belarus.

Investments

During 12 months of 2022 the Group's investments into property, plant and equipment totalled 445 thousand EUR, in previous year same period 312 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 2023 around 1 101 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.

Research & development achievements

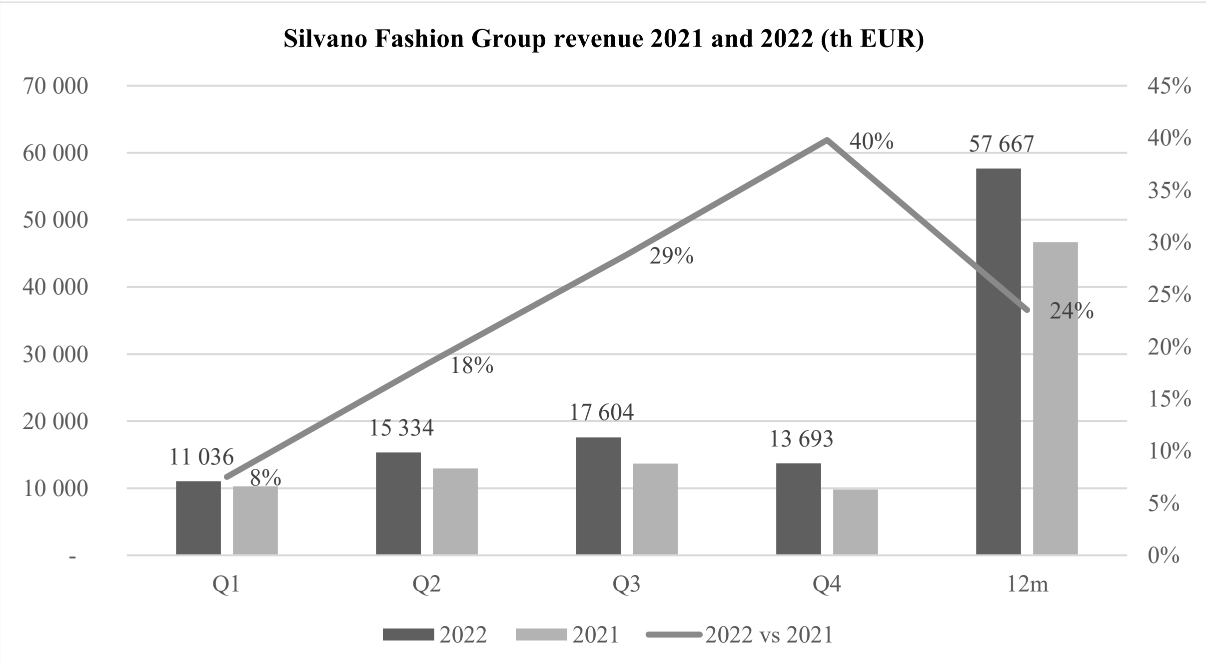
The Group carries out research, development and innovation activities in all areas of its business with the aim of improving the manufacturing and distribution processes and developing technologies that facilitate business management, either using its own resources or with the help of third parties.

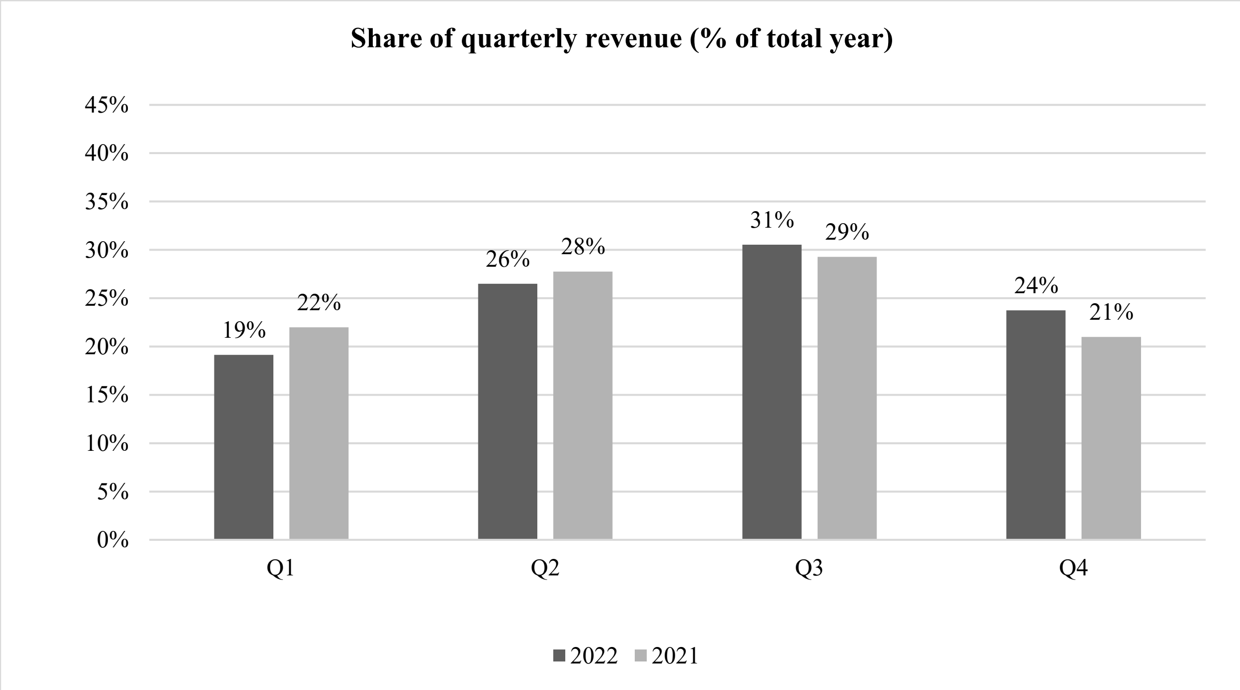
Among our achievements in the field of R&D in the reporting year, we can note the introduction of new software: put into operation in the subsystem "1C: ERP enterprise management 2 for Belarus": operations for the regulation and accounting of labor costs of cutting production, write-off and control of used materials in production departments, settings for integration with other subsystems of the corporate information system, creation of a block of reports. The implementation made it possible to optimize part of the company's business processes, obtain advanced analytical data, and facilitate the work of employees. According to accounting data, the total amount of disbursed investments in 2022 for the implementation of the software product amounted to 85 thousand EUR.

Seasonality of business

The operations of AS 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 -5% of the average quarterly revenue in 2022). The majority of the loss of sales revenue in the first quarter came from January, as traditionally the first quarter of the year is weaker due to the seasonal discount in the fashion trade. The third quarter was slightly higher than quarterly average revenue (+ 22% in 2022).

Half year results are fairly equal, in recent years. A similar trend is also part of the operating profit.





Personnel

As of 31 December 2022, the Group employed 1 616 employees, including 499 people in retail operations. The rest were employed in production, wholesale, administration and support operations. As of 31 December 2021 there were 1 602 employees, including 485 people in retail operations.

Total salaries and related taxes during 12 months of 2022 amounted to 12 759 thousand EUR (9 388 thousand EUR in 12 months of 2021).

The teams of the AS Silvano Fashion Group companies comprise 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.

AS 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 2022 until the release of Annual Report

On June 8th, 2022 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted the following decisions.

- The Meeting approved the 2021 Consolidated Annual Report.
- The Meeting decided to leave the net profit undistributed and include the net profit of the financial year 2021 in retained earnings.
- The Meeting decided to approve the "Principles of Remuneration of a Member of the Management Board of AS Silvano Fashion Group".

In February 2022, a conflict began between Russia and Ukraine. As a result, many countries have imposed and continue to impose sanctions against Russia and Belarus. At the moment, the crisis in Ukraine does not have a significant impact on the Group, as the currently imposed restrictive measures do not adversely affect the Group, and the Group's operations continue as usual, with the exception of Ukraine, where operations were stopped on 24 February 2022. In November 2022, sales in Ukraine were resumed and the first batch of goods produced by JSC Lauma Lingerie was shipped to LLC Silvano Fashion (Ukraine) in December 2022. In February 2023, the second batch was sent.

As of the date of issue of these financial statements, there have been no significant changes in operations in Russia and Belarus.

In the reporting year AS Silvano Fashion Group has continued broadening its on-site store network in Russia. In particular, in 2022, Silvano opened 5 (including the second store in Sochi) and closed 1 store. In February 2023, the first store was opened in Saint Petersburg.

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 2022 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 Group 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.

Ordinary shareholders are entitled to receive dividends when the company distributes them. Each ordinary share gives one vote at the general meeting of shareholders of AS Silvano Fashion Group. 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 shares of AS Silvano Fashion Group

Key share details	2018	2019	2020	2021	2022
Number of shares outstanding at year end	36 000 000	36 000 000	36 000 000	36 000 000	36 000 000
Weighted average number of shares	36 000 000	36 000 000	36 000 000	36 000 000	36 000 000
Year-end share price, in EUR	2.31	2.17	1.56	1.965	1.12
Earnings per share, in EUR	0.3	0.3	0.04	0.25	0.33
Dividend per share, in EUR	0.2*	n/a	n/a	n/a	n/a
Dividend / Net profit	0.67	n/a	n/a	n/a	n/a
Price to earnings ratio (P/E)	7.70	7.23	39.00	7.86	3.39

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

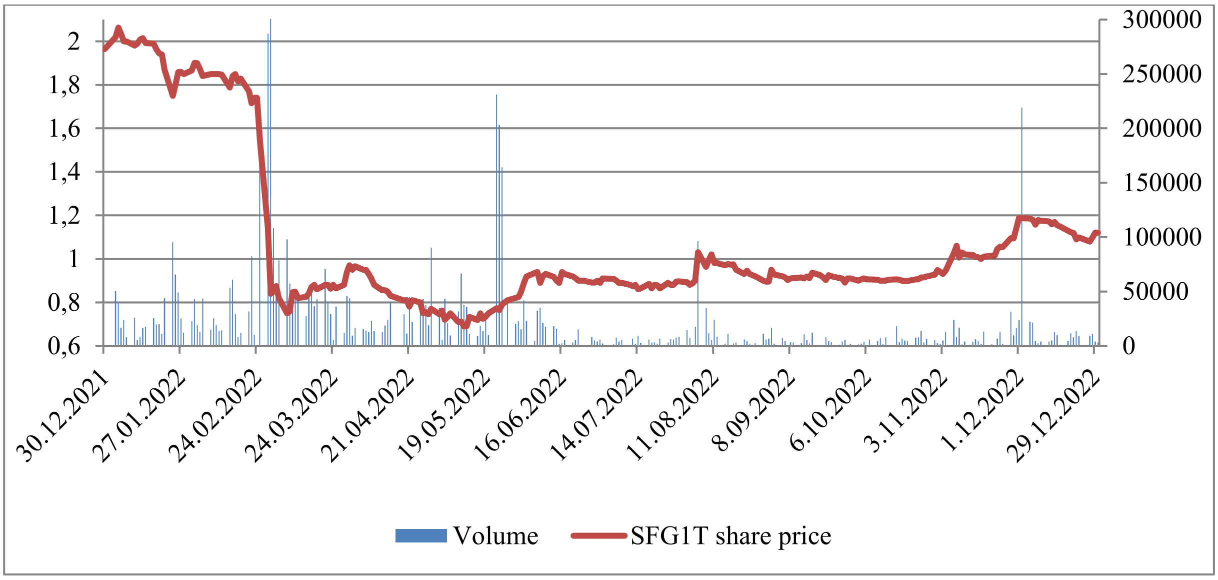
Share price performance and trading history

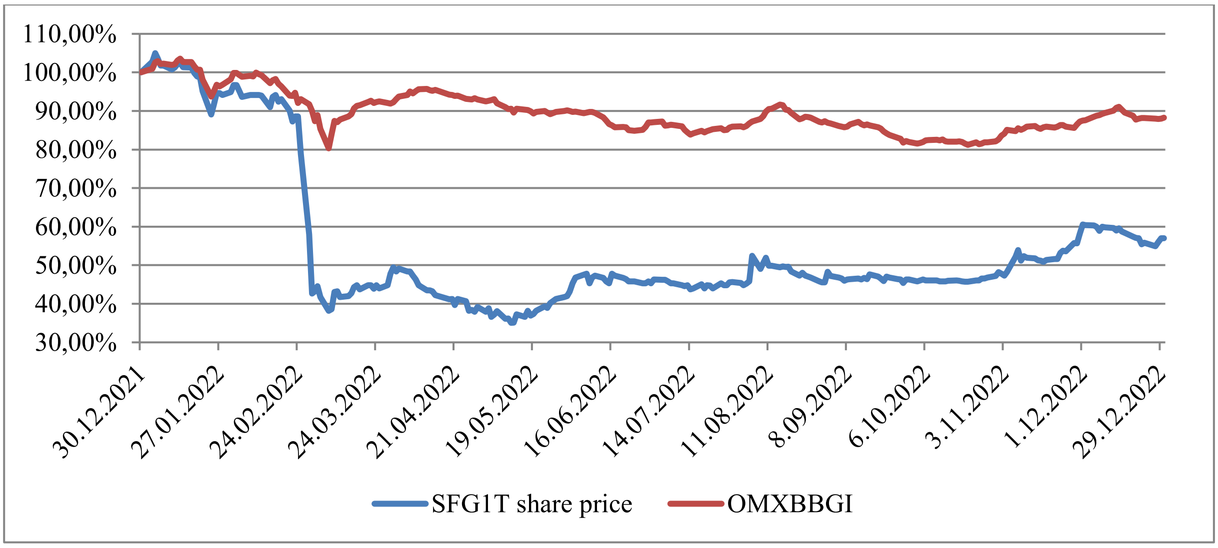
In 2022, AS Silvano Fashion Group share price decreased by 43% and the Group's market capitalization decreased by EUR 30.42 million.

