Silvano Fashion Group AS

Consolidated Annual Report 2019

(translation of Estonian original)

Beginning of the reporting period	1 January 2019
End of the reporting period	31 December 2019

Business name	Silvano Fashion Group AS
Registration number	10175491
Legal address	Tulika 17, 10613, Tallinn, Estonia
Telephone	+372 684 5000
Fax	+372 684 5300
E-mail	info@silvanofashion.com
Website	www.silvanofashion.com
Core activities	Design, manufacturing and distribution of women's lingerie
Auditor	Ernst & Young Baltic AS

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

Contents

MANAGEMENT REPORT

General information about Silvano Fashion Group AS

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

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

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

As of 31 December 2019 the Group employed 1 888 people (as of 31 December 2018: 2 073 people).

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

	Location	Main activity	Ownership interest 31.12.2019	Ownership interest 31.12.2018
Parent company				
Silvano Fashion Group AS	Estonia	Holding		
Entities belonging directly to the Silvano Fashion Group:				
Silvano Fashion ZAO	Russia	Retail and Wholesale	100%	100%
Silvano Fashion OOO	Belarus	Retail and wholesale	100%	100%
Silvano Fashion TOV	Ukraine	Wholesale	100%	100%
Silvano Fashion SIA	Latvia	Retail	100%	100%
Milavitsa SP ZAO	Belarus	Manufacturing and wholesale	84.96%	84.96%
Yunona OAO	Belarus	Manufacturing and wholesale	58.33%	58.33%
Gimil OOO	Belarus	Manufacturing and wholesale	100%	100%
Lauma Lingerie AS	Latvia	Manufacturing and wholesale	100%	100%
Alisee SARL	Monaco	Holding	99%	99%
Stolichnaja Torgovaja Kompanija "Milavitsa" ZAO	Russia	Holding	100%	100%
Baltsped logistik OOO	Belarus	Logistics	50%	50%

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

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

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

Selected Financial Indicators

Summarized selected financial indicators of the Group for 12 months of 2019 compared to 12 months of 2018 and 31.12.2019 compared to 31.12.2018 were as follows:

in thousands of EUR	**12m 2019**	**12m 2018**	**Change**
Revenue	56 943	62 213	-8.5%
EBITDA	17 004	19 310	-11.9%
Net profit for the period	11 149	11 525	-3.3%
Net profit attributable equity holders of the Parent company	10 663	10 796	-1.2%
Earnings per share (EUR)	0,30	0,30	0.0%
Operating cash flow for the period	15 086	11 240	34.2%

in thousands of EUR	**31.12.2019**	**31.12.2018**	**Change**
Total assets	46 309	45 504	1.8%
Total current assets	27 123	34 904	-22.3%
Total equity attributable to equity holders of the Parent company	26 324	27 462	-4.1%
Cash and cash equivalents	5 152	13 603	-62.1%

Margin analysis, %	**12m 2019**	**12m 2018**	**Change**
Gross profit	52,1	55,6	-6.3%
EBITDA	29,9	31,0	-3.5%
Net profit	19,6	18,5	5.9%
Net profit attributable to equity holders of the Parent company	18,7	17,4	7.5%

Financial ratios, %	**31.12.2019**	**31.12.2018**	**Change**
ROA	22,2	22,9	-3.1%
ROE	38,9	34,7	12.1%
Price to earnings ratio (P/E)	7,3	7,7	-5.2%
Current ratio	2,7	2,4	12.5%
Quick ratio	0,8	1,2	-33.3%

Underlying formulas:

EBITDA = net profit for the period + depreciation and amortization -/+ net financial income/expense + income tax expense + gain on net monetary position
Gross profit margin = gross profit / revenue
EBITDA margin = EBITDA / revenue
Net profit margin = net profit / revenue
Net profit margin attributable to equity holders of the Parent company = net profit attributable to equity holders of the Parent company / revenue
ROA (return on assets) = net profit attributable to owners of the Company for the last 4 quarters/ average total assets
ROE (return on equity) = net profit attributable to owners of the Company for the last 4 quarters/ average equity attributable to equity holders of the Company
EPS (earnings per share) = net profit attributable to owners of the Company/ weighted average number of ordinary shares
Price to earnings ratio (P/E) = Share price at the end of reporting period/earnings per share, calculated based on the net profit attributable to owners of the Company for the last 4 quarters
Current ratio = current assets / current liabilities
Quick ratio = (current assets – inventories) / current liabilities

Business environment in 2019

Core operating markets for the Silvano Fashion Group are Russia, Belarus, Ukraine, other CIS countries and the Baltics. The Group's results for the 12 months of 2019 were determined by the situation in the economy of the main markets - Russia, Belarus and Ukraine.

According to the Russian Federal State Statistics Service (Rosstat) in December,consumer prices rose 0.4% over the previous month, up slightly from November’s 0.3% climb. The upturn was led by higher prices for food products, while prices for non-food goods and services rose more modestly. Inflation dipped from 3.5% in November to 3.0% in December, marking the ninth consecutive month of easing inflation and the lowest reading since July 2018. Lastly, annual average inflation ticked down to 4.5% from 4.6% in the previous month. For 2020 expect inflation to end the year at 3.8%.

According to Belstat Consumer prices rose 0.5% over the previous month in December, following November’s 0.2% increase. The acceleration chiefly reflected a rebound in prices for non-food goods and stronger increase services prices. Meanwhile, food price growth remained unchanged in December. Inflation dipped to a 17-month low of 4.7% in December, from 5.0% in November, thus landing below the Central Bank’s 5.0% target for the first time in over a year. Meanwhile, annual average inflation ticked down to 5.6% in December, from 5.7% in November. FocusEconomics Consensus Forecast participants project inflation will average 5.4% in 2020, which is down 0.1 percentage points from last month’s forecast, and 5.1% in 2021.

According to the data released by the State Statistics Service of Ukraine consumer prices decreased 0.2% month-on-month in December, contrasting November’s 0.1% increase. According to the Statistical Institute, falling prices for clothing, and housing and utilities drove the monthly decline. Inflation dropped to 4.1% in December, from 5.1% in November and marked the lowest reading since March 2014. Accordingly, inflation fell below the Central Bank’s medium-term 5.0% target quicker than expected. Meanwhile, annual average inflation declined from November’s 8.4% to 7.9%.

Business outlook

Group`s business is built on good quality, reasonably priced and known to our current target markets lingerie products, to be even more specific – classic corsetry products. Notwithstanding the drop in the business volumes, our business is sustainable and is built on solid brands. Further to this, the company has a strong distribution network with a total of 666 shops, of which 110 are managed by ourselves.

Silvano Fashion Group is well positioned given its strong brands, very good product range, reasonable price point, a focus on the functional segment of lingerie products. More specifically, Silvano Fashion Group will focus on the following:

- The Group will continue building leaner organizational structure in order to make management of the Group more transparent and efficient;
- Group`s distribution companies (Russia, Belarus, Ukraine, Latvia) will focus on the development of sales network, opening new stores and supporting of franchise businesses in order to increase sales and profitability;
- Group`s manufacturing companies will continue with optimization of product portfolio in order to streamline purchasing and manufacturing activities and be in line with market trends;
- The Group will continue with optimization of operational costs and personnel.
- The Group is open to partnerships, which could widen range of Group`s activities or sales geography.

On the store openings, we try to shift the mind-set of our partners from quantity to quality that should ultimately increase the profitability of their business, and reduce the risk of failure. We advocate for store openings, since it allows us and our franchise partners to control revenue stream better.

Russia Economic Outlook

Growth slumped sharply in 2019, chiefly on feebler external demand, according to preliminary national accounts data. Nevertheless, the economy appears to have gained momentum in Q4 2019. Accelerating retail sales hinted at sturdier consumer spending thanks to a tight labor market and falling inflation. Moreover, the government’s previously delayed spending seems to have finally kicked into full speed in Q4, while lower interest rates boded well for investment activity. That said, the external sector limited the upturn as merchandise exports likely contracted again in Q4. The economy should pick up traction in year 2020, amid overdue fiscal stimulus, rising incomes and a more accommodative monetary policy, all of which should support domestic activity. Risks to the outlook remain elevated, however, related to the volatile external environment, further delays to the government’s infrastructure investment program .FocusEconomics panelists see growth strengthening to 1.8% this year, which is unchanged from last month's forecast. In 2021, growth is seen picking up to 1.9%.

Belarus Economic Outlook

Growth plummeted to a three-year low last year, according to preliminary national accounts data. Although quarterly data has not yet been released, momentum appears to have strengthened somewhat in Q4 2019. Industrial output quickened at the end of 2019, chiefly thanks to a more upbeat manufacturing sector. Meanwhile, healthy retail sales in Q4 suggest that household spending growth was largely sustained from Q3, amid a tight labor market and softer inflation. Externally, the picture was bleaker, however: Merchandise shipments dipped markedly in October–November as tensions with Russia and slowing global growth weighed on external demand.
Growth is expected to gain traction year 2020 following last year's marked deceleration, mainly thanks to a healthier external sector and an expected improvement in trade relations with Russia. That said, domestic demand is expected to soften this year, as weaker wage growth weighs on consumer spending and downbeat sentiment curbs investment activity. FocusEconomics analysts forecast growth of 1.8% in 2020, which is unchanged from last month's forecast, and 2.0% in 2021.

Ukraine Economic Outlook

Growth likely decelerated further in the fourth quarter of last year, after slowing in the third quarter on easing private consumption. Industrial production plummeted in Q4, bruising merchandise export growth and likely taking its toll on fixed investment; however, solid construction activity and cheaper financing conditions likely cushioned the slowdown. On the upside, upbeat retail sales in Q4, amid the lowest inflation in nearly six years, suggest that household spending gathered momentum at year-end.
Economic activity is seen moderating this year, but remain solid nonetheless. Government efforts to improve the business climate and attract FDI, coupled with cheaper credit conditions, should shore up investment. Moreover, private consumption should remain solid thanks to a tightening labor market. Downside risks stem from a slowdown in the pace of reform. FocusEconomics panelists see GDP growth of 3.4% in 2020, which is unchanged from last month's forecast. In 2021, growth is seen edging up to 3.6%.

Baltic Economic Outlook

A preliminary estimate revealed that GDP growth in Latvia slumped in the fourth quarter of last year amid a broad-based slowdown, bringing 2019's annual expansion down to a three-year low. Cooling manufacturing output growth and sharply contracting mining activity in October–November underpinned the industrial sector's downturn, while deteriorating consumer confidence in the quarter and a jump in the unemployment rate in December curbed retail sales growth in Q4. FocusEconomics panelists see GDP growing 2.8% in 2020, which is unchanged from last month's forecast, and 2.7% again in 2021.In Estonia growth momentum appears to have weakened in the final quarter of 2019 year after the economy picked up steam in the third quarter. On the external front, growth dynamics were similarly downbeat: Merchandise exports slumped at the sharpest pace in over four years in November against a backdrop of faltering global and intra-EU trade. FocusEconomics analysts see the economy expanding 2.7% in 2020, which is unchanged from last month's forecast, and 2.7% again in 2021.GDP growth in Lithuania remained healthy in the fourth quarter of last year, according to a preliminary estimate. That said, available data hints that this was largely thanks to one-off inflows while key sectors lost momentum at the end of 2019. On top of that, retail sales growth slumped to a two-year low in Q4, signaling that household consumption lost some traction in the quarter amid weakening consumer confidence and faltering private sector lending. FocusEconomics analysts see growth at 2.6% in 2020, which is unchanged from last month's forecast, and at 2.5% in 2021.

Financial performance

The Group`s sales amounted to 56 943 thousand EUR during 12 months of 2019, representing a 8.5% decrease as compared to the same period of previous year. Overall, wholesales decreased by 13.2%, measured in EUR.

The Group's gross profit during 12 months of 2019 amounted to 29 651 thousand EUR and decrease by 14.4% compared to previous year. The gross margin during 12 months of 2019 decreased to 52.1%, from 55.6% in the respective period of previous year. The cost of sold goods decreased by 1.1%.

Consolidated operating profit for 12 months of 2019 amounted to 12 712 thousand EUR, compared to 17 736 thousand EUR in 12 months of 2018, decrease 28.3%. The consolidated operating profit margin was 22.3% for 12 months of 2019 (28.5% in 12 months of 2018). Consolidated EBITDA for 12 months of 2019 decreased by 11.9% and amounted to 17 004 thousand EUR, which is 29.9% in margin terms (19 310 thousand EUR and 31.0% for 12 months of 2018).

Reported consolidated net profit attributable to equity holders of the Parent company for 12 months of 2019 amounted to 10 663 thousand EUR, compared to net profit of 10 796 thousand EUR in 12 months of 2018, net profit margin attributable to equity holders of the Parent company for 12 months of 2019 was 18.7% against 17.4% in 12 months of 2018.

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 89.9% of its total sales.

The Group's sales on the Russian market totalled 33 582 thousand EUR, decrease is 9.9% compared to 12 months of 2018. Local currency sales decreased by 11.5% during 12 months of 2019 compared to the same 12 months of 2018. A total of 43 own stores are now operating. The Group will continue opening its own stores.

The Group's sales in Belarus in the 12 months of 2019 were 16 082 thousand EUR and increased by 2.0% compared to the 12 months of 2018. Sales in local currency increased by 2.2% during the same period. In Belarus the Group will focus on improving profitability of its retail business.

The Group's sales in Ukraine in the 12 months of 2019 were 1 543 thousand EUR and decreased by 48.5% compared to the 12 months of 2018. Sales in local currency decreased by 49.7% during the same period

Overall Group sales decreased by 8.5% as compared to the 12 months of 2018, the gross margin decreased by 6.3% compared to the same period of last year. The decrease in sales of lingerie was affected by abnormal cold summer of 2019. The purchasing power in the region's countries remains low, therefore, it is hard to foresee a relatively fast recovery occurring in the growth rates of the economies under discussion.

Financial position

As of 31 December 2019 consolidated assets amounted to 46 309 thousand EUR representing increase by 1.8% as compared to the position as of 31 December 2018.

Trade and other receivables decreased by 1 044 thousand EUR as compared to 31 December 2018 and amounted to 2 610 thousand EUR as of 31 December 2019. Inventory balance increased by 1 714 thousand EUR and amounted to 19 359 thousand EUR as of 31 December 2019.

