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**EUROPEAN LINGERIE  
GROUP**



**EUROPEAN LINGERIE GROUP AB**

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**QUARTERLY REPORT - FIRST QUARTER**

**1 JANUARY 2020 – 31 MARCH 2020**

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# MANAGEMENT REPORT

# MANAGEMENT REPORT

## General information

European Lingerie Group AB (the "Parent" and together with its subsidiaries the "Group") is a Public Limited Liability Company domiciled in Sweden. At 31 March 2020 the Group had 20 wholly owned subsidiaries, a representative office located in Russia and a joint venture company located in Latvia.

## Type of operations

European Lingerie Group AB is fully vertically integrated intimate apparel and lingerie group, which produces lace and fabrics for largest lingerie brands under *Lauma Fabrics* brand name, medical textiles under *Lauma Medical* brand name, as well as designs, manufactures and distributes branded premium lingerie garments under *Conturelle*, *Felina* and *Senselle* brands. It has successfully embarked upon a growth strategy involving international merger & acquisition targets and building size, and is today a renowned and strong player in the European intimate apparel industry.

The Group is headquartered in Sweden, European Union. The Group operates its own production facilities in Latvia, Hungary, Belarus and Germany. It trades in 46 countries and its markets include Germany, Austria, France, Italy, Spain, Belgium, Netherlands, Finland, Denmark, Switzerland, Sweden, Norway, Slovakia, Slovenia, Portugal, Poland, Czech Republic, Greece, Hungary, UK and Baltic States in Europe and USA, Canada, China, Australia and New Zealand, Georgia, Iceland, Sri Lanka, Morocco, Israel, Lebanon, Russia and CIS countries in the rest of the world.

The combined turnover of Group's entities for 2019 exceeded EUR 77 million and the combined workforce was over 1,200 people.

## Short description of the Company's activities in the reporting quarter

In December 2019, a new outbreak of coronavirus appeared in Wuhan, China. In the first quarter of 2020, the virus spread to other countries and has affected practically the whole world. With the rapid rise in the number of cases, most countries have declared a state of emergency, during which time a series of restrictive measures have been taken to limit the spread of the virus.

Although the restrictions are expected to be tem-

porary, these events had a negative impact on the Group's financial position and results of operations in Q1 2020. Revenue in Q1 2020 for European Lingerie Group was 19.5% lower than in Q1 2019. COVID-19 impact on revenue started in mid-March 2020. In addition to that, the Group also introduced a smaller Felina swimwear collection in 2020 which negatively impacted the volume of sales in Q1 2020 compared to the same period last year. Gross margin in the reporting quarter was stable and at a similar level of Q1 2019; however, due to the drop in sales volume, EBITDA and net profit dropped significantly as a result of relatively high percentage of fixed costs in total costs. Additional negative impact on EBITDA and net profit was due to one-off costs related to renegotiation of the bond terms and registration of additional security required by the bondholders.

As response measures to the volume drop, the management has initiated several cost saving actions to save the profitability. These were implemented across all the Group's companies according to the available state supports in the counties of operations and contractual possibilities. The measures taken are downtime initiation for the employees, reduction of the number of employees where possible, reduction of production volumes with subcontractors to maximize internal capacity utilisation, initiation of alternative business opportunities, i.e. production of protective masks, cancellation or putting on hold of all possible contracts and costs as well as application for state subsidies and state supported loans. These actions will allow the Group to restart production in June 2020 when lock-down measures in the countries are fully or partially released and when the customers restart their operations and restart their orders from the Group.

Online retail of the Group continued working as normal during the lock-down period and sales were even higher than in the same period last year.

The Group reported that the Group's Net Interest Bearing Debt to EBITDA for the reference period ending on 31 December 2019 exceeded the maximum 4.25 allowed under the maintenance test of the Original Bond Terms and Conditions issued on 22 February 2018. On 16 January 2020 the Company completed a written procedure under the Terms and Conditions to adjust the maintenance test for the reference period ending on 31 December 2019.

However, it was a condition for the amendments to the Terms and Conditions to come into effect was that a capital contribution by way of equity and/or subordinated loans is provided to the Company.

Due to the COVID-19 pandemic, the Group has not been able to raise the required amount of equity in full. Therefore, the amendments to the Terms and Conditions as approved in the written procedure, including the adjustments to the maintenance test for the reference period ending on 31 December 2019, have not come into effect, which has resulted in the breach of the maintenance test.

The management and the shareholders have ongoing discussions with certain holders of the Bonds and other investors to find solutions for the Group.

## Financial highlights of the reporting quarter

### Selected financial indicators

Selected financial indicators of the Group were calculated on the basis of the consolidated interim financial statements of European Lingerie Group AB for Q1 2020 and Q1 2019.

Summarized selected financial indicators of the Group for Q1 2020 compared to Q1 2019 and 31.03.2020 compared to 31.03.2019 and 31.12.2019 were as follows:

In thousands of EUR	Q1 2020	Q1 2019	Change
Revenue	16,961	21,071	-19.5%
Normalised operating profit <sup>1</sup>	(518)	1,739	-129.8%
Normalised EBITDA <sup>2</sup>	482	2,684	-82.0%
Normalised net profit/(loss) <sup>3</sup>	(1,364)	318	-528.7%
Operating cash flow for the period	620	12	5,066.7%

<sup>1</sup>Normalised operating profit is calculated as the profit of the Group before interest and tax for the relevant period, and adjusted, if necessary, for one-off and non-recurring items.

<sup>2</sup>Normalised EBITDA is calculated as the profit of the Group before interest, tax, depreciation and amortisation for the relevant period, and adjusted, if necessary, for one-off and non-recurring items.

<sup>3</sup>Normalised net profit/(loss) is calculated as the net profit of the Group for the relevant period adjusted, if necessary, for one-off and non-recurring items.

In thousands of EUR	31.03.2020	31.03.2019	31.12.2019	Change to 31.03.2019	Change to 31.12.2019
Total assets	75,951	75,168	70,386	1.0%	7.9%
Total current assets	44,224	42,365	37,798	4.4%	17.0%
Cash and cash equivalents	2,961	2,101	1,365	40.9%	116.9%
Total current liabilities	64,551	20,357	56,387	217.1%	14.5%
Adjusted current liabilities <sup>4</sup>	25,121	20,357	17,107	23.4%	46.8%
Gross interest-bearing debt <sup>5</sup>	48,951	46,036	46,996	6.3%	4.2%
Net interest-bearing debt <sup>6</sup>	45,990	43,935	45,631	4.7%	0.8%

<sup>4</sup>Adjusted total current liabilities exclude bond liabilities in the amount of EUR 39,430 thousand classified as short-term (31 December 2019: EUR 39,280 thousand).

<sup>5</sup>Gross interest-bearing debt includes non-current and current loans and borrowings.

<sup>6</sup>Net interest-bearing debt is calculated as gross interest-bearing debt less cash and cash equivalents.

Marginal analysis, %	Q1 2020	Q1 2019	Change
Normalised operating profit margin	-3.1%	8.3%	-11.4%
Normalised EBITDA margin	2.8%	12.7%	-9.9%
Normalised net profit margin	-8.0%	1.5%	-9.5%

Financial ratios	31.03.2020	31.03.2019	31.12.2019
ROA (return on assets) <sup>7</sup>	-1.1%	0.8%	1.3%
Adjusted current ratio <sup>8</sup>	1.8	2.1	2.2
Adjusted quick ratio <sup>9</sup>	0.8	1.1	1.0
12 months rolling normalised EBITDA <sup>10</sup>	6,627	10,754	8,829
Net debt/EBITDA <sup>11</sup>	6.9	4.1	5.2

<sup>7</sup>ROA (return on assets) is calculated as the 12 months normalised net profit divided by the average total assets for the relevant period.

<sup>8</sup>Current ratio is calculated as total current assets divided by total current liabilities.

<sup>9</sup>Quick ratio is calculated as total current assets excluding inventories divided by total current liabilities.

<sup>10</sup>12 months rolling normalised EBITDA is EBITDA for the period from 1 April 2019 to 31 March 2020 and from 1 January 2019 to 31 December 2019.

<sup>11</sup>Net debt/EBITDA is calculated as net interest-bearing debt divided by 12 months rolling normalised EBITDA.

### Financial performance

Financial performance of the Group was analysed on the basis of the reported financial information of European Lingerie Group AB for Q1 2020 and for Q1 2019.