Nasdaq OMX Tallinn Stock Exchange trading history	2018	2019	2020	2021	2022
High, in EUR	3.18	2.76	2.34	2.195	2.078
Low, in EUR	2.27	2.08	1.37	1.55	0.6601
Last, in EUR	2.31	2.17	1.56	1.965	1.12
Traded volume	3 922 331	3 443 297	5 504 119	6 319 071	5 992 900
Turnover, in EUR million	10.72	7.96	9.35	10.95	6.55
Market capitalization, in EUR million	83.16	78.12	56.16	70.74	40.32

Share price development and turnover on the Nasdaq OMX Tallinn Stock Exchange during 12 months of 2022 (EUR)

During 12 months of 2022 the highest and lowest prices of the AS Silvano Fashion Group` share on the Nasdaq OMX Tallinn Stock Exchange were 2.078 EUR and 0.6601 EUR, respectively



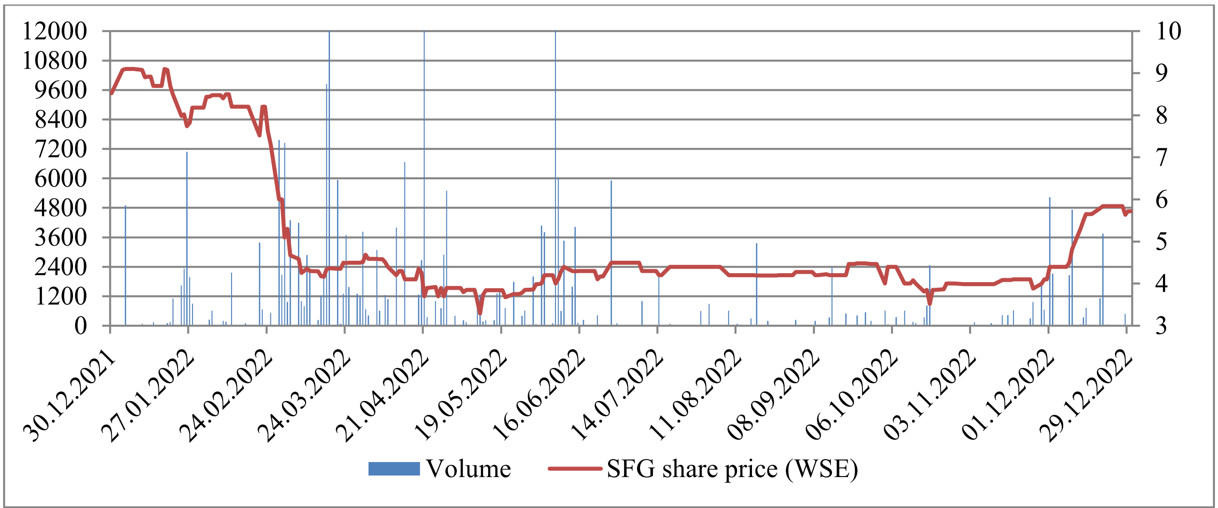


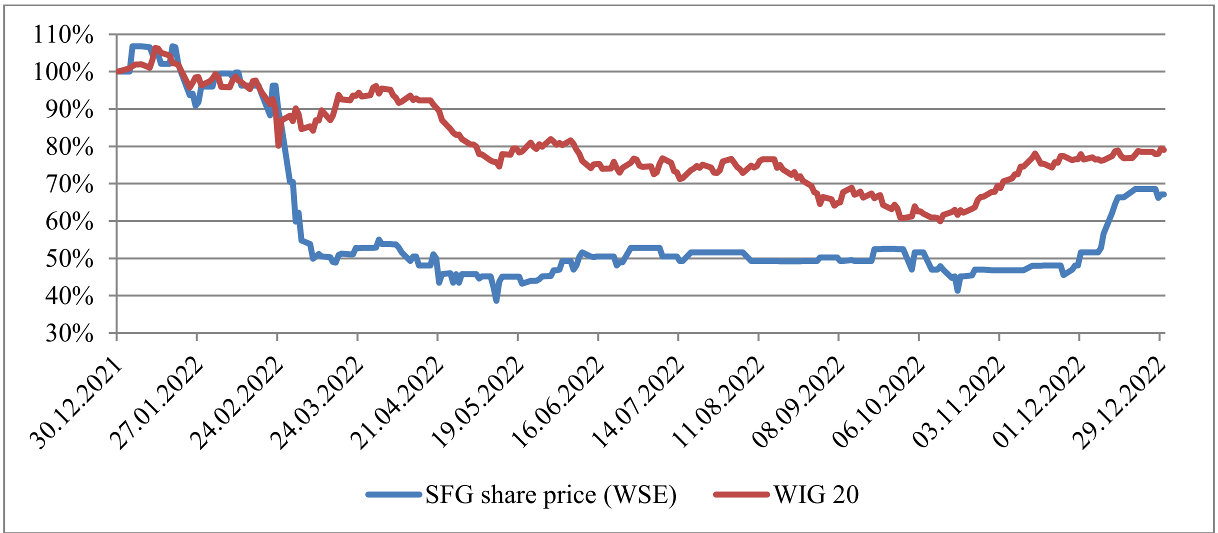
Translation of the Group's consolidated financial statements in PDF-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100001751/reports).

Warsaw Stock Exchange trading history	2018	2019	2020	2021	2022
High, in PLN	13.90	11.60	10.80	9.88	9.10
Low, in PLN	10.00	8.96	6.00	6.66	3.29
Last, in PLN	10.35	9.48	6.50	8.52	5.72
Traded volume	513 511	268 377	68 573	115 488	261 426
Turnover, in PLN million	5.87	2.89	0.52	0.93	1.20

Share price development on the Warsaw Stock Exchange during 12 months of 2022 (PLN)

During 12 months of 2022, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 9.10 PLN and 3.29 PLN respectively.





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

Shareholder structure

As of 31 December 2022 AS Silvano Fashion Group had 3 585 shareholders (as of 31 December 2021: 3 389 shareholders).

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 Group does not issue share certificates to shareholders. The Group'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.

The distribution of shares as of 31 December 2022 and 31 December 2021:

	31.12.2022			31.12.2021		
Shareholdings	**Number of shareholders**	**% of votes**	**Number of shares**	**Number of shareholders**	**% of votes**	**Number of shares**
>10%	2	47.54	17 115 798	2	47.36	17 049 804
1.0–10.0%	10	25.53	9 189 587	11	26.24	9 447 538
0.1–1.0%	45	13.88	4 997 800	41	13.49	4 856 686
<0.1%	3 528	13.05	4 696 815	3 335	12.91	4 645 972
Total	**3 585**	**100,00%**	**36 000 000**	**3 389**	**100.0%**	**36 000 000**

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

The main shareholders of the Group as at 31 December 2022 compared to 31 December 2021 are presented in the table below:

	31.12.2022	**31.12.2021**
BALTPLAST AS	25,31%	25,14%
AS SEB Pank Clients	22,22%	22,22%
UNICREDIT BANK AUSTRIA AG	5,98%	4,64%
Clearstream Banking AG	3,00%	5,09%
SWEDBANK AS CLIENTS	2,93%	2,61%
NORDEA BANK ABP/NON TREATY CLIENTS	2,63%	2,11%
CITIBANK (NEW YORK) / GOVERNMENT OF NORWAY	2,43%	2,43%
Krajowy Depozyt Papierow Wartošciowych S.A.	2,22%	2,13%
Olegs Radcenko	1,98%	2,05%
SWEDBANK AB CLIENTS	1,80%	1,18%
FIREBIRD REPUBLICS FUND LTD	1,28%	1,36%
INTERACTIVE BROKERS LLC Client Omnibus Account	1,28%	0,67%

Shareholders who had over 1% of all votes as at 31 December 2021: STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01 did not have shares at 31 December 2022, Hausman & Toran did not have shares over 1% of all votes as at 31 December 2022.

Because the allocation of voting rights does not necessarily coincide with legal ownership, the shareholders' register of the Group may not include full details of persons who hold over 5% of voting rights represented by its shares.

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

The members of the Management board and the Supervisory Board did not have shares held as of 31 December 2022 (and 31 December 2021). During 2022 (and 2021) financial year there was no buy-back of shares of AS Silvano Fashion Group.

Dividends

AS Silvano Fashion Group is under no permanent or fixed obligation of paying dividends to its shareholders. Recommendations of the Management Board and the Supervisory Board for profit allocation are based on financial performance, requirements for current capital management, investment needs and strategic considerations. The decision on distribution of profit is made by the general meeting of shareholders on the basis of approved annual report.

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 Group:

1) the Corporate Governance Recommendations adopted by the NASDAQ OMX Tallinn Stock Exchange and the Estonian Financial Supervision Authority (hereinafter CGR);

2) Corporate Governance Principles for WSE Listed Companies titled "Best Practice for GPW Listed Companies 2021" (hereinafter GPW CGP).

In accordance with the CGR and GPW CGP the Group shall describe its management practices in corporate governance recommendations report and confirm its compliance or not with CGR and GPW CGP. If the Group does not comply with CGR and/or GPW CGP, the Group 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 Group due to its listing on the Warsaw Stock Exchange. The GPW CGP of the Warsaw Stock Exchange is similar to the CGR of the Nasdaq OMX Tallinn 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 and GPW CGP 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 and/or and GPW CGP during 2022 such a deviation is explained below.

AS Silvano Fashion Group has not implemented a diversity policy as required by principle 2.1 of GPW CGP, 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 AS Silvano Fashion Group.

General Meeting of Shareholders

The highest governing body of the Group 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. The General Meeting shall decide on amendment of the Articles of Association of the Company according to the procedure laid down in law and an amendment to the Articles of Association shall take effect upon making a relevant entry in the Commercial Register

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. A resolution on amendment of the articles of association shall be adopted if at least two-thirds of the votes represented at a general meeting are in favour.

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 the June 8, 2022, the AS Silvano Fashion Group proposed to the shareholders to adopt the resolutions of the annual general meeting of shareholders without convening the meeting.

The notice of the general meeting was published on June 8, 2022, in the information system NASDAQ OMX Tallinn https://nasdaqbaltic.com/statistics/en/instrument/EE3100001751/news?date=2022-06-29 and Warsaw Stock

Exchange, on the website of AS Silvano Fashion Group https://www.silvanofashion.com/investors/company-announcements/ and in the daily newspaper Eesti Päevaleht.

On June 30, 2022 AS Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted the following decisions:
• Approved the 2021 Annual Report;
• Left the net profit undistributed and included the net profit of the financial year 2021 in retained earnings;
• Approved the “Principles of Remuneration of a Member of the Management Board of AS Silvano Fashion Group”.

The Management Board of AS Silvano Fashion Group proposed to the shareholders to adopt resolutions of the shareholders without convening a meeting pursuant to § 299^1 of the Commercial Code. All questions from shareholders regarding the proposed resolutions were sent in advance to the e-mail address info@silvanofashion.com until June 16, 2022. The list of shareholders entitled to vote on the resolutions of the shareholders was fixed on June 22, 2022, at the end of the business day of the NASDAQ CSD settlement system. Resolutions of the shareholders were voted on from June 8 to June 29, 2022 (inclusive). If a shareholder did not cast his or her votes, he or she shall be deemed to have voted against the resolutions. A shareholder had two options to cast his vote:
1) By sending a digitally signed or paper-signed and scanned ballot paper filled in by the voting shareholder or his or her authorized representative to the e-mail address info@silvanofashion.com during the voting period;
2) By submitting or sending a completed ballot paper, which had been signed manually by the voting shareholder or his or her authorized representative, to the head office of AS Silvano Fashion Group at Tulika 17, 10613 Tallinn from 9:00-12:00 (EET), so that it would arrive no later than June 29, 2022 at 16:00 (EET).
When sending paper-signed and scanned ballot papers by e-mail or when sending paper-signed ballot papers by post, a copy of the personal data page of the shareholder's or his / her representative's identity document (e.g., passport or ID card) had to be sent together with the ballot paper. The shareholder's representative had also to submit a valid power of attorney for written reproduction in Estonian or English. A shareholder might use a power of attorney form, which was available on the website of AS Silvano Fashion Group www.silvanofashion.com. If the shareholder was a legal entity registered abroad, he had to send a copy of the extract from the relevant foreign commercial register showing the right of the representative to represent the shareholder (legal right of representation). The statement had to be in English or translated into Estonian by a sworn translator or an official translator equivalent to a sworn translator.

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 2022, the Group has largely complied with the CGR and GPW CGP 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 AS Silvano Fashion Group does not have the required technical equipment, that would allow secure identification of shareholders, currently attendance and participation in general meetings is not possible by means of communication equipment. Conducting a general meeting using electronic communication means (real-life broadcast of the general meeting, real-time bilateral communication, exercise of the right to vote during a general meeting either in person or by proxy) is also recommendation of GPW CGP. Due to the reasons described above, the Group does not apply the said recommendation of GPW CGP. In addition, the abovementioned recommendation is not applied by the Group as its implementation would involve technical risks. Giving to the shareholders an option to communicate in the course of the general meeting without being present at the meeting, using electronic communication means, involves both technical and legal hazards for the proper and efficient conduct of the general meeting. In particular, the above brings about a real risk of technical interference preventing continuous bilateral communication with shareholders present in venues other that the meeting room. Therefore, the Group is unable to guarantee the reliability of technical infrastructure. At the same time, in the Group’s opinion, the currently applicable rules for participation in general meetings facilitate the proper and effective exercise of rights attached to shares and sufficiently secure the interests of all shareholders. Furthermore, the Group has not been informed of any shareholders’ expectations in respect of conducting the General Meeting of Shareholders using electronic communication means.

The Group does not display on a corporate website an audio or video recording of a general meeting. Also, the Group does not provide real-time broadcasts of general meetings. In the Group’s opinion, the manner in which general meetings have been documented so far ensures transparency of the Group’s operations and safeguards the rights of all shareholders. In particular, the Group makes available the wording of resolutions adopted, in the form of current reports and website publications. Additionally, detailed data on voting results and objections, if any, raised against adopted resolutions are made available in the same form. Consequently, investors may obtain the knowledge of the material parts of, and matters discussed at, a general meeting.

Management Board

The Management Board is a governing body of AS Silvano Fashion Group 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 AS Silvano Fashion Group 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 of the Group, a member of the Management Board shall be elected for a specified term of up to three years. A member of the Management Board shall be removed from the Management Board by the Supervisory Board. The Supervisory Board may remove a member of the Management Board regardless of the reason.

The member of the management board may resign from the management board regardless of the reason by giving the notice thereof to the Supervisory Board.

As of 31 December 2022 the Management Board had 1 member: Mr. Jarek Särgava, although according to the clause 2.2.1 of the CGR, the Management Board shall have more than one member and a Chairman shall be elected by its members. 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 Group believes that such a division protects the best the interests of all shareholders and ensures sustainability of the Group. In opinion of the supervisory board, the management of the Group is clearer and more transparent with one board member and so far the Supervisory Board has not considered election of additional board member to the Management Board to be necessary.

Upon assuming the office, member of the Management Board has executed a board member contract with the Group 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. A more detailed overview of the remuneration paid to the member of the Management Board is available in the Remuneration Report. 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 2022 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 Group 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. GPW CGP point 2.3. also requires that at least two members of the supervisory board meet the criteria of being independent and AS Silvano Fashion Group is in compliance with this requirement.

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 AS Silvano Fashion Group 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 6 meetings of the Supervisory Board were held in the reporting year. Most members of the Supervisory Board of the Group 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 AS Silvano Fashion Group, the risks involved and management of such risks.

No conflicts of interests occurred on financial year of 2022.

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.

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, AS 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.

Audit committee

AS Silvano Fashion Group 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

It is the duty of the Management Board of AS Silvano Fashion Group to organise the internal control and risk management of the Group in a manner that ensures the accuracy of the published financial reports. The purpose of the internal control and risk management systems connected with the financial reporting process is to ensure harmonised and trustworthy reporting of the Group's financial performance in conformity with the applicable laws, regulations, adopted accounting policies and the reporting principles approved by the Group. The principles of risk management have been defined in the Group's risk management framework, which describes the activities for risk management relating to identification, assessment, prioritisation and mitigation of risks and the definitions, roles and areas of responsibility related to the field. In addition, the risk management and internal control activities are organised with the work organisation rules of the Group and its subsidiaries, which describe the functioning of various processes.