Equity attributable to equity holders of the Parent company decreased by 1 138 thousand EUR and amounted to 26 324 thousand EUR as of 31 December 2019. Current liabilities decreased by 4 675 thousand EUR during 12 months of 2019.

Sales structure

Sales by markets

Group sales in its 3 major markets – Russia, Belarus and Ukraine – were 89.9% of its total sales. Measured in local currencies sales decrease was accordingly – -11.5% in Russia and -49.7% in Ukraine. In Belarus sales in local currency increased by 2.2%.

	12m 2019	12m 2018	Change	Change, %
Russia, th RUB	2 406 844	2 720 748	-313 904	-11.5%
Belarus, th BYN	37 918	37 107	811	2.2%
Ukraine, th UAH	45 238	89 992	-44 754	-49.7%

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

in thousands of EUR	12m 2019	12m 2018	Change, EUR	Change, %	12m 2019, % of sales	12m 2018, % of sales
Russia	33 582	37 272	-3 690	-9.9%	59.0%	59.9%
Belarus	16 082	15 773	309	2.0%	28.2%	25.4%
Ukraine	1 543	2 999	-1 456	-48.5%	2.7%	4.8%
Baltics	1 323	1 582	-259	-16.4%	2.3%	2.5%
Other markets	4 413	4 587	-174	-3.8%	7.8%	7.4%
Total	**56 943**	**62 213**	**-5 270**	**-8.5%**	**100.0%**	**100.0%**

The majority of lingerie sales revenue during 2019 in the amount of 33 582 thousand EUR was generated in Russia, accounting for 59.0% of total sales. The second largest market was Belarus, where sales reached to 16 082 thousand EUR, contributing 28.2% of lingerie sales (both retail and wholesale). The share of Belarus market grew by 2.8 pp.

Sales by business segments

in thousands of EUR	12m 2019	12m 2018	Change, EUR	Change, %	12m 2019, % of sales	12m 2018, % of sales
Wholesale	36 546	42 148	-5 602	-13.2%	64.2%	67.7%
Retail	20 137	19 999	138	0.7%	35.4%	32.2%
Other operations	260	66	194	293.9%	0.4%	0.1%
Total	**56 943**	**62 213**	**-5 270**	**-8.5%**	**100.0%**	**100.0%**

During 12 months of 2019 wholesale revenue amounted to 36 546 thousand EUR, representing 64.2% of the Group's total revenue (12 months of 2018: 67.7%). The main wholesale regions were Russia, Belarus and Ukraine.

Our retail revenue increased by 0.7% and amounted to 20 137 thousand EUR, this represents 35.4% of the Group`s total revenue.

As of 31 December 2019 there were altogether 666 Milavitsa and Lauma Lingerie branded shops, including 628 under Milavitsa and 38 under Lauma Lingerie brand. Own retail operations were conducted in Belarus, Russia and Latvia. As of the end of 2019 the Group operated 110 own retail stores. As of 31 December 2019, there were 556 Milavitsa and Lauma Lingerie branded shops operated by franchise partners.

Own & franchise store locations, geography

	Own	Franchise	Total
Russia	43	358	401
Ukraine	0	71	71
Belarus	61	0	61
Baltics	6	23	29
Other regions	0	104	104
Total	**110**	**556**	**666**

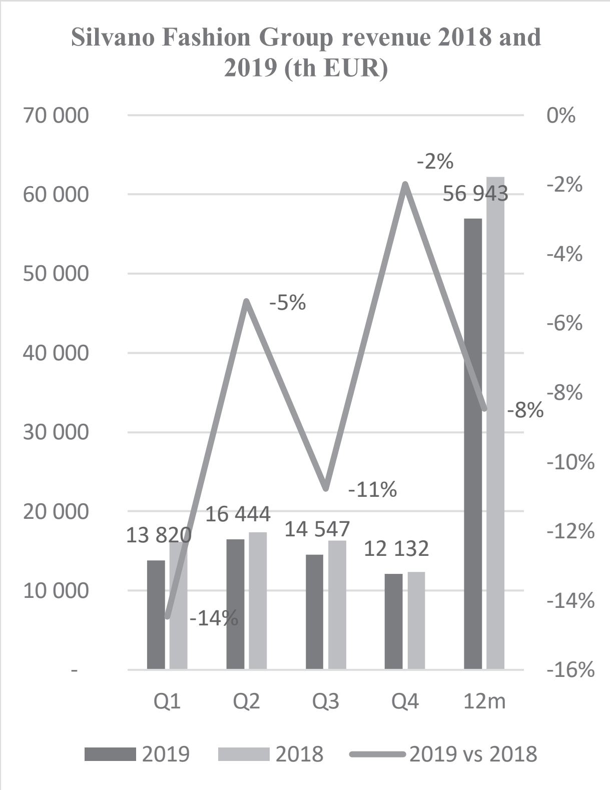
Investments

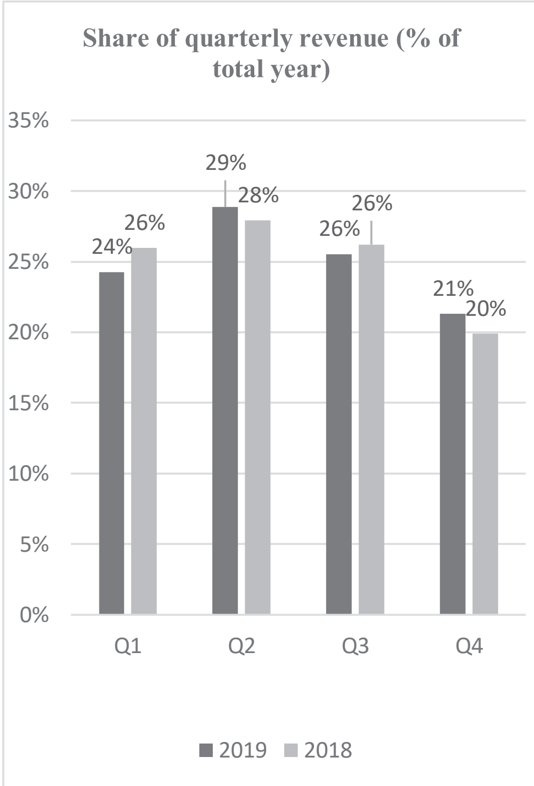
During 2019 the Group's investments into property, plant and equipment and intangible assets totalled 1 435 thousand EUR (653 thousand EUR in 2018). Main investments were made into equipment and facilities to improve logistic facilities and maintain effective production for future periods.

The Group is planning to invest during year 2020 around 1 000 thousand EUR to existing operations, of which about half is planned to open new stores and the renovation of existing retail stores, and the second half mainly for the updates of the software programs and renew production technology and equipment.

Seasonality of business

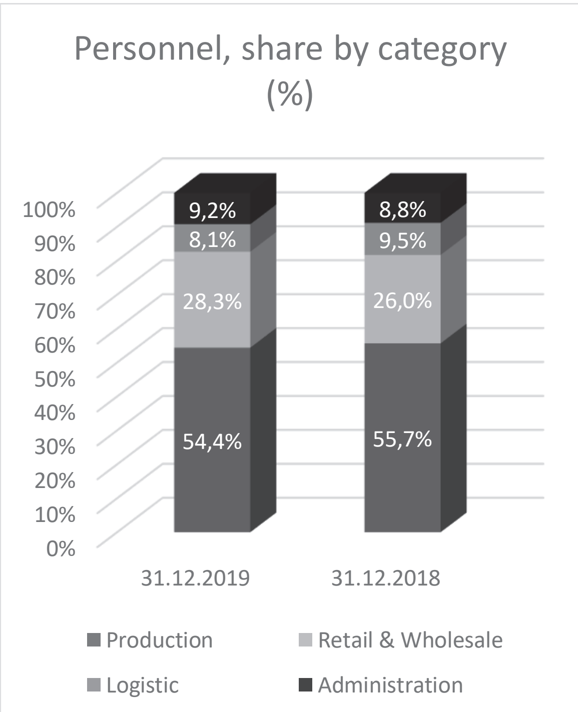
The operations of Silvano Fashion Group are not exposed to major seasonal fluctuations. As is common for clothing and fashion business, especially lingerie segment, the fourth quarter is slightly lower than average sales (respectively -21% of the average quarterly revenue in 2019), and the second and third quarter slightly higher than quarterly average revenue (+ 16% and + 2% respectively in 2019). Half year results are fairly equal, in recent years, the first half year was slightly higher proportion, accounting for 53% of total annual sales. A similar trend is also part of the operating profit.

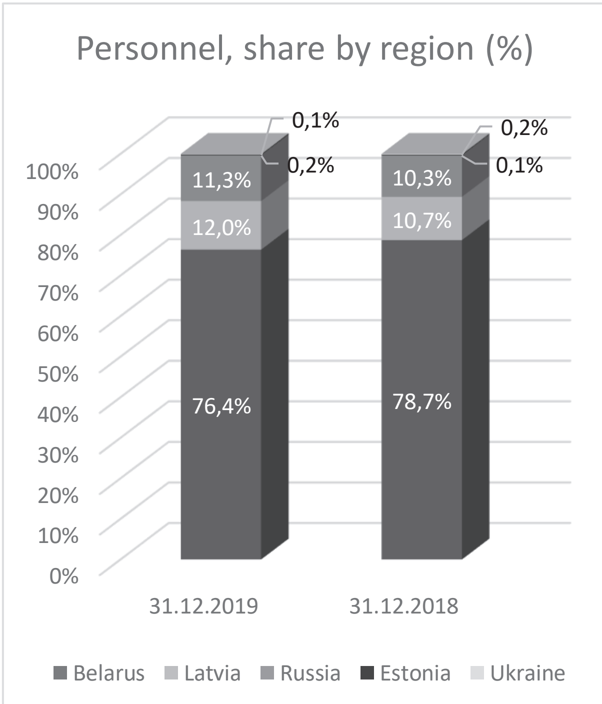




Personnel

As of 31 December 2019, the Group employed 1 888 employees including 503 in retail (as of 31 December 2018: 2 073 and 500 respectively). The rest were employed in production, wholesale, logistics, administration and support operations.





Total salaries and related taxes during 12 months of 2019 amounted to 13 195 thousand EUR (12 500 thousand EUR in 12 months of 2018). The remuneration of key management of the Group, including the key executives of all subsidiaries, totalled 870 thousand EUR (800 thousand EUR in 2018).

The teams of the Silvano Fashion Group companies are comprised of highly-qualified and professional specialists who have long-term experience in the women's lingerie industry. To meet the growing demands of its business the

Group pays careful attention to the development of all levels of management and to the training of own personnel and subcontractors, who need to meet common Group requirements and perform in line with the overall strategy of the Group.

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

Key events during 2019 until the release of Annual Report

On May 03, 2019 Silvano Fashion Group held its regular Annual General Meeting of Shareholders. The Meeting adopted the following decisions.

- The Meeting approved the 2018 Annual Report.
- The Meeting decided to distribute dividends in the amount 0.20 EUR per share (record date 16.05.2019).
  To pay to the entitled shareholders of AS Silvano Fashion Group as dividends EUR 0.20 per share as follows:
  - to pay dividends EUR 0.10 per share by 20 May 2019 latest, (payment completed on 20.05.2019);
  - to pay dividends EUR 0.10 per share by 10 October 2019 latest, (payment completed on 29.08.2019);
- The Meeting decided to recall Mr. Ants Susi from the Supervisory Board of SFG. The authorities of Mr. Ants Susi as the member of the Supervisory Board of SFG shall be deemed to have expired as of May 3, 2019.
- The Meeting decided to elect Triin Nellis as the new member of the Supervisory Board of SFG, whose term of office shall start on May 3, 2019 and expire on June 30, 2021.
- The meeting decided to amend the remuneration policy of the supervisory board members, approved by the shareholders' meeting on June 30, 2012 as follows:
  - to assign monthly gross remuneration of 5,000 euros for the chairman of the supervisory board;
  - to assign monthly gross remuneration of 2,000 euros for the supervisory board;
- The meeting decided to amend section 2.2. of the Articles of Association and reinstate it in the following wording: "All shares of the Company are registered shares. The nominal value of a registered share is 0,20 EUR. A share grants 1 (one) vote at the General Meeting. ";
- The meeting decided:
  - The share capital of SFG shall be increased by 3,600,000 EUR from 3,600,000 EUR to 7 200 000 EUR by the increase of the nominal value of existing shares by 0,10 EUR per share, i.e. from 0.10 EUR to 0.20 EUR;
  - The share capital of SFG shall be increased via a bonus issue on the account of the share premium. The bonus issue shall be carried out on the basis of the 2018 annual report, that has been approved by the shareholders together with the decision on the distribution of profit. The bonus issue shall be carried out on the account of the share premium in the amount of 3,600,000 EUR. After the bonus issue, the new size of the share capital shall be 7,200,000 EUR that is divided into 36,000,000 shares with the nominal value of 0,20 EUR each share;
  - The list of shareholders who shall be entitled to participate in the bonus issue shall be fixed as at 17 May 2019 as at the end of the working day of the settlement system. The ex-date is 16 May 2019; as of this date a person who acquired shares is not entitled to participate in the bonus issue. The increase of the nominal value of the shares shall take place immediately after the registration of the share capital increase with the Commercial Register. As of 15 May 2019, Tartu County Court registered the increase of the share capital to 7 200 thousand EUR according to the resolution of the Annual General Meeting (May 03, 2019).

On June 19,2019 Silvano Fashion Group held its Extraordinary Meeting of Shareholders. The Meeting adopted the following decisions:

- To amend section 2.2. of the Articles of Association and reinstate it in the following wording: "All shares of the Company are registered shares. The nominal value of a registered share is 0.10 EUR. One share gives 1 (one) vote at the General Meeting ".

- The share capital of SFG shall be reduced by a reduction of the nominal value of the shares by EUR 0.10 per share;
- To reduce the share capital, make a payment to the shareholders in the amount of EUR 0.10 per share. No payments will be made to the Company for its own shares. The disbursement shall be made to the hareholders not earlier than three months after entry of the reduction of share capital in the commercial register, provided that the claims submitted by the creditors in due time are secured or satisfied;

- The share capital shall be reduced in connection with the adjustment of the Company's capital structure and finally the Company's share capital shall be consistent with the Company's strategic objectives. The amount of the reduced share capital is in accordance with the requirements arising from law and the Articles of Association of the Company. Following the decision, the new share capital will amount to EUR 3,600,000, divided into 36,000,000 shares with a nominal value of EUR 0.10 per share;

- The list of shareholders entitled to the payment of share capital shall be fixed on 04.07.2019. at the end of the working day. Ex-date of the rights attached to the shares is 03.07.2019; as of that date, the acquirer is not entitled to receive any reduction in share capital. As of 23 September 2019, Tartu County Court registered the decrease of the share capital to 3 600 thousand EUR according to the resolution of the General Meeting (June 19, 2019). Payment completed on 27.09.2019.