The Group's sales amounted to EUR 16,961 thousand in Q1 2020 (Q1 2019: EUR 21,071 thousand), representing a 19.5% decrease as compared to sales of Q1 2019. In Q1 2020, the decrease in sales

was mainly a result of COVID-19 outbreak followed by partial deferral of orders by customers to later months as well as significant reduction of orders during the lock-down period. In addition to that, due to introduction of a smaller Felina swimwear collection in 2020, revenue of swimwear was also lower in Q1 2020 than in the same period last year.

Profitability margins in Q1 2020 were below previous year which is also explained by COVID-19 outbreak and shortfall in revenue which made it difficult to cover part of the fixed costs. Normalised EBITDA in Q1 2020 amounted to EUR 482 thousand and decreased by 82.0% compared to Q1 2019. Normalised EBITDA margin in Q1 2020 and Q1 2019 was 2.8% and 12.7% respectively.

Normalised net profit in Q1 2020 amounted to a loss of EUR 1,364 thousand, compared to normalised net profit of EUR 318 thousand in Q1 2019. Decrease in net profit is as well explained by the reasons described above.

Normalised net profit margin in Q1 2020 and Q1 2019 was -8.0% and 1.5% respectively.

### **Financial position**

Financial position of the Group at 31 March 2020 was consolidated position as per the consolidated interim financial statements of European Lingerie Group AB for Q1 2020. Financial position of the Group at 31 March 2019 and 31 December 2019 was consolidated position as per the consolidated interim financial statements for Q1 2019 and consolidated financial statements for 12 months 2019 respectively.

At 31 March 2020 consolidated total assets amounted to EUR 75,951 thousand representing an increase of 1.0% as compared to the statement of financial position at 31 March 2019 (7.9% as compared to the statement of financial position at 31 December 2019). An increase is explained by growth in inventories and prepayments.

Inventories balance increased by 20.7% compared to the balance at 31 March 2019 (23.2% compared to the balance at 31 December 2019). The increase of EUR 3,336 thousand relates to the advance payment made for a batch of medical face masks and respirators purchased in China in March 2020 for further resale. The remaining increase relates to the deferral of shipments by customers which were initially planned in March 2020, but due to the imposed lock-downs in most of the countries, stayed in the Group's warehouses. These inventories will be gradually shipped to customers upon release of restrictive measures and restart of our

customers' operations.

Prepayments increased by 48.8% compared to the balance at 31 March 2019 (40.1% compared to the balance at 31 December 2019). The increase relates to the advance payment made to the transportation companies for masks and respirators delivery explained above.

Current trade and other receivables decreased by 19.5% and 1.7% compared to the balance at 31 March 2019 and 31 December 2019 respectively as a result of lower sales in Q1 2020.

Loans and borrowings at 31 March 2020 increased by EUR 2,915 thousand compared to 31 March 2019 (EUR 1,955 thousand compared to 31 December 2019), which is explained by the increase in the utilised credit line facilities.

Current trade and other payables at 31 March 2020 were EUR 13,185 thousand and decreased by EUR 3,480 thousand compared to 31 March 2019 (increased by EUR 1,672 thousand compared to 31 December 2019). Increase compared to the end of 2019 is explained by the shortfall in revenue and incoming payments received by the Group due to COVID-19 outbreak.

Contract liabilities increased by EUR 4,452 thousand and EUR 4,551 thousand compared to the balance at 31 March 2019 and 31 December 2019 respectively as a result of advance payments received from customers on orders for face masks and respirators.

### **Sales**

Sales structure of the Group was calculated on the basis of the reported financial information of European Lingerie Group AB for Q1 2020 and Q1 2019.

#### Sales by markets

Core operating markets for European Lingerie Group are Germany, Spain, France, Poland, Benelux countries, Baltic countries, Russia, Belarus and Ukraine. Group's sales in its core markets in Q1 2020 were 82.8% of its total sales against 79.5% in Q1 2019.

The Group's sales results by markets were as follows:

In thousands of EUR	Q1 2020	Q1 2019	Change, %	Q1 2020, % of sales	Q1 2019, % of sales
Germany	3,306	4,098	-19.3%	19.5%	19.4%
Baltic countries <sup>12</sup>	2,294	2,260	1.5%	13.5%	10.7%
Russia	1,878	2,796	-32.8%	11.1%	13.3%
France	1,777	1,890	-6.0%	10.5%	9.0%
Benelux countries <sup>13</sup>	1,166	1,432	-18.6%	6.9%	6.8%
Spain	1,157	1,136	1.8%	6.8%	5.4%
Belarus	1,151	1,519	-24.2%	6.8%	7.2%
Poland	840	1,259	-33.3%	5.0%	6.0%
Ukraine	465	348	33.6%	2.7%	1.7%
Other markets	2,927	4,333	-32.5%	17.2%	20.5%
<b>Total</b>	<b>16,961</b>	<b>21,071</b>	<b>-19.5%</b>	<b>100.0%</b>	<b>100.0%</b>

<sup>12</sup>Latvia, Estonia and Lithuania

<sup>13</sup>Belgium, the Netherlands and Luxembourg

As a result of COVID-19 outbreak in Q1 2020, sales in all markets operated by the Group demonstrated a decrease, except Ukraine, Spain and Baltic countries. An average decrease in dropping markets was 24.7% with Russia and Poland being the worst dropping cases. The decrease in sales in France (-6.0%) was not as dramatic as in other markets which is explained by the switch of demand from traditional shopping to online during COVID-19 and as a result higher sales in the Group's online retail operated by Dessus-Dessous S.A.S.

Sales in Ukraine increased by 33.6% compared to Q1 2019 as a result of Senselle by Felina lingerie sales in the region. The brand was introduced into the market and its sales commenced there in Q4 2019.

Sales in Spain increased by 1.8% compared to Q1 2019 as a result of renegotiation of consignment arrangement with the largest customer in Spain, whereby part of the goods, which were previously delivered under the consignment arrangement would be delivered as standard purchases in the future and the goods still held by the customer under the previous arrangement would be bought out by it upon conclusion of the new agreement. The deal resulted in additional revenue in the amount of EUR 460 thousand recognised in January 2020.

Sales in the Baltic countries increased by 1.5% compared to Q1 2019 as a result of switch of local lingerie producers from Chinese to local textile suppliers after China lockdown due to COVID-19.

#### Sales by business segments

The Group has the following two strategic divi-

sions, which are its reportable segments. These divisions offer different products and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
<b>Textiles</b>	Manufacturing, processing and wholesale of textiles
<b>Lingerie</b>	Manufacturing, processing, wholesale and retail (including online) of lingerie products

The Group's sales results by business segments were as follows:

In thousands of EUR	Q1 2020	Q1 2019	Change, %	Q1 2020, % of sales	Q1 2019, % of sales
Textiles	8,036	8,918	-9.9%	44.8%	40.0%
Lingerie	9,361	12,648	-26.0%	55.2%	60.0%
Intercompany eliminations	(436)	(495)	-	-	-
<b>Total</b>	<b>16,961</b>	<b>21,071</b>	<b>-19.5%</b>	<b>100.0%</b>	<b>100.0%</b>

During Q1 2020, both textiles and lingerie segment demonstrated a decrease with textiles decrease being not as dramatic as lingerie. Lingerie segment suffered more from COVID-19 in Q1 2020 as it was hit immediately upon the closure of retail stores in most of our European core markets. Textile segment felt the reduction 2 weeks later when stopped retail sales hit lingerie manufacturers and brands and these decided to temporarily stop their production as well.

#### **Investments**

During Q1 2020 the Group invested into property plant and equipment and intangible assets EUR 164 thousand compared to EUR 472 thousand in Q1 2019. The main investments during Q1 2020 related Magento and Open ERP platform migration project in Dessus-Dessous S.A.S.

#### **Further development of the Group**

As the management looks forward, and the Group adapts itself and its operations to various restrictions imposed by local governments to contain the further spread of COVID-19, the Group appreciates the patience and cooperation of its customers, suppliers, employees and financiers. The management has initiated discussions with the bond investors to amend the terms of bond financing. All implemented measures, as well as the general approach by the Group and its companies, are targeted at a long-term sustainability of the business

as well as its positioning for the period of revived demand. The Group's business model is based on providing high-quality products in relatively short lead times, sourced locally. This is the fundament that is stable as many short-term disruptions come

and go. The Group has been taking a number of practical actions designed to reduce the risk of COVID-19 having a material long-term impact on the Group's operations, and we will continue to do so.