The Group's financial area together with accounting and management reporting is the area of responsibility of the Group's chief financial officer (CFO) being responsible for the identification and assessment of risks in financial reporting, arranging the principles in relation to financial reporting of the Group. The financial reporting processes and systems are developed on a continuous basis. Risk analysis is conducted annually. This risk analysis serves as a basis for the further development of supervision and control measures and checkpoints in reporting to prevent the realisation of risks.

The Management Board of AS Silvano Fashion Group 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 fifth consecutive year.

During 2022, the auditor of the Group provided to the Group other tax 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 Rules 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 AS Silvano Fashion Group 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 2022 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 77-82.

Corporate Social Responsibility

AS Silvano Fashion Group has 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.

Environmental responsibility and product sustainability

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

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

AS Silvano Fashion Group considers as an obligation to be able to provide products that not only satisfy the needs of its customers but also protect the environment. With this in mind, AS Silvano Fashion Group companies comply with internationally recognized production standards of Oeko-Tex, REACH, ISO, EAC and GOST R. This approach is valid both for raw materials and final products.

The STANDARD 100 by OEKO-TEX® is a globally recognized certification system for raw, semi-finished, and finished textile products at all processing levels. It stands for customer confidence and high product safety. If a textile product has the STANDARD 100 label, the customer can be certain that every component of this product, i.e., every thread, button and other accessories, has been tested for harmful substances and that the article results to be harmless for human health. Oeko-Tex implies also a regular audit that is conducted once per three years. Oeko-Tex certified products automatically comply with REACH (Registration, Evaluation and Authorization of Chemicals) Regulation requirements. The Regulation has been adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry.

ISO standard is a universally accepted quality standard. ISO creates documents that provide requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose. AS Silvano Fashion Group has following ISO standards in place:

1. Quality management standards to help work more efficiently and reduce product failures;
2. Environmental management standards to help reduce environmental impacts, reduce waste and be more sustainable;
3. Health and safety standards to help reduce accidents in the workplace.

CJSC Milavitsa 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 CJSC Milavitsa 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. On June 6, 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. On July 13, 2021, CJSC Milavitsa received the ISO 14001 environmental management system certificate. Another subsidiary of AS Silvano Fashion Group - Lauma Lingerie obtained the ISO 14001:1996 environmental standard certificate and the ISO 9001:2000 quality management certificate already in 2003.

EAC certificate is a conformity document required for import and sales of products in the countries of the Eurasian Customs Union. The EAC certifications are issued by independent certification bodies and their laboratories accredited by the relevant agencies of the members of the EAC Economic Union: Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan.

GOST certificates are a National Standard, in other words a document attesting that a product conforms to Russian Federation quality and safety requirements (GOST R, GOST EN, GOST R IEC, GOST R ISO, etc.). For AS Silvano Fashion Group these certificates are obligatory as they are required in order to import and sell products in the Russian Federation.

In the specific markets the Group companies also have particular certificate requirements to comply with.

Social responsibility and social initiatives

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

- Observe both national and international legislation on labour rights protection.
- 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.
- Constantly improve quality of working conditions and guarantee social support to the employees through the Program of Health Promotion.
- Take care of employees’ health by preventing work-related diseases, providing medical support within the framework of the Program of Health Promotion.
- Use modern equipment and new technologies to ensure safe working conditions and high level of labour productivity.
- Ensure employees’ satisfaction, motivation and dedication by investing in professional training and education.
- Carry out standardized employee performance reviews in all business areas in order to identify and promote personal development and career opportunities for each employee.

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

AS Silvano Fashion Group is convinced that support of local communities, promotion of healthy lifestyle are long-term positive contributions to healthy, economically active and environmentally conscious society. During 2022 AS Silvano Fashion Group has supported schools, centers for disabled people, nursing homes, charity organizations, colleges, youth sport clubs, trade union of industrial workers, etc.

AS Silvano Fashion Group is also focused on employee wellbeing. This is why it organizes recreation and health improvement activities for employees' children in health camps, organizes cultural events for employees and their children, provides sponsorship and other social benefits.

Complying with human rights

AS 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

AS 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:

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

In combating corruption, we proceed from the following principles:

- 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.
- We proceed from ethical, fair and transparent business and implement measures that contribute to it (such as rules, instructions, contracts, declarations, etc.).
- In our relationships with partners, we follow mutually and in every way the principles of preventing corruption.
- 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 AS Silvano Fashion Group. The objective is to develop business processes, practices and systems based on the principles of continuous improvement and in accordance with the customers' needs and expectations. Quality development is a continuous process where every employee has a central role to play. The Group particularly emphasizes the handling of customer feedback so that the necessary information reaches the relevant employees with minimum delay and that corrective and preventive action can be effectively implemented.

AS Silvano Fashion Group largest subsidiary - CJSC Milavitsa was the first Belarusian 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, CJSC Milavitsa made recertification according to ISO 9001. CJSC 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. On June 11, 2021 CJSC Milavitsa received the quality management system certificate ISO 9001, the date of initial certification was June 11, 2003.

Taxonomy

With regards to reporting in line with article 8 of the EU Taxonomy regulation AS Silvano Fashion Group has performed an inventory of all Group's activities with respect to activities outlined in the Climate Delegated Regulation[1] in order to identify activities that would be eligible under the reporting obligation of the EU Taxonomy Regulation.

To determine the Taxonomy eligible activities (covering both EU and non-EU countries), AS Silvano Fashion Group reviewed all economic activities listed in the EU Taxonomy. For each economic activity, economic industries (NACE codes) were applied as a framework to review the economic sectors. At this moment not all economic activities and industries are covered by the two environmental objectives – climate adaptation and climate mitigation.

As a result of the assessment, AS Silvano Fashion Group core business activities (NACE C14.14) are currently not included in the scope of EU Taxonomy.

TURNOVER – Based on the assessment performed 0 percent of AS Silvano Fashion Group turnover is considered to be associated with Taxonomy eligible economic activities. Therefore, the information on environmentally

[1] Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives.

sustainable economic activities for 2022 covers only a very small portion of activities within AS Silvano Fashion Group (namely C14.14 – based on NACE codes).

CAPEX – Considering abovementioned, AS Silvano Fashion Group has identified capital expenditures linked to construction and renovation of AS Silvano Fashion Group premises (hereinafter “CAPEX”). CAPEX has a total value of 2 554 000 EUR (denominator of the CAPEX KPI, as per the EU Taxonomy definition). To calculate the numerator of the CAPEX KPI, eligible additions were analysed and assigned to activities listed in Annex 1 and 2 of the regulation, with control measures like plausibility checks and reconciliations to prevent double counting. The numerator of the CAPEX KPI is 834 000 EUR, mainly comprising eligible spending related to construction and renovation of buildings, contributing to the first environmental objective of climate change mitigation (Annex 1). Thus, the resulting CAPEX KPI shows 32,7% of taxonomy-eligible and 67,3% of non-eligible activities.

OPEX – With respect to operating expenses (hereinafter “OPEX”) OPEX can be associated with activities, such as expenditure for research and development, short-term leases, maintenance and repair costs, etc. While there are ongoing measures in order to make AS Silvano Fashion Group activities more sustainable, OPEX associated with such measures is not considered material in relation to the total OPEX of the As Silvano Fashion Group. Hence, the proportion of taxonomy eligible OPEX, rounded to the nearest percentage, is 0 percent.

Future developments in EU legislation may have an impact on the scope of the Taxonomy-eligible activities for AS Silvano Fashion Group.

Governance Model

AS Silvano Fashion Group is planning to make sustainability as a strategic focus area for the Group. Dedicated departments/divisions in all Group companies are already responsible for the selection of appropriate vendors and suppliers, contract management, price negotiations, procurement process, optimization and other management issues.

Supply Chain

AS Silvano Fashion Group considers sustainability risks in the supply chain as one of the top priorities. This is why it is of utmost importance for us to ensure that the products, we offer on the market are not produced under forced labor, in inappropriate working conditions or have a negative impact on the environment. AS Silvano Fashion Group complies with national regulations with respect to working hours, minimum wage and environmental standards, throughout the supply chain.

Waste Management

Within AS Silvano Fashion Group we pay a lot of attention to environmental problems and look for solutions. Beachwear and underwear production is an industry with a considerable amount of textile waste – both in terms of rejects and production waste. We are proud to say that all of our facilities have sorted waste collection systems in place, and we strive to promote circularity. To achieve this, AS Silvano Fashion Group works on reduction and reuse of byproducts created during daily operations and recycle materials.

Energy Efficiency

During the last years AS Silvano Fashion Group has considerably improved its energy efficiency performance. One of the latest developments was transition to LED lighting in the premises of AS Silvano Fashion Group companies. All production premises of AS Silvano Fashion Group are equipped with LED lighting systems, which brings to considerable energy efficiency in the Group’s factories.

Moreover, AS Silvano Fashion Group has initiated improvements in group’s production facilities by installing ventilation systems with air recovery, automated system for adjusting the consumption of thermal energy. AS Silvano Fashion Group is also installing solar panels in the Group’s production facilities.

Remuneration report

This remuneration report has been prepared in accordance with the Estonian Securities Market Act and provides an overview of the remuneration paid to the management board member of AS Silvano Fashion Group (hereinafter 'the Group'). In the context of the Estonian Securities Market Act, the manager of the Group is Member of the Management Board Mr. Jarek Särgava.

The purpose of this remuneration report is to provide a comprehensive and clear overview of the remuneration paid to the manager.

Remuneration of the member of the management board

In 2022 (and 2021), the Management Board of the Group had one member.

Under the terms of the contract of the Member of the Management, Jarek Särgava has been paid monthly basic remuneration of EUR 3 thousand (2021: EUR 1 thousand) and annual remuneration of EUR 36 thousand (2021: EUR 12 thousand) in total in 2022. In addition, Jarek Särgava serves as Chief Executive Officer in JSC Metropolitan Trade Company Milavitsa, subsidiary of AS Silvano Fashion Group, which is located in Russian Federation. The duties and remuneration of Jarek Särgava as Chief Executive Officer, are specified in the employment agreement concluded with him, in which Chairman of the Board of Directors, Toomas Tool, represented the JSC Metropolitan Trade Company Milavitsa. Under the terms of the contract, the basic remuneration of Jarek Särgava is denominated in Russian roubles and is RUB 189 thousand for 0,25 FTE monthly (2021: RUB 167 thousand). Additionally, Jarek Särgava may get performance pay based on the results of the work for the year and according to the decision of the board of directors.

Remuneration of Jarek Särgava, Member of the Management Board

in thousands of EUR	**2020**	**2021**	**2022**
Total remuneration	**36,40**	**35,20**	**63,40**
Incl. basic remuneration[1]	*36,40*	*35,20*	*63,40*
Incl. performance pay	*0,00*	*0,00*	*0,00*

[1] *Basic remuneration is calculated as gross remuneration.*

Remuneration for years 2018-2019 does not materially differ from the amounts presented above.

Annual change in the remuneration of Jarek Särgava, Member of the Management Board, performance of the Group, and average remuneration of full-time employees of the Group:

	2018	**2019**	**2020**	**2021**	**2022**
Operating profit change	*27%*	*-28%*	*-17%*	*23%*	*13%*
Increase in manager remuneration[1]	-8%	2%	-9%	-3%	86%
Incl. increase in basic remuneration	*-8%*	*2%*	*-9%*	*-3%*	*86%*
Incl. increase in performance remuneration	*0%*	*0%*	*0%*	*0%*	*0%*
Increase in the average remuneration of full-time employees[2]	*-9%*	*15%*	*-18%*	*1%*	*44%*

[1] *The change in the remuneration is affected by the fluctuations of EUR/RUB currency exchange rates as part of the remuneration of the Member of the management board is denominated in Russian roubles.*
[2] *The average remuneration of full-time employees is calculated by dividing the remuneration costs specified in Note 23 "Administrative expenses", from which the remuneration of the Member of the Management Board is deducted, by the average number of full-time employees during the reporting period, excluding the member of the Executive Board.*

The authority to decide the remuneration principles and remuneration of the Management Board is vested in the Supervisory Board.

The Member of the Management, Jarek Särgava does not have any additional bonuses, discounts, shares or shares options granted or offered.

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 which consists of "Management Report", "Corporate Governance Report", "Corporate Social Responsibility" and "Remuneration report" as set out on pages 3 to 24 is an integral part of Consolidated Annual Report of AS Silvano Fashion Group for 2022 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
5 April 2023

Translation of the Group's consolidated financial statements in PDF-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100001751/reports).

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

1) the Consolidated Financial Statements as set out on pages 27 to 76 is an integral part of Consolidated Annual Report of AS Silvano Fashion Group for 2022 and the accounting policies used in preparing the financial statements are in compliance with International Financial Reporting Standards adopted by the European Union;

2) 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;

3) AS Silvano Fashion Group is going concern.

Jarek Särgava
Member of the Management Board
5 April 2023

Translation of the Group's consolidated financial statements in PDF-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100001751/reports).

Consolidated Statement of Financial Position

in thousands of EUR	Note	31.12.2022	31.12.2021
ASSETS			
Current assets			
Cash and cash equivalents	5,7	25 909	17 098
Trade and other receivables	5,8,9	1 044	1 085
Prepayments and other tax receivables	10,17	971	1 149
Current loans granted	5,8	10	2
Other assets		111	91
Inventories	11	22 264	20 906
Total current assets		**50 309**	**40 331**
Non-current assets			
Non-current receivables	5,8	301	262
Investments in associates	6	82	80
Investments in other shares	5,12	259	262
Deferred tax asset	17	2 166	1 226
Intangible assets	13	585	535
Investment property	14	1 041	1 086
Property, plant and equipment	15	9 248	9 971
Total non-current assets		**13 682**	**13 422**
TOTAL ASSETS		**63 991**	**53 753**
LIABILITIES AND EQUITY			
Current liabilities			
Current lease liabilities	5,26	2 373	2 193
Trade and other payables	5,8,16	5 837	6 504
Tax liabilities	17	1 692	671
Total current liabilities		**9 902**	**9 368**
Non-current liabilities			
Deferred tax liability	17	1 039	1 746
Non-current lease liabilities	5,26	4 041	4 727
Non-current provisions		41	51
Total non-current liabilities		**5 121**	**6 524**
Total liabilities		**15 023**	**15 892**
Equity			
Share capital	18	3 600	3 600
Share premium		4 967	4 967
Statutory reserve capital	18	1 306	1 306
Unrealised exchange rate differences		-19 409	-18 251
Retained earnings		54 322	42 526
Total equity attributable to equity holders of the Parent company		**44 786**	**34 148**
Non-controlling interest	6	4 182	3 713
Total equity		**48 968**	**37 861**
TOTAL EQUITY AND LIABILITIES		**63 991**	**53 753**

Notes on pages 31 to 76 are integral part of these Consolidated Financial Statements.