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 2019 registered share capital of AS Silvano Fashion Group amounted to 3 600 thousand EUR divided into 36 000 000 ordinary shares with a nominal value of 0.1 EUR each. The share register is electronic and maintained at the Estonian Central Register of Securities. The Company has been listed on Nasdaq OMX Tallinn Stock Exchange since 20.05.1997 I-list and since 21.11.2006 main list and on Warsaw Stock Exchange since 23.07.2007.

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

Information on SFG shares

Key share details	2015	2016	2017	2018	2019
Number of shares outstanding at year end	38 000 000	37 000 000	36 000 000	36 000 000	36 000 000
Weighted average number of shares	37 810 000	36 863 270	36 048 850	36 000 000	36 000 000
Year-end share price, in EUR	1.28	2.96	2.88	2.31	2.17
Earnings per share, in EUR	0.26	0.22	0.3	0.3	0.3
Dividend per share, in EUR	0.25	0.5	0.2*	0.2**	n/a
Dividend / Net profit	0.96	2.27	0.67	0.67	n/a
P/E ratio	5.00	13.45	9.60	7.70	7.23

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

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

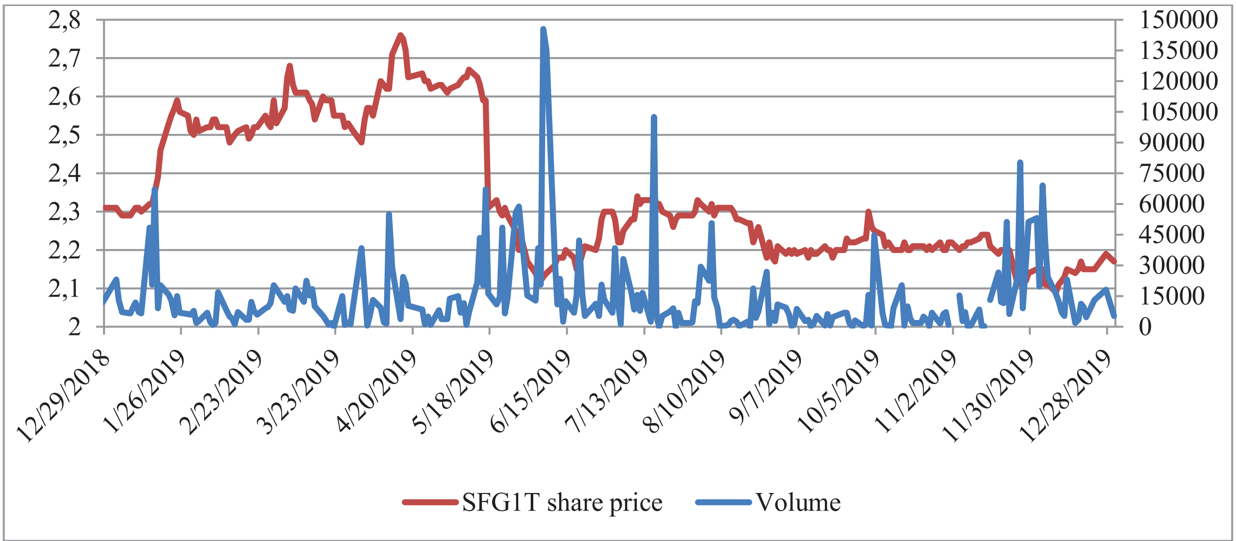
Share price performance and trading history

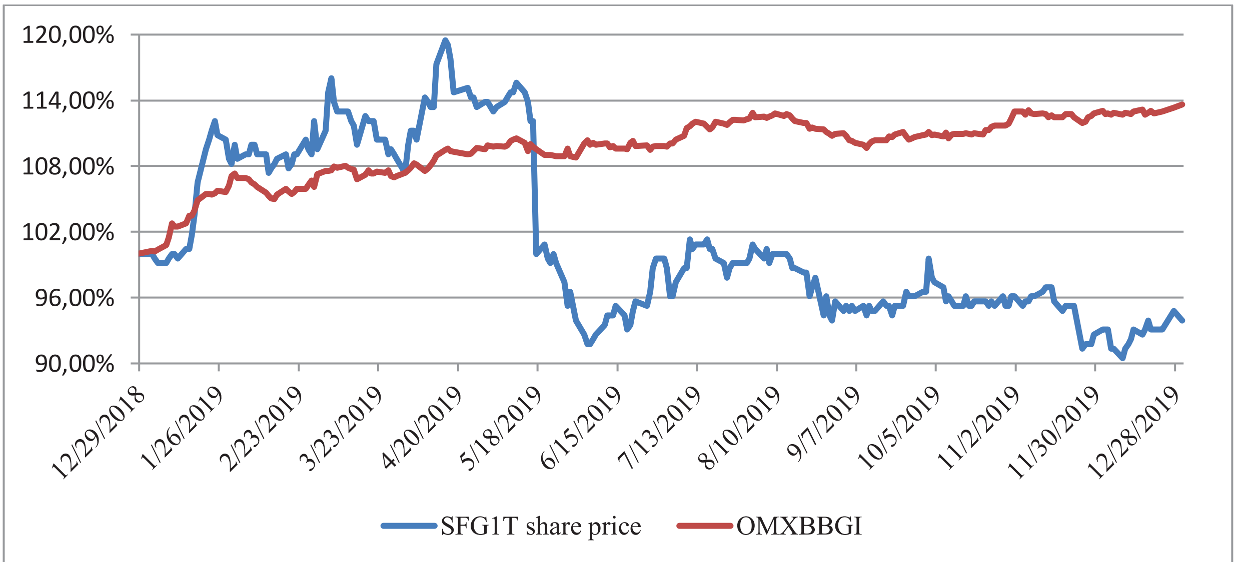
In 2019, SFG's share price decreased by 6% and the Group's market capitalization decreased by EUR 5.04 million.

Tallinn Stock Exchange trading history	2015	2016	2017	2018	2019
High, in EUR	1.61	3.12	3.02	3.18	2.76
Low, in EUR	1.10	1.21	2.39	2.27	2.08
Last, in EUR	1.28	2.96	2.88	2.31	2.17
Traded volume	13 380 757	7 041 158	5 485 736	3 932 331	3 443 297
Turnover, in EUR million	17.37	13.3	15.22	10.72	7.96
Market capitalization, in EUR million	48.64	109.52	103.68	83.16	78.12

Share price development and turnover on the Tallinn Stock Exchange during 12 months of 2019 (EUR)

During 12 months of 2019 the highest and lowest prices of the AS Silvano Fashion Group` share on the Tallinn Stock Exchange were 2.76 EUR and 2.08 EUR, respectively



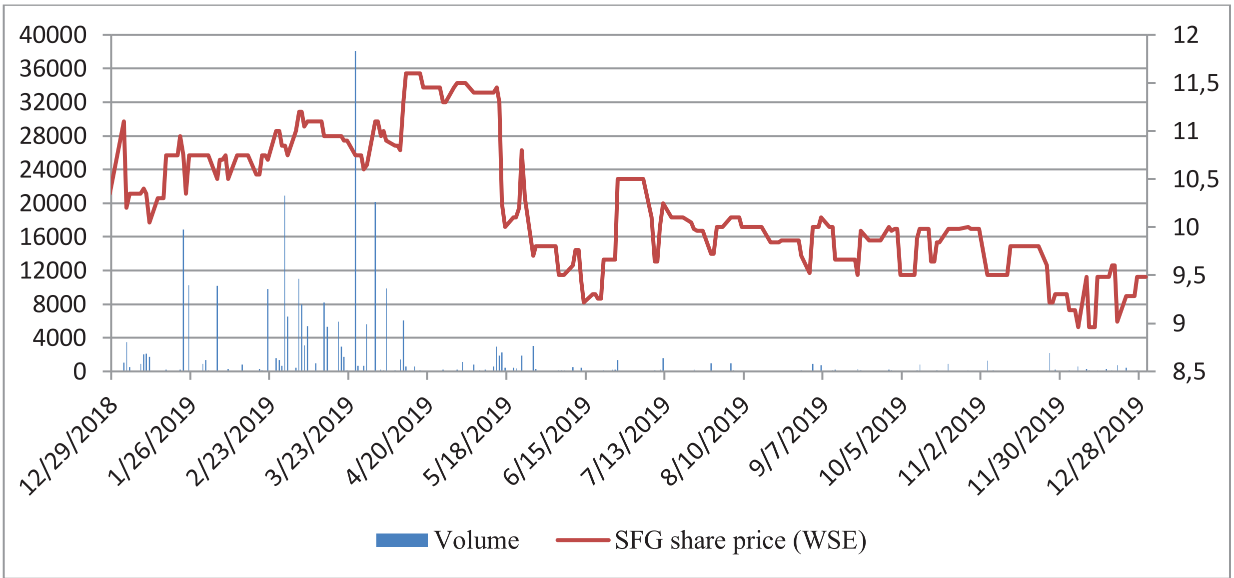


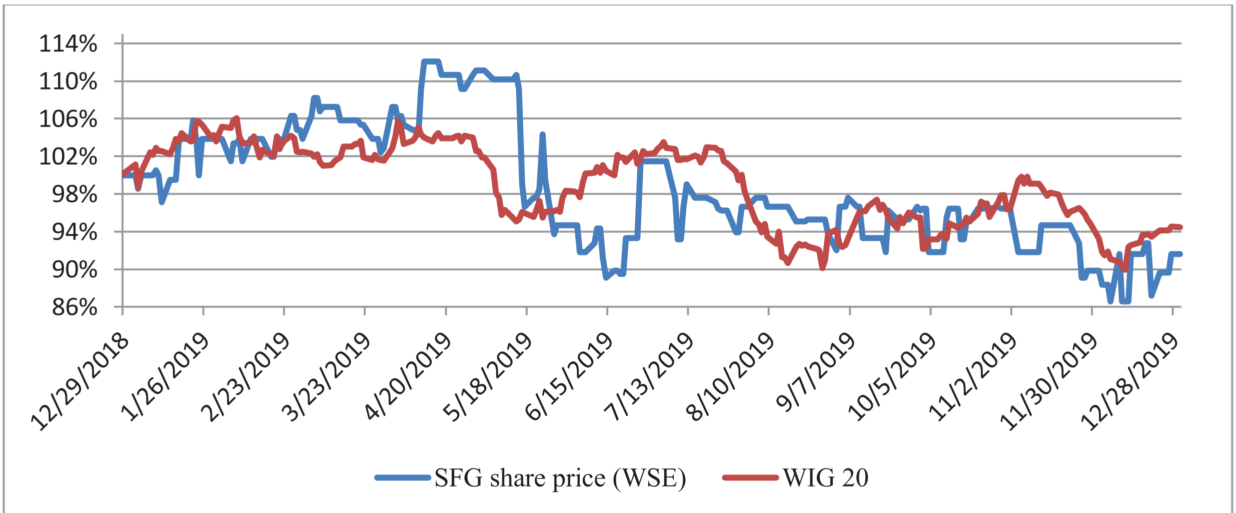
Warsaw Stock Exchange trading history	2015	2016	2017	2018	2019

High, in PLN	6.70	14.63	14.40	13.90	11.60
Low, in PLN	4.51	5.17	9.96	10.00	8.96
Last, in PLN	5.40	13.44	11.96	10.35	9.48
Traded volume	2 261 427	1 489 604	261 419	513 511	268 377
Turnover, in PLN million	12.50	10.40	2.96	5.87	2.89

Share price development and turnover on the Warsaw Stock Exchange during 12 months of 2019 (PLN)

During 12 months of 2019, the highest and lowest prices of the AS Silvano Fashion Group` share on the Warsaw Stock Exchange were 11.60 PLN and 8.96 PLN respectively.





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

Shareholder structure

As of 31 December 2019 AS Silvano Fashion Group had 2 231 shareholders (as of 31 December 2018: 2 080 shareholders).

A complete list of the Company's shareholders is available on the website of the Estonian Central Register of Securities (http://statistics.e-register.ee/et/shareholders).

The distribution of shares as of 31 December 2019:

	31.12.2019			31.12.2018		
Shareholdings	**Number of shareholders**	**% of votes**	**Number of shares**	**Number of shareholders**	**% of votes**	**Number of shares**
>10%	2	46.72	16 820 000	2	47.25	17 011 020
1.0–10.0%	13	30.32	10 916 058	13	34.49	12 416 365
0.1–1.0%	40	11.55	4 156 036	33	7.96	2 865 783
<0.1%	2 176	11.41	4 107 906	2 032	10.3	3 706 832
Total	**2 231**	**100,00%**	**36 000 000**	**2 080**	**100.0%**	**36 000 000**

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

	31.12.2019	**31.12.2018**
Baltplast AS	24,50%	0,00%
AS SEB Pank Clients	22,22%	22,22%
Krajowy Depozyt Papierow Wartošciowych S.A.	4,99%	5,43%
UNICREDIT BANK AUSTRIA AG	4,64%	7,94%
Clearstream Banking AG	2,83%	0%
STATE STREET BANK AND TRUST OMNIBUS ACCOUNT A FUND NO OM01	2,60%	2,60%
CITIBANK (NEW YORK) / GOVERNMENT OF NORWAY	2,43%	2,43%
FIREBIRD REPUBLICS FUND LTD	2,14%	2,78%
NORDEA BANK ABP/NON TREATY CLIENTS	2,09%	0,00%
SWEDBANK AS CLIENTS	2,09%	1,87%
FIREBIRD FUND L.P.	1,53%	2,00%
AB SEB BANKAS	1,34%	1,00%
osaühing Hausman & Toran	1,25%	0,54%
FIREBIRD AVRORA FUND, LTD.	1,24%	1,62%
CACEIS BANK UCITS CLIENTS	1,14%	0,00%

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

Shareholders who had over 1% of all votes as at 31.12.2018: Clearstream Banking Luxembourg S.A. Clients, NORDEA BANK AB FINLAND BRANCH-NON-TREATY CLIENTS, and TOOMAS TOOL did not have shares at 31.12.2019, BNYM AS AGT/CLTS and SWEDBANK AS/PENSION PLAN DYNAMICS did not have shares over 1% of all votes as at 31.12.2019.