## Normalised EBITDA and normalized net profit calculation

<i>In thousands of EUR</i>	Q1 2020	Q1 2019
<b>Reported EBITDA</b>	<b>156</b>	<b>2,557</b>
Adjusted by:		
Restructuring of brands, subsidiaries	42	-
Transaction costs		
Bond change / amendment related costs	199	-
Subsidiary acquisition	-	4
Net loss on disposal of intangible assets and property, plant and equipment	-	90
Capital raise related costs	35	-
Other	50	33
<b>Normalised EBITDA</b>	<b>482</b>	<b>2,684</b>
<b>Reported net loss</b>	<b>(1,816)</b>	<b>190</b>
Normalisation adjustments	476	127
Tax effect on normalization adjustments	(24)	1
<b>Normalised net profit/(loss)</b>	<b>(1,364)</b>	<b>318</b>

### **Commentary on the calculation of normalised EBITDA**

For purposes to illustrate the normalized and sustainable EBITDA and net profit of the Group the following adjustments regarding events that are not expected to be recurring are made:

- *Restructuring of brands/subsidiaries* in Q1 2020 related to restructuring/consolidation of some functions within the Group which caused consulting and legal expenses related to further restructuring measures plan preparation for the Group.
- *Transaction costs* in Q1 2020 related to renegotiation of the Bond Terms and Conditions as well as establishment and registration of addi-

tional collateral requested by the bondholders. Q1 2019 transaction costs related to acquisition of Yustina OOO (renamed to Senselle OOO).

- *Other costs* in Q1 2020 included various consultancy costs related to potential equity attraction projects as well as investment projects which were later put on hold. Other costs in Q1 2019 included costs related to the establishment of the new subsidiary in Germany - Brafetch GmbH and various consultancy costs related to potential investment projects.
- *Normalisation adjustments for net profit* included interest expense related to the amortization of transaction costs on bonds issue in amount of EUR 150 thousand.





**EUROPEAN LINGERIE  
GROUP AB**

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**CONDENSED  
FINANCIAL  
STATEMENTS**

FOR THE FIRST QUARTER ENDED  
31 MARCH 2020

# INFORMATION ON THE COMPANY

Name of the company	<i>European Lingerie Group AB (from 29 January 2018) Goldcup 15769 AB (until 29 January 2018)</i>
Legal status of the company	<i>Public Limited Liability Company</i>
Number, place and date of registration	<i>559135-0136, Stockholm, 23 November 2017</i>
Legal and postal address	<i>Norrlandsgatan 16, 111 43 Stockholm, Sweden</i>
Corporate website	<i>www.elg-corporate.com</i>
Core activities	<i>Manufacturing, processing, wholesale and retail of textiles and lingerie products</i>
Members of the Board and their positions	<i>Carl Oscar Edgren, Chairman of the Board Indrek Rahumaa, Member of the Board Dmitry Ditchkovsky, Board Member</i>
Managing director	<i>Indrek Rahumaa</i>
Financial year	<i>1 January 2020 – 31 December 2020</i>
Reporting period	<i>1 January 2020 – 31 March 2020</i>
Information on shareholders	<i>From 26 April 2019 and until 7 January 2020: Helike Holdings OU (71.18%), Bryum Capial Ltd (24.72%), SIA Silver Invest (1.80%), SIA levades Nozares (1.60%), Tuida Holding AB (0.40%) and Amorvero Holding OU (0.30%)  From 7 January 2020 and until 26 February 2020: Helike Holdings OU (71.18%), Bryum Capial Ltd (24.72%), SIA Silver Invest (1.80%), Pohja-Balti Usaldusfond (1.60%), Tuida Holding AB (0.40%) and Amorvero Holding OU (0.30%)  From 26 February 2020: Helike Holdings OU (70.35%), Bryum Capial Ltd (25.55%), SIA Silver Invest (1.80%), SIA levades Nozares (1.60%), Tuida Holding AB (0.40%) and Amorvero Holding OU (0.30%)</i>
Information on the subsidiaries	<i>SIA European Lingerie Group (100.0% from 19 February 2018) Felina France S.a.r.l. (100.0% from 16 May 2018) Senselle OOO (100% from 2 January 2019)</i>
Auditors	<i>Ernst &amp; Young AB Jakobsbergsgatan 24 111 44 Stockholm, Sweden</i>

## Condensed consolidated statement of profit or loss and other comprehensive income

For the first quarter ended 31 March

<i>In thousands of EUR</i>	<i>Note</i>	<b>Q1 2020</b>	<b>Q1 2019 Restated*</b>
<b>Revenue</b>	4,5	<b>16,961</b>	<b>21,071</b>
Other operating income	6	296	485
Changes in inventories of finished goods and work in progress		5,592	1,755
Raw materials and services		(11,343)	(8,827)
Employee benefits expense	7	(6,683)	(6,834)
Depreciation and amortisation		(1,000)	(945)
Impairment loss on trade and other receivables		(232)	(16)
Other operating expenses	8	(4,435)	(5,077)
<b>Operating profit/ (loss)</b>		<b>(844)</b>	<b>1,612</b>
Finance income	9	596	187
Finance costs	10	(1,637)	(1,162)
<b>Net finance costs</b>		<b>(1,041)</b>	<b>(975)</b>
<b>Profit/ (loss) before income tax</b>		<b>(1,885)</b>	<b>637</b>
Income tax (expense) / benefit	11	69	(447)
<b>Profit/(loss) for the period attributable to the owners of the Parent Company</b>		<b>(1,816)</b>	<b>190</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign operations – foreign currency translation differences		(630)	145
<b>Other comprehensive income, net of tax</b>		<b>(630)</b>	<b>145</b>
<b>Total comprehensive income</b>		<b>(2,446)</b>	<b>335</b>

\* Refer to Note 3 for the explanation of the figures restated in Q1 2019.

## Condensed consolidated statement of financial position

<i>In thousands of EUR</i>	<i>Note</i>	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
Property, plant and equipment	12	10,459	11,066
Intangible assets		14,510	14,573
Right-of-use assets		4,116	4,306
Deferred tax assets		1,915	1,926
Other receivables	14	727	717
<b>Total non-current assets</b>		<b>31,727</b>	<b>32,588</b>
Inventories	13	25,218	20,471
Corporate tax assets		280	280
Trade and other receivables	14	14,598	14,854
Contract assets		48	29
Prepayments		1,119	799
Cash and cash equivalents		2,961	1,365
<b>Total current assets</b>		<b>44,224</b>	<b>37,798</b>
<b>Total assets</b>		<b>75,951</b>	<b>70,386</b>
<b>Equity</b>			
Share capital	15	60	60
Reserves	15	(846)	(216)
Retained earnings		2,592	4,408
<b>Total equity</b>		<b>1,806</b>	<b>4,252</b>
<b>Liabilities</b>			
Loans and borrowings	16	2,635	2,666
Net employee defined benefit liability		3,303	3,336
Deferred income		395	449
Provisions		223	221
Other payables	17	86	92
Deferred tax liabilities		2,952	2,983
<b>Total non-current liabilities</b>		<b>9,594</b>	<b>9,747</b>
Loans and borrowings	16	46,316	44,330
Trade and other payables	17	13,185	11,513
Contract liabilities		4,743	192
Corporate income tax liabilities		159	191
Provisions		36	46
Deferred income		112	115
<b>Total current liabilities</b>		<b>64,551</b>	<b>56,387</b>
<b>Total liabilities</b>		<b>74,145</b>	<b>66,134</b>
<b>Total equity and liabilities</b>		<b>75,951</b>	<b>70,386</b>

## Condensed consolidated statement of changes in equity

For the first quarter ended 31 March 2020

Attributable to owners of the Parent Company

<i>In thousands of EUR</i>	Share capital	Translation reserve	Retained earnings	Total equity
<b>Balance at 31 December 2019</b>	60	(216)	4,408	4,252
<b>Total comprehensive income</b>				
Profit for the period	-	-	(1,816)	(1,816)
Other comprehensive income	-	(630)	-	(630)
<b>Total comprehensive income</b>	-	(630)	(1,816)	(2,446)
<b>Balance at 31 March 2020</b>	60	(846)	2,592	1,806

For the first quarter ended 31 March 2019

Attributable to owners of the Parent Company

<i>In thousands of EUR</i>	Share capital	Translation reserve	Retained earnings	Total equity
<b>Balance at 31 December 2018</b>	60	(332)	5,086	4,814
<b>Total comprehensive income</b>				
Profit for the period	-	-	190	190
Other comprehensive income	-	145	-	145
<b>Total comprehensive income</b>	-	145	190	335
<b>Contributions and distributions</b>				
Equity-settled share-based payment	-	-	52	52
<b>Total contributions and distributions</b>	-	-	52	52
<b>Balance at 31 March 2019</b>	60	(187)	5,328	5,201

