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**EUROPEAN LINGERIE
GROUP**



EUROPEAN LINGERIE GROUP AB

**QUARTERLY REPORT - NINE
MONTHS AND THIRD QUARTER
1 JANUARY 2018 – 30 SEPTEMBER 2018**

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Management report

General information

European Lingerie Group AB (the "Parent") is a Public Limited Liability Company domiciled in Sweden. At 30 September 2018 the Company had 18 wholly owned subsidiaries, a representative office located in Russia and a joint venture company located in Latvia.

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

The results of the third quarter of 2018 are not satisfactory for European Lingerie Group (the "Group"), but we finally see that sales have started to pick up from the trend in the first six months. We still observe acceleration of the closure of small specialised retail shops in the Southern and Central Europe. Furthermore, in most European markets the macroeconomy started slowing down, which does not help in feeding the growth. In Q3 2018 though, we believe that the Group hit the bottom line of this decline and we expect sales to be flat or slightly growing in the next periods.

In 2018 the Group continues investing in new technology, new people and process changes. This affect negatively its profit in the reporting year and will need additional working capital resources in the coming 2-3 years, but should bring returns through the growth in sales and profit going forward. We expect that these innovations will comprise at least 10% from the total sales next year.

To improve the sales trend, the Group focuses on development of the new distribution channels in the lingerie segment and on growth with the blue chip customers in the textile segment, which starts bringing results.

By the end of October 2018 the Group completed all steps of the planned simplification process of its legal structure whereby AS European Lingerie Brands was merged into AS European Lingerie Group, all Felina Group subsidiaries were transferred from Felina International AG to the respective holding companies above it and the shareholding of Myrtyle Ventures in European Lingerie Group AB was transferred to its shareholders, He-like Holding OU and Bryum Capital Ltd. All these changes had no impact on the operations or ultimate shareholders of the Group. For more details refer to Note 1 to the condensed consolidated interim financial statements.

Financial highlights of the reporting 9 months and third quarter

Selected financial indicators

Selected financial indicators of the Group were calculated on the basis of the pro forma financial information of European Lingerie Group AB for 9 months 2018, 9 months 2017 and Q3 2017 as well as reported financial information for Q3 2018. Refer to page 8 for the description of the pro forma financial information and pro forma assumptions. Summarized selected financial indicators of the Group for 9 months 2018 compared to 9 months 2017, Q3 2018 compared to Q3 2017 and 30.09.2018 compared to 30.09.2017 and 31.12.2017 were as follows:

In thousands of EUR	9 months 2018 (Pro forma)	9 months 2017 (Pro forma)	Change
Revenue	59,156	62,813	-5.8%
Normalised operating profit ¹	5,554	8,889	-37.5%
Normalised EBITDA ²	7,897	11,076	-28.7%
Normalised net profit/(loss) ³	1,620	5,488	-70.5%
Operating cash flow for the period	988	3,249	-69.6%

In thousands of EUR	Q3 2018 (Actual)	Q3 2017 (Pro forma)	Change
Revenue	20,809	21,602	-3.7%
Normalised operating profit ¹	3,134	3,331	-5.9%
Normalised EBITDA ²	3,877	4,123	-6.0%
Normalised net profit/(loss) ³	1,689	2,017	-16.3%
Operating cash flow for the period	1,720	1,243	38.4%

¹ 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.

² 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.

³ 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	30.09.2018 (Actual)	30.09.2017 (Pro forma)	31.12.2017 (Pro forma)	Change to 30.09.2017	Change to 31.12.2017
Total assets	66,506	67,913	65,487	-2.1%	1.6%
Total current assets	36,545	41,320	38,688	-11.6%	-5.5%
Cash and cash equivalents	2,102	2,882	1,944	-27.1%	8.1%
Total current liabilities	13,730	19,908	48,886	-31.0%	-71.9%
Adjusted total current liabilities ⁴	13,730	19,908	17,916	-31.0%	-23.4%
Gross interest-bearing debt ⁵	39,761	31,543	33,606	26.1%	18.3%
Net interest-bearing debt ⁶	37,659	28,661	31,662	31.4%	18.9%

⁴ Adjusted total current liabilities exclude loans and borrowings subject to refinancing.

⁵ Gross interest-bearing debt includes non-current and current loans and borrowings.

⁶ Net interest-bearing debt is calculated as gross interest-bearing debt less cash and cash equivalents

Marginal analysis, %	9 months 2018 (Pro forma)	9 months 2017 (Pro forma)	Change
Normalised operating profit margin	9.4%	14.2%	-4.8 pp
Normalised EBITDA margin	13.3%	17.6%	-4.3 pp
Normalised net profit margin	2.7%	8.7%	-6.0 pp

Marginal analysis, %	Q3 2018 (Actual)	Q3 2017 (Pro forma)	Change
Normalised operating profit margin	15.1%	15.4%	-0.3 pp
Normalised EBITDA margin	18.6%	19.1%	-0.5 pp
Normalised net profit margin	8.1%	9.3%	-1.2 pp

Financial ratios	30.09.2018 (Pro forma)	30.09.2017 (Pro forma)	31.12.2017 (Pro forma)
ROA (return on assets) ⁷	4.3%	8.8%	9.8%
Adjusted current ratio ⁸	2.7	2.1	2.2
Adjusted quick ratio ⁹	1.3	1.2	1.2
12 months rolling normalised EBITDA ¹⁰	9,878	not available	13,057
Net debt/EBITDA ¹¹	3.8	not available	2.4

⁷ ROA (return on assets) is calculated as the normalised net profit divided by the average total assets for the relevant period.

⁸ Adjusted current ratio is calculated as total current assets divided by adjusted total current liabilities.

⁹ Adjusted quick ratio is calculated as total current assets excluding inventories divided by adjusted total current liabilities.

¹⁰ 12 months rolling normalised EBITDA is EBITDA for the period from 1 October 2017 to 30 September 2018

¹¹ 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 pro forma financial information of European Lingerie Group AB for 9 months 2018, 9 months 2017 and Q3 2017 as well as reported financial information for Q3 2018. Refer to page 8 for the description of the pro forma financial information and pro forma assumptions. The Group's sales amounted to EUR 59,156 thousand in 9 months 2018 (Q3 2018: EUR 20,809 thousand), representing a 5.8% decrease as compared to pro forma sales of 9 months 2017 (3.7% decrease to pro forma sales of Q3 2017). In Q3 2018 the Group still faced a decline in revenue, but we see that sales started to pick up from the trend in the first six months and the deficit in sales was significantly lower in Q3 2018 compared to Q1 and Q2 2018 (from 8.5% on pro forma basis in Q1 2018 and 5.4 in Q2 2018 to 3.7% in Q3 2018). The shortfall in sales reduced as a result of improving sales trend in Russia and other countries, which export its products to CIS countries and Europe. In most European markets we see that the macroeconomy starts turning down and the trading climate is still poor, which does not help in feeding the growth. In Q3 2018 though, we believe that the Group hit the bottom line of this decline and we expect sales to be flat or slightly growing in the next periods.