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

As of 31.12.2019 Funds managed by Eastern Star Consulting (Firebird Funds), did not have shares over 5% of all votes, 2 298 254 shares (6.38% of all votes) in 31.12.2018.

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

The Management board and the Supervisory Board did not have shares held as of 31.12.2019.
During 2019 financial year there was no buy-back of shares of Silvano Fashion Group.

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

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

Dividends

Silvano Fashion Group AS is under no permanent or fixed obligation of paying dividends to its shareholders. Recommendations of the Management Board and the Supervisory Board for profit allocation are based on financial performance, requirements for current capital management, investment needs and strategic considerations.

Corporate Governance Report

The shares of AS Silvano Fashion Group have been admitted to trading on the Nasdaq OMX Tallinn Stock Exchange and the Warsaw Stock Exchange. Two corporate governance codes apply to the Company: 1) the Corporate Governance Recommendations adopted by the NASDAQ OMX Tallinn Stock Exchange and the Estonian Financial Supervision Authority (hereinafter CGR); 2) the Code of Best Practice for WSE Listed Companies.

According to CGR, the Company shall describe its management practices in corporate governance recommendations report and confirm its compliance or not with CGR. If the Company does not comply with CGR, the Company shall explain in the report the reasons for its non-compliance. The Code of Best Practice for WSE Listed Companies provides the same obligation which is applicable to the Company due to its listing on the Warsaw Stock Exchange.

The Management Board and the Supervisory Board of the Parent company confirm, to the best of their knowledge that they did everything possible to ensure that the management practices were in compliance with CGR in all substantial matters during the reporting year. If the management practices deviated, in the Management Board’s and/or the Supervisory Board’s opinion, from particular provisions of CGR during 2019 such a deviation is explained below.

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

General Meeting of Shareholders

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

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

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

One annual general meeting of the shareholders was held on 03.05.2019. The substantial facts related to the general meeting are set out below:

- The Annual General Meeting was held on 03.05.2019 in Tallinn. The meeting was held in Estonian language. The agenda of the Annual General Meeting included 7 items: 1) approval of the 2018 Annual Report; 2) distribution of profits; 3) recalling of Ants Susi from the Supervisory Board; 4) election of Triin Nellis as the new member of the Supervisory Board; 5) supervisory board remuneration; 6) amendments to the Articles of Association; 7) increase of share capital. The general meeting passed the resolutions on all items in the agenda.
- The meeting was attended by Mr. Särgava the Member of Management Board. The Chairman of the Supervisory Board, Mr Tool couldn't attend due to unexpected duties in abroad.
- The notice calling the annual general meeting was published on 10.04.2019 on the NASDAQ OMX Tallinn Stock Exchange website, on the Warsaw Stock Exchange website and on the Company's website and on 11.04.2019 in the daily newspaper "Eesti Päevaleht". The notice was published in Estonian and English language.
- The resolutions of the general meeting were published on Nasdaq OMX Tallinn and Warsaw stock exchanges and on Parent company's website in Estonian and English language.

Considering the aforementioned descriptions of general meeting held in 2019, the Company has largely complied with the Corporate Governance Code in informing the shareholders, convening and holding the general meeting.

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

Management Board

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

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

As of 31 December 2019 the management board had 1 member: Mr. Jarek Särgava.

Upon assuming the office, member of the Management Board has executed a board member contract with the Company or service contract with a company belonging to the Group governing the service assignments of that member. Those contracts specify the rights, obligations and liability of the member of the management board, and lay down the provisions governing payment of principal remuneration. The amount of the remuneration was agreed upon in line with the service assignments and activities entrusted to the relevant member of the management board, the current state of the business, and the future trends.

The Parent company does not comply with the requirement to publish the remuneration, bonus system and other payments and benefits received by the individual members of the Management Board on the web page of the Company and in this report (section 2.2.7 of CGR issued by Financial Supervision Authority in Estonia). The Parent company is of the opinion that such disclosure may impair the rights of the members of the Management Board and the Parent company itself. Breakdown of aggregated amounts paid to the members of the managing bodies is included in the Consolidated Annual Report of the Group.

Members of the Management Board have informed the Parent company of their participation in other business entities, which are not members of the Group or management bodies thereof. No members of the Management Board are in direct competition with the Group. There is no conflict of the interest between the members of the Management Board and the Group and certain interest held by the members of Management Board, and their participation in managing bodies do not constitute a breach of the prohibition from competition. Moreover, the members of the

Management Board have assumed the obligation to refrain from any breach of the non-competition obligation under their respective agreements.

Furthermore, the internal work procedure rules of the Group stipulate that no member of the Management Board or any employee shall demand or accept in their own personal interest any money or other benefits from any third persons in connection with their job, nor grant any third persons unlawful or unreasonable favours.

Supervisory Board

The task of the Supervisory Board is to plan the operations of the Parent company, organize the business and carry out supervision over the activities of the Management Board. The General Meeting of Shareholders elects the members of the Supervisory Board of the Parent company.

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

As of 31 December 2019 the Supervisory Board of the Parent company consists of five members: Mr. Toomas Tool (Chairman), Mr. Stephan Balkin, Mr. Mart Mutso, Mr. Risto Mägi and Ms. Triin Nellis. The current composition of the Supervisory Board is available on the Parent company's website.

In accordance with Section 3.2.2. CGR more than one-half of the members of the supervisory board were independent. The Company is currently complying with the requirement of having at least half members of the Supervisory Board as independent members as set out in Section 3.2.2 of CGR.

The members of the Supervisory Board elect and appoint the chairman of the supervisory board. Mr. Toomas Tool serves as the chairman of the supervisory board from 15 November 2012.

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

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

Altogether 4 meetings of the Supervisory Board were held in the reporting year. Most members of the Supervisory Board of the Company participated in more than one-half of the meetings of the Supervisory Board held during their term of office.

Co-operation of Management Board and Supervisory Board

The Management Board and the Supervisory Board work in close co-operation. The Management Board and the Supervisory Board hold joint meetings when matters concerning the Group's strategy are discussed, and the parties continuously exchange information pertaining to the strategic development of the Group. At such meetings the Management Board informs the Supervisory Board of any deviations from the Group's plans and targets and the reasons thereof. Meetings of the Chairman of the Supervisory Board and Management Board members are held to exchange information when needed. With respect to exchange of information, the internal rules governing the keeping, disclosure of internal information, as well as transactions with the shares of the Parent company are applied.

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

No conflicts of interests occurred on financial year of 2019.

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

Disclosure of Information

Since listing of the shares 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 the Estonian and the English languages on the parent company's webpage and the webpage of the Nasdaq OMX Tallinn Stock Exchange and in English language on Warsaw stock exchange.

Audit committee

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

Financial Reporting and Auditing

The Management Board of Silvano Fashion Group AS publishes the annual report once each year and interim reports during the financial year. The annual report, which is signed by the members of the Management Board and Supervisory Board, is submitted to shareholders for examination. Consolidated Annual Report of the Group has been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union. The auditor (Ernst & Young Baltic AS) is auditing this Consolidated Annual Report of the Group for the second time.

During 2019, the auditor of the Group has provided to the Group other tax and advisory services 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, in as much as, in the opinion of the Group, the non-disclosure thereof does not affect the reliability of the auditor's report prepared following the auditing.

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

In our opinion, the financial audit conducted in 2019 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 66-70.

Corporate Social Responsibility

Silvano Fashion Group AS is aware of its special responsibility towards society and the environment. Accordingly, in addition to economic growth, its corporate strategy and business operations are also oriented to ecological and social values. For the Group, this responsibility translates into numerous areas of involvement designed to promote the health and professional development of employees as well as activities to protect the environment and the ecosystem.

Sustainable business

AS Silvano Fashion Group continually works with its employees and business partners to ensure the sustained success of the Group. For this purpose the business strategy focuses on the long-term enhancement of brand value, without neglecting the short-term requirements of the consumer and capital markets.

Environmental responsibility

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

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

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

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

Social responsibility

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

1. Observe both national and international legislation on labour rights protection.
2. Guarantee safe working conditions to its employees: detect and analyse related risks on a regular basis; take all possible actions and allocate necessary funds to minimize negative impact of dangerous and harmful factors in the workplace.
3. Constantly improve quality of working conditions and guarantee social support to the employees through the Program of Health Promotion.
4. Take care of employees' health by preventing work-related diseases, providing medical support within the framework of the Program of Health Promotion.
5. Use modern equipment and new technologies to ensure safe working conditions and high level of labour productivity.
6. Ensure employees' satisfaction, motivation and dedication by investing in professional training and education.
7. Carry out standardized employee performance reviews in all business areas in order to identify and promote personal development and career opportunities for each employee.

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

Quality management

A high quality business and management model is one of the assets of Silvano Fashion Group AS. The objective is to develop business processes, practices and systems based on the principles of continuous improvement and in accordance with the customers' needs and expectations. Quality development is a continuous process where every employee has a central role to play. The Group particularly emphasizes the handling of customer feedback so that the necessary information reaches the relevant employees with minimum delay and that corrective and preventive action can be effectively implemented.

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

Management Board´s confirmation to the Management Report

The Management Board acknowledges its responsibility and confirms, to the best of its knowledge, that the Management Report as set out on pages 3 to 20 is an integral part of Consolidated Annual Report of AS Silvano Fashion Group for 2019 and gives a true and fair view of the trends and results of operations, main risks and uncertainties of AS Silvano Fashion Group and its subsidiaries as a group during the reporting period.

Jarek Särgava
Member of the Management Board
April 3, 2020

CONSOLIDATED FINANCIAL STATEMENTS

Management´s Board confirmation to the Consolidated Financial Statements

The Management Board acknowledges its responsibility and confirms, to the best of its knowledge, that the Consolidated Financial Statements as set out on pages 23 to 64 is an integral part of Consolidated Annual Report of AS Silvano Fashion Group for 2019 and the accounting policies used in preparing the financial statements are in compliance with International Financial Reporting Standard as adopted in European Union; the financial statements are true and fair view of the financial position, the results of the operations and the cash flows of the Parent Company and the Group; Silvano Fashion Group AS and its subsidiaries are going concerns.

Jarek Särgava
Member of the Management Board
April 3, 2020

Consolidated Statement of Financial Position

in thousands of EUR	Note	31.12.2019	31.12.2018
ASSETS			
Current assets			
Cash and cash equivalents	5,7	5 152	13 603
Trade receivables	5,8	962	1 684
Prepayments	5,8	1 422	1 718
Other receivables	5.8	228	254
Inventories	9	19 359	17 645
Total current assets		**27 123**	**34 904**
Non-current assets			
Long-term receivables	5	334	292
Investments in associates		82	64
Investments in other shares	8,10	321	305
Deferred tax asset	14	905	1 433
Intangible assets	11	423	261
Investment property	12,23	869	851
Property, plant and equipment	13	16 252	7 394
Total non-current assets	24	**19 186**	**10 600**
TOTAL ASSETS		**46 309**	**45 504**
LIABILITIES AND EQUITY			
Current liabilities			
Short-term lease liabilities	23	2 362	0
Trade and other payables	5,8	6 899	14 163
Tax liabilities	14	889	662
Total current liabilities		**10 150**	**14 825**
Non-current liabilities			
Deferred tax liability	14	14	7
Long-term lease liabilities	23	6 333	0
Long-term provisions		61	61
Total non-current liabilities		**6 408**	**68**
Total liabilities		**16 558**	**14 893**
Equity			
Share capital	15	3 600	3 600
Share premium		4 967	8 567
Statutory reserve capital		1 306	1 306
Revaluation reserve		355	355
Unrealised exchange rate differences		-15 697	-14 696
Retained earnings		31 793	28 330
Total equity attributable to equity holders of the Parent company		**26 324**	**27 462**
Non-controlling interest		3 427	3 149
Total equity		**29 751**	**30 611**
TOTAL EQUITY AND LIABILITIES		**46 309**	**45 504**

Notes on pages 27 to 64 are integral part of these Consolidated Financial Statements.

Consolidated Income Statement

in thousands of EUR	Note	12m 2019	12m 2018
Revenue from contracts with customers	17,24	56 943	62 213
Cost of goods sold	18	-27 292	-27 594
Gross Profit		**29 651**	**34 619**
Distribution expenses	19	-11 714	-11 963
Administrative expenses	20	-4 582	-4 279
Other operating income		300	281
Other operating expenses	21	-943	-922
Operating profit		**12 712**	**17 736**
Currency exchange income/(expense)	22	3 057	-2 842
Other finance income/(expenses)	22	-590	61
Net financial income		**2 467**	**-2 781**
Profit (loss) from associates using equity method		8	20
Profit before tax		**15 187**	**14 975**
Income tax expense	14	-4 038	-3 450
Profit for the period		**11 149**	**11 525**
Attributable to :			
Equity holders of the Parent company		10 663	10 796
Non-controlling interest		486	729
Earnings per share from profit attributable to equity holders of the Parent company, both basic and diluted (EUR)	16	0,30	0,30

Consolidated Statement of Comprehensive Income

in thousands of EUR	Note	12m 2019	12m 2018
Profit for the period		**11 149**	**11 525**
Other comprehensive income that will be reclassified to profit or loss in subsequent periods		**-699**	**715**
Attributable to :			
Equity holders of the Parent company		-1 001	892
Non-controlling interest		302	-177
Total comprehensive income for the period		**10 450**	**12 240**
Attributable to :			
Equity holders of the Parent company		9 662	11 688
Non-controlling interest		788	552