## Condensed consolidated statement of cash flows

For the first quarter ended 31 March

<i>In thousands of EUR</i>	<i>Note</i>	<b>Q1 2020</b>	<b>Q1 2019</b>
<b>Cash flows from operating activities</b>			
Profit/(loss) for the reporting period		(1,816)	190
Adjustments for:			
Depreciation		818	757
Amortization		182	188
Impairment losses on trade and other receivables		232	16
Income from government grants		(38)	(59)
Finance income	9	(12)	(21)
Finance costs	10	1,052	1,039
Foreign exchange gains	9	(584)	(166)
Foreign exchange losses	10	585	123
Net loss on disposal of property, plant and equipment		-	90
Equity-settled share-based payment transactions		-	52
Gain on bargain purchase		-	(22)
Gain on termination of lease agreement		(8)	-
Income tax expense/(benefit)	11	(69)	447
Changes in:			
Inventories		(4,747)	(1,889)
Trade and other receivables		360	(4,251)
Contract assets		(19)	(47)
Prepayments		(320)	187
Trade and other payables		1,391	4,493
Contract liabilities		4,551	(1)
Provisions		(8)	(60)
Net employee defined benefit liability		(47)	(47)
<b>Cash generated from operating activities</b>		<b>1,503</b>	<b>1,019</b>
Interest paid		(910)	(893)
Income taxes paid		27	(114)
<b>Net cash from operating activities</b>		<b>620</b>	<b>12</b>
<b>Cash flows from investing activities</b>			
Interest received		2	10
Proceeds from sale of property, plant and equipment		1	7
Acquisition of subsidiary net of cash acquired		(30)	9
Acquisition of property, plant and equipment and intangible assets		(164)	(472)
<b>Net cash used in investing activities</b>		<b>(191)</b>	<b>(446)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank loans		271	-
Change in bank overdraft		1,486	1,328
Payment of finance lease liabilities		(370)	(241)
(Repayment)/receipt of factoring		320	(51)
<b>Net cash from financing activities</b>		<b>1,707</b>	<b>1,036</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>2,136</b>	<b>602</b>
Cash and cash equivalents at 1 January		1,365	1,335
Effect of movement in exchange rates on cash held		(540)	164
<b>Cash and cash equivalents at 31 March</b>		<b>2,961</b>	<b>2,101</b>





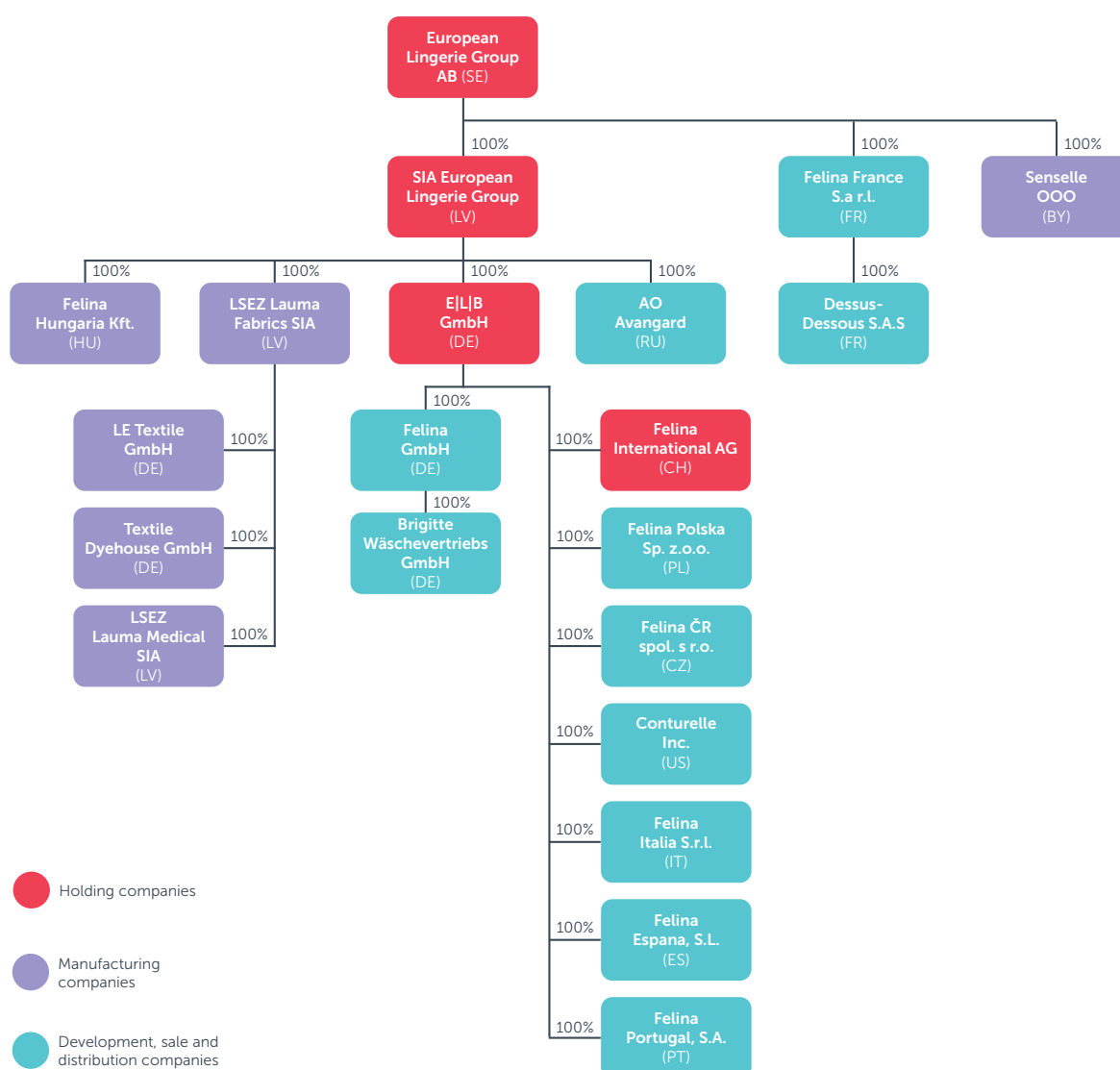
# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## 1. Reporting entity

European Lingerie Group AB is a company domiciled in Sweden. These condensed consolidated interim financial statements ("interim financial statements") as at and for the first quarter ended 31 March 2020 comprise the Parent company and its subsidiaries (together referred to as "the Group").

The Group is primarily involved in manufacturing, processing, wholesale and retail of textiles and lingerie products.

At 31 March 2020, the Group structure was as follows:



The list of Parent's subsidiaries included in the consolidated financial statements was as follows:

Subsidiary	Place of incorporation and operations	Proportion of ownership interest at		Principal activity
		31 March 2020	31 December 2019	
SIA European Lingerie Group	Latvia	100%	100%	Holding Company
LSEZ Lauma Fabrics SIA	Latvia	100%	100%	Production and wholesale
LE Textile GmbH	Germany	100%	100%	Knitting and design development
Textile Dyehouse GmbH	Germany	100%	100%	Dyeing and finishing services
E L B GmbH	Germany	100%	100%	Holding Company
Felina International AG	Switzerland	100%	100%	Holding Company
Felina Italia S.r.l.	Italy	100%	100%	Wholesale
Felina France S.a r.l.	France	100%	100%	Wholesale
Felina GmbH	Germany	100%	100%	Production and wholesale
Brigitte Wäschevertriebs GmbH	Germany	100%	100%	Retail
Felina Espana S.L.	Spain	100%	100%	Wholesale
Felina Hungaria Kft.	Hungary	100%	100%	Production
Felina Polska Sp. z o.o.	Poland	100%	100%	Retail and wholesale
Felina ČR spol. s.r.o.	Czech Republic	100%	100%	Wholesale
Felina Portugal S.A.	Portugal	100%	100%	Wholesale
Conturelle Inc.	USA	100%	100%	Wholesale
AO Avangard	Russia	100%	100%	Wholesale
Dessus-Dessous S.A.S	France	100%	100%	Online retail
Senselle OOO	Belarus	100%	100%	Production and wholesale
LSEZ Lauma Medical SIA	Latvia	100%	100%	Production and wholesale

## 2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim financial reporting. The accounting and measurement policies, as well as the assessment bases, applied in the 2019 financial statements have also been applied in these interim financial statements. The interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that

are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

These interim financial statements were authorised for issue by the Company's Board of Directors on 29 May 2020.