Consolidated Income Statement

in thousands of EUR	Note	12m 2022	12m 2021
Revenue from contracts with customers	20,27	57 667	46 686
Cost of goods sold	21	-26 783	-21 276
Gross Profit		**30 884**	**25 410**
Distribution expenses	22	-11 143	-8 573
Administrative expenses	23	-4 391	-3 555
Other operating income		525	406
Other operating expenses	24	-1 210	-683
Operating profit		**14 665**	**13 005**
Currency exchange income/(expense)	25	1 117	1 565
Other finance income/(expenses)	25	-453	-432
Net finance income		**664**	**1 133**
Profit (loss) from associates using equity method		1	19
Profit before tax		**15 330**	**14 157**
Income tax expense	17	-2 786	-4 233
Profit for the period		**12 544**	**9 924**
Attributable to :			
Equity holders of the Parent company		11 796	9 031
Non-controlling interest		748	893
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	19	0,33	0,25

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	12m 2022	12m 2021
Profit for the period		**12 544**	**9 924**
Other comprehensive income (loss) that will be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations		-877	869
Total other comprehensive income for the period		**-877**	**869**
Total comprehensive income (loss) for the period		**11 667**	**10 793**
Attributable to :			
Equity holders of the Parent company		10 638	9 644
Non-controlling interest		1 029	1 149

Notes on pages 31 to 76 are integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

in thousands of EUR	Note	12m 2022	12m 2021
Cash flow from operating activities			
Profit for the period		**12 544**	**9 924**
Adjustments for:			
Depreciation and amortization of non-current assets	13,14,15	3 618	3 237
Share of profit of equity accounted investees		-1	-19
Gains/Losses on the sale of property, plant and equipment	24	8	24
Net finance income / expense	25	-664	-1 133
Provision for impairment losses on trade receivables	5,9	2	-1
Provision for inventories	11	683	187
Income tax expense	17	2 786	4 233
Change in inventories	11	-1 358	-1 979
Change in trade and other receivables, prepayments and other tax receivables	9,10	199	-237
Change in trade and other payables	16	-667	917
Interest paid		0	-2
Income tax paid		-3 088	-2 155
Net cash flow from operating activities		**14 062**	**12 996**
Cash flow from investing activities			
Interest received		38	19
Dividends received		3	0
Proceeds from disposal of property, plant and equipment		58	143
Loans granted		-8	0
Acquisition of property, plant and equipment	15	-445	-312
Acquisition of intangible assets	13	-113	-147
Net cash flow from investing activities		**-467**	**-297**
Cash flow from financing activities			
Repayment of borrowings		0	-800
Payment of principal portion of lease liabilities	26	-2 634	-2 402
Interest paid on lease liabilities	26	-546	-450
Dividends paid		-560	-750
Net cash flow from financing activities		**-3 740**	**-4 402**
Net increase in cash and cash equivalents		**9 855**	**8 297**
Cash and cash equivalents at the beginning of period	7	**17 098**	**8 980**
Effect of translation to presentation currency		-509	75
Effect of exchange rate fluctuations on cash held		-535	-254
Cash and cash equivalents at the end of period	7	**25 909**	**17 098**

Notes on pages 31 to 76 are integral part of these Consolidated Financial Statements.

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 2020	**3 600**	**4 967**	**1 306**	**355**	**-18 864**	**33 140**	**24 504**	**3 314**	**27 818**
Profit for the period	0	0	0	0	0	9 031	**9 031**	893	**9 924**
Other comprehensive income for the period	0	0	0	0	613	0	**613**	256	**869**
Transfer of revaluation reserve	0	0	0	-355	0	355	**0**	0	**0**
Total comprehensive income for the period	**0**	**0**	**0**	**-355**	**613**	**9 386**	**9 644**	**1 149**	**10 793**
Transactions with owners, recognised directly in equity									
Dividends declared	0	0	0	0	0	0	**0**	-750	**-750**
Total transactions with owners, recognised directly in equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-750**	**-750**
Balance as at 31 December 2021	**3 600**	**4 967**	**1 306**	**0**	**-18 251**	**42 526**	**34 148**	**3 713**	**37 861**
Balance as at 31 December 2021	**3 600**	**4 967**	**1 306**	**0**	**-18 251**	**42 526**	**34 148**	**3 713**	**37 861**
Profit for the period	0	0	0	0	0	11 796	**11 796**	748	**12 544**
Other comprehensive income for the period	0	0	0	0	-1 158	0	**-1 158**	281	**-877**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-1 158**	**11 796**	**10 638**	**1 029**	**11 667**
Transactions with owners, recognised directly in equity									
Dividends declared	0	0	0	0	0	0	**0**	-560	**-560**
Total transactions with owners, recognised directly in equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-560**	**-560**
Balance as at 31 December 2022	**3 600**	**4 967**	**1 306**	**0**	**-19 409**	**54 322**	**44 786**	**4 182**	**48 968**

Notes on pages 31 to 76 are integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

AS Silvano Fashion Group (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. In 2022 and 2021 key sales markets for the Group have been Russia, Belarus, Ukraine (in 2022 the Group has frozen its operations in the 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 5 April 2023.

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 on 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 IFRS amendments which have been adopted by the Group/Company as of 1 January 2022:

- **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 previous version of the IASB's Conceptual Framework for Financial Reporting to the current version issued in 2018 without significantly 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 any proceeds from the sale of items produced while bringing the asset to the location and condition necessary for it be capable of operating in the manner intended by management. Instead, a company recognizes 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. The amendments clarify, the costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to the contract activities.

- **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

Based on the management assessment the named amendments do not have material impact on the consolidated financial statements of the Group.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The Group has not received any Covid 19 related rent concessions beyond 30 June 2021 and thus, the named amendments do not have any impact on the consolidated financial statements of the Group.

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

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 2023, and which the Group has not early adopted.

- **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 of the Group.

- **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, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The amendments have not yet been endorsed by the EU. Management has assessed the impact of application of the amendments to be not material.

- **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 management has opted not to implement the requirements of these amendments early and would incorporate the changes into the accounting policies to disclose only "material" one in the reporting period starting from January 1, 2023. Overall the management assesses that the named amendments should not have material impact on the information disclosed in the notes to the consolidates financial statements of the Group.

- **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, if they do not result to a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Management has assessed the impact of application of the amendments to be not material.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**
  The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Management has assessed the impact of application of the amendments to be not material.

- **IFRS 16 Leases: Lease Liability in a Sale and Leaseback (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The amendments have not yet been endorsed by the EU. Management has assessed the impact of application of the amendments to be not material.

- **IFRS 17: Insurance Contracts**
  The standard is effective for annual periods beginning on or after 1 January 2023 with earlier application permitted, provided the entity also applies IFRS 9 Financial Instruments on or before the date it first applies IFRS 17. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretional participation contracts. The Group does not issue contracts in scope of IFRS 17; therefore its application does not have an impact on the Group's consolidated financial performance, consolidated financial position or consolidated cash flows.

  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 2022. 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 when the 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.

The Group considers all facts and circumstances when assessing whether it controls an investee. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

a) Business combinations

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. 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 "Profit (loss) from associates using equity method" line of the consolidated income statement. Any change in other comprehensive income of associates is presented as part of the Group's consolidated comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity of the Group. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates. When the Group's share of losses in an associate equal 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.

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.

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 recognizes the loss to "Profit (loss) from associates using equity method" in the consolidated income statement.

2.3 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 consolidated income statement within "Other operating income" or "Other operating expenses" lines. Foreign exchange gains and losses related to foreign exchange transactions under cash accounts and operations with Group's borrowings are presented in the consolidated income statement within line "Currency exchange income/(expense)".
Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.
Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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 of foreign operations are translated into presentation currency at the exchange rate prevailing at the reporting date;
- 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.

The exchange differences arising on translation are posted directly to equity as "Unrealised exchange rate differences" reserve via "Exchange differences on translation of foreign operations" within the consolidated statement of other comprehensive income.

2.4 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 accumulated depreciation and accumulated impairment, if any.

The initial cost of property, plant and equipment comprises its purchase price, including non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment is ready for its intended use, such as repair and maintenance costs, are normally charged to the consolidated statement of comprehensive income in the period the costs are incurred.
When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives.

Depreciation on assets is calculated using the straight-line method over their estimated useful lives, as follows:

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 consolidated income statement.

2.5 Intangible assets

Intangible assets are initially measured at cost. Subsequently they are measured at cost less accumulated amortization and accumulated impairment. 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 measured at cost less accumulated amortisation and accumulated impairment, if any. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 5 to 10 years. The amortisation of intangible assets is based on the specific asset function and is included in cost of goods sold, distribution and/or administrative expenses of the consolidated income statement. Detailed information is disclosed in Note 13.

2.6 Investment property

The property (land or a building) held by the Group for earning non-current rental yields or for capital appreciation, rather than for its own operations, is recorded as investment property. Investment property is initially recognized in the consolidated 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 consolidated 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 consolidated statement of financial position. From the date of the change, the accounting policies of the Group into which the asset has been transferred are applied to the asset.

2.7 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.

2.8 Financial assets

2.8.1 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.

2.8.2 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.

2.8.3 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 the consolidated income statement.

Debt instruments
Debt instruments in the Group are represented by the 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 and are subject to impairment. Impairment losses are deducted from amortised cost. Foreign exchange gains and losses are presented as separate line items in the consolidated income statement. Any gain or loss arising on derecognition are recognised directly in the consolidated income statement.

As at 1 January 2022 and 31 December 2022 and during 2022, the Group's debt instruments were represented by trade receivables and other non-current financial assets classified as trade and other receivables.

Equity instruments
Equity instruments are subsequently carried at fair value with net changes in fair value recognised in the consolidated income statement. This category includes equity investments which the Group had not irrevocably elected to classify at fair value through profit or loss. Dividends on equity investments are recognised as "Other finance income/ (expense) in the consolidated income statement when the right of payment has been established.

As at 1 January 2022 and 31 December 2022 and during 2022, the Group's equity instruments were investments in other shares.

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 that do not have a material financing component and are initially measured at transaction price, as disclosed in section 2.16 "Revenue recognition". Trade receivables subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 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.

2.10 Cash and cash equivalents

In the consolidated statement of financial position and in the consolidated statement of cash flows cash and cash equivalents include cash on hand, cash at banks and current highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

2.11 Inventories

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

Inventories, whose net realisable value is 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).

2.12 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.

The Group forms 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 18).

2.13 Financial liabilities

2.13.1 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 as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of trade payables, loans and borrowings, net of directly attributable transaction costs.

2.13.2 Subsequent measurement

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

Trade payables are subsequently measured at amortised cost using the effective interest method.

2.13.3 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.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognised in the consolidated comprehensive income or directly in equity. In this case, the tax is also recognised in consolidated 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 reporting 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 reporting 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 applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on profits. Instead of the income tax payable on profits, the Estonian entities pay corporate income tax on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price. The current tax rate is 20/80 on the amount paid out as net dividends. 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.

Corporate income tax paid on dividends is recognized in the consolidated statement of comprehensive income as an income tax expense and in the consolidated statement of financial position as a deferred income tax liability to the extent of the planned dividend payment. An income tax liability is due on the 10th day of the month following the payment of dividends.

Deferred income tax is provided on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, 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 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.

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 2022 was 20/80 of the amount distributed as the net dividend (20/80 in 2021). 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%and in Ukraine 18%.

In Belarus income tax rate for the legal entities has been calculated applying 18% tax rate for the reporting periods ended 31 December 2022 and 31 December 2021. Starting from January 1st, 2023 tax rate on corporate profits was changed in Belarus from 18% to 20% for all legal entities. Based on the provisions of IAS 10.22 (h) management of the Group does not consider such subsequent changes in the tax rate as an adjusting period, thus, all tax assets and liabilities within 2022 were calculated by reference to tax rates enacted or substantively enacted as at 31 December 2022, which as at 31 December 2022 was 18%. For the purpose of the respective deferred tax assets and liabilities calculations, those should be measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Thus, the management has applied 20% tax rate for the respective calculations (Note 17).

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 reporting date. Deferred corporate income tax is calculated on the basis of tax rates applicable on the reporting date and current legislation, expected to prevail when the deferred tax assets are settled (Note 3).

2.15 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.

2.16 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.

Sale of goods – retail

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 or by card.

Sale of goods – wholesale

Wholesale revenues 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.

Financing component

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.

2.17 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 current 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:

• Retail premises – up to 3 years;
• Warehouse and office premises – up to 5 years
• Other equipment – up to 3 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 2.7 Impairment of non-financial assets. Right-of-use assets are presented in the consolidated statement of financial position in line “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 the consolidated statement of financial position in lines “Current lease liabilities” and “Non-current lease liabilities”.

Current leases and leases of low-value assets

The Group applies the current lease recognition exemption to its current 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 current 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 line “Other operating income” in the consolidated income statement due to its operating nature. Contingent rents are recognized as revenue in the period in which they are earned.

2.18 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 Significant 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.

Russia-Ukraine conflict and going concern

On 24 February 2022, the military conflict between Russia and Ukraine started. As a result, western countries have imposed severe sanctions against Russian companies, the Russian Central Bank and the Russian government. At the same time, Russia has placed restrictions on capital flows to so-called unfriendly countries. Sanctions have also been imposed on Belarus which also resulted in several countersanctions. The economic uncertainty increased abruptly after the military conflict had started in the region and increasing escalation of the armed confrontation in Ukraine led to gradual economic isolation of Russia and Belarus from the EU countries.

The fluid situation undoubtedly has impact on the Group's business operations as significant operations of the Group are located in Russia (major sales market) and Belarus (major production facility). Accordingly, the Group was forced to adapt to a constantly changing environment and look for ways to ensure business continuity. For instance, the Group started cooperation with a number of new suppliers from Asia and adjusted its supply chain to ensure sufficient materials are available to continue production activities. The consequences of the Russia-Ukraine conflict were an important topic for the management of the Group in 2022 and situation was monitored closely and promptly. Discussions covered topics such as measures relating to business continuity management, liquidity and cash flow management, risk costs, currency risks as well as strategic issues. The Group management carefully assessed the results of the stress tests, which were carried out amid the geopolitical and macroeconomic situation and was kept informed of current developments and actions.

The management of the Group has assessed that current sanctions and restrictive measures in response to the conflict in Ukraine do not have significant impact on the Group's ability to continue as a going concern at the present moment since the sanctions currently imposed do not have an adverse effect on the Group and Group's operations continue in a routine mode. Despite the challenges, the group was able to adjust to the new realities, end the year with positive results, and maintain profitability at the 2021 level. The production sites continue to work under normal conditions, the Group has sufficient amount of raw materials and production of the coming months is secured, allowing for meeting the increased demand of buyers during the high season. The Group does not rely on external financing and current liquidity position of the Group allows it to continue its operations in the foreseeable future. The Group management remains cautious about the impacts of the conflict in the coming months (impacts of sanctions, supply, currency exchange rates, etc.). The outlook to date does not call into question the financial position of the Group in a context of high uncertainty as regards the extent, outcome and consequences of the ongoing conflict.

The Group management has analyzed several reasonably possible scenarios based on the current situation in Ukraine and Russia and included them in the assessment. A range of sources have been considered about present and expected future conditions in making the assessment.