As already mentioned in the previous quarterly reports of 2018, due to the fact that part of the costs is fixed, decline in revenue caused drop of profitability margins. Normalised EBITDA in 9 months 2018 amounted to EUR 7,897 thousand (Q3 2018: EUR 3,877 thousand) and decreased by 28.7% compared to pro forma normalised EBITDA in 9 months 2017 (6.0% decrease to pro forma normalised EBITDA for Q3 2017). Normalised EBITDA margin in 9 months 2018 and 9 months 2017 were 13.3% and 17.6% respectively (Q3 2018 and Q3 2017: 18.6% and 19.1% respectively). EBITDA margin deteriorated mainly due to sales decrease and high impact of marginal sales contribution to EBITDA. Furthermore, in 9 months 2018 the Group faced additional expenditures in new initiatives, which should improve the processes, stabilize sales and improve profitability margins in the coming periods. In addition to the previous effects, there was a one-off impact on Q2 2017 EBITDA from release of non-recurring accruals for returns and employee bonuses of EUR 452 thousand, which increased profitability margins in 9 months 2017 further.

Normalised net profit in 9 months 2018 amounted to EUR 1,620 thousand (Q3 2018: EUR 1,689 thousand), compared to pro forma normalised net profit of EUR 5,488 thousand in 9 months 2017 (Q3 2017:

EUR 2,017 thousand). Normalised net profit margin in 9 months 2018 and 9 months 2017 were 2.7% and 8.7% respectively (8.1% and 9.3% in Q3 2018 and Q3 2017 respectively). Similarly as for EBITDA, lower profitability was due to sales decrease, costs of new initiatives and one-off accrual release impact. In addition, there was an increase in finance costs in 9 months 2018 as compared to 9 months 2017 related to incremental costs on borrowings raised for the acquisition of Felina Group and for additional capital needed for future growth and investments that were not present to full extent in 9 months 2017.

Financial position

Financial position of the Group at 30 September 2018 was consolidated as per the consolidated interim financial statements of European Lingerie Group AB for 9 months 2018. Financial position of the Group at 31 December 2017 and 30 September 2017 was calculated on the basis of the pro forma financial information. Refer to page 8 for the description of the pro forma financial information and pro forma assumptions.

At 30 September 2018 consolidated total assets amounted to EUR 66,506 thousand representing a decrease of 2.1% as compared to the pro forma statement of financial position at 30 September 2017 (1.6% increase as compared to the pro forma statement of financial position at 31 December 2017). Decrease as compared to 30 September 2017 is explained by recognition of the fair value adjustment on inventories of Felina Group at acquisition date, which amounted to EUR 1,304 thousand at 30 September 2017. Fair value adjustment on inventories was fully expensed by the end of Q4 2017 with the sale of the remaining inventories. Increase as compared to 31 December 2017 is explained by recognition of goodwill on acquisition of Dessus-Dessous S.A.S. in the amount of EUR 5,041 thousand, which will be allocated to particular assets by the end of Q4 2018. The increase effect is partially outweighed by the depreciation and amortisation charges of the non-current assets.

Inventories compared to 30 September 2017 increased and the balance moved as planned and will continue to increase until the middle of next year. The growth in the balance was due to the development of new products, which were in the production pipeline at 30 September 2018. Shipments of these to customers will start in Q4 2018 and Q1 2019.

Decrease in trade and other receivables compared to 30 September 2017 and 31 December 2017 was a result of release of bank deposits in the amount of EUR 4,500 thousand, which served as collateral

for the long-term bank loans outstanding in the Group before they were refinanced.

Loans and borrowings at 30 September 2018 increased compared to 31 December 2017 and 30 September 2017 as new bonds were issued by the Parent in the amount of EUR 40,000 thousand to refinance existing borrowings of the Group and to raise funds for further growth and investments. For more details on loans and borrowings refer to Note 16.

Trade and other payables at 30 September 2018 included EUR 67 thousand payable for the acquisition of AO Avangard and EUR 315 thousand payable for the acquisition of Dessus-Dessous S.A.S (31 December 2017: EUR 1,727 thousand for AO Avangard; 30 September 2017: none).

Sales

Sales structure of the Group was calculated on the basis of the pro forma financial information of European Lingerie Group AB for 9 months 2018, 9 months 2017 and Q3 2017 as well as reported financial information for Q3 2018. Refer to page 8 for the description of the pro forma financial information and pro forma assumptions.

Sales by markets

Core operating markets for European Lingerie Group are Germany, Spain, France, Poland, Benelux countries, Baltic countries and CIS countries (Russia, Belarus and Ukraine). Group's sales in its core markets in 9 months 2018 were 84.0% of its total sales against 84.2% in 9 months 2017 (84.0% in Q3 2018 against 84.7% in Q3 2017).

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

In thousands of EUR	9 months 2018 (Pro forma)	9 months 2017 (Pro forma)	Change, %	9 months 2018, % of sales	9 months 2017, % of sales
Germany	14,446	14,513	-0.5%	24.4%	23.1%
Baltic countries ¹²	8,048	7,864	2.3%	13.6%	12.5%
France	6,205	6,568	-5.5%	10.5%	10.5%
Russia	5,995	7,675	-21.9%	10.1%	12.2%
Benelux countries ¹³	4,606	4,568	0.8%	7.8%	7.3%
Poland	3,399	3,377	0.7%	5.7%	5.4%
Belarus	3,233	4,088	-20.9%	5.5%	6.5%
Spain	2,563	2,683	-4.5%	4.3%	4.3%
Ukraine	1,220	1,490	-18.1%	2.1%	2.4%
Other markets	9,441	9,987	-5.5%	16.0%	15.8%
Total	59,156	62,813	-5.8%	100.0%	100.0%

In thousands of EUR	Q3 2018 (Actual)	Q3 2017 (Pro forma)	Change, %	Q3 2018, % of sales	Q3 2017, % of sales
Germany	5,180	5,315	-2.5%	24.9%	24.6%
Baltic countries ¹²	2,648	2,288	15.7%	12.7%	10.6%
Russia	2,358	2,732	-13.7%	11.3%	12.6%
France	2,127	2,264	-6.1%	10.2%	10.5%
Benelux countries ¹³	1,605	1,657	-3.1%	7.7%	7.7%
Spain	1,176	1,251	-6.0%	5.7%	5.8%
Poland	1,081	1,141	-5.3%	5.2%	5.3%
Belarus	1,041	1,292	-19.4%	5.0%	6.0%
Ukraine	270	342	-21.1%	1.3%	1.6%
Other markets	3,323	3,320	0.1%	16.0%	15.3%
Total	20,809	21,602	-3.7%	100.0%	100.0%

¹² Latvia, Estonia and Lithuania

¹³ Belgium, the Netherlands and Luxembourg

The largest growth in sales in 9 months 2018 was in the Baltic countries, where the sales increased by 2.3%. This is explained by increased European demand for private label lingerie ready garments manufactured in the Baltics and exported to other countries.