Notes on pages 27 to 64 are integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

in thousands of EUR	Note	12m 2019	12m 2018
Cash flow from operating activities			
Profit for the period		**11 149**	**11 525**
Adjustments for:			
Depreciation and amortization of non-current assets	11,13	4 292	1 574
Share of profit of equity accounted investees		-8	-20
(Gains)/ losses on the sale of property, plant and equipment	13	50	16
Net finance income / costs		-2 467	240
Provision for impairment losses on trade receivables	19	45	5
Provision for inventories	9	263	0
Provision for long-term benefits		0	9
Impairment of deferred tax asset	14	678	0
Income tax expense	14	4 038	3 450
Change in inventories	9	-1 714	115
Change in trade and other receivables	8,14	944	-871
Change in trade and other payables	8,14	114	-1 260
Income tax paid		-2 298	-3 543
Net cash from operating activities		**15 086**	**11 240**
Cash flow from investing activities			
Interest received		12	31
Dividends received		0	3
Proceeds from disposal of property, plant and equipment	13	84	18
Proceeds from repayments of loans granted		6	0
Acquisition of property, plant and equipment	13	-1 216	-497
Acquisition of intangible assets	11	-219	-156
Acquisition of shares of a subsidiary	6	0	-8
Net cash used in/from investing activities		**-1 333**	**-609**
Cash flow from financing activities			
Repayment of finance lease		-2 988	0
Interest paid on finance lease		-636	0
Dividends paid		-7 710	-18 373
Reduction of share capital		-10 800	0
Net cash used in/ from financing activities		**-22 134**	**-18 373**
Increase in cash and cash equivalents		**-8 381**	**-7 742**
Cash and cash equivalents at the beginning of period	7	**13 603**	**21 230**
Effect of exchange rate fluctuations on cash held	7	-70	115
Cash and cash equivalents at the end of period		**5 152**	**13 603**

Notes on pages 27 to 64 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 2017	**10 800**	**8 567**	**1 306**	**710**	**-15 588**	**35 179**	**40 974**	**2 970**	**43 944**
Profit for the period	0	0	0	0	0	10 796	**10 796**	729	**11 525**
Other comprehensive income for the period	0	0	0	-355	892	355	**892**	-177	**715**
Total comprehensive income for the period	**0**	**0**	**0**	**-355**	**892**	**11 151**	**11 688**	**552**	**12 240**
Transactions with owners, recognised directly in equity									
Dividends declared	0	0	0	0	0	-18 000	**-18 000**	-373	**-18 373**
Reduction of share capital	-7 200	0	0	0	0	0	**-7 200**	0	**-7 200**
Total transactions with owners, recognised directly in equity	**-7 200**	**0**	**0**	**0**	**0**	**-18 000**	**-25 200**	**-373**	**-25 573**
Balance as at 31 December 2018	**3 600**	**8 567**	**1 306**	**355**	**-14 696**	**28 330**	**27 462**	**3 149**	**30 611**
Balance as at 31 December 2018	**3 600**	**8 567**	**1 306**	**355**	**-14 696**	**28 330**	**27 462**	**3 149**	**30 611**
Profit for the period	0	0	0	0	0	10 663	**10 663**	486	**11 149**
Other comprehensive income for the period	0	0	0	0	-1 001	0	**-1 001**	302	**-699**
Total comprehensive income for the period	**0**	**0**	**0**	**0**	**-1 001**	**10 663**	**9 662**	**788**	**10 450**
Transactions with owners, recognised directly in equity									
Dividends declared	0	0	0	0	0	-7 200	**-7 200**	-510	**-7 710**
Reduction of share capital and share premium	-3 600	0	0	0	0	0	**-3 600**	0	**-3 600**
Increase of share capital	3 600	-3 600	0	0	0	0	**0**	0	**0**
Total transactions with owners, recognised directly in equity	**0**	**-3 600**	**0**	**0**	**0**	**-7 200**	**-10 800**	**-510**	**-11 310**
Balance as at 31 December 2019	**3 600**	**4 967**	**1 306**	**355**	**-15 697**	**31 793**	**26 324**	**3 427**	**29 751**

Notes on pages 27 to 64 are integral part of these Consolidated Financial Statements.

03.04.2020
MS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General information

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

The Parent company is a public limited company, which is listed on NASDAQ OMX Tallinn Stock Exchange and on Warsaw Stock Exchange. The Parent company is incorporated and domiciled in Estonia. The address of its registered office is Tulika 17, 10613 Tallinn, registration number is 10175491. There is no controlling shareholder. These financial statements were authorized for issue by the Management Board of AS Silvano Fashion Group on 31 March 2020.

The consolidated financial statements are part of the annual report that has to be approved by the shareholders, and they serve as a basis for adopting a resolution for distributing the profit. Shareholders may decide not to approve the annual report, which has been prepared by the management board and approved by the supervisory board, and may demand that a new annual report be prepared.

Note 2 Summary of significant accounting policies

Principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of AS Silvano Fashion Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The consolidated financial statements have been prepared under the historical cost basis, except for equity financial assets that have been measured at fair value through profit or loss, as presented in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group`s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2019:

IFRS 16: Leases
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Management has made an assessment of the effect of the standard and presented its impact in Note 23.

IFRS 9: Prepayment features with negative compensation (Amendment)
The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The amendment had no impact on the consolidated financial statements of the Group.

IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)
The Amendments relate to whether the measurement, in particular impairment requirements, of long-term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an

entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. Management has assessed the impact of these amendments to be immaterial in the consolidated financial statements ofthe Group.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. Management has assessed the impact of these amendments to be immaterial on the consolidated financial statements of the Group.

IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)
The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. Management has assessed the improvements and these improvements had no impact on the consolidated financial statements of the Group. .

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:**
  The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- **IAS 12 Income Taxes:**
  The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- **IAS 23 Borrowing Costs:**
  The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

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 2020, 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 not yet assessed the impact of the implementation of this amendment.

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

IFRS 3: Business Combinations (Amendments)
The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. These Amendments have not yet been endorsed by the EU. Management has not yet assessed the impact of the implementation of this amendment..

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)
The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. Management has not yet assessed the impact of the implementation of this amendment.

Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)
The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Earlier application is permitted. In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. Phase two will focus on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. Management has not yet assessed the impact of the implementation of this amendment.

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

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 2019.Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform the Group's accounting policies.

a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of acquire and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Supervisory Board of the Parent company.

2.4 Foreign currency transactions

a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within “currency exchange income /(expense)”. All other foreign exchange gains and losses are presented in the income statement within “other operating income” or “other operating profit”.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are classified between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average monthly, quarterly or yearly exchange rates, depending on which average rate is a more reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates. If none of the given approximations reasonably reflect the cumulative effect of the rates prevailing on the transaction dates, then income and expenses are translated at the rate on the dates of the transactions); and all resulting exchange differences are recognised in other comprehensive income.

d) Hyperinflation in Belarus

As the Belarus economy has ceased to be hyperinflationary starting from 01.01.2015, the Group has discontinued the preparation and presentation of financial statements by applying IAS 29 “Financial Reporting in Hyperinflationary Economies”. The amounts expressed in the measuring unit current (e.g. inventory, property, plant and equipment) as at 31.12.2014 are the basis for the carrying amounts in its subsequent financial statements.

2.5 Property, plant and equipment

Property, plant and equipment are tangible items that:
(a) are held for use in the production or supply of goods or services, or for administrative purposes; and
(b) are expected to be used during more than one period.

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating expenses" in the income statement.

2.6 Intangible assets

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 10 years. The amortisation of intangible assets is based on the specifics asset function included in cost of goods sold, distribution and administrative expenses of Consolidated Statement of Comprehensive Income.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 to 10 years. Detailed information is disclosed in Note 11.

2.7 Investment property

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

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

2.8 Impairment of non-financial assets

Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

2.9.1 Classification

The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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

2.9.2 Recognition and derecognition

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

2.9.3 Measurement

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

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

As at 1 January 2019 and 31 December 2019 and during 2019, the Group's debt instruments were trade receivables and other non-current financial assets classified as trade and other receivables.

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

As at 1 January 2019 and 31 December 2019 and during 2019, the Group's equity instruments were investments in other shares.

2.10 Impairment of financial assets

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

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

The measurement of expected credit losses shall take into account: (i) an unbiased and probability-weighted amount, the determination of which shall assess a number of possible different outcomes, (ii) the time value of

03.04.2020
MS

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

2.11 Inventories

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

Inventories, whose net realisable value are lower than cost is 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 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity. Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.15 Financial liabilities

2.15.1 Initial recognition and measurement

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

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

2.15.2 Subsequent measurement

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

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

2.15.3 Derecognition

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

2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Parent company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend is recognized.

In accordance with effective legislation, in Estonia corporate income tax is not levied on profits earned. Therefore, deferred tax assets and liabilities do not arise. Instead of profit earned, income tax is levied on dividends and other distributions.. Starting from 1 January 2015 the tax rate is 20/80. The income tax payable on dividends is recognized in the income statement of the period in which the dividends are declared, irrespective of the period for which the dividends are declared or in which they are paid. From 2019, tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of

03.04.2020
MS

up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

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

2.17 Provisions and contingent liabilities

Provisions for costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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

The Group has contingent liabilities related to the uncertain tax environment for its foreign subsidiaries operating abroad for which potential amount is unclear as of 31 December 2019 but can be material. The realization of these contingent liabilities may have an effect on the financial position, results of operations and cash flows of the Group. The assessment of the realization of contingent liabilities involves a significant management judgment to assess the probable outcomes of the uncertainties and consequently the amount of provisions to be recorded and contingent liabilities to be disclosed in the financial statements. According to management IFRIC 23 assessment no provision is recognised in respect to this matter as of December 31, 2019 as the management believes that the current tax treatment is probably (probable = more likely than not as per definition in IFRS) to be accepted by the tax authorities. 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 now.

2.18 Revenue recognition

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

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, by credit card or with bank transfer. The probability of returning goods is estimated based on historical experience, and returns are recognised in the period of the sales transaction as a reduction of revenue, by recognising a contract liability (refund liability) and a right to the returned goods. 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.

Sale of goods – wholesale

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

A receivable is recognised when the goods are delivered 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.

2.19 Leases

Policy applicable from 1 January 2019

The Group as the Lessee

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

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

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

• Lease of premises – 1 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.8. Right -of-use assets are presented in statement of financial position on row “Property, plant and equipment”

Lease liabilities

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

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

Lease liabilities are presented in statement of financial position on row “Lease liabilities”

The Group as the Lessor

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

The accounting policies applied by the Group as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

In the comparative period, the Group as a lessee classified leases that transfer substantially all of the risks and rewards of ownership as finance leases and all other leases as operating leases. In case of finance leases, upon initial recognition the leased assets were measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under operating leases were not recognized in the Group's statement of financial position. Instead, payments made under such leases were recognized in profit or loss on a straight-line basis over the term of the lease.

Note 3 Critical accounting estimates, judgments and uncertainties

The preparation of consolidated financial statements in accordance with IFRS as adopted in the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Deferred tax assets and uncertain tax positions

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 905 thousand as of 31 December 2019 (EUR 1 433 thousand as of 31 December 2018). 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.

The Group has contingent liabilities related to the uncertain tax environment for its foreign subsidiaries operating abroad for which potential amount is unclear as of 31 December 2019 but can be material. The realization of these contingent liabilities may have an effect on the financial position, results of operations and cash flows of the Group. The assessment of the realization of contingent liabilities involves a significant management judgment to assess the probable outcomes of the uncertainties and consequently the amount of provisions to be recorded and contingent liabilities to be disclosed in the financial statements. According to management IFRIC 23 assessment no provision is recognized in respect to this matter as of December 31, 2019 as the management believes that the current tax treatment is probably (probable = more likely than not as per definition in IFRS) to be accepted by the tax authorities. 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 now.

Amount of inventory write-off to net realizable value

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. However actual selling price at the time of transaction may differ from the estimates. The need for and extent of writing down of inventories is determined as follows: 100% write-down of raw materials not intended for further use, 100% write-down of standard finished goods not intended for further sale, finished goods that will be definitely included in seasonal sales and promo-events (30%

average discount), non-standard finished goods (rejects, defected finished goods) percentage (85% of closing balance in average).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The amounts of write-downs are disclosed in Note 9.

Uncertainties in operating environment

The Republic of Belarus displays characteristics of an emerging market, which is a subject to economic, political, social, legal and legislative risks, these are different from the risks of more developed markets. Laws and regulations affecting businesses in Belarus continue to change rapidly. Tax, currency and customs legislation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Belarus. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

On July 1, 2016 Belarus had a denomination of the Belarusian rouble. The National Bank of Belarus (NBB) carried out denomination by replacing the banknotes in a ratio of 10,000 "old" roubles to 1 "new" rouble.

According to statistical data, consumer price index for the year ended 31 December 2019 amounted to 4.7% (5,6% for the year ended 31 December 2018). During 2019 the NBB key interest rate decreased from 10% to 9%.

Growth slumped sharply in 2019, chiefly on feebler external demand, according to preliminary national accounts data. Nevertheless, the economy appears to have gained momentum in Q4 2019. Accelerating retail sales hinted at sturdier consumer spending thanks to a tight labor market and falling inflation. Moreover, the government's previously delayed spending seems to have finally kicked into full speed in Q4, while lower interest rates boded well for investment activity. That said, the external sector limited the upturn as merchandise exports likely contracted again in Q4. The economy should pick up traction in year 2020, amid overdue fiscal stimulus, rising incomes and a more accommodative monetary policy, all of which should support domestic activity. Risks to the outlook remain elevated, however, related to the volatile external environment, further delays to the government's infrastructure investment program.

During 2019 the Central Bank of the Russian Federation exchange rate fluctuated between RUB 80 and RUB 69 per EUR. The CBRF key interest rate at the end of the year was 6,25%. In Moody's Investors Service confirmed it to be stable at Baa3 in February 2019. Fitch Ratings still have Russia as investment grade.

Growth likely decelerated further in the fourth quarter of last year, after slowing in the third quarter on easing private consumption. Industrial production plummeted in Q4, bruising merchandise export growth and likely taking its toll on fixed investment; however, solid construction activity and cheaper financing conditions likely cushioned the slowdown. On the upside, upbeat retail sales in Q4, amid the lowest inflation in nearly six years, suggest that household spending gathered momentum at year-end.
Economic activity is seen moderating this year, but remain solid nonetheless. Government efforts to improve the business climate and attract FDI, coupled with cheaper credit conditions, should shore up investment. Moreover, private consumption should remain solid thanks to a tightening labor market. Downside risks stem from a slowdown in the pace of reform.

In 2019 Ukraine's GDP increased by 3.3% year on year (2018: increased by 3.4%). Inflation during the year 2019 was 4.1%. The final resolution and the effects of the political and economic crisis are difficult to predict but they may have significant effects on the Ukrainian economy and the Group's business.

The financial results of the Group have been impacted by both the changes in the currency exchange rates and the overall changes in the economy.

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.

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).