According to the assessment of the management of the Group the restrictive measures in response to the Russia-Ukraine conflict are not expected to have significant impact on the Group's ability to continue as a going concern provided the situation does not get worse substantially. The management of the Group continues to closely monitor the situation by performing regular risk assessment. Based on the circumstances mentioned above, the management of the Group concluded that going concern assumption is appropriate and these consolidated financial statements are prepared on a going concern basis.

Nevertheless, in the current geopolitical environment it is difficult to gauge the possible implications of this situation and additional potential risks, if any, for the AS Silvano Fashion Group, based on the multiple future potential developments in the short and medium term. Group's Management continues to track the ongoing conflict and its potential repercussions closely. The Group's Management, having considered all available information about the future which was obtained during and after the reporting period up to the date when these consolidated financial statements are authorised for issue, believes that the Group continues as a going concern. However, given the unpredictability of the situation and possible reactions of the government bodies involved, including future potential sanctions and countersanctions, as well as the fact that these circumstances are beyond the control of the Group's Management, there is a risk that further escalation of Russia-Ukraine conflict could result in adverse effect on the results of operations, financial position and net assets of the AS Silvano Fashion Group. As a result, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

Control event

The significant changes in the economic and political environment due to the military conflict in Ukraine may indicate changes in the ability of an investor to control subsidiaries according to IFRS 10 in the affected areas. For AS Silvano Fashion Group Russia, Belarus and Ukraine can be counted among the affected areas.

In assessing control, the Group's assessment includes if it is exposed, or has rights to variable returns from its involvement with the investee and whether it has the ability to affect those returns through its power over the investee according to the requirements of IFRS 10. If facts and circumstances indicate that there are changes to one or more elements of control, a reassessment whether control over the investee still exists is performed.

When examining the facts and circumstances the Group carefully considered whether there have been changes that may significantly limit its ability to exercise the rights or governance provisions with respect to subsidiaries in affected areas due to the military conflict in the region as well as sanctions and other restrictive measures imposed by both EU countries as well as Russia and Belarus. The Group has concluded that despite changing environment in which the Group operates, there have been no changes to any elements of control and that control over the subsidiaries in the affected areas was not lost. Further information on the consolidation principles can be found in Section 2.2 Consolidation of the Note 2.

Allowance for obsolete inventories

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 Notes 11, 21, 24.

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).

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (as the Group does not enter into financing transactions).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating, based on the borrowings availability confirmed by the Banks operating in the market).

Since September 23, 2022 till January 01, 2024 due to the entrance in force in Belarus of the law 197-3 from July 18, 2022 lessees in Belarus are no longer able to conclude rental agreements nominated in foreign currencies. Rent payments in the agreements should from September 23, 2022 be specified in the agreements only in the amounts nominated in Belarusian roubles (BYN). Due to the majority of the rental agreements of the Group in Belarus being nominated in USD, the Group had resigned all respective agreements stipulating the new rental payments nominated in BYN. The management consider the change in the rental payments currency as leases modifications resulting in a separate lease. Thus, the management has derecognized as at 31 December 2022 its right-of-use assets and lease liabilities related subject to the currency of rental payments changes and recognized the new respective right-of-use assets and liabilities in the amount of the changed future cash-flows discounted under the new IBR rates (Note 15, 27).

Impairment of right-of-use assets and property, plant and equipment

The Group has developed a general, systematic approach procedure for carrying out the impairment analysis and identification of the impairment signs as at the reporting date. The Group monitors certain events or circumstances, principally an analysis of commercial and production premises that have passed the initial period determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of particular commercial premises' locations, or other circumstances which indicate that the value of an asset may not be recovered in full.

If the results of the Group's monitoring show that there are any assets that might be subject to impairment the Group estimates the recoverable amount of the cash-generating units (retail stores, production facilities) and tests the carrying amounts of the right-of-use assets or property, plant and equipment for impairment in accordance with accounting policies described in Note 2 section 2.7 Impairment of non-financial assets.

The recoverable amounts of the CGUs are determined based on value in use calculation by using discounted cash flow model. The valuation uses cash flow projections are 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) are determined using a pre-tax discount rate 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).

Despite the geopolitical uncertainties attributable to countries of the Group's operations and economical shocks caused by such uncertainties, the Group continued to experience stable recovery of the profits for its retail segment both in Belarus and Russia. Also, profitability of the wholesales segment has been maintained in 2022 at the same level compared to 2021 results. The comparative analysis of the profitability and performance against the budgets of the separate retail points and the companies as a whole resulted into management conclusion, that no impairment should be accounted at the reporting date with respect to right-of-use assets and property, plant and equipment of the Group, as no impairment indications are present at the reporting date.

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 2 166 thousand as of 31 December 2022 (EUR 1 226 thousand as of 31 December 2021). 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) In 2020 the Management decided to recognize the provision for potential tax liabilities total 500 000 EUR according to IFRIC 23 "Uncertainty over income tax treatments" in the consolidated financial statements of AS Silvano Fashion Group. The respective potential tax liability was related to the uncertain tax environment for Group's foreign subsidiaries operating abroad. As at 31 December 2022 management believes that due to the potential risk has not realized within 3 reporting periods (2022 is considered to be 4th reporting period) since the respective exposure arose, the probability of the risk realization has decreased to remote. The management concludes that the tax authorities have accepted the tax position of the Group and the respective provision should be released. 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. The effect of the release of the provision is accounted in the consolidated income statement in line "Income tax expense" in the amount of 500 000 EUR.

c) Based on the tax legislation changes introduced in 2020 in one of the countries of the Group's operations and effective for the periods starting from January 1st, 2021 the management decided to recognize provision for potential tax uncertainties in total amount of 400 000 EUR. Due to the respective tax uncertainties has not been released also for the reporting period ended 31 December 2022 the management has increased the amount of the provision for potential tax uncertainties for the additional 598 000 EUR. Management estimation for the created tax provision is based on the management interpretation of the respective legislation changes and the likelihood of the future liabilities' exposure.

Deferred Tax related to Investments in Subsidiaries

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. Although the parent company has control over the operations of subsidiaries consolidated into the Group and might control the timing of the reversal of the temporary differences, that is highly probable that the temporary differences related to undistributed profits of subsidiaries will be reversed in the foreseeable future at least for several of subsidiaries. Therefore, when the parent has determined that such distribution is probable in the Group's consolidated financial statements deffered tax liability is recognized.

The management has the historical practice to reinvest the earnings of the foreign subsidiaries in Russia and in Latvia in its operations, thus, it has been determined that no distributions will be made in the foreseeable future and no deferred tax liability has been recognized from the 'outside' temporary differences with respect to these subsidiaries historically. In addition to that in 2022 as the result of the outbreak of the military conflict and as the response of Russian Federation to the sanctions imposed by the EU against Russia, an order of the President of the Russian Federation from 5 March 2022 "On temporary actions with respect to the fulfilment of the obligations in front of foreign creditors" was adopted in order to limit the number of payments made to the shareholders in the EU and in foreign currencies. Based on that management considers continuing to reinvest the profits received in Russia for the further operational and business development needs and have no dividend distributions from Russia.

With respect to Ukraine, being the most affected region by the outbreak of the military conflict, the certain restrictions have been introduced to the dividend's distributions. According to resolution No 18 of the Board of the National Bank of Ukraine dated 24 February 2022 the National Bank of Ukraine decided to suspend the operation of the FX market of Ukraine, except for operations of selling foreign currency to its customers. That resolution provides that within the martial period it is not possible to purchase currency and pay dividends to non-residents in foreign currency. The only option is to pay dividends in hryvnias. However, this requires non-residents to open bank accounts in hryvnia in bank of Ukraine. Based on that the management of the Group considers that in the foreseeable future it is impracticable to distribute any of the dividends from the subsidiary situated in Ukraine and thus no respective deferred tax liabilities have been accrued.

The Group has the historical practice to distribute profits from its subsidiaries operating in Belarus. Tax legislation in Belarus presumes that in case the dividend is distributed to the non-resident parent company, such distribution is subject to additional taxation. The expected amount of the future distribution is determined based on the average distributed dividends for several prior years and amounts of the profits earned by the subsidiary for the reporting period. The deferred tax liabilities related to such distribution are recognized in the consolidated financial statements by using 10% rate applicable to profits distributed from Belarus (Note 17).

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.

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 current 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. Fair value of the investment property is determined at second level as the Group has involved independent real estate valuators. The independent real estate valuator has applied the market approach, still the final value has been identified applying judgmental adjustments allowing for the characteristics of the real estate under assessment.

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 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 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	2022	2021
As of 31 December			
Cash and cash equivalents	7	25 909	17 098
Trade receivables from third parties	8, 9	880	853
Trade receivables from related parties	8, 9	0	56
Receivables on services rendered	8, 9	30	79
Other receivables	8, 9	134	97
Current loans granted	8	10	2
Investments in other shares	8, 12	259	262
Non-current receivables	8	301	262
Total		**27 523**	**18 709**

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

in thousands of EUR	31 December 2022	31 December 2021
Fitch rating A-AAA	198	6 697
Fitch rating B-BBB	22 244	9 915
Fitch rating C-CCC	23	0
Not rated	3 444	486
of those not rated, but within EU	*222*	*10*
Total cash and cash equivalents (Note 7)	**25 909**	**17 098**

The ageing of trade and other receivables was:

in thousands of EUR	Gross 31 December 2022	Expected credit loss 2022	Gross 31 December 2021	Expected credit loss 2021
Not past due	513	0	776	0
Overdue 1-30 days	248	0	166	0
Overdue 31-90 days	59	0	84	0
Overdue 91-180 days	25	0	41	0
More than 180 days	258	-59	75	-57
Total	**1 103**	**-59**	**1 142**	**-57**
Total net (Note 9)	**1 044**		**1 085**	

Not past due trade receivables represented by the receivables towards wholesale customers. There is no substantial risk concentration in trade receivables. All not past due receivables have been settled by the date on which these consolidated financial statements are authorized for issue.

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 expected credit losses in respect of trade receivables during the year were as follows:

in thousands of EUR	2022	2021
Balance at the beginning of period	**-57**	**-57**
Accrued during the period	-2	-1
Reversed during the period	0	1
Balance at the end of period	**-59**	**-57**

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 2022 and 31 December 2021, the Group's current assets exceeded its current liabilities.

The table below analyses Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting 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 2022	**Note**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Financial liabilities at amortized cost								
Trade payables	8, 16	4 055	4 055	4 055	0	0	0	0
Lease liabilities	26	6 414	7 870	1 469	1 531	2 032	2 553	285
Other payables	8, 16	587	587	587	0	0	0	0
Total		**11 056**	**12 512**	**6 111**	**1 531**	**2 032**	**2 553**	**285**

in thousands of EUR								
As of 31 December 2021	**Note**	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**	**Over 5 years**
Financial liabilities at amortized cost								
Trade payables	8, 16	4 795	4 795	4 795	0	0	0	0
Lease liabilities	26	6 920	8 117	1 348	1 255	2 029	3 485	0
Other payables	8, 16	669	669	669	0	0	0	0
Total		**12 384**	**13 581**	**6 812**	**1 255**	**2 029**	**3 485**	**0**

Market risks

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

Currency risk

The Group is exposed to currency risk on sales, purchases and cash that are denominated in a currency other than respective functional currencies of the Group entities. In the Group's markets, sale and purchase prices are fixed in the following currencies: EUR (Euro), RUB (Russian 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 or from the local suppliers for the contracts with which could be fixed in euros. 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 current 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 -26.8% (2021: +11.0%), US dollar -5.8% (2021: -7.9%), Belarusian rouble -1.3% (2021: +9.0%) and Russian rouble +8.2% (2021: +7.6%).

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

in thousands of EUR **as at 31 December 2022**	**Note**	**Total**	**EUR**	**BYN**	**RUB**	**USD**	**UAH**
Cash and cash equivalents	7, 8	**25 909**	24 976	548	165	25	195
Trade receivables, net	8, 9	**910**	448	395	67	0	0
Other current receivables	8, 9	**134**	2	96	1	33	2
Current loans granted	8	**10**	0	10	0	0	0
Trade payables	8, 16	**-4 055**	-2 212	-737	-37	-1 069	0
Other payables	8, 16	**-587**	-61	-508	-15	-2	-1
Lease liabilities	26	**-6 414**	-2 214	- 1 370	-2 767	-63	0
Total statement of financial position exposure		**15 907**	**20 939**	**-1 566**	**-2 586**	**-1 076**	**196**

in thousands of EUR **as at 31 December 2021**	**Note**	**Total**	**EUR**	**BYN**	**RUB**	**USD**	**UAH**
Cash and cash equivalents	7, 8	**17 098**	16 112	437	246	0	303
Trade receivables, net	8, 9	**909**	258	382	269	0	0
Other current receivables	8, 9	**178**	0	52	0	126	0
Current loans granted	8	**2**	0	2	0	0	0
Trade payables	8, 16	**-4 795**	-3 345	-477	-14	-959	0
Other payables	8, 16	**-669**	-78	-544	-46	0	-1
Lease liabilities	26	**-6 920**	-4 547	-40	-2 241	-92	0
Total statement of financial position exposure		**5 803**	**8 400**	**-188**	**-1 786**	**-925**	**302**

Based on the management's estimate as at the reporting date the fluctuation in EUR/BYN and RUB/EUR exchange rate shall not be more than 20% in average per annum.

A 20 percent weakening of BYN against EUR as of 31 December 2022 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 2021.

Effect on profit before tax in thousands of EUR

	2022	**2021**
EUR	313	48
Total	**313**	**48**

Effect on equity in thousands of EUR

	2022	**2021**
EUR	257	39
Total	**257**	**39**

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.

A 20 percent weakening of RUB against EUR as of 31 December 2022 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 2021.

Effect on profit before tax in thousands of EUR

	2022	**2021**
EUR	517	98
Total	**517**	**98**

Effect on equity in thousands of EUR

	2022	**2021**
EUR	414	81
Total	**414**	**81**

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 fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates or deposits placed with the credit facilities under floating interest rates. As at 31 December 2022 and 31 December 2022 the Group has no financial instruments with the floating rates, except for the on-demand deposits in banks (Note 7). Due to the low interest rates applied for such type of the deposits the management considers that the effect of the changes in the interest rates for such instruments should have no significant impact on the consolidated income statement of the Group. .

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 48 968 thousand EUR as of 31 December 2022 and 37 861 as of 31 December 2021. 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.

Operating environment

Belarus

Since February 2022, the escalation of geopolitical tensions and the military conflict between Russia and Ukraine have had a negative impact on the economic situation in the country. The Republic of Belarus functioned under the influence of negative external factors caused by the constantly growing sanctions pressure. The EU, the US and a number of other countries have imposed numerous sanctions on certain sectors of the economy, a number of Belarusian state and commercial organizations, including banks and individuals. Restrictions were also introduced on certain types of transactions, including blocking the funds of legal entities on accounts in foreign banks. Some international companies have announced the suspension of activities in the Republic of Belarus or the termination of the supply of products to the Republic of Belarus.