Sales in Benelux countries and Poland had a slight increase in 9 months 2018 (0.8% and 0.7% respectively). The increase percentage though is lower than in 6 months 2018 due to higher previous expectations of the market situation and development than occurred.

Sales in Germany decreased by 0.5% in 9 months 2018 due to the slowdown of the macroeconomic development in Europe, which limits the potential growth.

Spain and France had a decrease in sales in both 9 months and Q3 2018 due to the same reason as in the previous periods, namely, overall change in retail concept in the Southern and Central European countries whereby small specialised retail stores slowly disappear and department and online stores take over the market. This also explains a growth trend of the Group with its largest customers in these countries.

Sales in Russia, Belarus and Ukraine dropped by 21.9%, 20.9% and 18.1% respectively in 9 months 2018 (Q3 2018: drop by 13.7% in Russia, 19.4% in Belarus, 21.1% in Ukraine). In Q3 2018 the trend of sales in Russia improved due to the stabilisation of its market situation. The reason for negative sales trend in Ukraine in Q3 2018 was in the textile segment due to the change of the distributor of Lauma Medical products in this market, which temporarily

paused sales of medical goods in this country during the transition period. We expect sales in Russia and Ukraine to recover completely and have a growth in the coming 3-6 months.

Sales in Belarus continued to be lower than before due to the change in the strategy of Group's largest customer in the textile segment, which decided to change most of its product range. Although the Group grows with other customers in Belarus in the textile segment, the growth rate is not sufficient in the short term to fully compensate the drop.

Sales by business segments

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
Textiles	Manufacturing, processing and wholesale of textiles
Lingerie	Manufacturing, processing, wholesale and retail (including online) of lingerie products

The Group's sales results by business segments were as follows (figures are based on pro forma financial information).

In thousands of EUR	9 months 2018 (Pro forma)	9 months 2017 (Pro forma)	Change, %	9 months 2018, % of sales	9 months 2017, % of sales
Textiles	25,014	26,543	-5.8%	40.9%	41.3%
Lingerie	34,942	36,872	-5.2%	59.1%	58.7%
Intercompany eliminations	(800)	(602)			
Total	59,156	62,813	-5.8%	100.0%	100.0%

In thousands of EUR	Q3 2018 (Actual)	Q3 2017 (Pro forma)	Change, %	Q3 2018, % of sales	Q3 2017, % of sales
Textiles	7,982	8,134	-1.9%	37.5%	36.9%
Lingerie	13,011	13,629	-4.5%	62.5%	63.1%
Intercompany eliminations	(184)	(161)			
Total	20,809	21,602	-3.7%	100.0%	100.0%

In Q3 2018 both - textiles and lingerie segments performed better than in the first half of the year and the deficit in sales reduced. This was driven by

the improvement of the sales trend in particular markets explained above.

Investments

During 9 months 2018 the Group invested into property plant and equipment and intangible assets EUR 1,120 thousand on a pro forma basis (9 months 2017 on a pro forma basis: EUR 845 thousand). Q3 2018 investments amounted to EUR 803 thousand compared to EUR 441 thousand in Q3 2017. Additional investments into existing operations are planned in Q4 2018 and part of them are committed.

Further development of the Group

2018 is a transition year for the Group after acquisition of Felina group and Dessus-Dessous SAS. It continues realising its strategy of the vertical integration which takes time and bears costs during transformation phase of the previous processes. The results of this change are not seen yet in the performance of the Group, but it is expected to pay off in the next periods.

Pro forma financials for 9 months 2018 and comparative periods

Description of pro forma financial information and pro forma assumptions used for comparative periods

European Lingerie Group AB was established on 23 November 2017. The Company did not have any operations in 2017. Shortly after its registration, on 3 January 2018 the Company was acquired by Myrtyle Ventures Ltd and on 19 February 2018 it became the Parent company of European Lingerie Group. The shareholder change was accomplished by way of contributing AS European Lingerie Group shares into the equity of European Lingerie Group AB. The acquisition of AS European Lingerie Group was treated by European Lingerie Group AB as a transaction under common control and was accounted for using the prospective pooling-of-interest method, i.e. earnings of AS European Lingerie Group were included in European Lingerie Group AB consolidated earnings from 3 January 2018.

Until 3 January 2018, the parent company of the Group was AS European Lingerie Group and consolidated financial statements for 2017 were prepared at the level of AS European Lingerie Group. AS European Lingerie Group and AS European Lingerie Brands were established in April 2017. In the same month they became owners of LSEZ Lauma Fabrics SIA, LE Textile GmbH and Textile Dyehouse GmbH by way of contributing shares of LSEZ Lauma Fabrics SIA into the share capital of AS European Lingerie Brands in the first step and by way of contributing shares of AS European Lingerie Brands into the share capital of AS European Lingerie Group in the second step (Transaction 1). The acquisition of Lauma Fabrics group was treated by AS European Lingerie Group as a transaction under common control and was accounted for using the prospective pooling-of-interest method, i.e. earnings of Lauma Fabrics group were included in AS European Lingerie Group consolidated earnings from 28 April 2017.

In 2017 and 2018 the Group had three acquisitions which were business combinations:

1. E|L|B GmbH, a subsidiary of AS European Lingerie Brands, acquired 100% of shares in Felina International AG on 12 June 2017 (Transaction 2) and was consolidated into the Group starting from 30 June 2017.
2. AS European Lingerie Group acquired 100% of shares in AO Avangard on 29 December 2017 (Transaction 3) and was consolidated into the Group starting from 31 December 2017.
3. Felina S.a.r.l., a subsidiary of European Lingerie Group AB, acquired 100% of shares in Dessus-Dessous S.A.S on 14 June 2018 (Transaction 4) and was consolidated into the Group starting from 30 June 2018.

Based on the above, the Group has prepared pro forma financial information presenting a description of how the acquisition transactions (the Transactions) might have affected the consolidated earnings of European Lingerie Group, had the Transactions 1 and 2 been undertaken at the commencement of the year 2014, had the Transaction 3 been undertaken at the commencement of the year 2016 and had the Transaction 4 been undertaken at the commencement of the year 2017.

Said pro forma financial information has been prepared for the purpose of giving the stakeholders of European Lingerie Group a better overview of the financial consequences of the Transactions and ensuring better comparability of the current performance as compared to historical performance. The pro forma financial information has been prepared for illustrative purposes only and because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

In preparing the pro forma financial information, ELG Group performed a hypothetical consolidation of the results of European Lingerie Group and Dessus-Dessous S.A.S. for 9 months 2018 and a hypothetical consolidation of the results of Lauma Fabrics Group, Felina Group, AO Avangard and Dessus-Dessous S.A.S for 9 months 2017 and Q3 2017 eliminating intercompany transactions between these companies based on individual company performance during these periods. The impact of accounting for the share acquisitions in the Transactions (including, but not limited to the purchase price allocation and goodwill) and related financing of the Transactions (including, but not limited to the financial indebtedness and cost of financing) has not been included in the presented pro forma financial information.