Potential impact of COVID-19 pandemic situation

The Group has assessed the potential impact of COVID-19 pandemic situation, including the quarantine that has been announced in the Republic of Estonia on 13th March (and afterwards in other countries) on the financial statements, including going concern assumption. The management has assessed that this matter is very unclear as of today but will not affect the Group's ability to continue as a going concern during the next 12 months. The management assessment has been prepared based on different scenarios valuation and on their possible outcome, including the scenario with closing retail stores in the countries where the Group has operations.

In addition, the management has concluded that this event is a non-adjusting subsequent event and therefore it's potential impact was not considered when making estimates and assumptions about the recoverable values of the trade and other receivables, inventory, tangible and intangible assets and deferred tax assets. This matter might have a significant impact on these estimates in the next financial period, which cannot be reasonably quantified at this stage by the management due to great level of uncertainty associated with further development of COVID-19 pandemic situation in the countries of operation of the Group and the economy as the whole due to general business disruption caused by this matter.

Note 4 Fair value estimation

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

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

Management estimates that the carrying amount of the Group's financial assets and liabilities does not significantly differ from their fair value. Trade receivables and payables are short-term and therefore the management estimates that their carrying amount is close to their fair value. The fair values of trade receivables and payables are determined at third level.

Note 5 Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk and fair value interest rate risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Management Board has an overall responsibility for establishment and oversight of the Group's risk management framework. The achievement of risk management goals in the Group is organized in such a way that risk management is part of normal business operations and management. Risk management is a process of identifying, assessing and managing business risks that can prevent or jeopardize the achievement of business goals.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk is managed on the Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a quality rating are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of each local entity. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The definition of financial assets is contained in note 2. The carrying amount of financial assets (except for financial assets measured at fair value through profit or loss) represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

in thousands of EUR	**Note**	**31.12.19**	**31.12.18**
Cash and cash equivalents	7	5 152	13 603
Trade receivables from third parties	8	962	1 659
Trade receivables from related parties	8	0	25
Other current receivables	8	126	128
Long-term receivables	8	334	292
Total		**6 574**	**15 707**

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

in thousands of EUR	**31.12.2019**	**31.12.2018**
Fitch rating A-AAA	467	1 003
Fitch rating B-BBB	4 444	12 103
Fitch rating C-CCC	0	0
Not rated	241	497
of those not rated, within EU	10	10
Total cash equivalents	**5 152**	**13 603**

The ageing of trade and other receivables was:

in thousands of EUR	**Gross 31.12.2019**	**Expected credit loss 2019**	**Gross 31.12.2018**	**Expected credit loss 2018**
Not past due	1 242	0	1 858	0
Overdue 1-30 days	139	0	143	0
Overdue 31-90 days	17	0	38	0
Overdue 91-180 days	19	0	5	0
More than 180 days	66	-61	80	-20
Total	**1 483**	**-61**	**2 124**	**-20**
Total net	**1 422**		**2 104**	

03.04.2020
MS

Not past due trade receivables are towards wholesale customers. There is no substantial risk concentration in trade receivables. These receivables have been settled by the date of this report.

Trade receivables that have been considered impaired because debtors are experiencing significant financial difficulties and the probability of payments is low. Movements in the allowance for the impairment in respect of trade receivables and other receivables during the year were as follows:

in thousands of EUR	**2019**	**2018**
Balance at the beginning of period	**-20**	**-128**
Accrued during the period	-41	0
Reversed during the period	0	108
Balance at the end of period	**-61**	**-20**

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 in and aggregated by group finance. Group finance 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 2019 and 31 December 2018, 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 balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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

in thousands of EUR **As of 31 December 2018**		**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6-12 months**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities							
Trade payables 8		5 226	5 226	5 215	1	0	10
Other payables	8	7 480	7 480	7 480	0	0	0
Total		**12 706**	**12 706**	**12 695**	**1**	**0**	**10**

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

Most materials required for the manufacturing of women's lingerie are imported from EU member states. Those purchases are mainly in Euros.

Most of the Group's wholesale sales to third parties are in roubles (RUB). The Group's retail sales prices are fixed in the currency of the retail market. Fluctuations in the exchange rates of local currencies affect both the Group's revenue and expenses. Rapid changes in the market's economic environment and increases or decreases in the value of its currency may have a significant impact on the Group's operations and the customers' purchasing power.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept on an acceptable level (a reasonable level in prevailing circumstances) by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is the most exposed to currency risks arising from fluctuations in the exchange rates of BYN and RUB. The Group has addressed this risk by keeping money in more stable currencies such as EUR. Currency risk management includes maintaining an appropriate balance in BYN and RUB which corresponds to the amount required to fulfil liabilities to respective suppliers. The Group does not use hedging to reduce currency risks.

During the reporting year, the exchange rates of currencies affecting the Group's operating results changed as follows against EUR (based on closing figures): Ukrainian hryvnia -16.5% (2018: -5.5%), US dollar -2.4% (2018: -4.1%), Belarusian ruble -4.9% (2018: +5.0%) and Russian ruble +13,0% (2018: +15.7%).

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

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

in thousands of EUR **as at 31 December 2018**	**Total**	**EUR**	**BYN**	**RUB**	**USD**	**UAH**
Cash and cash equivalents	**13 603**	12 650	699	219	35	0
Trade receivables, net	**1 684**	302	647	735	0	0
Investments in other shares	**305**	0	305	0	0	0
Other current receivables	**128**	23	82	23	0	0
Long-term receivables	**292**	21	0	271	0	0
Trade payables	**-5 226**	-3 516	-841	-49	-820	0
Other payables	**-7 480**	-7 208	-222	-47	-3	0
Total statement of financial position exposure	**3 306**	**2 272**	**670**	**1 152**	**-788**	**0**

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

03.04.2020
MS

A 20 percent weakening of BYN against EUR as of 31 December 2019 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 2018.

Effect on profit before tax in thousands of EUR

	2019	2018
EUR	19	134
Total	**19**	**134**

Effect on equity in thousands of EUR

	2019	2018
EUR	16	110
Total	**16**	**110**

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 2019 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 2018.

Effect on profit before tax in thousands of EUR

	2019	2018
EUR	188	230
Total	**188**	**230**

Effect on equity in thousands of EUR

	2019	2018
EUR	154	189
Total	**154**	**189**

A 20 percent strengthening of RUB against EUR would have had the equal but the opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Exposure to the interest rate risk arises from deposits with fixed interest rates. Management estimates that interest rate risk is not significant as Group does not have any long-term deposits or borrowings.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group manages total equity including non-controlling interest as capital. The amount of capital managed by the Group was equal to 29 751 thousand EUR as of 31 December 2019 and 30 611 as of 31 December 2018. 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

03.04.2020
MS

Note 6 Group entities and business combinations

	Location	Main activity	Effective Ownership interest 31.12.2019	Effective Ownership interest 31.12.2018
Parent company				
Silvano Fashion Group AS	Estonia	Holding		
Entities belonging to the Silvano Fashion Group				
Silvano Fashion ZAO	Russia	Retail and Wholesale	100%	100%
Silvano Fashion OOO	Belarus	Retail and wholesale	99%	99%
Silvano Fashion TOV	Ukraine	Wholesale	100%	100%
Silvano Fashion SIA	Latvia	Retail	100%	100%
Milavitsa SP ZAO	Belarus	Manufacturing and wholesale	84.96%	84.96%
Yunona OAO	Belarus	Manufacturing and wholesale	58.33%	58.33%
Gimil OOO	Belarus	Manufacturing and wholesale	100%	100%
Lauma Lingerie AS	Latvia	Manufacturing and wholesale	100%	100%
Alisee SARL	Monaco	Holding	99%	99%
Stolichnaja Torgovaja Kompanija “Milavitsa” ZAO	Russia	Holding	100%	100%
Baltsped logistik OOO	Belarus	Logistics	50%	50%

Transactions during 2019

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

Transactions during 2018
During 2018, Silvano Fashion Group AS acquired 4 shares of Milavitsa SP ZAO from other shareholders increasing Group’s participation from 84.92% to 84.96%.

Summary related to the entities associated with material NCI:

The total non-controlling interest is EUR 3 427 thousand (2018: EUR 3 149 thousand), of which EUR 2 171 thousand is for Milavitsa SP ZAO (2018: EUR 2 897 thousand). The non-controlling interest in respect of Yunona OAO,OOO Silvano Fashion Belarus and Baltsped logistik OOO is not material.

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

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

Summarised balance sheet of Milavitsa SP ZAO

in thousands of EUR	**31.12.2019**	**31.12.2018**
Current assets	19 158	18 394
Non-current assets	6 339	6 310
Total assets	**25 497**	**24 704**
Current liabilities	5 035	5 436
Net assets	20 462	19 268
Total liabilities and equity	**25 497**	**24 704**

Summarised income statement of Milavitsa SP ZAO

in thousands of EUR	2019	2018
Revenue	30 783	34 743
Profit before income tax	4 395	7 043
Income tax expense	(963)	(1 410)
Profit for the period	**3 432**	**5 633**
Other comprehensive income (loss)	(176)	0
Total comprehensive income	**3 256**	**5 633**
Total comprehensive income allocated to non-controlling interests	490	847
Dividends paid to non-controlling Interests	(486)	(349)

Summarised statement of cash flows of Milavitsa SP ZAO

in thousands of EUR	2019	2018
Profit for the period	**3 432**	**5 633**
Net cash flow from operating activities	3 798	4 175
Net cash flow from investing activities	(357)	(2 534)
Net cash flow from financing activities	(2 905)	(2 157)
Net increase/(decrease) in cash and cash equivalents	**536**	**(516)**
Cash and cash equivalents at the beginning of the period	**592**	**1 143**
Effect of exchange rate fluctuations on cash	(39)	30
Effect of translation to presentation currency	24	(65)
Cash and cash equivalents at the end of the period	**1 113**	**592**

b) Basis for control over Baltsped logistik OOO:

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

Note 7 Cash and cash equivalents

in thousands of EUR	Note		
As of 31 December		**2019**	**2018**
Short-term deposits in all currencies		1 046	668
Short-term guarantee deposits		32	32
Current bank accounts in EUR		3 107	12 020
Current bank accounts in other currencies than EUR		726	386
Cash in transit		140	442
Cash on hand		101	55
Total	5	**5 152**	**13 603**

EY FOR IDENTIFICATION PURPOSES ONLY 03.04.2020 MS

Note 8 Financial assets and financial liabilities

in thousands of EUR
As of 31 December

Assets	**Note**	**2019**	**2018**
Investments in other shares	10	321	305
Trade receivables	5	962	1 684
Other current receivables	5	126	128
Cash and cash equivalents	5	5 152	13 603
Total short-term assets		**6 561**	**15 720**
Long-term receivables	5	334	292
Total long-term assets		**334**	**292**

in thousands of EUR

Liabilities in amortized cost	**Note**	**2019**	**2018**
Trade payables	5	4 980	5 226
Other payables	5	758	7 480
Total	5	**5 738**	**12 706**

Trade and other receivables **Notes**

in thousands of EUR
As of 31 December

Current trade and other receivables		**2019**	**2018**
Trade receivables from third parties		962	1 659
Trade receivables from related parties		0	25
Current taxes prepaid	14	645	969
Prepayments		777	749
Other current receivables, net		126	128
Receivables from employees		6	6
Deferred expenses		90	114
Other assets		6	6
Total		**2 612**	**3 656**

Long-term trade and other receivables	**2019**	**2018**
Long-term guarantee deposits	334	292
Total	**334**	**292**

Trade and other payables

in thousands of EUR
As of 31 December

	2019	**2018**
Trade payables	4 980	5 226
Payables to employees	450	446
Other payables	308	7 480
Accrued expenses	501	435
Customer advances for products and services*	621	523
Short-term provisions	39	53
Total	**6 899**	**14 163**

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

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

EY FOR IDENTIFICATION PURPOSES ONLY 03.04.2020 MS

Note 9 Inventories

in thousands of EUR	31.12.19	31.12.18
Raw and other materials	4 717	4 137
Work in progress	980	1 464
Finished goods	12 985	11 572
Other inventories	677	472
Total	**19 359**	**17 645**

The Group writes-down obsolete inventories on ongoing basis. Also the Group monitors on ongoing basis the net realizable value of the inventory. As of 31 December 2019 the Group's write-downs of raw materials to net realizable value amounted to EUR 263 thousand (2018: EUR 267 thousand). As of 31 December 2019 the Group's write-downs of finished goods to net realizable value amounted to zero (2018: zero EUR thousand). The write-downs are included in cost of goods sold.

Note 10 Investments in other shares

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

			Ownership as of		Carrying value	
in thousands of EUR	**Domicile**	**Core activity**	**2019**	**2018**	**31.12.19**	**31.12.18**
OJSC Svitanok	Belarus	Manufacturing	11,3730%	11,3730%	304	288
CJSC Minsk Transit Bank	Belarus	Financing	0,0311%	0,0311%	9	9
OJSC Belvnesheconombank	Belarus	Financing	0,0030%	0,0030%	8	8
OJSC Belinvestbank	Belarus	Financing	0,0000%	0,0000%	0	0
National Pension Fund of Belorus	Belarus	Financing	0,0005%	0,0005%	0	0
Total					**321**	**305**

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. OAO Belvnesheconombank, ZAO Minsk Transit Bank and OAO Svitanok are profitable companies and value of these investments has no signs of impairment.

Note 11 Intangible assets

in thousands of EUR	Software	Trademarks	Prepayments	Total
As of 31 December 2017				
Cost	1 607	56	258	**1 921**
Accumulated amortization	-1 443	-26	-235	**-1 704**
Net book amount	**164**	**30**	**23**	**217**
Movements during 2018				
Acquisition	17	0	139	**156**
Transfers and reclassifications	42	22	-64	**0**
Disposals	-2	-1	0	**-3**
Amortization	-92	-7	0	**-99**
Unrealised exchange rate differences	-2	-3	-5	**-10**
Closing net book amount	**127**	**41**	**93**	**261**

As of 31 December 2018

Cost	1 598	71	316	**1 985**
Accumulated amortization	-1 471	-30	-223	**-1 724**
Net book amount	**127**	**41**	**93**	**261**
Movements during 2019				
Acquisition	21	0	198	**219**
Transfers and reclassifications	15	0	5	**20**
Amortization	-84	-8	0	**-92**
Unrealised exchange rate differences	6	4	5	**15**
Closing net book amount	**85**	**37**	**301**	**423**
As of 31 December 2019				
Cost	1 705	74	535	**2 314**
Accumulated amortization	-1 620	-37	-234	**-1 891**
Net book amount	**85**	**37**	**301**	**423**

As of 31 December 2019 the cost of fully amortized items of intangible assets still in use amounted to EUR 1 675 thousand (2018: 1 370 thousand).