The interim financial statements are presented in euro, which is the Parent's functional and reporting currency. All financial information has been drawn up in thousands of euros and all the figures have

been rounded to the nearest thousand, unless indicated otherwise.

Exchange rates used for the conversion of subsidiary financial information were as follows:

	31 March 2020	Average for Q1 2020
1 EUR/CHF	1.0585	1.0625
1 EUR/PLN	4.5506	4.3241
1 EUR/HUF	360.0200	339.1400
1 EUR/CZK	27.3120	25.6310
1 EUR/USD	1.0956	1.1027
1 EUR/RUB	85.9486	73.8205
1 EUR/BYN	2.8793	2.4700

	31 December 2019	Average for Q1 2019
1 EUR/CHF	1.0854	1.1324
1 EUR/PLN	4.2568	4.3016
1 EUR/HUF	330.5300	317.9100
1 EUR/CZK	25.4080	25.6830
1 EUR/USD	1.1234	1.1358
1 EUR/RUB	69.9563	74.9094
1 EUR/BYN	2.3524	2.4390

### 3. Restatements of comparatives

Commission income in the amount of EUR 19 thousand and license income in the amount of EUR 30 thousand had been reclassified from 'other operating income' line item in the statement of profit or loss and OCI to revenue line item in Q1 2019 in order to comply with Q1 2020 classification.

Additionally, transportation income in the amount of EUR 120 thousand had been reclassified from other operating income line item in the statement of profit or loss and OCI in Q1 2019 and instead netted with related transportation expenses within 'other operating expenses' line item in Q1 2019 in order to comply with Q1 2020 classification. The Group sometimes arranges for the delivery of goods for its customers at its own cost and afterwards recharges those transportation costs to customers without charging additional margin on that. Since the Group acts as an agent in these transactions respective transportation income and costs were netted.

The reclassifications have been made by restating each of the affected line items for the prior period. The following table summarises the impacts on the Group's consolidated statement of profit or loss and OCI.

For the quarter ended 31 March 2019

In thousands of EUR	As previously reported	Adjustments	As restated
Revenue	21,022	49	21,071
Other operating income	654	(169)	485
Other operating expenses	(5,197)	120	(5,077)
<b>Profit for the period</b>	<b>190</b>	<b>-</b>	<b>190</b>
<b>Total comprehensive income</b>	<b>335</b>	<b>-</b>	<b>335</b>

### 4. Segment information

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
<b>Textiles</b>	Manufacturing, processing and wholesale of textiles
<b>Lingerie</b>	Manufacturing, processing, wholesale and retail (including online) of lingerie products

Two divisions are integrated through the sale of textiles to lingerie segment for the production of lingerie products. Inter-segment pricing is determined on an arm's length basis.

Primary monitored measures include segment revenues, segment EBITDA (which is defined as profit before depreciation, amortisation, finance income/costs and income tax expense) and segment net profit. These measures are included in internal management reports.

Information related to each reportable segment is set out below. Unallocated items refer to the activities of holding companies (European Lingerie Group AB, SIA European Lingerie Group and E|L|B GmbH).

Q1 2020

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	7,600	9,361	16,961	-	-	16,961
Intersegment revenue	436	-	436	-	(436)	-
<b>Total revenue</b>	<b>8,036</b>	<b>9,361</b>	<b>17,397</b>	<b>-</b>	<b>(436)</b>	<b>16,961</b>
Other operating income	209	92	301	78	(83)	296
Changes in inventories of finished goods and work in progress	4,420	1,172	5,592	-	-	5,592
Raw materials and services	(7,649)	(4,080)	(11,729)	-	386	(11,343)
Employee benefits expense	(2,344)	(4,119)	(6,463)	(220)	-	(6,683)
Depreciation and amortisation	(392)	(604)	(996)	(4)	-	(1,000)
Impairment losses on trade and other receivables	(142)	(90)	(232)	-	-	(232)
Other operating expenses	(1,674)	(2,419)	(4,093)	(427)	85	(4,435)
<b>Operating profit</b>	<b>464</b>	<b>(687)</b>	<b>(223)</b>	<b>(573)</b>	<b>(48)</b>	<b>(844)</b>
Interest income	15	54	69	80	(137)	12
Other finance income	312	271	583	1	-	584
Interest expense	(44)	(108)	(152)	(972)	144	(980)
Other finance costs	(309)	(346)	(655)	(2)	-	(657)
Income tax	(46)	114	68	1	-	69
<b>Net profit / (loss)</b>	<b>392</b>	<b>(702)</b>	<b>(310)</b>	<b>(1,465)</b>	<b>(41)</b>	<b>(1,816)</b>
Operating profit	464	(687)	(223)	(573)	(48)	(844)
Depreciation and amortisation	392	604	996	4	-	1,000
<b>EBITDA</b>	<b>856</b>	<b>(83)</b>	<b>773</b>	<b>(569)</b>	<b>(48)</b>	<b>156</b>
Segment assets	31,988	51,389	83,377	(7,426)	-	75,951
Segment liabilities	19,137	44,076	63,213	10,932	-	74,145
Capital expenditure	24	140	164	-	-	164
Number of employees at reporting date	514	777	1,291	6	-	1,297

Q1 2019  
Restated\*

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	8,423	12,648	21,071	-	-	21,071
Intersegment revenue	495	-	495	-	(495)	-
<b>Total revenue</b>	<b>8,918</b>	<b>12,648</b>	<b>21,566</b>	<b>-</b>	<b>(495)</b>	<b>21,071</b>
Other operating income	227	240	467	609	(591)	485
Changes in inventories of finished goods and work in progress	643	1,146	1,789	-	(34)	1,755
Raw materials and services	(4,101)	(5,221)	(9,322)	-	495	(8,827)
Employee benefits expense	(2,297)	(4,436)	(6,733)	(101)	-	(6,834)
Depreciation and amortisation (Impairment loss)/reversal of impairment on trade receivables and contract assets	(468)	(477)	(945)	-	-	(945)
Other operating expenses	26	(42)	(16)	-	-	(16)
Other operating expenses	(1,816)	(3,185)	(5,001)	(237)	161	(5,077)
<b>Operating profit</b>	<b>1,132</b>	<b>673</b>	<b>1,805</b>	<b>271</b>	<b>(464)</b>	<b>1,612</b>
Interest income	12	38	50	105	(134)	21
Other finance income	104	57	161	5	-	166
Interest expense	(47)	(87)	(134)	(961)	154	(941)
Other finance costs	(67)	(153)	(220)	(1)	-	(221)
Income tax	(62)	(349)	(411)	(36)	-	(447)
<b>Net profit</b>	<b>1,072</b>	<b>179</b>	<b>1,251</b>	<b>(617)</b>	<b>(444)</b>	<b>190</b>
Operating profit	1,132	673	1,805	271	(464)	1,612
Depreciation and amortisation	468	477	945	-	-	945
<b>EBITDA</b>	<b>1,600</b>	<b>1,150</b>	<b>2,750</b>	<b>271</b>	<b>(464)</b>	<b>2,557</b>
Segment assets	27,428	45,446	72,874	2,294	-	75,168
Segment liabilities	9,347	21,215	30,562	39,405	-	69,967
Capital expenditure	256	215	471	1	-	472
Number of employees at reporting date	529	802	1,331	7	-	1,338

\* Refer to Note 3 for explanation of the restated figures for Q1 2019.

The assets and liabilities have been presented with eliminations and consolidation adjustments allocated to specific segments.

In presenting the geographic information, segment revenue was based on the geographic location of customers and segment assets were based on the geographic location of the assets. For information on segment revenue by geographic location of customers refer to Note 5 (ii).

#### Non-current non-financial assets

<i>In thousands of EUR</i>	31 March 2020	31 December 2019
Germany	10,207	10,540
Latvia	8,599	8,923
France	5,934	5,959
Hungary	2,303	2,569
Russia	981	981
Poland	988	882
Other countries	73	91
<b>Total</b>	<b>29,085</b>	<b>29,945</b>

Non-current assets exclude financial instruments and deferred tax assets.

## 5. Revenue

### (i) Revenue streams

The Group generates revenue primarily from the sale of textiles and lingerie products (see Note 4). The Group is also involved in provision of cutting and garment sewing services as well as in provision of fabrics dyeing and finishing services.