The pro forma financial information has been prepared on the basis of the unaudited IFRS interim financial statements of European Lingerie Group and Dessus-Dessous S.A.S. for 9 months 2018 and on the basis of the unaudited IFRS interim financial statements of Lauma Fabrics Group, Felina

Group, AO Avangard and Dessus-Dessous S.A.S. for 9 months 2017. The compiled pro forma financial statements have not been audited or reviewed by the external auditors.



Statement of Profit or Loss

<i>In thousands of EUR</i>	9 months 2018 (Pro forma)	9months 2017 (Pro forma)	Q3 2018 (Actual)	Q3 2017 (Pro forma)
Revenue	59,156	62,813	20,809	21,602
Other operating income	1,671	1,821	494	631
Changes in inventories of finished goods and work in progress	706	(1,166)	(866)	(2,521)
Raw materials and services	(21,053)	(21,481)	(6,794)	(6,765)
Employee benefits expense	(19,203)	(20,082)	(6,114)	(6,154)
Depreciation and amortisation	(2,343)	(2,187)	(743)	(792)
Other operating expenses	(14,642)	(16,183)	(3,756)	(4,682)
Operating profit	4,292	3,535	3,030	1,319
Finance income	291	465	135	159
Finance costs	(3,302)	(1,659)	(1,119)	(807)
Net finance costs	(3,011)	(1,194)	(984)	(648)
Profit/(loss) before income tax	1,281	2,341	2,046	671
Income tax expense	(1,194)	(1,363)	(565)	(257)
Profit/(loss) for the period	87	978	1,481	414
Profit attributable to:				
Owners of the Company	87	978	1,481	414
Reported EBITDA	6,635	5,722	3,773	2,111
Adjusted by:				
Shareholder related costs	-	1,769	-	152
Restructuring of brands/subsidiaries	90	497	90	366
Transaction costs	1,039	1,737	-	194
Redundancy costs	-	50	-	-
Other	133	1,301	14	1,300
Normalised EBITDA	7,897	11,076	3,877	4,123
Reported net profit/(loss)	87	978	1,481	414
Normalisation adjustments	1,572	5,525	236	2,143
Tax effect on normalization adjustments	(39)	(1,015)	(28)	(540)
Normalised net profit	1,620	5,488	1,689	2,017

Commentary on the calculation of normalised EBITDA

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

- *Shareholder costs.* Costs related to previous shareholders which do not continue going forward or one-off costs related to different investment projects.
- *Restructuring of brands/subsidiaries* related to restructuring costs of LSEZ Lauma Fabrics SIA German subsidiaries (LE Textile GmbH and Textile Dyehouse GmbH) to bring the companies to break-even operations – these restructuring costs include compensations to dismissed employees, legal costs of lawyers involved in restructuring and other one-off items. In Felina Group, the restructuring mainly includes the profit effect from discontinuation of [un:usual] brand + restructuring/consolidation of some functions/subsidiaries within the group which caused one-off dismissal costs and closure costs.
- *Transaction costs* in 9 months 2018 related to the issue of bonds by European Lingerie Group AB and acquisition of Dessus-Dessous S.A.S. Transaction costs in 9 months 2017 related to the issue of convertible notes by AS European Lingerie Group and acquisition of Felina Group.
- *Other costs* in 9 months 2018 included various consultancy costs related to the planned bond listing and potential acquisitions. Other costs in 9 months 2017 included gross profit margin distortion effect at consolidated level as a result of sale of Felina Group inventories that had been acquired in the business combination. At acquisition date, Felina Group finished goods were recognised at fair value, which afterwards adversely affected the gross profit margin upon sale of those finished goods. The effect of the impact in 9 months 2017 amounted to EUR 1,305 thousand.

Statement of Financial Position

<i>In thousands of EUR</i>	30 September 2018 (Actual)	30 September 2017 (Pro forma)	31 December 2017 (Pro forma)
Assets			
Property, plant and equipment	11,689	12,796	12,557
Intangible assets	15,305	9,814	10,721
Deferred tax assets	2,671	3,224	3,206
Trade and other receivables	296	759	315
Total non-current assets	29,961	26,593	26,799
Inventories	18,246	17,505	16,716
Current tax assets	156	127	181
Trade and other receivables	15,402	20,133	19,204
Forward exchange contracts used for hedging	-	-	43
Prepayments	639	673	600
Cash and cash equivalents	2,102	2,882	1,944
Total current assets	36,545	41,320	38,688
Total assets	66,506	67,913	65,487
Total equity	7,051	12,631	8,636
Liabilities			
Loans and borrowings	38,643	27,237	57
Trade and other payables	-	-	340
Net defined benefit liability	4,406	4,367	4,490
Deferred income	557	860	807
Provisions	247	194	239
Deferred tax liabilities	1,872	2,716	2,032
Total non-current liabilities	45,725	35,374	7,965
Loans and borrowings subject to refinancing	-	-	-
Other loans and borrowings	1,118	4,306	33,549
Compound derivative liability	-	-	1,375
Trade and other payables	11,580	14,217	12,536
Forward exchange contracts used for hedging	38	-	23
Current tax liabilities	282	634	677
Provisions	419	443	441
Deferred income	293	308	285
Total current liabilities	13,730	19,908	48,886
Total liabilities	59,455	55,282	56,851
Total equity and liabilities	66,506	67,913	65,487

Statement of Cash Flows

<i>In thousands of EUR</i>	9 months 2018 (Pro forma)	9 months 2017 (Pro forma)	Q3 2018 (Actual)	Q3 2017 (Pro forma)
Cash flows from operating activities				
Reported EBITDA	6,635	5,722	3,773	2,111
Adjustments for:				
Impairment loss	91	250	30	103
Gain on sale of property, plant and equipment	18	(29)	18	-
Equity-settled share-based payment transactions	376	-	125	-
Income from government grants	(232)	(237)	(71)	(78)
Changes in:				
Inventories	(1,530)	566	(302)	1,826
Trade and other receivables	(1,753)	(2,910)	(1,209)	(887)
Prepayments	(40)	(11)	(81)	(83)
Trade and other payables	939	2,360	760	(157)
Provisions	(14)	(369)	(72)	(31)
Net defined benefit liability	(136)	(149)	(39)	(50)
Cash generated from operating activities	4,354	5,193	2,932	2,754
Interest paid	(2,141)	(788)	(828)	(550)
Income taxes paid	(1,225)	(1,156)	(384)	(961)
Net cash from/(used in) operating activities	988	3,249	1,720	1,243
Cash flows from investing activities				
Interest received	12	268	9	98
Proceeds from sale of property, plant and equipment	-	11,537	-	-
Proceeds from repayment of loans issued	424	984	-	351
Acquisition of subsidiaries net of cash acquired	(7,659)	(22,875)	(850)	-
Cash acquired in common control transactions	1,874	-	-	-
Acquisition of property, plant and equipment and intangible assets	(1,120)	(845)	(803)	(441)
Deposits placed in restricted accounts	(5)	(4,500)	-	-
Deposits released from restricted accounts	4,500	-	-	-
Loans issued	(86)	(2,250)	-	(885)
Net cash from/(used in) investing activities	(2,060)	(17,681)	(1,644)	(877)
Cash flows from financing activities				
Proceeds from issue of share capital	60	70	-	-
Proceeds from issue of convertible notes	-	11,000	-	-
Proceeds from loans and borrowings	40,296	16,928	-	-
Change in bank overdraft	(1,232)	170	(1,076)	245
Proceeds from grants and donations	2	6	-	2
Transaction costs related to loans and borrowings	(1,730)	(496)	-	-
Repayment of loans and borrowings	(32,692)	(6,536)	-	(259)
Payment of finance lease liabilities	(85)	(56)	(27)	(19)
Dividends paid	(866)	(5,770)	-	-
Factoring received/(paid)	(517)	(807)	203	(202)
Net cash from/(used in) financing activities	3,236	14,509	(900)	(233)
Net increase/(decrease) in cash and cash equivalents	2,164	77	(824)	133
Cash and cash equivalents at 1 January/1 July	70	2,823	2,972	2,762
Effect of movement in exchange rates on cash held	(132)	(18)	(46)	(13)
Cash and cash equivalents at 30 September	2,102	2,882	2,102	2,882