In 2022, Belarusian GDP decreased by 4.7% compared to 2021 and amounted to BYN 191.4 billion at current prices. The balance of foreign trade for services in 2022 was positive in the amount of USD 4.141 billion against a positive balance in the amount of USD 4.637 billion in 2021.

In 2022, the Belarusian rouble weakened against the main foreign currencies. The official exchange rate of the US dollar has changed from 2.5481 Belarusian roubles for 1 US dollar as of 31 December 2021 to 2.7364, euro changed from 2.9156 Belarusian roubles to 3.4322 and Russian rouble - from 3.4322 Belarusian roubles for 100 Russian roubles to 3.7835.

The first half of 2022 can be characterized by increased volatility in the foreign exchange market, an outflow of bank deposits, and an acceleration of inflationary processes in the country. In order to ensure macroeconomic steadiness and stabilize the situation in the domestic foreign exchange and deposit markets, since March 2022, the refinancing rate of the National Bank of the Republic of Belarus has been increased from 9.25 to 12 percent per annum.

The 2022 year ended with an inflation at the level of 12.8% while forecasted level was less than 5%. Price growth was facilitated by both external factors (loose monetary policy pursued by a number of leading countries, growth in logistics costs amid epidemiological restrictions, growth in world food prices, a surge in consumer demand amid insufficient supply) and internal factors (cancellation of VAT exemptions on certain groups of imported goods, rising fuel costs against the backdrop of rising oil prices, inflation and devaluation expectations).

Russia

The country's political situation is currently relatively unstable as the Russian economy faces adverse effects from sanctions imposed on Russia by a number of countries, the country's overall geopolitical situation, and fluctuations in crude oil prices. All these events negatively impact the Russian economy as a whole. In particular, this results in volatility of the Russian rouble and brings forth the necessity of economic, tax, political and other reforms.

The future stability of the Russian economy is largely dependent upon economic reforms, development of the legal, tax and regulatory frameworks, and the effectiveness of financial and monetary measures undertaken by the government of the Russian Federation.

While the Russian Government has introduced a range of stabilization measures to provide liquidity and support refinancing of foreign debt owed by Russian banks and companies, there continues to be uncertainty regarding the access to capital and its cost. Capital markets instability may result in a significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia.

The rouble initially collapsed when the military conflict began in early 2022. But the collapse in import volumes combined with the relative resilience of export volumes translated into rapid rouble appreciation in the months after the March crisis. After the EU embargo on Russian oil imports came into force, the rouble underwent another bout of weakness. Despite the weakening that has occurred, the RUB exchange rate remains stronger than early 2022 levels being 70,3375 RUB to 1 US dollar as of 31 December 2022 comparing to 74,2926 RUB as of 31 December 2021 and 75,6553 RUB to 1 euro as of 31 December 2022 comparing to 84,0695 RUB as of 31 December 2021 (as published by Central Bank of Russia).

The geopolitical events of February 2022, the sanctions that followed them, and the sharp depreciation of the rouble exchange rate led to to a jump in inflation expectations in March 2022 to 18%. However, in the end of spring inflation expectations decreased to 12% and remained on this level up till the end of the year. In December 2022 inflation in the country was 11.9%.According to the estimate of Central Bank of Russia, the GDP in 2022 decreased by 2.5% while forecasted level of decrease was 3.0-3.5%. The contraction turned out to be less that Central Bank of Russia's estimate both in Q3 and Q4 of 2022. The main driver of the decline was production of intermediate goods (chemicals, woodworking, metallurgy, oil products) and consumer goods, as well as vehicles.

The unemployment rate has been declining throughout the year and by December has updated a historical low of 3.6%

Latvia

2022 has been a turbulent year for the Baltic region. New risks have emerged, including military conflict in Ukraine, an energy crisis in Europe, the highest inflation in 25 years, and rapidly rising interest rates. Economic growth in the Baltic region has fallen faster than in other parts of the EU coming to a near halt in the second half of the year. In Latvia in Q4 of 2022 GDP remained unchanged. Proximity to crisis in Ukraine and trade exposure to Russia have contributed to economic slowdown in the Baltics while high energy prices and rising global commodity prices have contributed to inflation that exceeded 20% at the end of 2022.

Slowing GDP growth has affected most sectors of the economy in the Baltic region and manufacturing has slipped into recession. In December 2022 manufacturing output in Latvia declined by 2.6% compared to same period a year ago. Meanwhile retail sales and consumption has been hit by inflation which has significantly exceeded income growth although government support measures have eased burden from high energy prices. Labour market remains strong in the Baltics with unemployment in December 2022 falling to 7.1% in Latvia. However, Baltic countries are set to benefit from a significant increase in EU financed investments from recovery and resilience facility that is set to accelerate green investments in the region and will contribute to economic recovery.

Note 6 Group entities and business combinations

	Location	Main activity	Effective Ownership interest 31.12.2022	Effective Ownership interest 31.12.2021
Parent company				
AS Silvano Fashion Group	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
CJSC Silvano Fashion*	Russia	Retail and wholesale	100%	100%
LLC Silvano Fashion	Belarus	Retail and wholesale	99%	99%
LLC Silvano Fashion	Ukraine	Wholesale	100%	100%
SIA Silvano Fashion	Latvia	Retail	100%	100%
CJSC Milavitsa	Belarus	Manufacturing and wholesale	85.02%	85.02%
JSC Sewing firm Yunona **	Belarus	Manufacturing and wholesale	58.33%	58.33%
LLC Gimil ***	Belarus	Manufacturing and wholesale	100%	100%
JSC Lauma Lingerie	Latvia	Manufacturing and wholesale	100%	100%
Alisee SARL	Monaco	Holding	99%	99%
JSC Metropolitan Trade Company Milavitsa****	Russia	Holding	100%	100%
LLC Baltsped logistik	Belarus	Logistics	50%	50%

* CJSC Silvano Fashion is 100% owned by JSC Metropolitan Trade Company Milavitsa (same was effective as of 31.12.2021).
** JSC Sewing firm Yunona is owned by AS Silvano Fashion Group with the share of 49.27% and SIA Silvano Fashion with the share of 9.07% , the rest of the 41.66% shares belongs to the investors outside the consolidation group (same was effective as of 31.12.2021).
*** LLC Gimil is owned by AS Silvano Fashion Group with the share of 99.80% and SIA Silvano Fashion with the share of 0.20% (same was effective as of 31.12.2021).
**** JSC Metropolitan Trade Company Milavitsa is owned by AS Silvano Fashion Group and SIA Silvano Fashion, each holding 50% (same was effective as of 31.12.2021).

Transactions during 2022-2021
There have been no business combinations and disposal of shares in the Group that have significant effect on the financial statements of the Group within the reporting periods ended 31 December 2022 and 31 December 2021

Summary related to the entities associated with material NCI:

The total non-controlling interest is EUR 4 182 thousand (2021: EUR 3 713 thousand), of which EUR 2 648 thousand is for CJSC Milavitsa (2021: EUR 2 627 thousand). The non-controlling interest in respect of JSC Sewing firm Yunona, LLC Silvano Fashion (Belarus), LLC Baltsped logistik and Alisee SARL 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 statement of financial position of CJSC Milavitsa

in thousands of EUR	31 December 2022	31 December 2021
Current assets	17 466	18 966
Non-current assets	6 299	4 791
Total assets	**23 765**	**23 757**
Current liabilities	5 113	5 160
Non-current liabilities	973	1 062
Net assets	17 679	17 535
Total liabilities and equity	**23 765**	**23 757**

Summarised income statement of CJSC Milavitsa

in thousands of EUR	2022	2021
Revenue	31 095	25 783
Profit before income tax	4 675	6 441
Income tax expense	-664	-2 257
Profit for the period	**4 011**	**4 184**
Other comprehensive income (loss)	- 390	851
Total comprehensive income	**3 621**	**5 035**
Total comprehensive income allocated to non-controlling interests	542	754
Dividends paid to non-controlling interest	-537	-740

Summarised statement of cash flows of CJSC Milavitsa

in thousands of EUR	2022	2021
Profit for the period	**4 011**	**4 184**
Net cash flow from operating activities	4 007	4 068
Net cash flow from investing activities	-944	256
Net cash flow from financing activities	-3 396	-4 091
Net increase/(decrease) in cash and cash equivalents	**-333**	**233**
Cash and cash equivalents at the beginning of the period	**714**	**492**
Effect of exchange rate fluctuations on cash	-610	-44
Effect of translation to presentation currency	621	33
Cash and cash equivalents at the end of the period	**392**	**714**

b) Basis for control over LLC Baltsped logistik:

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

c) Investments into associates:

Investments into associates as at 31 December 2022 were represented by the investments of CJSC Milavitsa in LLC Trade house "Milavitsa", Novosibirsk with a 25% interest in the amount of 82 thousand EUR (31 December 2021: 25% interest in the amount of 80 thousand EUR).

Note 7 Cash and cash equivalents

in thousands of EUR

As of 31 December	Note	2022	2021
Current deposits in EUR		22 000	4 500
Current deposits in other currencies than EUR		191	161
Current guarantee deposits		7	13
Current bank accounts in EUR		2 956	11 591
Current bank accounts in other currencies than EUR		300	552
Cash in transit		284	158
Cash on hand		171	123
Total	**5,8**	**25 909**	**17 098**

Cash and cash equivalents distributed by the geographical concentration are presented in the following table:

in thousands of EUR

As of 31 December	Note	2022	2021
Estonia		22 329	11 743
Belarus		1 266	1 093
Russia		1 785	3 563
Ukraine		195	303
Latvia		122	196
Monaco		212	200
Total	**5,8**	**25 909**	**17 098**

Note 8 Financial assets and financial liabilities

in thousands of EUR

Financial assets	Note	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss			
Investments in other shares	12	259	262
Debt instruments at amortised cost			
Non-current receivables*	5	301	262
Trade receivables	5, 9	910	988
Other receivables	5, 9	134	97
Current loans granted	5	10	2
Other financial assets			
Cash and cash equivalents	5, 7	25 909	17 098
Total financial assets		**27 523**	**18 709**
Total current		**26 963**	**18 185**
Total non-current		**560**	**524**

* Security deposits under lease agreements

in thousands of EUR

Financial liabilities	Note	31 December 2022	31 December 2021
Current lease liabilities	26	2 373	2 193
Trade payables	16	4 055	4 795
Employee payables	16	429	386
Payables to shareholders	16	7	5
Other payables	16	151	278
Total current financial liabilities		**7 015**	**7 657**
Non-current lease liabilities	26	4 041	4 727
Total non-current financial liabilities		**4 041**	**4 727**

Note 9 Trade and other receivables

in thousands of EUR			
As of 31 December	**Note**	**2022**	**2021**
Trade receivables from third parties		939	910
Trade receivables from related parties		0	56
Receivables on services rendered		30	79
Other receivables		134	97
		1 103	**1 142**
Allowance for expected credit losses		-59	-57
Total trade and other receivables	**5,8**	**1 044**	**1 085**

Note 10 Prepayments and other tax receivables

in thousands of EUR		
As of 31 December	**2022**	**2021**
Prepayments issued to suppliers	450	502
VAT recoverable	520	646
Other tax prepayments	1	1
Total prepayments and other tax receivables	**971**	**1 149**

Note 11 Inventories

in thousands of EUR		
As of 31 December	**2022**	**2021**
Raw and other materials	6 042	4 760
Work in progress	1 079	1 010
Finished goods	14 143	13 914
Goods in transit	249	406
Prepayments for raw and other materials	284	258
Other inventories	467	558
Total	**22 264**	**20 906**

The Group monitors obsolete inventories on the ongoing basis. Management approach for the assessment of the potential allowance for the obsolete inventories is described in detail in Note 3. As at 31 December 2022 the Group accounted the allowance for the obsolete inventories in the amount of EUR 683 thousand (31 December 2021: EUR 187 thousand). Allowance was created as the usage of raw materials in the amount of EUR 256 thousand (31 December 2021: EUR 187 thousand) in further production is unlikely and the management considers the sale of the finished goods in the amount of EUR 427 thousand as remote.

Note 12 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**	**31.12.22**	**31.12.21**	**31.12.22**	**31.12.21**
OJSC Svitanok	Belarus	Manufacturing	11,3730%	11,3730%	245	248
CJSC Minsk Transit Bank	Belarus	Financing	0,0262%	0,0262%	7	7
OJSC Belvnesheconombank	Belarus	Financing	0,0030%	0,0030%	7	7
OJSC Belinvestbank	Belarus	Financing	0,0000%	0,0000%	0	0
National Pension Fund of Belarus	Belarus	Financing	0,0005%	0,0005%	0	0
Total					**259**	**262**

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 2022 (and 31 December 2021) the fair value of abovementioned shares of unlisted companies was close to carrying amount and determined by techniques based on the managements' judgment.

Note 13 Intangible assets

in thousands of EUR	Software	Trademarks	Prepayments	Total
As of 31 December 2020				
Cost	1 333	58	302	**1 693**
Accumulated amortization	-1 282	-37	0	**-1 319**
Net book amount	**51**	**21**	**302**	**374**
Movements during 2021				
Acquisition	2	0	145	**147**
Transfers and reclassifications	272	7	-279	**0**
Disposals	-1	0	0	**-1**
Amortization	-20	-6	0	**-26**
Unrealised exchange rate differences	15	2	24	**41**
Closing net book amount	**319**	**24**	**192**	**535**
As of 31 December 2021				
Cost	1 727	69	192	**1 988**
Accumulated amortization	-1 408	-45	0	**-1 453**
Net book amount	**319**	**24**	**192**	**535**
Movements during 2022				
Acquisition	3	0	110	**113**
Transfers and reclassifications	16	0	-16	**0**
Amortization	-38	-11	0	**-49**
Unrealised exchange rate differences	-14	8	-8	**-14**
Closing net book amount	**286**	**21**	**278**	**585**
As of 31 December 2022				
Cost	1 726	71	278	**2 075**
Accumulated amortization	-1 440	-50	0	**-1 490**
Net book amount	**286**	**21**	**278**	**585**

As of 31 December 2022, the cost of fully amortized items of intangible assets still in use amounted to EUR 1 580 thousand (31 December 2021: 1 046 thousand).

Note 14 Investment property

in thousands of EUR	Warehouse and production premises	Retail premises	Office and other premises	Total
As of 31 December 2020				
Cost	390	852	29	**1 471**
Accumulated depreciation	0	-243	-10	**-453**
Net book amount	**390**	**609**	**19**	**1 018**
Movements during 2021				
Depreciation	-13	-18	-1	**-32**
Unrealised exchange rate differences	38	60	2	**100**
Closing net book amount	**415**	**651**	**20**	**1 086**
As of 31 December 2021				
Cost	429	936	32	**1 397**
Accumulated depreciation	-14	-285	-12	**-311**
Net book amount	**415**	**651**	**20**	**1 086**
Movements during 2022				
Depreciation	-14	-19	-1	**-34**
Unrealised exchange rate differences	-4	-7	0	**-11**
Closing net book amount	**397**	**625**	**19**	**1 041**
As of 31 December 2022				
Cost	425	925	31	**1 381**
Accumulated depreciation	-28	-300	-12	**-340**
Net book amount	**397**	**625**	**19**	**1 041**

The investment property is recognized at cost less accumulated depreciation and any impairment losses. Rental income generated by the investment property and recognized in the consolidated income statement amounted to EUR 208 thousand (2021: EUR 270 thousand). Rental income is recognized within the other operating income.