<i>In thousands of EUR</i>	Q1 2020	Q1 2019 Restated*
Sales of goods, wholesale	14,462	18,547
Sales of goods, retail	2,293	2,263
Rendering of services	146	212
Sales commissions	30	19
License income	30	30
<b>Total revenue from contracts with customers</b>	<b>16,961</b>	<b>21,071</b>

### (ii) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographic markets. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 4).

#### Q1 2020

<i>In thousands of EUR</i>	Textiles	Lingerie	Total
Germany	749	2,557	<b>3,306</b>
Baltic States	2,283	11	<b>2,294</b>
Russia	1,041	837	<b>1,878</b>
France	216	1,561	<b>1,777</b>
Spain	4	1,153	<b>1,157</b>
Belarus	1,151	-	<b>1,151</b>
Poland	535	305	<b>840</b>
The Netherlands	12	800	<b>812</b>
Ukraine	314	151	<b>465</b>
Morocco	392	-	<b>392</b>
Belgium, Luxemburg	39	315	<b>354</b>
Swiss, Liechtenstein	-	309	<b>309</b>
Great Britain	113	132	<b>245</b>
Italy	38	186	<b>224</b>
Austria	47	136	<b>183</b>
Sweden	43	31	<b>74</b>
Other countries	623	877	<b>1,500</b>
<b>External revenue as reported in Note 4</b>	<b>7,600</b>	<b>9,361</b>	<b>16,961</b>

#### Q1 2019

<i>In thousands of EUR</i>	Textiles	Lingerie	Total
Germany	720	3,378	<b>4,098</b>
Baltic States	2,221	39	<b>2,260</b>
Russia	1,230	1,566	<b>2,796</b>
France	286	1,604	<b>1,890</b>
Spain	13	1,123	<b>1,136</b>
Belarus	1,507	12	<b>1,519</b>
Poland	534	725	<b>1,259</b>
The Netherlands	30	953	<b>983</b>
Ukraine	330	18	<b>348</b>
Morocco	651	-	<b>651</b>
Belgium, Luxemburg	34	415	<b>449</b>
Swiss, Liechtenstein	-	320	<b>320</b>
Great Britain	91	189	<b>280</b>
Italy	46	710	<b>756</b>
Austria	125	267	<b>392</b>
Sweden	12	28	<b>40</b>
Other countries	593	1,301	<b>1,894</b>
<b>External revenue as reported in Note 4</b>	<b>8,423</b>	<b>12,648</b>	<b>21,071</b>

\* Refer to Note 3 for explanation of the restated figures for Q1 2019.

## 6. Other operating income

<i>In thousands of EUR</i>	Q1 2020	Q1 2019 Restated*
Rental income from property leases	170	166
Government grants	38	59
Income from sales of non-core materials	11	18
Proceeds from bad debts previously written off	10	2
Gain on termination of lease agreement	8	-
Gain on sale of property, plant and equipment	-	7
Other income from non-core activities	59	233
<b>Total</b>	<b>296</b>	<b>485</b>

\* Refer to Note 3 for explanation of the restated figures for Q1 2019.

## 7. Employee benefits expense

<i>In thousands of EUR</i>	Q1 2020	Q1 2019
Wages and salaries	5,387	5,364
Social security contributions	1,117	1,207
Expenses related to post-employment defined benefit plans	2	2
Other employee benefits	177	261
<b>Total</b>	<b>6,683</b>	<b>6,834</b>

## 8. Other operating expenses

<i>In thousands of EUR</i>	Q1 2020	Q1 2019 Restated*
Sales and marketing	942	1,237
Utilities	867	958
Storage, transportation and packaging	328	369
Change in write downs to net realizable value for obsolete and slow-moving inventories	292	367
Professional services	591	198
Repair and maintenance	239	218
Travel expenses	123	183
IT and communication	138	175
Bank services	90	86
Expense relating to short-term leases	71	145
Insurance	71	72
Loss on disposal of property, plant and equipment	-	97
Car park related costs	25	32
Expenses related to share-based payment arrangements	-	52
Real estate tax	2	2
Other taxes	55	57
Other operating expenses	601	829
<b>Total</b>	<b>4,435</b>	<b>5,077</b>

\* Refer to Note 3 for explanation of the restated figures for Q1 2019.

## 9. Finance income

<i>In thousands of EUR</i>	Q1 2020	Q1 2019
Interest income under the effective interest method on:		
Trade and other receivables	12	21
<b>Total interest income arising from financial assets measured at amortised cost</b>	<b>12</b>	<b>21</b>
Foreign exchange gains	584	166
<b>Finance income – other</b>	<b>584</b>	<b>166</b>
<b>Total</b>	<b>596</b>	<b>187</b>

## 10. Finance costs

<i>In thousands of EUR</i>	Q1 2020	Q1 2019
Interest expense on financial liabilities measured at amortised cost	1,037	1,019
Foreign exchange losses	585	123
Interest expense on net employee defined benefit liability	14	17
Fines and penalties	1	3
<b>Total</b>	<b>1,637</b>	<b>1,162</b>

EUR 1,037 thousand of interest expense in Q1 2020 consist of EUR 887 thousand of interest expense on loans and borrowings, EUR 150 thousand of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value.

EUR 1,019 thousand of interest expense in Q1 2019 consist of EUR 884 thousand of interest expense on loans and borrowings; EUR 135 thousand of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value.

## 11. Income tax expense

The income tax rate applied to the Parent in Q1 2020 was 21.4% (21.4% in Q1 2019).

The major components of income tax expense for the period ended 31 March are:

<i>In thousands of EUR</i>	Q1 2020	Q1 2019
<b>Current tax expense/ (benefit)</b>		
Current period	(53)	294
<b>Deferred tax expense/ (benefit)</b>		
Origination and reversal of temporary differences	(16)	153
<b>Income tax expense/ (benefit) reported in profit or loss</b>	<b>(69)</b>	<b>447</b>

## 12. Property, plant and equipment

During the first quarter ended 31 March 2020, the Group acquired assets with a cost of EUR 39 thousand (Q1 2019: EUR 370 thousand).

There were no disposals of property, plant and equipment during Q1 2020. During Q1 2019, assets with a net book value of EUR 97 thousand were disposed by the Group, resulting in a net loss on disposal of EUR 90 thousand.

## 13. Inventories

<i>In thousands of EUR</i>	31 March 2020	31 December 2019
Finished goods	16,972	11,851
Raw materials and consumables	6,093	6,691
Work in progress	2,043	1,803
Right to recover returned goods	110	126
<b>Total</b>	<b>25,218</b>	<b>20,471</b>

## 14. Trade and other receivables

<i>In thousands of EUR</i>	31 March 2020	31 December 2019
<b>Financial trade and other receivables</b>		
Trade receivables	14,863	14,941
Loans to related parties (Note 18)	829	819
Trade receivables due from related parties (Note 18)	629	623
Other receivables due from related parties (Note 18)	420	431
Other receivables	286	429
Allowance for trade and other receivables	(1,282)	(1,065)
Allowance for trade and other receivables due from related parties (Note 18)	(737)	(737)
Allowance for loans to related parties (Note 18)	(102)	(102)
	<b>14,906</b>	<b>15,339</b>
<b>Non-financial trade and other receivables</b>		
VAT receivable	190	189
Social contributions receivable	-	2
Other taxes receivable	31	6
Deferred expenses	198	35
	<b>419</b>	<b>232</b>
<b>Total</b>	<b>15,325</b>	<b>15,571</b>
Non-current	727	717
Current	14,598	14,854
<b>Total</b>	<b>15,325</b>	<b>15,571</b>

Trade receivables at 31 March 2020 in the gross amount of EUR 14,863 thousand (31 December 2019: EUR 14,941 thousand) mostly comprise receivables for goods sold.

The Group sold with recourse trade receivables to a factoring company with cash proceeds. These trade receivables were not derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards – primarily credit risk. The amount received on transfer was recognised as secured other loans (see Note 16).

The following information shows the carrying amount of trade receivables that have been transferred but have not been derecognised and the associated liabilities.



<i>In thousands of EUR</i>	31 March 2020	31 December 2019
Carrying amount of trade receivables transferred to a factoring company	1,088	720
Carrying amount of associated liabilities	962	698

## 15. Capital and reserves

### Share capital

<i>Number of shares</i>	31 March 2020	31 December 2019
Opening balance	60,000	60,000
Issued for cash	-	-
<b>In issue at 31 March/31 December – fully paid</b>	<b>60,000</b>	<b>60,000</b>
Nominal value of one share, EUR	1	1

The Parent Company has one series of shares. All shares have equal rights to dividends and the Parent Company's residual assets.