AS EUROPEAN LINGERIE GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS AND THIRD
QUARTER ENDED 30 SEPTEMBER 2018
(UNAUDITED)

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>Norrandsgatan 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>Indrek Rahumaa, Chairman of the Board Fredrik Synnerstad, Board Member Dmitry Ditchkovsky, Board Member Peter Partma, Board Member</i>
Managing director	<i>Peter Partma</i>
Financial year	<i>1 January 2018 – 31 December 2018</i>
Reporting period	<i>1 January 2018 – 30 September 2018</i>
Information on shareholders	<i>From 3 January 2018 until 11 May 2018: Myrtyle Ventures Limited (100.0%) From 11 May 2018 until 31 May 2018: Myrtyle Ventures Limited (99.0%) and SIA Silver Invest (1.0%) From 31 May 2018: Myrtyle Ventures Limited (98.2%) and SIA Silver Invest (1.8%) From 31 August 2018 until 23 November 2018: Helike Holdings OU (73.65%), Bryum Capital Ltd (24.55%) and SIA Silver Invest (1.80%) From 23 November 2018: Helike Holdings OU (72.65%), Bryum Capital Ltd (24.55%), SIA Silver Invest (1.80%) and SIA levades Nozares (1.00%)</i>
Information on the subsidiaries	<i>AS European Lingerie Group (100.0% from 19 February 2018) Felina France s.a.r.l. (100.0% from 16 May 2018)</i>
Auditors	<i>KPMG AB Vasagatan 16 101 27 Stockholm, Sweden</i>

Condensed consolidated statement of profit or loss and other comprehensive income

For the nine months and third quarter ended 30 September

<i>In thousands of EUR</i>	<i>Note</i>	9 months 2018	Q3 2018
Revenue	3, 4	55,399	20,809
Other operating income		1,485	494
Changes in inventories of finished goods and work in progress		742	(866)
Raw materials and services	5	(19,131)	(6,794)
Employee benefits expense	6	(18,420)	(6,114)
Depreciation and amortisation		(2,249)	(743)
Other operating expenses	7	(13,738)	(3,756)
Operating profit		4,088	3,030
Finance income	8	291	135
Finance costs	9	(3,296)	(1,119)
Net finance costs		(3,005)	(984)
Profit before income tax		1,083	2,046
Income tax expense	10	(1,037)	(565)
Profit for the period		46	1,481
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(237)	87
Other comprehensive income, net of tax		(237)	87
Total comprehensive income		(191)	1,568
Profit attributable to:			
Owners of the Company		46	1,481
Other comprehensive income attributable to:			
Owners of the Company		(237)	87
Total comprehensive income attributable to:			
Owners of the Company		(191)	1,568

Condensed consolidated statement of financial position

<i>In thousands of EUR</i>	<i>Note</i>	30 September 2018	31 December 2017
Assets			
Property, plant and equipment	11	11,689	-
Intangible assets	12	15,305	-
Deferred tax assets		2,671	-
Trade and other receivables	14	296	-
Total non-current assets		29,961	-
Inventories	13	18,246	-
Current tax assets		156	-
Trade and other receivables	14	15,402	60
Prepayments		639	-
Cash and cash equivalents		2,102	-
Total current assets		36,545	60
Total assets		66,506	60
Equity			
Share capital	15	60	60
Other equity	19	43,500	-
Restructuring reserve	19	(36,694)	-
Translation reserve		(237)	-
Retained earnings		422	-
Total equity		7,051	60
Liabilities			
Loans and borrowings	16	38,643	-
Net defined benefit liability		4,406	-
Deferred income		557	-
Provisions		247	-
Deferred tax liabilities		1,872	-
Total non-current liabilities		45,725	-
Loans and borrowings	16	1,118	-
Trade and other payables	17	11,580	-
Forward exchange contracts used for hedging		38	-
Current tax liabilities		282	-
Provisions		419	-
Deferred income		293	-
Total current liabilities		13,730	-
Total liabilities		59,455	-
Total equity and liabilities		66,506	60

Consolidated statement of changes in equity

For the nine months ended 30 September

In thousands of EUR	Note	Attributable to owners of the Parent Company					Total equity
		Share capital	Other equity	Restructuring reserve	Translation reserve	Retained earnings	
Balance at 31 December 2017		60	-	-	-	-	60
Total comprehensive income							
Profit for the period		-	-	-	-	46	46
Other comprehensive income		-	-	-	(237)	-	(237)
Total comprehensive income		-	-	-	(237)	46	(191)
Transactions with owners of the Group							
Contributions and distributions							
Acquisition of a subsidiary under common control	19	-	43,500	(36,694)	-	-	6,806
Equity-settled share-based payment		-	-	-	-	376	376
Total contributions and distributions		-	43,500	(36,694)	-	376	7,182
Total transactions with owners of the Group		-	43,500	(36,694)	-	376	7,182
Balance at 30 September 2018		60	43,500	(36,694)	(237)	422	7,051