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

Investment property of the Group is located in Minsk, Belarus. On January 16, 2023 independent certified valuator IPM Consult performed valuation of the Group's investment property. Valuation was based on market approach. This approach is based on market transactions involving similar assets by type of property and with similar infrastructure. The value of the similar properties has been then adjusted to the characteristics of the real estate under assessment. Based on the third party valuator assessment the fair value of the investment property of the Group as at 31 December 2022 amounted to 3 261 thousand EUR (as at 31 December 2021 amounted to 2 958 thousand EUR).

Note 15 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	Total
As of 31 December 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**
Movements during 2021						
Additions	0	19	138	981	155	**1 293**
Modification	0	0	0	1 369	0	**1 369**
Disposals	0	0	-119	-13	0	**-132**
Reclassifications	0	62	67	0	-129	**0**
Depreciation	-93	-590	-256	-2 272	0	**-3 211**
Unrealised exchange rate differences	172	231	77	477	4	**961**
Closing net book amount	**1 856**	**1 667**	**507**	**5 877**	**64**	**9 971**
As of 31 December 2021						
Cost	4 065	14 992	4 625	12 499	64	**36 245**
Accumulated depreciation	-2 209	-13 325	-4 118	-6 622	0	**-26 274**
Net book amount	**1 856**	**1 667**	**507**	**5 877**	**64**	**9 971**
Movements during 2022						
Additions	0	14	270	2 605	148	**3 037**
Disposals	0	0	-43	-412	0	**-455**
Modification	0	0	0	-18	0	**-18**
Reclassifications	0	97	88	0	-185	**0**
Depreciation	-100	-498	-287	-2 542	0	**-3 427**
Unrealised exchange rate differences	-16	-2	26	126	6	**140**
Closing net book amount	**1 740**	**1 278**	**561**	**5 636**	**33**	**9 248**
As of 31 December 2022						
Cost	4 020	14 838	4 688	14 350	33	**37 929**
Accumulated depreciation	-2 280	-13 560	-4 127	-8 714	0	**-28 681**
Net book amount	**1 740**	**1 278**	**561**	**5 636**	**33**	**9 248**

As of 31 December 2022 the cost of fully depreciated items of property, plant and equipment still in use amounted to EUR 11 712 thousand (31 December 2021: EUR 8 613 thousand).

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

in thousands of EUR	Office premises	Warehouse premises	Retail premises	Other equipment	Total
As of 31 December 2020					
Cost	162	3 426	5 765	19	**9 372**
Accumulated depreciation	-124	-851	-3 055	-7	**-4 037**
Net book amount	**38**	**2 575**	**2 710**	**12**	**5 335**
Movements during 2021					
Additions	0	96	885	0	**981**
Modification	264	206	899	0	**1 369**
Disposals	0	0	-13	0	**-13**
Depreciation	-62	-427	-1 780	-3	**-2 272**
Unrealised exchange rate differencies	-5	9	456	17	**477**
Closing net book amount	**235**	**2 459**	**3 157**	**26**	**5 877**
As of 31 December 2021					
Cost	420	3 724	8 319	37	**12 499**
Accumulated depreciation	-185	-1 265	-5 162	-11	**-6 622**
Net book amount	**235**	**2 459**	**3 157**	**26**	**5 877**
Movements during 2022					
Additions	66	0	2 537	2	**2 605**
Modifications	0	0	-18	0	**-18**
Disposals	-9	-265	-120	-18	**-412**
Depreciation	-73	-425	-2 040	-4	**-2 542**
Unrealised exchange rate differencies	10	29	87	0	**126**
Closing net book amount	**229**	**1 798**	**3 603**	**6**	**5 636**
As of 31 December 2022					
Cost	457	3 466	10 407	20	**14 350**
Accumulated depreciation	-228	-1 668	-6 804	-14	**-8 714**
Net book amount	**229**	**1 798**	**3 603**	**6**	**5 636**

Note 16 Trade and other payables

As of 31 December	**Note**	**2022**	**2021**
Trade payables to third parties	8	4 055	4 795
Prepayments received from customers*		690	581
Accrued expenses		505	459
Employee payables	8	429	386
Payables to shareholders	8	7	5
Other payables	8	151	278
Total trade and other payables		**5 837**	**6 504**

*Prepayments received from customers for products and services include prepayments for goods which the Group is obligated to sell subsequently to the reporting date.

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

Note 17 Taxes

Taxes prepaid and payable

		31 December 2022		31 December 2021	
in thousands of EUR	**Notes**	**Prepaid taxes**	**Taxes payable**	**Prepaid taxes**	**Taxes payable**
Value added tax		520	494	646	365
Property tax		0	1	0	0
Corporate income tax		0	768	0	26
Personnel income tax		0	100	0	85
Social security		0	211	0	185
Other taxes		1	118	1	10
Total taxes	**10**	**521**	**1 692**	**647**	**671**

Income tax expense comprises the following:

in thousands of EUR	**2022**	**2021**
Current income tax	4 497	3 167
Deferred tax	-1 711	1 066
Income tax expense	**2 786**	**4 233**

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

Reconciliation between the expected and the actual taxation charge is provided below.

in thousands of EUR	**2022**	**2021**
Profit before tax	**15 330**	**14 157**
Theoretical income tax at the statutory tax rate*	0	0
Share of results of an associate and joint ventures	0	0
Tax effect of expenses that are not deductible in determining taxable profit	-1 711	1 066
Effect of higher tax rates applied for dividends payments at parent company*	1 085	506
Effect of higher tax rates of foreign subsidiaries**	3 412	2 661
Income tax expense for the year	**2 786**	**4 233**

** The theoretical income tax rate for the Group in 2022 and in 2021 was 0%, as in accordance with applicable laws of the Republic of Estonia, the Estonian entities do not pay income tax on profits. Instead of the income tax payable on profits, the Estonian entities pay corporate income tax on dividends, fringe benefits, gifts, donations, costs of entertaining guests, non-business related disbursements and adjustments of the transfer price under the tax rate 20/80*

*** 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% (Note 2).*

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

in thousands of EUR	1 January 2021	Charged to profit or loss	FX impact	31 December 2021
Effect from deductible temporary differences:				
Property, plant and equipment	315	-14	0	301
Inventories	586	242	0	828
Other temporary differences	131	-34	0	97
Deferred tax asset	**1 032**	**194**	**0**	**1 226**
Set-off of deferred tax	0	0	0	0
Net deferred tax assets	**1 032**	**194**	**0**	**1 226**
Effect from taxable temporary differences:				
Theoretical tax on dividends distributions	0	-805	0	-805
Provision on tax uncertainties (Note 3)	-500	-455	14	-941
Deferred tax liability	**-500**	**-1 260**	**14**	**-1 746**
Set-off of deferred tax	0	0	0	0
Net deferred tax liability	**-500**	**-1 260**	**14**	**-1 746**
Net deferred tax position	**532**	**-1 066**	**14**	**-520**

in thousands of EUR	1 January 2022	Charged to profit or loss	FX impact	31 December 2022
Effect from deductible temporary differences:				
Property, plant and equipment	301	885	-60	1 126
Inventories	828	92	-33	887
Other temporary differences	97	9	47	153
Deferred tax asset	**1 226**	**986**	**-46**	**2 166**
Set-off of deferred tax	**0**	**0**	**0**	**0**
Net deferred tax assets	**1 226**	**986**	**-46**	**2 166**
Effect from taxable temporary differences:				
Theoretical tax on dividends distributions	-805	90	76	-639
Provision on tax uncertainties (Note 3)	-941	635	-94	-400
Deferred tax liability	**-1 746**	**725**	**-18**	**-1 039**
Set-off of deferred tax	0	0	0	0
Net deferred tax liability	**- 1 746**	**725**	**-18**	**-1 039**
Net deferred tax position	**-520**	**1 711**	**-64**	**1 127**

Potential income tax on dividends payable

The Group didn't recognize potential income tax on dividends payable by JSC 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), in 2020 (profit before tax 162'720 EUR, potential income tax 32'544 EUR) in 2021 (profit before tax 655'854 EUR, potential income tax 131'171 EUR) and in 2022 (profit before tax 151'276 EUR, potential income tax 30'255 EUR, because the Group doesn't plan to pay dividends in the foreseeable future perspective (Note 3).

The Group recognized potential income tax on dividends payable by the following subsidiaries:

- CJSC Milavitsa – 537 thousand EUR
- LLC Silvano Fashion (Belarus) - 69 thousand EUR
- LLC Gimil - 31 thousand EUR

Management estimates and judgments with respect to the potential tax on dividends payable are disclosed in Note 3.

Note 18 Equity

As of 31 December 2022 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 2021, 3 600 thousand EUR, 36 000 000 shares and 0.10 EUR nominal value, respectively). All shares as of 31 December 2022 (and 31 December 2021) are ordinary shares and fully paid.

As at 31 December 2022 the Group's retained earnings distributable to shareholders as dividends amounted to 44 310 thousand EUR (as at 31 December 2021: 33 948 thousand EUR). The related income tax payable on those dividends would be 10 012 thousand EUR (as at 31 December 2021: 8 578 thousand EUR) as part of the corporate income tax has already been paid on those profits by the Group. The related income tax is calculated assuming that Group's retained earnings are distributed in full amount.

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	**2022**	**2021**
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 approved consolidated financial statements of the Group.

As of 31 December 2022 AS Silvano Fashion Group had 3 585 shareholders (31 December 2021: 3 389 shareholders).

Statutory and revaluation reserves

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.

Revaluation reserve recognized in consolidated financial statements as of 31 December 2020 in the amount of 355 thousand EUR was transferred to retained earnings as at 31 December 2021

Note 19 Earnings per share

The calculation of basic earnings per share for 2022 and for 2021 is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	2022	2021
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	2022	2021
Profit for the period attributable to equity holders of the Parent company	11 796	9 031
Basic earnings per share (EUR)	0,33	0,25
Diluted earnings per share (EUR)	0,33	0,25

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 20 Revenue from contracts with customers

in thousands of EUR	2022	2021
Revenue from wholesale	36 323	30 828
Revenue from retail sale	21 304	15 757
Subcontracting and services	25	88
Other sales	15	13
Total revenue from contracts with customers	**57 667**	**46 686**
Timing of revenue recognition		
Goods and services transferred at a point in time	57 667	46 686
Total	**57 667**	**46 686**

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

Note 21 Cost of goods sold

in thousands of EUR	Note	2022	2021
Raw materials		12 237	10 760
Purchased goods		2 326	1 655
Purchased services		3 586	2 129
Payroll expenses	23	5 656	4 124
Depreciation and amortization	13,14,15	346	366
Rent	26	89	44
Utilities		319	272
Repairs and maintenance		126	80
Transport expenses		984	584
Auxiliary materials		337	298
Other production costs		139	144
Allowance for obsolete inventories	11	256	186
Changes in inventories		382	634
Total		**26 783**	**21 276**

The Group total payroll expenses and average number of employees are disclosed in Note 23.

Note 22 Distribution expenses

in thousands of EUR	Note	2022	2021
Advertising and marketing expenses		545	436
Payroll expenses	23	5 207	3 786
Storage and packaging		20	11
Rent	26	491	214
Transportation services		130	99
Depreciation and amortization	13,14,15	2 945	2 597
Utilities		498	490
Materials usage		577	351
Business trips		12	8
Allowance for bad debts	5	2	-1
Bank commissions		393	316
Other expenses		323	266
Total		**11 143**	**8 573**

The Group total payroll expenses and average number of employees are disclosed in Note 23.

Note 23 Administrative expenses

in thousands of EUR	Note	2022	2021
Payroll expenses		1 894	1 478
Other expenses		197	153
Depreciation and amortization	13,14,15	222	177
IT costs		221	165
Office expenses		128	88
Communication expenses		59	47
Rent	26	236	220
Utilities		235	200
Services		271	248
Bank comissions		147	122
Business trips		65	33
Insurance		39	27
Supervisory and management board remuneration	28	677	597
Total		**4 391**	**3 555**

Total payroll expenses

in thousands of EUR	2022	2021
Wages and salaries	9 820	7 127
Social security taxes	2 937	2 261
Total payroll expenses	**12 757**	**9 388**
Average number of employees in the reporting period	1 606	1 684

Note 24 Other operating expenses

in thousands of EUR	Note	2022	2021
Social benefits to employees		189	153
Other taxes		232	189
Allowance for obsolete inventories	11	427	0
Loss on disposal of property, plant, equipment and intangible assets		8	25
Expenses for donations		5	2
Depreciation and amortization	13,14,15	105	97
Other expenses		244	217
Total		**1 210**	**683**

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 25 Net finance income/(expense)

in thousands of EUR	Note	2022	2021
Interest income on bank deposits		38	19
Gain from derecognition of lease liabilities	26	51	0
Other finance income		4	2
Interest expense of lease liabilities	26	-546	-450
Interest expense of other loans		0	-2
Other finance expenses		0	-1
Total other finance income/ expenses		**-453**	**-432**
Gain/(loss) on conversion of foreign currencies		1 117	1 565
Net finance income/(expense)		**664**	**1 133**

The change of net finance income/(expense) compared to year 2021 is mainly caused by high fluctuations of FX-rates in Belarus and Russia.

Note 26 Leases

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	2022	2021
Lease liabilities as of 1 January	**6 920**	**6 828**
Additions	2 615	981
Modifications	-18	1 369
Derecognition	-425	0
Unrealised exchange rate differences	-44	144
Finance costs	546	450
Repayments	-3 180	-2 852
Lease liabilities as of 31 December	**6 414**	**6 920**

The maturity analysis of lease liabilities is disclosed below:

in thousands of EUR		
as of 31 December	**2022**	**2021**
Payable in less than one year	2 373	2 193
Payable between one and five years	3 770	4 727
Payable in over five years	271	0
Total	**6 414**	**6 920**

The following are the amounts recognized in profit or loss:

in thousands of EUR	Note	2022	2021
As of 31 December			
Depreciation expense of right-of-use assets	15	-2 542	-2 272
Interest expense on lease liabilities	25	-546	-450
Expenses relating to current leases (included in cost of goods sold, distribution and administrative expenses)	21, 22, 23	-816	-478
Gain (loss) on derecognition of lease liabilities	25	51	28
Variable lease payments		-124	-28
Total amount recognized in profit and loss		**-3 977**	**-3 200**

The Group had total cash outflows for leases of EUR 3 304 thousand in 2022 (2021: EUR 2 883 thousand). Movements in right-of-use asset balance in financial year 2022 and 2021 are disclosed in Note 15.