### Nature and purpose of reserves

As at 31 March 2020 reserves include translation reserve in the amount of EUR -846 thousand which comprises all foreign currency differences arising from the translation of the financial statements of foreign operations (31 December 2018: EUR -216 thousand).

## 16. Loans and borrowings

<i>In thousands of EUR</i>	31 March 2020	31 December 2019
<b>Non-current liabilities</b>		
Leases liabilities	2,464	2,532
Long-term secured bank loans	171	134
<b>Total</b>	<b>2,635</b>	<b>2,666</b>
<b>Current liabilities</b>		
Short-term secured bank loans	4,239	2,678
Short-term unsecured bank loans	-	75
Current portion of long-term secured bank loans	66	32
Secured other loans	962	698
Other loans from related parties (Note 18)	203	-
Bonds	39,740	39,616
Current portion of lease liabilities	1,106	1,231
<b>Total</b>	<b>46,316</b>	<b>44,330</b>

As the Group hasn't received a waiver in respect of maintenance test covenant default as of 31 December 2019 and 31 March 2020, the Group re-

classified the bonds under the short-term loans and borrowings at 31 December 2019 and 31 March 2020.

Secured other loans represent amounts received from factoring companies, see Note 14.

## 17. Trade and other payables

<i>In thousands of EUR</i>	31 March 2020	31 December 2019
<b>Financial trade and other payables</b>		
Trade payables	8,148	7,086
Accrued expenses	2,242	1,823
Payables to personnel	781	667
Other payables	645	552
Other payables to related parties (Note 18)	3	-
	<b>11,819</b>	<b>10,128</b>
<b>Non-financial trade and other payables</b>		
Refund liabilities	280	349
VAT payable	294	376
Personal income tax payable	236	277
Social contributions payable	618	454
Other taxes payable	24	21
	<b>1,452</b>	<b>1,477</b>
<b>Total</b>	<b>13,271</b>	<b>11,605</b>
Non-current	86	92
Current	13,185	11,513
<b>Total</b>	<b>13,271</b>	<b>11,605</b>

Other current payables include deferred payment payable for acquisition of Dessus-Dessous S.A.S. in the amount of EUR 21 thousand (31 December 2019: EUR 51 thousand).

## 18. Related parties

### Transactions with key management personnel

Key management personnel compensation for the first quarter ended 31 March 2020 amounted to EUR 217 thousand (Q1 2019: EUR 184 thousand) and comprised only short-term employee benefits in the form of salaries and social contributions.

## Other related party transactions

<i>In thousands of EUR</i>	Transaction values for Q1 2020	Transaction values for Q1 2019	Balance outstanding at 31 March 2020	Balance outstanding at 31 December 2019
<b>Sales of goods and services</b>				
Joint ventures	15	15	-	-
<b>Purchases of goods and services</b>				
Shareholders	-	9	-	-
Other related parties	51	61	-	-
<b>Interest income accrued during the year</b>				
Joint ventures	9	10	-	-
Shareholders	1	1	-	-
<b>Interest expense accrued during the year</b>				
Shareholders	3	-	-	-
<b>Loans received</b>				
Shareholders	200	-	-	-
<b>Trade and other receivables</b>				
Shareholders	-	-	25	25
Joint ventures	-	-	12	6
Other related parties	-	-	1,012	1,023
<b>Allowance for trade and other receivables</b>				
Other related parties	-	-	(737)	(737)
<b>Other payables</b>				
Other related parties	-	-	3	-
<b>Loans receivable, gross amount</b>				
Joint ventures	-	-	525	525
Shareholders	-	-	134	134
<b>Allowance for loans receivable</b>				
Joint ventures	-	-	(102)	(102)
<b>Interest receivable</b>				
Joint ventures	-	-	157	148
Shareholders	-	-	13	12
<b>Loans payable</b>				
Shareholders	-	-	200	-
<b>Interest payable</b>				
Shareholders	-	-	3	-

All outstanding balances with the related parties are priced on an arm's length basis and are to be settled in cash within six months of the reporting date except as indicated below. None of the balances is secured.

In Q1 2020, the Group received a loan from shareholder, Helike Holdings OU, in the amount of EUR 200 thousand. The loan matures 7 calendar days after the final redemption date of the Bonds and carries the interest rate of 15% per annum. The loan is subordinated to the bonds.

# PARENT COMPANY FINANCIAL INFORMATION

## General information

The Parent of the Group is European Lingerie Group AB (previously Goldcup 15769 AB). The name of the Parent was changed on 29 January 2018.

## Type of operations

The Company carries out holding operations through investing in and managing assets involved in manufacturing, processing, wholesale and retail of textiles and lingerie products. The assets of the Parent Company consist of shares in SIA European Lingerie Group, Felina France S.a.r.l, and Senselle OOO as of 31 March 2020. Net loss of European Lingerie Group AB for the first quarter ended 31 March 2020 totalled EUR 667 thousand (Q1 2019: loss of EUR 360 thousand).

## Accounting Principles

The interim financial statements of the Parent Company are prepared in accordance with accounting principles generally accepted in Sweden, applying RFR 2 issued by the Swedish Financial Reporting Board and the Annual Accounts Act (1995: 1554). RFR 2 requires the Parent Company to use similar accounting principles as for the Group, i.e. IFRS to the extent allowed by RFR 2. The Parent Company's accounting principles, including accounting for intragroup receivables and their impairment, do not in any material respect deviate from the Group accounting principles described in Note 3.

## Condensed Parent Company statement of profit or loss and other comprehensive income

For the first quarter ended 31 March

<i>In thousands of EUR</i>	<i>Note</i>	<b>Q1 2020</b>	<b>Q1 2019 Restated*</b>
Revenue	20	41	29
Other operating income		42	2
Employee benefits expense	21	(32)	(26)
Other operating expenses		(350)	(65)
<b>Operating loss</b>		<b>(299)</b>	<b>(60)</b>
Finance income	22	575	611
Finance costs	23	(944)	(911)
<b>Net finance costs</b>		<b>(369)</b>	<b>(300)</b>
<b>Loss before income tax</b>		<b>(668)</b>	<b>(360)</b>
Income tax expense		1	-
<b>Loss for the period</b>		<b>(667)</b>	<b>(360)</b>
<b>Total comprehensive income</b>		<b>(667)</b>	<b>(360)</b>

\* Refer to Note 19 for the explanation of the figures restated in Q1 2019.

## Condensed Parent Company statement of financial position

<i>In thousands of EUR</i>	<i>Note</i>	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
Shares in subsidiaries		46,328	46,328
Receivables from Group companies	24	33,060	33,277
<b>Total non-current assets</b>		<b>79,388</b>	<b>79,605</b>
Receivables from Group companies	24	80	166
Other receivables	24	388	208
Prepaid expenses and accrued income		23	31
Cash and cash equivalents		8	6
<b>Total current assets</b>		<b>499</b>	<b>411</b>
<b>Total assets</b>		<b>79,887</b>	<b>80,016</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		60	60
<b>Non-restricted equity</b>			
Shareholder contribution		43,500	43,500
Net income		(5,036)	(4,369)
<b>Total equity</b>		<b>38,524</b>	<b>39,191</b>
<b>Liabilities</b>			
Loans and borrowings		723	723
Deferred tax liabilities		11	13
<b>Total non-current liabilities</b>		<b>734</b>	<b>736</b>
Loans and borrowings	25	39,630	39,280
Liabilities to Group companies	26	193	158
Other liabilities	26	462	195
Accrued expenses and deferred income	26	344	456
<b>Total current liabilities</b>		<b>40,629</b>	<b>40,089</b>
<b>Total liabilities</b>		<b>41,363</b>	<b>40,825</b>
<b>Total equity and liabilities</b>		<b>79,887</b>	<b>80,016</b>

## Condensed Parent Company statement of changes in equity

For the first quarter ended 31 March 2020

<i>In thousands of EUR</i>	Restricted equity	Non-restricted equity		Total equity
	Share capital	Shareholder contribution	Net income	
<b>Balance at 31 December 2019</b>	<b>60</b>	<b>43,500</b>	<b>(4,369)</b>	<b>39,191</b>
<b>Total comprehensive income</b>				
Loss for the period	-	-	(667)	(667)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(667)</b>	<b>(667)</b>
<b>Balance at 31 March 2020</b>	<b>60</b>	<b>43,500</b>	<b>(5,036)</b>	<b>38,524</b>