Condensed consolidated statement of cash flows

For the nine months and third quarter ended 30 September

<i>In thousands of EUR</i>	Note	9 months 2018	Q3 2018
Cash flows from operating activities			
Profit/(loss) for the reporting period		46	1,481
Adjustments for:			
Depreciation	11	1,789	565
Amortization	12	460	178
Impairment loss	7	91	30
Income from government grants		(230)	(71)
Finance income	8	(40)	(13)
Finance costs	9	2,942	856
Foreign exchange gains	8	(251)	-
Foreign exchange losses	9	354	141
Gain/loss on sale of property, plant and equipment		18	18
Equity-settled share-based payment transactions		376	125
Income tax expense	10	1,037	565
Changes in:			
Inventories		(1,609)	(302)
Trade and other receivables		(1,851)	(1,209)
Prepayments		(19)	(81)
Trade and other payables		762	760
Provisions		(25)	(72)
Net defined benefit liability		(136)	(39)
Cash generated from operating activities		3,714	2,932
Interest paid		(2,140)	(828)
Income taxes paid		(1,115)	(384)
Net cash from operating activities		459	1,720
Cash flows from investing activities			
Interest received		12	9
Proceeds from repayment of loans issued		70	-
Acquisition of subsidiary net of cash acquired		(7,369)	(850)
Cash acquired in common control transactions	19	1,874	-
Acquisition of property, plant and equipment and intangible assets		(1,059)	(803)
Deposits placed in restricted accounts		(5)	-
Deposits released from restricted accounts		4,500	-
Loans issued		(77)	-
Net cash used in investing activities		(2,054)	(1,644)

Condensed consolidated statement of cash flows (continued)

For the nine months and third quarter ended 30 September

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Cash flows from financing activities		
Proceeds from issue of share capital	60	-
Proceeds from loans and borrowings	40,000	-
Change in bank overdraft	(1,232)	(1,076)
Transaction costs related to loans and borrowings	(1,730)	-
Repayment of loans and borrowings	(32,396)	-
Payment of finance lease liabilities	(85)	(27)
Payment of dividends	(269)	-
Receipt/repayment of factoring	(517)	203
Net cash from/(used in) financing activities	3,831	(900)
Net increase/(decrease) in cash and cash equivalents	2,236	(824)
Cash and cash equivalents at 1 January/1 July	-	2,972
Effect of movement in exchange rates on cash held	(134)	(46)
Cash and cash equivalents at 30 September	2,102	2,102

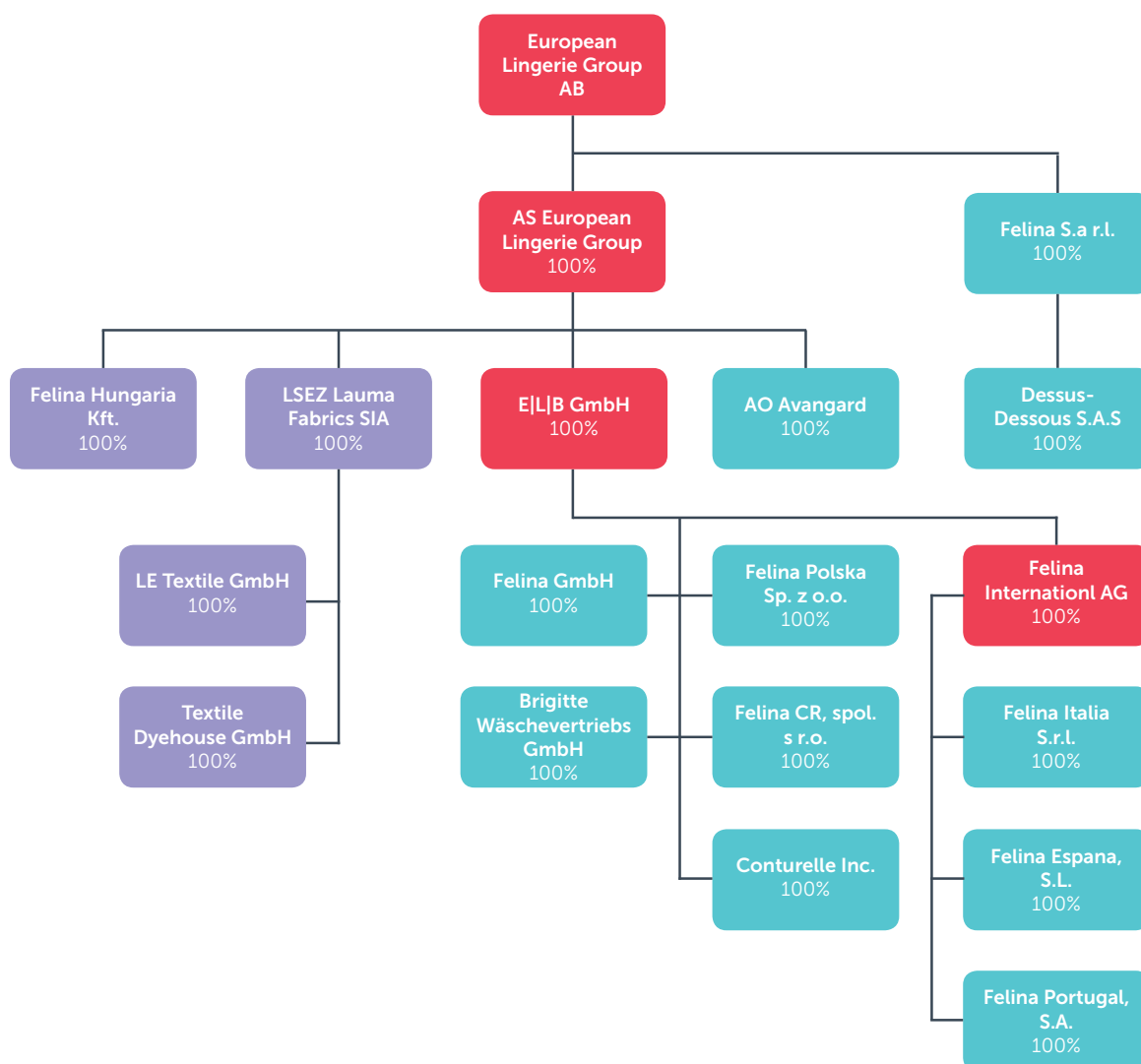
Notes to the condensed consolidated interim financial statements

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 nine months ended 30 September 2018 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 30 September 2018, 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 30 September 2018	Principal activity
AS European Lingerie Group	Latvia	100%	Holding Company
LSEZ Lauma Fabrics SIA	Latvia	100%	Production and wholesale
LE Textile GmbH	Germany	100%	Knitting and design development
Textile Dyehouse GmbH	Germany	100%	Dyeing and finishing services
E L B GmbH	Germany	100%	Holding Company
Felina Internationl AG	Switzerland	100%	Holding Company
Felina Italia S.r.l.	Italy	100%	Retail and wholesale
Felina S.a r.l.	France	100%	Retail
Felina GmbH	Germany	100%	Production and wholesale
Brigitte Wäschevertriebs GmbH	Germany	100%	Wholesale
Felina Espana S.L.	Spain	100%	Wholesale
Felina Hungaria Kft.	Hungary	100%	Production
Felina Polska Sp. z o.o.	Poland	100%	Retail and wholesale
Felina ČR spol. s.r.o.	Czech Republic	100%	Retail
Felina Portugal S.A.	Portugal	100%	Wholesale
Conturelle Inc.	USA	100%	Wholesale
AO Avangard	Russia	100%	Wholesale
Dessus-Dessous S.A.S	France	100%	Online retail

Simplification of the Group's legal structure

In July 2018, the Group finalised the first step of the legal structure simplification process, during which AS European Lingerie Brands was merged into AS European Lingerie Group. The change had no impact on the operations or ultimate shareholders of the Group.