Note 12 Investment property

in thousands of EUR	**Buildings**
31.12.2017	
Cost	1 301
Accumulated depreciation	-381
Net book amount	**920**
Unrealised exchange rate differences	-43
Depreciation	-26
Closing net book amount	**851**
31.12.2018	
Cost	1 258
Accumulated depreciation	-407
Net book amount	**851**
Unrealised exchange rate differences	44
Depreciation	-26
Closing net book amount	**869**
31.12.2019	
Cost	1 302
Accumulated depreciation	-433
Net book amount	**869**

The investment property is recognized at cost less accumulated depreciation and any impairment losses. Rental income generated by the investment property and recognized in consolidated income statement amounted to EUR 181 thousand (2018: EUR 179 thousand).

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

According to management estimates, the carrying value of investment property as of 31 December 2019 and 31 December 2018 is not significantly different from the fair value. The fair values estimated by the management for information purposes only are based on prices that would be received to sell similar assets in similar conditions in an orderly transaction between market participants at the measurement date. The available market data used for fair values measurement included recent selling transactions of property with similar size, location, technical characteristics. The Group did not involve external expert in the assessment of the fair value of investment property.

Note 13 Property, plant and equipment

in thousands of EUR	Land and buildings	Plant and equipment	Other equipment and fixtures	Right-of-use asset	Assets under construction and prepayments	Total
31.12.2017						
Cost	5 661	17 676	4 552	0	91	**27 980**
Accumulated depreciation	-2 491	-13 609	-3 375	0	0	**-19 475**
Net book amount	**3 170**	**4 067**	**1 177**	**0**	**91**	**8 505**
Movements during 12m 2018						
Additions	0	16	304	0	177	**497**
Disposals	0	-1	-34	0	1	**-34**
Reclassifications	2	183	61	0	-246	**0**
Depreciation	-115	-950	-410	0	0	**-1 475**
Unrealised exchange rate differences	-35	-47	-11	0	-6	**-99**
Closing net book amount	**3 022**	**3 268**	**1 087**	**0**	**17**	**7 394**
31.12.2018						
Cost	5 402	16 086	5 376	0	17	**26 881**
Accumulated depreciation	-2 380	-12 818	-4 289	0	0	**-19 487**
Net book amount	**3 022**	**3 268**	**1 087**	**0**	**17**	**7 394**
Movements during 12m 2019						
Additions	0	5	321	11 394	890	**12 610**
Disposals	0	-33	-101	0	1	**-134**
Reclassifications	80	453	327	0	-860	**0**
Depreciation	-122	-716	-601	-2 761	0	**-4 200**
Unrealised exchange rate differences	72	234	150	110	16	**582**
Closing net book amount	**3 052**	**3 211**	**1 183**	**8 743**	**63**	**16 252**
31.12.2019						
Cost	5 781	17 834	5 354	11 564	63	**40 596**
Accumulated depreciation	-2 729	-14 623	-4 171	-2 821	0	**-24 344**
Net book amount	**3 052**	**3 211**	**1 183**	**8 743**	**63**	**16 252**

Warehouse equipment of Baltsped Logistik OOO is distinguishable from other equipment since it's the only subsidiary with logistics department and no other subsidiary uses similar equipment. Till 31 December 2017, the warehouse equipment (group plant and equipment) was accounted by using revaluation method. Starting from 01 January 2018, the warehouse equipment is accounted at historical cost. The change in accounting policy is applied prospectively as the net book value of the warehouse equipment under historical cost method as at 01 January 2018 was materially close to the fair value of the warehouse equipment as at 31 December 2017.

For accounting policies applied refer to Note 2 section 2.5.

As of 31 December 2019 the cost of fully depreciated items of property, plant and equipment still in use amounted to EUR 8 989 thousand (2018: EUR 8 723 thousand).

For right-of use assets recognition please refer to Note 23.

Note 14 Taxes

Taxes prepaid and payable

	Notes	31.12.2019		31.12.2018	
		Prepaid taxes	**Taxes payable**	**Prepaid taxes**	**Taxes payable**
Value added tax		522	484	750	334
Property tax		0	2	0	2
Corporate income tax		111	130	205	81
Personnel income tax		0	83	0	77
Social security		12	173	14	151
Other taxes		0	17	0	17
Total taxes	**8**	**645**	**889**	**969**	**662**

Income tax expense comprises the following:

in thousands of EUR	2019	2018
Current income tax	3 449	4 110
Deferred tax	589	-660
Income tax expense	**4 038**	**3 450**

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

The income tax rates applicable to the majority of the Group's 2019 income is 18% and 20% (2018 – also 18% and 20%). The income tax rate applicable to the income of subsidiaries ranges from 0% to 20% (2018: from 15% to 20%). Reconciliation between the expected and the actual taxation charge is provided below.

in thousands of EUR

	2019	2018
Profit before tax	**15 187**	**14 975**
Theoretical income tax at the statutory tax rate*	*2 857*	2 864
Non-deductible expenses	590	99
Withholding tax on intra-group dividends	591	487
Income tax expense for the year	**4 038**	**3 450**

** The theoretical income tax rate for the Group in 2019 was 18.8% based on weighted average of income tax rates and revenue of the Group by geographical areas (see note 24), in 2018 - 19.0%*

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 2018	Charged to profit or loss	31 December 2018
Effect from deductible temporary differences:			
Property, plant and equipment	1 682	-1 488	194
Inventories	193	266	459
Trade and other accounts receivable	12	-10	2
Other temporary differences	365	413	778
Deferred tax asset	**2 252**	**-819**	**1 433**
Set-off of deferred tax	-1 352	1 352	**0**
Net deferred tax assets	**900**	**533**	**1 433**

Effect from taxable temporary differences:			
Property, plant and equipment	-1 134	1 127	-7
Inventories	-24	24	0
Other temporary differences	-204	204	0
Deferred tax liability	**-1 362**	**1 355**	**-7**
Set-off of deferred tax	1 352	-1 352	**0**
Net deferred tax liability	**-10**	**3**	**-7**
Net deferred tax position	**890**	**536**	**1 426**

in thousands of EUR	1 January 2019	Charged to profit or loss	31 December 2019
Effect from deductible temporary differences:			
Property, plant and equipment	194	183	377
Inventories	459	148	607
Trade and other accounts receivable	2	-2	0
Other temporary differences*	778	-857	-79
Deferred tax asset	**1 433**	**-528**	**905**
Set-off of deferred tax	0	0	0
Net deferred tax assets	**1 433**	**-528**	**905**
Effect from taxable temporary differences:			
Property, plant and equipment	-7	0	-7
Inventories	0	-7	-7
Trade and other accounts receivable	0	0	0
Other temporary differences	0	0	0
Deferred tax liability	**-7**	**-7**	**-14**
Set-off of deferred tax	0	0	0
Net deferred tax liability	**-7**	**-7**	**-14**
Net deferred tax position	**1 426**	**-535**	**891**

*Other temporary differences charge to profit or loss recognized in 2019 includes impairment of deferred tax asset in the amount of EUR 678 thousand.

Potential liabilities arising from tax inspection

In 2019 the tax authority did not conduct tax audit in parent and its subsidiaries. The tax authorities may at any time inspect the books and records of the companies within 5 years subsequent to the reported tax year, and may as a result of their inspection impose additional tax assessments and penalties. Due to the risks described in Note 3 arising from business operations in Russian Federation, it is possible that tax liabilities and penalties may be imposed as a result of these reviews. Management has not recognised any provision in respect to uncertain tax positions but has taken all actions to mitigate the probability of realization of the risks mentioned in Note 3.

Note 15 Equity

As of 31 December 2019 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 2018, 3 600 thousand EUR, 36 000 000 shares and 0.10 EUR nominal value, respectively).

As at 31 December 2019 the Group's retained earnings distributable to shareholders as dividends amounted to 23 845 thousand EUR (as at 31.12.2018: 21 659 thousand EUR). The related income tax payable on those dividends would be 7 948 thousand EUR (as at 31.12.2018: 6 672 thousand EUR) as part of the corporate income tax has already been paid on those amounts by the Group.

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

03.04.2020 MS

As of 31 December	**2019**	**2018**
Share capital, in thousands of EUR	3 600	3 600
Number of shares	36 000 000	36 000 000
Par value of a share, in EUR	0.1	0.1

All shares issued by AS Silvano Fashion Group are registered ordinary shares. Each ordinary share grants the holder one vote at the general meeting of shareholders. The Company does not issue share certificates to shareholders. The Company's share register is electronic and maintained at the Estonian Central Register of Securities.

Each ordinary share grants the holder the right to participate in profit distributions in proportion to the number of shares held. General Meeting decides the amount that will be distributed as dividends on the basis of the Parent company's approved annual report.

Own Shares

The reserve for the Group's own shares comprises the cost of the Company's shares held by the Group. As of 31 December 2019 AS Silvano Fashion Group held zero own shares (2018: zero) acquired under share buy-back program.

As of 31 December 2019 AS Silvano Fashion Group had 2 231 shareholders (31.12.2018: 2 080 shareholders).

Note 16 Earnings per share

The calculation of basic earnings per share for 2019 (2018) is based on profit attributable to owners and a weighted average number of ordinary shares.

in thousands of shares	**2019**	**2018**
Number of ordinary shares at the beginning of the period	36 000	36 000
Effect of own shares held at the beginning of the period	0	0
Number of ordinary shares at the end of the period	36 000	36 000
Effect of own shares held at the end of the period	0	0
Weighted average number of ordinary shares for the period	**36 000**	**36 000**

In thousands of EUR	**2019**	**2018**
Profit for the period attributable to equity holders of the Parent company	10 663	10 796
Basic earnings per share (EUR)	0,30	0,30
Diluted earnings per share (EUR)	0,30	0,30

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

Note 17 Revenue from contracts with customers

in thousands of EUR	**2019**	**2018**
Revenue from wholesale	36 546	42 148
Revenue from retail sale	20 137	19 999
Subcontracting and services	238	55
Other sales	22	11
Total	**56 943**	**62 213**

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

Note 18 Cost of goods sold

in thousands of EUR	2019	2018
Raw materials	14 243	15 995
Purchased goods	1 196	613
Purchased services	2 688	3 244
Personnel costs	6 378	6 115
Depreciation (note 13)	562	494
Rent and utilities (note 23)	365	459
Other production costs	1 893	1 739
Changes in inventories	(33)	(1 065)
Total	**27 292**	**27 594**

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

Note 19 Distribution expenses

in thousands of EUR	2019	2018
Advertising and marketing expenses	695	563
Payroll expenses	5 025	4 727
Storage and packaging	8	8
Rent (note 23)	607	3 676
Transportation services	169	179
Depreciation and amortization (note 11, 13)	3 389	799
Utilities	595	632
Materials usage	407	503
Business trips	46	65
Bad debt expenses (note 5)	45	5
Bank charges retail sale	363	357
Other expenses	365	449
Total	**11 714**	**11 963**

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

Note 20 Administrative expenses

in thousands of EUR	2019	2018
Payroll expenses	1 792	1 657
Management fees	870	800
Depreciation and amortization (note 11, 13)	227	173
Rent and utilities (note 23)	450	502
Professional services	300	254
IT costs	148	155
Bank and listing fees	177	205
Business trips	142	105
Office expenses	95	81
Communication expenses	56	62
Insurance	35	34
Other expenses	290	251
Total	**4 582**	**4 279**

EY 03.04.2020 MS

Payroll expenses

in thousands of EUR	2019	2018
Wages and salaries	10 156	9 626
Social security taxes	3 039	2 874
Total payroll expenses	**13 195**	**12 500**
Average number of employees in the reporting period	1 984	2 171

Note 21 Other operating expenses

in thousands of EUR	2019	2018
Social benefits to employees	204	230
Other taxes	288	287
Auxiliary materials	36	43
Loss on disposal of property, plant, equipment and intangible assets	52	23
Expenses for donations	4	6
Other expenses	359	333
Total	**943**	**922**

Social benefits to employees include costs related to the social programs and additional benefits provided to the employees (mainly in Belarus) and expenses related to social infrastructure, maintenance expenses of employee dormitories, first aid station and canteen.

Note 22 Net financial expense

in thousands of EUR

Other financial income/ expenses	**2019**	**2018**
Interest income on bank deposits	12	29
Other finance income	44	52
Other finance expenses	-646	-20
Total other finance income/ expenses	**-590**	**61**
Gain/(loss) on conversion of foreign currencies	**3 057**	**- 2 842**
Net finance income/(expense)	**2 467**	**- 2 781**

The change of net finance income/(expense) compared to year 2018 is mainly caused by high fluctuations of FX-rates in Belarus and Russia and interest expense on lease liabilities.

Note 23 Lease

The Group as the Lessee

Initial adoption of IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

03.04.2020
MS

The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adopting IFRS 16 as at 1 January 2019 (increase/(decrease)) is, as follows:

	EUR, thousands
Assets	
Property, plant and equipment	8 199
Total assets	**8 199**
Liabilities	
Lease liabilities	8 199
including short-term liabilities	*1 733*
including long-term liabilities	*6 466*
Total liabilities	**8 199**

The Group has lease contracts for leasing stores, offices and production sites. Before the adoption of IFRS 16, the Group classified all of its leases (as lessee) at the inception date as an operating lease. Refer to Note 2 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application, i.e. 1 January 2019.

The right-of-use assets were measured in the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized – the Group applied this approach to other leases.

The Group also applied the available practical expedients wherein it:
- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:
- Right-of -use assets of EUR 8 199 thousand were recognized and presented separately as subgroup of property plant and equipment..
- Lease liabilities of EUR 8 199 thousand (included in lease liabilities) were recognized.

Lease liabilities that are recognised in the statement of financial position on initial application, are presented below:

In thousands of euros

Future minimum lease payments in relation to non-cancellable operating leases as at 31 December 2018 (IAS 17)	3 248
Plus: extension options reasonably certain to be exercised	8 989
Effect from discounting using the lessee's incremental borrowing rate 4,8% at the date of initial application	(4 038)
Discounted lease liabilities using the lessee's incremental borrowing rate of 4,8% at the date of initial application	8 199
Lease liabilities as at 1 January 2019	**8 199**

03.04.2020
MS

On initial application as at 01 January 2019, the Group has measured the associated right-of-use asset at the amount equal to the lease liability.