For the first quarter ended 31 March 2019

<i>In thousands of EUR</i>	Restricted equity	Non-restricted equity		Total equity
	Share capital	Shareholder contribution	Net income	
<b>Balance at 31 December 2018</b>	<b>60</b>	<b>43,500</b>	<b>(2,419)</b>	<b>41,141</b>
<b>Total comprehensive income</b>				
Loss for the period	-	-	(360)	(360)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(360)</b>	<b>(360)</b>
<b>Balance at 31 March 2019</b>	<b>60</b>	<b>43,500</b>	<b>(2,779)</b>	<b>40,781</b>

## Condensed Parent Company statement of cash flows

### For the first quarter ended 31 March

<i>In thousands of EUR</i>	<i>Note</i>	<b>Q1 2020</b>	<b>Q1 2019</b>
<b>Cash flows from operating activities</b>			
Loss for the reporting period		(667)	(360)
Adjustments for:			
Finance income	22	(574)	(610)
Finance costs	23	943	910
Foreign exchange gains	22	(1)	(1)
Foreign exchange losses	23	1	1
Income tax expense		(1)	-
Changes in:			
Other receivables		(93)	(74)
Prepaid expenses and accrued income		8	9
Other liabilities		203	(49)
<b>Cash used in operating activities</b>		<b>(181)</b>	<b>(174)</b>
Interest paid		(809)	(792)
<b>Net cash used in operating activities</b>		<b>(990)</b>	<b>(966)</b>
<b>Cash flows from investing activities</b>			
Interest received		-	17
Acquisition of subsidiary		-	(41)
Loans issued		(10)	(80)
Proceeds from repayment of loans issued		802	1,072
<b>Net cash from investing activities</b>		<b>792</b>	<b>968</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		200	-
<b>Net cash from financing activities</b>		<b>200</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>2</b>	<b>2</b>
Cash and cash equivalents at 1 January		6	40
<b>Cash and cash equivalents at 31 March</b>		<b>8</b>	<b>42</b>

# NOTES TO THE CONDENSED PARENT COMPANY INTERIM FINANCIAL STATEMENTS

## 19. Restatement of comparatives

Management fee income from Group companies in the amount of EUR 29 thousand had been reclassified from other operating income line item in the statement of profit or loss and OCI to revenue line item in Q1 2019 in order to comply with Q1 2020 classification. The reclassification has been done by restating each of the affected line items for Q1 2019. The following table summarises the impacts on the Parent's statement of profit or loss and OCI.

Q1 2019			
In thousands of EUR	As previously reported	Adjustments	As Restated
Revenue	-	29	29
Other operating income	31	(29)	2
<b>Loss for the period</b>	<b>(360)</b>	-	<b>(360)</b>
<b>Total comprehensive income</b>	<b>(360)</b>	-	<b>(360)</b>

## 20. Revenue

Revenue of the Parent includes management fee income received from the Group companies in the amount of EUR 41 thousand (Q1 2019: EUR 29 thousand).

## 21. Employee benefits expense

In thousands of EUR	Q1 2020	Q1 2019
Wages and salaries	26	22
Social security contributions	6	4
<b>Total</b>	<b>32</b>	<b>26</b>

As of 31 March 2020, the Parent Company employed 2 people (31 December 2019: 2), all of whom are members of the Board of Directors. For details on Board remuneration and related social security costs in the reporting period refer to Note 27.

## 22. Finance income

In thousands of EUR	Q1 2020	Q1 2019
Interest income under the effective interest method on:		
Receivables from Group companies	574	610
<b>Total interest income arising from financial assets measured at amortised cost</b>	<b>574</b>	<b>610</b>
Foreign exchange gains	1	1
<b>Finance income – other</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>575</b>	<b>611</b>

## 23. Finance costs

In thousands of EUR	Q1 2020	Q1 2019
Interest expense on financial liabilities measured at amortised cost	943	910
Foreign exchange losses	1	1
<b>Total</b>	<b>944</b>	<b>911</b>

EUR 943 thousand of interest expense in the first quarter 2020 consist of EUR 783 thousand of interest expense on bonds, EUR 150 thousand of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value, EUR 7 thousand on loans from Group companies and EUR 3 thousand on loan from shareholder (refer to Note 18).

EUR 910 thousand of interest expense in the first quarter 2019 consist of EUR 775 thousand of interest expense on bonds and EUR 135 thousand of interest expense related to the amortisation of transaction costs on bonds issue.



## 24. Other receivables

<i>In thousands of EUR</i>	31 March 2020	31 December 2019
<b>Financial trade and other receivables</b>		
Loans to Group companies (Note 27)	33,060	33,277
Other receivables due from related parties (Note 27)	195	195
Other receivables from Group Companies (Note 27)	80	166
Other receivables	5	5
	<b>33,340</b>	<b>33,643</b>
<b>Non-financial trade and other receivables</b>		
VAT receivable	31	6
Deferred expenses	157	2
	<b>188</b>	<b>8</b>
<b>Total</b>	<b>33,528</b>	<b>33,651</b>
Non-current	33,060	33,277
Current	468	374
<b>Total</b>	<b>33,528</b>	<b>33,651</b>

## 25. Loans and borrowings

Loans and borrowings for the first quarter ended 31 March 2020 comprise secured bonds in the amount of EUR 39,430 thousand (31 December 2019: EUR 39,280 thousand), loans from Group Companies in the amount of EUR 723 thousand (31 December 2019: EUR 723 thousand) and loan from shareholder in the amount of EUR 200 thousand (31 December 2019: none). Refer to Note 18 for details on loan from shareholder.

## 26. Other liabilities

<i>In thousands of EUR</i>	31 March 2020	31 December 2019
<b>Financial trade and other payables</b>		
Accrued interest on bonds	310	336
Other payables to Group companies (Note 27)	193	158
Payables to personnel	126	103
Accrued interest on loans from Group companies (Note 27)	23	15
Accrued interest on loans from related parties (Note 27)	3	-
Other accrued expenses	8	105
Other payables to related parties (Note 27)	3	-
Other payables to third parties	296	65
	<b>962</b>	<b>782</b>
<b>Non-financial trade and other payables</b>		
Personal income tax payable	13	10
Social contributions payable	24	17
	<b>37</b>	<b>27</b>
<b>Total</b>	<b>999</b>	<b>809</b>
Non-current	-	-
Current	999	809
<b>Total</b>	<b>999</b>	<b>809</b>

## 27. Related parties

### Transactions with key management personnel

Key management personnel compensation for the

### Other related party transactions

first quarter ended 31 March 2020 amounted to EUR 32 thousand (Q1 2019: EUR 26 thousand) and comprised only short-term employee benefits in the form of salaries and social contributions.

<i>In thousands of EUR</i>	Transaction values for Q1 2020	Transaction values for Q1 2019	Balance outstanding at 31 March 2020	Balance outstanding at 31 December 2019
<b>Sales of goods and services</b>				
Subsidiaries	83	31	-	-
<b>Purchases of goods and services</b>				
Shareholders	-	9	-	-
Subsidiaries	60	13	-	-
Other related parties	51	13	-	-
<b>Interest income accrued during the period</b>				
Subsidiaries	574	610	-	-
<b>Interest expense accrued during the period</b>				
Subsidiaries	7	-	-	-
Shareholders	3	-	-	-
<b>Loans granted</b>				
Subsidiaries	10	80	-	-
<b>Loans received</b>				
Shareholders	200	-	-	-
<b>Other receivables</b>				
Shareholders	-	-	25	25
Subsidiaries	-	-	80	166
Other related parties	-	-	170	170
<b>Loans receivable</b>				
Subsidiaries	-	-	28,248	28,579
<b>Interest receivable</b>				
Subsidiaries	-	-	4,812	4,698
<b>Loans payable</b>				
Shareholders	-	-	200	-
Subsidiaries	-	-	723	723
<b>Interest payable</b>				
Shareholders	-	-	3	-
Subsidiaries	-	-	23	15
<b>Other payables</b>				
Subsidiaries	-	-	193	158
Other related parties	-	-	3	-

As the Parent Company carries out holding operations through investing in and managing assets, all loans issued and outstanding as of 31 March 2020 are intra-group loans.

All related party transactions of the Group have been made on market terms in all material aspects.

# STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of European Lingerie Group AB has reviewed and approved condensed consolidated and Parent Company interim financial statements for the first quarter ended 31 March 2020.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act and give a true and fair view of the consolidated and Parent Company financial position, financial performance and cash flows.

Stockholm, 29 May 2020

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Carl Oscar Edgren  
*Chairman of the Board*

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Dmitry Ditchkovsky  
*Board member*

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Indrek Rahumaa  
*Board member, CEO*

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