In July-September 2018 the Group partially fulfilled the second step of the above mentioned Group structure simplification, during which the shareholding in Felina Hungaria Kft was transferred to AS European Lingerie Group and the shareholdings in Felina GmbH, Felina Polska Sp., Felina ČR

spol.S.r.o and Conturelle Inc. were transferred to E|L|B GmbH. The changes had no impact on the operations or ultimate shareholders of the Group.

The remaining subsidiaries owned by Felina International AG at 30 September 2018 were transferred to E|L|B GmbH in October 2018.

In August 2018 the Group also completed the shareholder structure simplification, during which Myrtyle Ventures Ltd transferred its ownership in European Lingerie Group AB to shareholders, Helike Holding OU and Bryum Capital Ltd. The change has no impact on the operations or ultimate shareholders of the Group.

Dessus-Dessous S.A.S.

On 14 June 2018 Felina S.a.r.l. acquired Dessus-Dessous S.A.S., which was consolidated into the Group starting from 30 June 2018. For more information on acquisition of the subsidiary see Note 19.

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 2017 annual 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 November 2018.

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:

	30 September 2018	Average for 9 months 2018
1 EUR/CHF	1.13	1.16
1 EUR/PLN	4.28	4.25
1 EUR/HUF	324.37	317.51
1 EUR/CZK	25.73	25.57
1 EUR/USD	1.16	1.19
1 EUR/RUB	76.14	73.42

3. 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
Textiles	Manufacturing, processing and wholesale of textiles
Lingerie	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, AS European Lingerie Group and E|L|B GmbH).

9 months 2018

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	24,214	31,185	55,399	-	-	55,399
Intersegment revenue	800	-	800	-	(800)	-
Total revenue	25,014	31,185	56,199	-	(800)	55,399
Other operating income	899	603	1,502	2,582	(2,599)	1,485
Changes in inventories of finished goods and work in progress	351	391	742	-	-	742
Raw materials and services	(10,691)	(9,182)	(19,873)	-	742	(19,131)
Employee benefits expense	(6,527)	(11,506)	(18,033)	(387)	-	(18,420)
Depreciation and amortisation	(1,336)	(912)	(2,248)	(1)	-	(2,249)
Other operating expenses	(4,614)	(7,632)	(12,246)	(1,823)	331	(13,738)
Operating profit	3,096	2,947	6,043	371	(2,326)	4,088
Interest income	237	82	319	218	(498)	39
Other finance income	104	145	249	3	-	252
Interest expense	(375)	(151)	(526)	(2,804)	501	(2,829)
Other finance costs	(134)	(332)	(466)	(1)	-	(467)
Income tax	(107)	(930)	(1,037)	-	-	(1,037)
Net profit	2,821	1,761	4,582	(2,213)	(2,323)	46
Operating profit	3,096	2,947	6,043	371	(2,326)	4,088
Depreciation and amortisation	1,336	912	2,248	1	-	2,249
EBITDA	4,432	3,859	8,291	372	(2,326)	6,337
Segment assets	23,053	40,726	63,779	2,727	-	66,506
Segment liabilities	6,964	13,316	20,280	39,175	-	59,455
Capital expenditure	900	198	1,098	3	-	1,101
Number of employees at reporting date	534	725	1,259	7	-	1,266

Q3 2018

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	7,798	13,011	20,809	-	-	20,809
Intersegment revenue	184	-	184	-	(184)	-
Total revenue	7,982	13,011	20,993	-	(184)	20,809
Other operating income	217	287	504	52	(62)	494
Changes in inventories of finished goods and work in progress	(81)	(785)	(866)	-	-	(866)
Raw materials and services	(3,395)	(3,552)	(6,947)	-	153	(6,794)
Employee benefits expense	(2,009)	(3,981)	(5,990)	(124)	-	(6,114)
Depreciation and amortisation	(417)	(326)	(743)	-	-	(743)
Other operating expenses	(1,339)	(2,320)	(3,659)	(303)	206	(3,756)
Operating profit	958	2,334	3,292	(375)	113	3,030
Interest income	14	28	42	116	(146)	12
Other finance income	62	60	122	1	-	123
Interest expense	(55)	(113)	(168)	(953)	163	(958)
Other finance costs	(69)	(91)	(160)	(1)	-	(161)
Income tax	(51)	(514)	(565)	-	-	(565)
Net profit	859	1,704	2,563	(1,212)	130	1,481
Operating profit	958	2,334	3,292	(375)	113	3,030
Depreciation and amortisation	417	326	743	-	-	743
EBITDA	1,375	2,660	4,035	(375)	113	3,773
Segment assets	23,053	40,726	63,779	2,727	-	66,506
Segment liabilities	6,964	13,316	20,280	39,175	-	59,455
Capital expenditure	751	50	801	2	-	803
Number of employees at reporting date	534	725	1,259	7	-	1,266

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.

Revenue

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Germany	14,337	5,180
Baltic states	8,034	2,647
Russia	5,931	2,359
France	3,544	2,127
Poland	3,391	1,082
The Netherlands	3,253	1,126
Belarus	3,232	1,041
Spain	2,539	1,176
Morocco	1,544	437
Italy	1,202	401
Ukraine	1,199	269
Belgium, Luxemburg	1,156	479
Switzerland, Liechtenstein	847	330
Austria	794	330
Other countries	4,396	1,825
Total	55,399	20,809

Non-current non-financial assets

<i>In thousands of EUR</i>	30 September 2018
Germany	9,704
Latvia	7,931
France	5,310
Hungary	2,847
Russia	1,040
Other countries	162
Total	26,994

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

4. Revenue

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Sales of goods	54,772	20,597
Rendering of services	627	212
Total	55,399	20,809

The Group has a diversified clientele and none of the customers have a share exceeding 10% of total revenue.

5. Raw materials and services

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Raw materials and consumables	17,372	5,539
External services	494	164
Purchases of lingerie garments from third parties	1,265	1,091
Total	19,131	6,794

6. Employee benefits expense

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Wages and salaries	14,698	4,860
Social security contributions	3,058	1,032
Expenses related to post-employment defined benefit plans	13	9
Other employee benefits	651	213
Total	18,420	6,114

7. Other operating expenses

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Utilities	2,262	619
Rents	1,284	445
Sales and marketing	2,712	1,002
Professional services	1,797	205
Storage, transportation and packaging	1,162	542
Repair and maintenance	613	213
Travel expenses	483	160
IT and communication	329	137
Expenses related to share-based payment arrangements	376	125
Bank services	281	99
Real estate tax	47	22
Change in allowance for impairment of trade and other receivables	91	30
Change in write downs to net realizable value for obsolete and slow-moving inventories	(187)	(783)
Other operating expenses	2,488	940
Total	13,738	3,756

8. Finance income

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Interest income on loans	36	12
Interest income on trade and other receivables	3	-
Foreign exchange gains	251	-
Other finance income	1	1
Net gain from the revaluation of forward exchange contracts	-	122
Total	291	135

9. Finance costs

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Interest expense on financial liabilities measured at amortised cost	2,829	958
Foreign exchange losses	354	141
Interest expense on net defined benefit liability	52	18
Fines and penalties	3	1
Other finance costs	1	1
Net loss from the revaluation of forward exchange contracts	57	-
Total	3,296	1,119

EUR 2,829 thousand of interest expense in 9 months 2018 (Q3 2018: EUR 958 thousand) consist of EUR 2,408 thousand (Q3 2018: EUR 827 thousand) of interest expense on loans and borrowings, EUR 309 thousand (Q3 2018: EUR 131 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value and EUR 112 thousand (Q3 2018: none) of interest expense related to the amortisation of convertible notes to nominal value after revision of estimated cash flows due to early repayment.