Changes in leases in financial year 2019

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

in thousands of EUR	2019
As at 1 January 2019	**8 199**
Additions	4 120
Finance costs	(636)
Repayments	(2 988)
As at 31 December 2019	**8 695**
Current	2 362
Non-current	6 333

The maturity analysis of lease liabilities is disclosed below:

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

The following are the amounts recognized in profit or loss:

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

The Group had total cash outflows for leases of EUR 4 304 thousand in 2019.
Movements in right-of-use asset balance in financial year 2019 are disclosed in note 13

The Group as the Lessor

The Group as the lessor do not have any non-cancellable operating lease contracts.

EY FOR IDENTIFICATION PURPOSES ONLY 03.04.2020 MS

Note 24 Operating segments

The Group`s operating segments have been determined based on regular reports being monitored and analysed by Management and Supervisory Boards (chief operational decision maker) of the parent company on an ongoing basis.

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

- The wholesale segment includes purchasing and production of women's lingerie, and distribution to external wholesale customers and the retail segment. The Group's manufacturing facilities are located in Latvia and Belarus.
- The retail segment purchases women's lingerie from wholesale segment, and subsequently sells the lingerie through own retail network in Latvia and Belarus.
- Operations, assets and liabilities of holding companies and the logistic center are disclosed separately under the heading "Unallocated".
- Intersegment revenues includes 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 financial income, income tax expense and gain on net monetary position) and segment net profit. These measures are included in the internal management reports that are reviewed by the Management Board and the Supervisory Board. Segment EBITDA is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segment relative to other entities that operate within the industry. Interest income and interest expenses are not core activities of operating segments and are not provided to management and are not evaluated by management as performance assessment criteria of segments' performance. Therefore, interest income and interest expenses are presented on net basis.

Unallocated revenues include revenues from services, commissions and rental income.

Operating segments 2019

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

03.04.2020
MS

Operating segments 2018

in thousands of EUR	Lingerie retail	Lingerie wholesale	Total segments	Unallocated	Eliminations	Total
Revenue from external customers	**19 999**	**42 148**	**62 147**	**66**	0	**62 213**
Intersegment revenues	0	37 265	**37 265**	4 114	-41 379	**0**
EBITDA	**5 709**	**14 031**	**19 740**	**-430**		**19 310**
Amortization and depreciation	-360	-755	**-1 115**	-459	0	**-1 574**
Operating income, EBIT	**5 349**	**13 276**	**18 625**	**-889**	**0**	**17 736**
Profit from associates using equity method	0	20	**20**	0	0	**20**
Net financial income/(expense)	-42	515	**473**	-3 254	0	**-2 781**
Income tax	-635	-2 861	**-3 496**	46	0	**-3 450**
Net profit	**4 672**	**10 950**	**15 622**	**-4 097**	**0**	**11 525**
Investments in associates	0	64	**64**	0	0	**64**
Other operating segments assets	3 133	30 704	**33 837**	11 603	0	**45 440**
Reportable segments liabilities	249	7 161	**7 410**	7 483	0	**14 893**
Capital expenditures	263	369	**632**	21	0	**653**
Number of employees as of reporting date	500	1 401	**1 901**	172		**2 073**

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	**Sales revenue 2019**	**Sales revenue 2018**	**Non-current assets 31.12.2019**	**Non-current assets 31.12.2018**
Russia	33 582	37 272	3799	1 688
Belarus	16 082	15 773	14 832	8 665
Ukraine	1 543	2 999	1	1
Baltics	1 323	1 582	529	223
Other countries	4 413	4 587	25	23
Total	**56 943**	**62 213**	**19 186**	**10 600**

Note 25 Transactions with related parties

The following parties are considered to be related;

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

The Group's owners are legal and physical persons and no sole shareholder has control over the Group's activities. According to 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 2019 and as of 31 December 2018.

EY FOR IDENTIFICATION PURPOSES ONLY 03.04.2020 MS

Sales of goods and services

in thousands of EUR	2019	2018
Associates	1 283	1 259
Total	**1 283**	**1 259**

Balances with related parties

in thousands of EUR	31.12.2019	31.12.2018
Trade receivables from associates	0	25
Total	**0**	**25**

Benefits to key management of the group

in thousands of EUR	12m 2019	12m 2018
Remunerations and benefits	870	800
Total	**870**	**800**

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

Note 26 Subsequent events

The outbreak of the coronavirus (COVID-19) at the beginning of 2020 will have an impact on the Groups' future business operations both globally and in geographies of operation of the Group. As disclosed in Note 3, this non-adjusting subsequent event was not reflected in the significant estimates and assumptions as of 31 December 2019 and might result in significant change in these estimates in the next upcoming financial statements. However, it has not yet been possible to assess its possible effect due to the uncertainty of the situation at the date of issue of these financial statements. After the end of the financial year and up until the date these financial statements were approved, no other significant subsequent events occurred.

Note 27 Separate financial information of the Parent company

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

Statement of Financial Position

in thousands of EUR	**31.12.2019**	**31.12.2018**
ASSETS		
Current assets		
Cash and bank	2 588	8 779
Trade receivables	216	123
Other receivables	2 123	1 565
Total current assets	**4 927**	**10 467**
Non-current assets		
Long-term receivables	20 230	25 815
Investment in subsidiaries	24 098	24 098
Intangible assets	0	3
Property, plant and equipment	43	1
Total non-current assets	**44 371**	**49 917**
TOTAL ASSETS	**49 298**	**60 384**
LIABILITIES AND EQUITY		
Current liabilities		
Short-term lease liabilities	10	0
Trade and other payables	50	7 221
Tax liabilities	18	11
Total current liabilities	**78**	**7 232**
Non-current liabilities		
Long-term lease liabilities	34	0
Total non-current liabilities	**34**	**0**
Total liabilities	**112**	**7 232**
Equity		
Share capital	3 600	3 600
Share premium	4 967	8 567
Statutory reserve capital	1 306	1 306
Accumulated profits/losses	39 313	39 679
Total equity	**49 186**	**53 152**
TOTAL EQUITY AND LIABILITIES	**49 298**	**60 384**

Income Statement and Other Comprehensive Income

in thousands of EUR	**2019**	**2018**
Administrative expenses	-590	-469
Other operating income	1 057	986
Operating profit	**467**	**517**
Interest expense	-2	0
Currency exchange income/(expense)	10	-896
Other finance income/(expenses)	6 950	16 935
Net financial income	**6 958**	**16 039**
Profit before tax	**7 425**	**16 556**
Income tax expense	-591	-487
Profit for the period	**6 834**	**16 069**
Other comprehensive income	0	0
Total comprehensive income for the period	**6 834**	**16 069**

03.04.2020
MS

Statement of Cash Flows

in thousands of EUR	2019	2018
Cash flow from operating activities		
Profit for the period	**6 834**	**16 069**
Adjustments for:		
Depreciation and amortization of non-current assets	15	3
Net finance income / costs	-6 958	-16 039
Income tax expense	591	487
Change in trade and other receivables	-93	2
Change in trade and other payables	10	4
Income tax paid (-)	-6	0
Net cash from operating activities	**393**	**526**
Cash flow from investing activities		
Interest received	84	134
Dividends received	5 539	4 753
Loans granted	-243	-27 127
Proceeds from repayments of loans granted	6 048	2 352
Proceeds from sale of investments	0	45 382
Acquisition of property, plant and equipment	0	-2
Acquisition of shares of subsidiaries	0	-8
Net cash used in/from investing activities	**11 428**	**25 484**
Cash flow from financing activities		
Dividends paid	-7 200	-18 000
Repayment of lease liabilities	-12	0
Reduction of share capital	-10 800	0
Net cash used in/ from financing activities	**-18 012**	**-18 000**
Increase in cash and cash equivalents	**- 6 191**	**8 010**
Cash and cash equivalents at the beginning of period	**8 779**	**769**
Cash and cash equivalents at the end of period	**2 588**	**8 779**

Statement of Changes in Equity

in thousands of EUR	Share capital	Share premium	Statutory reserve capital	Retained earnings	Total
Balance as at 31 December 2017	**10 800**	**8 567**	**1 306**	**41 610**	**62 283**
Dividends paid	0	0	0	-18 000	**-18 000**
Repurchase of treasury shares	0	0	0	0	**0**
Cancellation of shares	-7 200	0	0	0	**- 7 200**
Profit for the period	0	0	0	16 069	**16 069**
Balance as at 31 December 2018	**3 600**	**8 567**	**1 306**	**39 679**	**53 152**
Carrying amount of interests under control or significant influence					**-24 089**
Carrying amount of interests under control or significant influence under the equity method					**273**
Adjusted unconsolidated equity as at 31 December 2018					**29 327**
Dividends paid	0	0	0	-7 200	**-7 200**
Increase of share capital	3 600	-3 600	0	0	**0**
Reduction of shares capital	-3 600	-	0	0	**-3 600**
Profit for the period	0	0	0	6 834	**6 834**
Balance as at 31 December 2019	**3 600**	**4 966**	**1 306**	**39 313**	**49 186**
Carrying amount of interests under control or significant influence					**-24 098**
Carrying amount of interests under control or significant influence under the equity method					**1 236**
Adjusted unconsolidated equity as at 31 December 2019					**26 324**

03.04.2020
MS

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 2019 in accordance with the accounting standards and the financial statements present a true and fair view of the group's assets, liabilities, financial position and profit.

The Supervisory Board of AS Silvano Fashion Group has reviewed the Consolidated Annual Report, prepared by the Management Board, consisting of the Management Report, the Consolidated Financial Statements, the Management Board's Profit Allocation Proposal and the Independent Auditor's Report, and has approved the Consolidated Annual Report 2019 for presentation at the Annual General Meeting of Shareholders.

____

Jarek Särgava
Member of the Management Board
April 03, 2020

Toomas Tool	Chairman of the Supervisory Board	____________________	______2020
Triin Nellis	Member of the Supervisory Board	____________________	______2020
Mart Mutso	Member of the Supervisory Board	____________________	______2020
Risto Mägi	Member of the Supervisory Board	____________________	______2020
Stephan David Balkin	Member of the Supervisory Board	____________________	______2020

Building a better
working world

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Eesti
Tel.: +372 611 4610
Faks.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com

Äriregistri kood 10877299
KMKR: EE 100770654

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Estonia
Phone.: +372 611 4610
Fax.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com

Code of legal entity 10877299
VAT payer code EE 100770654

Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Silvano Fashion Group AS

Opinion

We have audited the consolidated financial statements of Silvano Fashion Group AS and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of as the Group as at 31 December 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

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

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

Key audit matters

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

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

Key Audit Matter	*How our audit addressed the key audit matter*
Inventory write down to net realizable value As at 31 December 2019 the Group's inventory balance amounted to EUR 19 359 thousand in the statement of financial position of the Group, accounted for at the lower of cost or net realizable value (Note 9). The determination as to whether net realizable value of inventory is higher than the cost of inventory involves significant management's judgment. In addition, this matter is significant to our audit due to materiality of the amounts as inventories constitute over 41% of the total assets of the Group in the statement of financial position as at 31 December 2019.	Our audit procedures included, amongst others: • Observing physical inventory counts at selected locations to assess the condition of inventory. • We performed testing on a sample of items to assess the cost basis and net realizable value of inventory and evaluating the adequacy of provision for slow moving and obsolete inventories as at 31 December 2019. • We obtained the calculation of the net realizable value, assessed the integrity of the calculation and reconciled key inputs and assumptions to the historical performance of the Group and the forecasted production and sales plans. We corroborated these inputs and assumptions with the results of inquiries with management and key employees. • We developed an independent estimate of the write-down loss for potentially discounted items, by applying the historical sales data to the inventory at the balance sheet date while taking into account its profile and age and comparing it to the calculations performed by the management. • We have tested subsequent sales of inventory in January to identify the items sold below their cost and compared the actual results to management\`s estimates. • We have considered the adequacy of the disclosures in the financial statements in this area (Note 9).
Effect of a new International Financial Reporting Standard IFRS 16 ,,Leases" As disclosed in Note 23 of the consolidated financial statements, the Group have multiple operating lease agreements, which mainly relate to the lease of premises. The above mentioned lease agreements were accounted for as operating lease in accordance with IAS 17 until 31 December 2018. Implementation of IFRS 16 "Leases" starting from 1 January 2019 have a material effect on the consolidated financial statements of the Group, as at 1 January 2019 the Group recognized the right of use asset and lease liability in the amount of EUR 8 199 thousand and EUR 8 199 thousand, respectively (Note 23).	Our audit procedures included, amongst others: • Obtaining an understanding of management's procedures in relation to assessing the impact of the IFRS 16 "Leases" on the Group's consolidated financial statements. • We have obtained the model used to estimate the impact of IFRS 16 "Leases" and tested the correctness of the information by agreeing data in the calculation on a sample basis to the supporting evidence. • While reviewing individual lease agreements we have also considered, if the lease period is properly determined.

Moreover, the assessment of lease agreements requires significant management judgement (including, but not limited to, determination of the lease payments in order to measure the right of use asset and lease liability, determination of the lease term and the discount rate). Due to the reasons stated above, this area is significant to our audit.	• We assessed the discount rates used in determining lease liabilities for correctness and compliance with IFRS 16 requirements. • We also tested the completeness of the lease data by reconciling the Group's existing lease commitments to the lease data used in the IFRS 16 "Leases" model. • Moreover, we have considered the adequacy of the Group's disclosure in Note 23 of the consolidated financial statements of the effect of the new IFRS 16 "Leases" on the financial statements.

Other information

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

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

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

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

In preparing these 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 financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise pofessional 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 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 and business activities within the Group to express an opinion on the 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 are also required to 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, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

Appointment and approval of the auditor

In accordance with the decision made by the shareholder we have been chosen to carry out the audit of Group's financial statements the first time in 2018. Our appointment to carry out the audit of Group's consolidated financial statements in accordance with the decision made by shareholder has been renewed annually and the period of total uninterrupted engagement is 2 years.

Consistence with Additional Report to Supervisory Board and Audit Committee

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

Non audit services

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

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

Tallinn, 3 April 2020

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