Variable vs Fixed Lease Payments
in thousands of EUR

2022	Fixed Payments	Variable Payments	Total Payments
Fixed rent	1 808	0	**1 808**
Variable rent with minimum payment	1 372	78	**1 450**
Variable rent only	0	46	**46**
Total rent	**3 180**	**124**	**3 304**

2021	Fixed Payments	Variable Payments	Total Payments
Fixed rent	1 801	0	**1 801**
Variable rent with minimum payment	1 051	28	**1 079**
Variable rent only	0	3	**3**
Total rent	**2 852**	**31**	**2 883**

The Group as the Lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain manufacturing buildings (see Note 14). These leases have terms of between 4 and 14 years. Rental income recognised by the Group during the year is EUR 208 thousand (2021: EUR 270 thousand). The Group as the lessor does not have any non-cancellable operating lease contracts.

Note 27 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.

Operating segments

Operating segments 2022 — **12m 2022 and as of 31 December 2022**

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	21 304	36 323	**57 627**	40		**57 667**
Intersegment revenues	0	31 519	**31 519**	3 032	-34 551	**0**
EBITDA	**10 288**	**7 824**	**18 112**	**171**		**18 283**
Amortization and depreciation	-1 936	-1 055	**-2 991**	-627		**-3 618**
Operating income, EBIT	**8 352**	**6 769**	**15 121**	**-456**	**0**	**14 665**
Profit from associates using equity method	0	1	**1**	0		**1**
Net finance income/(expense)	-195	-1 075	**-1 270**	1 934		**664**
Income tax	-1 011	-1 322	**-2 333**	-453		**-2 786**
Net profit	**7 146**	**4 373**	**11 519**	**1 025**	**0**	**12 544**
Investments in associates	0	82	**82**	0		**82**
Other operating segments assets	5 108	32 936	**38 044**	25 865		**63 909**
Reportable segments liabilities	1 361	11 248	**12 609**	2 414		**15 023**
Capital expenditures	2 262	290	**2 552**	2		**2 554**
Number of employees as of reporting date	499	1 010	**1 509**	107		**1 616**

Operating segments 2021 — **12m 2021and as of 31 December 2021**

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	**15 757**	**30 828**	**46 585**	**101**		**46 686**
Intersegment revenues	0	26 390	26 390	2 522	-28 912	**0**
EBITDA	**6 878**	**8 884**	**15 762**	**480**		**16 242**
Amortization and depreciation	-2 041	-630	**-2 671**	-566		**-3 237**
Operating income, EBIT	**4 837**	**8 254**	**13 091**	**-86**	**0**	**13 005**
Profit from associates using equity method	0	19	**19**	0		**19**
Net finance income/(expense)	129	-354	**-225**	1 358		**1 133**
Income tax	-835	-2 690	**-3 525**	-708		**-4 233**
Net profit	**4 131**	**5 229**	**9 360**	**564**	**0**	**9 924**
Investments in associates	0	80	**80**	0		**80**
Other operating segments assets	4 485	30 683	**35 168**	18 505		**53 673**
Reportable segments liabilities	1 985	10 402	**12 387**	3 505		**15 892**
Capital expenditures	2 463	343	**2 806**	3		**2 809**
Number of employees as of reporting date	485	1 009	**1 494**	108		**1 602**

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.

Geographical segments

in thousands of EUR	Revenue 12m 2022	Revenue 12m 2021	Non-current assets 31.12.2022	Non-current assets 31.12.2021
Russia	35 215	27 511	3 316	2 646
Belarus	14 619	11 569	10 023	10 379
Ukraine	233	1 565	0	0
Baltics	1 490	1 241	318	372
Other countries	6 110	4 800	25	25
Total	**57 667**	**46 686**	**13 682**	**13 422**

Note 28 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 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 2022 and as of 31 December 2021.

Sales of goods and services

in thousands of EUR	12m 2022	12m 2021
Associates	637	551
Total	**637**	**551**

Balances with related parties

in thousands of EUR	31.12.2022	31.12.2021
Trade receivables from associates	0	56
Total	**0**	**56**

Benefits to key management of the group*

in thousands of EUR	12m 2022	12m 2021
Remunerations and benefiits (Note 23)	677	598
Total	**677**	**598**

*As key management of the Group are considered the members of Supervisory and Management Board in all companies included in the consolidation group.

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

Note 29 Government grants

In thousands of EUR	2022	2021
At 1 January	**0**	**0**
Received during the year	0	550
Released to the consolidated income statement	0	-550
At 31 December	**0**	**0**

JSC Lauma Lingerie received state financial support by compensating the costs of the payroll, materials, transport and rent expenses in the total amount of EUR 550 000 by transferring it to the accounts in February – July 2021. There were no unfulfilled conditions and other contingencies attaching to mentioned government assistance recognized in 2021.

Note 30 Events after the reporting date

After the end of the reporting period, on 17 January 2023, Russian president Vladimir Putin adopted decree no. 16 „On the temporary procedure for making decisions by the bodies of some Russian companies", which allows Russian companies that meet certain criteria to change their corporate decision-making. The decree is effective till 31 December 2023. The management of the Group has assessed that the Group is not impacted by named decree as Russian subsidiaries of the Group do not meet the criteria stipulated in the decree no. 16 and thus, remain out of scope of this decree.

On 23 January 2023, the council of ministers of the Republic of Belarus, adopted a resolution no. 54. This resolution introduced the list of shareholders of legal entities in Belarus, which are not allowed to dispose their shareholdings in Belarusian legal entities, AS Silvano Fashion Group was included in this list. However, presence in this list does not affect the operations of the Group in Belarus. Moreover, the management of the Group has never planned to cease operations in Belarus or otherwise abandon its activities in the country. In contrary, the Group plans further development of operations in Belarus as businesses there form critical element of the whole Group's business model.

On 25 February 2023, EU adopted the tenth package of economic and individual sanctions. The agreed package includes bans on exports of critical technology and industrial goods, such as electronics, specialised vehicles, machine parts, spare parts for trucks and jet engines, as well as goods for the construction sector. Further restrictions are imposed on imports of goods which generate significant revenues for Russia, such as asphalt and synthetic rubber. In addition, provision of gas storage capacity to Russians was prohibited Furthermore, the EU prohibited the transit through Russia of EU exported dual use goods and technology, in order to avoid circumvention. The Group management has analysed the tenth package of sanctions and concluded that none of the restrictive measures adopted within the named package affect the operations of AS Silvano Fashion Group.

In February 2023, one border crossing point on the Belarus-Poland border for freight transportation was closed. Nevertheless, it is still possible to cross the border in the remaining border crossing point. However, since the workload is increasing this creates queues on the border and hence makes delivery times longer which might cause supply chain disruptions. In addition to that, in February 2023 the State Border Guard Service under the Ministry of Internal Affairs of the Republic of Lithuania terminated cooperation agreement with the customs and border services of the Republic of Belarus to ensure an uninterrupted flow of transport across the border and increase the capacity of checkpoints. Ques are usual now on Belarusian-Latvian as well as Russian-Latvian border. This, again, may cause several difficulties with deliveries from EU to Belarus and/or Russia. Accordingly, the Group has to adjust to these events and consider possible disruptions in its plans. This could potentially increase the Group's transportation expenses. The management of the Group has concluded that these events are non-adjusting subsequent events and therefore their potential impact was not considered when making estimates and assumptions as at 31 December 2022.

Note 31 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 (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	**31.12.2022**	**31.12.2021**
ASSETS		
Current assets		
Cash and bank	22 329	11 743
Trade receivables	176	72
Other receivables	642	2 406
Total current assets	**23 147**	**14 221**
Non-current assets		
Non-current receivables	17 862	20 655
Investment in subsidiaries	24 124	24 124
Property, plant and equipment	63	22
Total non-current assets	**42 049**	**44 801**
TOTAL ASSETS	**65 196**	**59 022**
LIABILITIES AND EQUITY		
Current liabilities		
Current lease liabilities	12	17
Trade and other payables	30	20
Tax liabilities	22	17
Total current liabilities	**64**	**54**
Non-current liabilities		
Non-current lease liabilities	49	12
Total non-current liabilities	**49**	**12**
Total liabilities	**113**	**66**
Equity		
Share capital	3 600	3 600
Share premium	4 967	4 967
Statutory reserve capital	1 306	1 306
Retained earnings	55 210	49 083
Total equity	**65 083**	**58 956**
TOTAL EQUITY AND LIABILITIES	**65 196**	**59 022**

Income Statement and Other Comprehensive Income

in thousands of EUR	**2022**	**2021**
Administrative expenses	-800	-657
Management fee	952	859
Operating profit	**152**	**202**
Other finance expense	-2	-2
Currency exchange income/(expense)	27	2
Other finance income	7 036	5 539
Net finance income	**7 061**	**5 539**
Profit before tax	**7 213**	**5 741**
Income tax expense	-1 086	-506
Profit for the period	**6 127**	**5 235**
Other comprehensive income	0	0
Total comprehensive income for the period	**6 127**	**5 235**

Statement of Cash Flows

in thousands of EUR	**2022**	**2021**
Cash flow from operating activities		
Profit for the period	**6 127**	**5 235**
Adjustments for:		
Depreciation and amortization of non-current assets	13	11
Net finance income	-7 061	-5 539
Income tax expense	1 086	506
Change in trade and other receivables	-113	-21
Change in trade and other payables	8	4
Net cash from operating activities	**60**	**196**
Cash flow from investing activities		
Interest received	1 718	14
Dividends received	6 061	4 638
Loans granted	-530	-7 030
Proceeds from repayments of loans granted	3 292	6 730
Acquisition of property, plant and equipment	-2	-1
Net cash used in/from investing activities	**10 539**	**4 351**
Cash flow from financing activities		
Payment of principal portion of lease liabilities	-12	-11
Interest paid on lease liabilities	-1	-1
Net cash used in/ from financing activities	**-13**	**-12**
Increase in cash and cash equivalents	**10 586**	**4 535**
Cash and cash equivalents at the beginning of period	**11 743**	**7 208**
Cash and cash equivalents at the end of period	**22 329**	**11 743**

Statement of Changes in Equity

in thousands of EUR	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
Balance as of 31 December 2020	**3 600**	**4 967**	**1 306**	**43 848**	**53 721**
Profit for the period	**0**	**0**	**0**	**5 235**	**5 235**
Other comprehensive income for the period	**0**	**0**	**0**	**0**	**0**
Total comprehensive income for the period	**0**	**0**	**0**	**5 235**	**5 235**
Balance as of 31 December 2021	**3 600**	**4 967**	**1 306**	**49 083**	**58 956**
Carrying amount of interests under control or significant influence					**-24 124**
Interests under control or significant influence under the equity method					**1 708**
Adjusted unconsolidated equity as of 31 December 2021					**36 540**
Profit for the period	0	0	0	6 127	**6 127**
Other comprehensive income for the period	0	0	0	0	**0**
Total comprehensive income for the period	0	0	0	**6 127**	**6 127**
Balance as of 31 December 2022	**3 600**	**4 967**	**1 306**	**55 210**	**65 083**
Carrying amount of interests under control or significant influence					**-24 124**
Interests under control or significant influence under the equity method					**10 092**
Adjusted unconsolidated equity as of 31 December 2022					**51 051**

The difference between adjusted unconsolidated equity and the consolidated equity attributable to equity holders of the Company as at 31 December 2022 is caused by the fact that parent company ceases to recognise its share of losses of particular subsidiaries once the investment has been reduced to zero when applying equity method while such losses are consolidated line by line in the consolidated financial statements of the Group. In addition, the consolidated equity attributable to equity holders of the Company is affected by several adjustments which arise upon consolidation only.

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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 2022, 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 financial position of the Group as at 31 December 2022, 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 matters 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.

This independent auditor's report (translation of the Estonian original) should only be used with the original document in machine-readable .xhtml format that is submitted to the NASDAQ Tallinn Stock Exchange Link:https://nasdaqbaltic.com/statistics/en/instrument/EE3100001751/reports).

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Key Audit Matter	*How our audit addressed the key audit matter*
Inventory write down to net realizable value As at 31 December 2022 the Group's inventory balance amounted to EUR 22 264 thousand in the consolidated statement of financial position of the Group, accounted for at the lower of cost or net realizable value (Note 11). 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 judgements and assumptions made by 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. In addition, this matter is significant to our audit due to materiality of the amounts as inventories constitute 34.8% of the total assets of the Group in the consolidated statement of financial position as at 31 December 2022.	*Our audit procedures included, among others:* ► Obtained understanding of the inventory valuation process, including assumptions and methods that management uses in their assessment of inventory write down to net realizable value. ► Performed inventory observations using remote observation tools at selected locations where in-person inventory observations procedures are impracticable 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. ► 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. ► Assessed the management analysis of slow moving and obsolete inventories as at 31 December 2022 by reviewing inventory ageing as well as inventory movements during 2022 and subsequent to year-end in 2023 to identify slow moving items. ► Compared planned sales prices for finished goods according to approved price lists for 2023 to their cost as well as tested actual subsequent sales of finished goods in January 2023 to identify items sold below their cost comparing the actual results with the management's estimate. ► Developed an independent point of 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. ► Recalculated the inventory write-downs to net realizable value for accuracy. ► Considered adequacy of the disclosures in the consolidated financial statements in this area (Note 3 and 11).

Other information

Other information consists of the Management report, 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 135^3 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 135^3 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

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 2022 (the Single Electronic Reporting Format of the consolidated financial statements) contained in the file 529900JNG41RRJKJYB65-2022-12-31-en.zip (SHA-256-checksum: b580f7bd7157f8065f8889333007ce17f7c0c6bcb1cb882f177487d6e6b5661d).

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

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Electronic Reporting Format of the consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

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 behavior.

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 2022 complies, in all material respects, with the ESEF Regulation.

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 General Meeting of Shareholders on 30 June 2020 we were appointed to carry out the audit of the Group's consolidated financial statements for the year ended 31 December 2022. Our total uninterrupted period of engagement is 5 years, covering the periods ended 31 December 2018 to 31 December 2022.

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

Tallinn, 5 April 2023

/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

PROFIT ALLOCATION PROPOSAL

Retained earnings attributable to equity holders of AS Silvano Fashion Group as of 31 December 2022:

Accumulated retained earnings	42 526 000 EUR
Profit for the year ended 31 December 2022	11 796 000 EUR
Total retained earnings year ended 31 December 2022	54 322 000 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	11 796 000 EUR
Retained earnings after allocations	54 322 000 EUR

Jarek Särgava
Member of the Management Board
5 April 2023

Translation of the Group's consolidated financial statements in PDF-format without European Single Electronic Format (ESEF) markups. The original document is submitted in machine-readable .xhtml format to the Nasdaq Tallinn Stock Exchange and digitally signed (link: https://nasdaqbaltic.com/statistics/en/instrument/EE3100001751/reports).

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 2022 in accordance with the International Financial Reporting Standards as adopted by the EU 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 2022 for presentation at the Annual General Meeting of Shareholders.

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Jarek Särgava
Member of the Management Board
5 April 2022

Toomas Tool	Chairman of the Supervisory Board	_____________________	______2023
Triin Nellis	Member of the Supervisory Board	_____________________	______2023
Mari Tool	Member of the Supervisory Board	_____________________	______2023
Risto Mägi	Member of the Supervisory Board	_____________________	______2023
Stephan David Balkin	Member of the Supervisory Board	_____________________	______2023