10. Income tax expense

The income tax rate applied to the Parent in 2018 was 22.0%.

The major components of income tax expense for the period ended 30 September are:

<i>In thousands of EUR</i>	9 months 2018	Q3 2018
Current tax expense		
Current period	520	311
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	517	254
Income tax expense reported in profit or loss	1,037	565

11. Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment under construction	Total
Cost					
At 31 December 2017	-	-	-	-	-
Acquisitions from common control transactions	9,602	20,385	4,877	2	34,866
Additions from business combinations	-	-	149	-	149
Additions	73	142	187	662	1,064
Transfers	60	(15)	(45)	-	-
Disposals	-	(159)	(4)	-	(163)
Effect of movements in exchange rates	(98)	(48)	(17)	-	(163)
At 30 September 2018	9,637	20,305	5,147	664	35,753
Accumulated depreciation					
At 31 December 2017	-	-	-	-	-
Acquisitions from common control transactions	2,040	17,236	3,200	-	22,476
Depreciation	300	1,078	411	-	1,789
Accumulated depreciation of transfers	60	(15)	(45)	-	-
Disposals	-	(159)	(4)	-	(163)
Effect of movements in exchange rates	(2)	(22)	(14)	-	(38)
At 30 September 2018	2,398	18,118	3,548	-	24,064
Carrying amounts					
At 31 December 2017	-	-	-	-	-
At 30 September 2018	7,239	2,187	1,599	664	11,689

12. Intangible assets

<i>In thousands of EUR</i>	Goodwill	Brand names	Customer base	Software	Order backlog	Total
Cost						
At 31 December 2017	-	-	-	-	-	-
Acquisitions from common control transactions	4,675	4,225	949	927	219	10,995
Additions from business combinations	5,041	-	-	147	-	5,188
Additions	-	-	-	37	-	37
Disposals	-	-	-	(222)	-	(222)
Effect of movements in exchange rates	-	-	-	(13)	-	(13)
At 30 September 2018	9,716	4,225	949	876	219	15,985
Accumulated depreciation						
At 31 December 2017	-	-	-	-	-	-
Acquisitions from common control transactions	-	-	95	267	73	435
Amortisation	-	-	142	208	110	460
Disposals	-	-	-	(204)	-	(204)
Effect of movements in exchange rates	-	-	-	(11)	-	(11)
At 30 September 2018	-	-	237	260	183	680
Carrying amounts						
At 31 December 2017	-	-	-	-	-	-
At 30 September 2018	9,716	4,225	712	616	36	15,305

13. Inventories

<i>In thousands of EUR</i>	30 September 2018	31 December 2017
Raw materials and consumables	6,074	-
Work in progress	1,956	-
Finished goods	10,216	-
Inventories	18,246	-

14. Trade and other receivables

<i>In thousands of EUR</i>	30 September 2018	31 December 2017
Financial trade and other receivables		
Trade receivables	15,064	-
Loans to related parties (note 18)	840	-
Trade receivables due from related parties (note 18)	798	-
Other receivables	681	60
Allowance for trade and other receivables	(719)	-
Allowance for trade and other receivables due from related parties (note 18)	(1,158)	-
	15,506	60
Non-financial trade and other receivables		
VAT receivable	87	-
Social contributions receivable	3	-
Other taxes receivable	49	-
Deferred expenses	53	-
	192	-
Total	15,698	60
Non-current	296	-
Current	15,402	60
Total	15,698	60

Trade receivables at 30 September 2018 in the gross amount of EUR 15,064 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>	30 September 2018	31 December 2017
Carrying amount of trade receivables transferred to a factoring company	910	-
Carrying amount of associated liabilities	730	-

15. Capital and reserves

Share capital

<i>Number of shares</i>	2018
In issue at 1 January	-
Issued for cash	60,000
In issue at 30 September – fully paid	60,000
Nominal value of one share, EUR	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 other equity and reserves

Other equity

Other equity was formed as a result of unconditional shareholder contribution whereby Myrtyle Ventures Ltd, the previous shareholder of the Parent, contributed AS European Lingerie Group shares into the equity of the Company. For more details refer to Note 19.

Restructuring reserve

Restructuring reserve was formed as a result of acquisition of AS European Lingerie Group. The reserve is non-distributable. For more details refer to Note 19.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16. Loans and borrowings

<i>In thousands of EUR</i>	30 September 2018	31 December 2017
Non-current liabilities		
Bonds	38,579	-
Finance lease liabilities	64	-
Total	38,643	-
Current liabilities		
Short-term secured bank loans	-	-
Secured other loans	730	-
Bonds	336	-
Current portion of finance lease liabilities	52	-
Total	1,118	-

On 22 February 2018 European Lingerie Group AB issued bonds in Sweden for the amount of EUR 40,000,000. The issued bonds are senior secured bonds with a maturity of 3 years. The bonds bear a floating rate coupon of 3-months Euribor +7.75%, with interest paid quarterly. Transaction costs related to the issue of bonds amounted to EUR 1,730 thousand and were deducted from the nominal value of bonds upon initial recognition. Subsequent to initial recognition bonds are measured at amortised cost using effective interest method. Interest expenses related to amortisation of bonds to nominal value amounted to EUR 309 thousand for the 9 months ended 30 September 2018 (Q3 2018: EUR 131 thousand), see Note 9.

Major part of the proceeds from the bonds was used to repay the long-term borrowings of LSEZ Lauma Fabrics SIA from AS Citadele Bank and AS BlueOrange Bank (EUR 19.8 million) as well as to redeem convertible notes issued by AS European Lingerie Group in 2017 (EUR 12.6 million). The remaining proceeds from bonds were used for the acquisition of Dessus-Dessous S.A.S. shares. The bonds are secured by the pledges over the shares of AS European Lingerie Group, LSEZ Lauma Fabrics SIA and Felina GmbH as well as the mortgage over the real estate owned by LSEZ Lauma Fabrics SIA. Intertrust (Sweden AB) is a collateral agent for the pledged security. European Lingerie Group AB has undertaken to list the bonds on a regulated market within 12 months from the issue date.

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

17. Trade and other payables

<i>In thousands of EUR</i>	30 September 2018	31 December 2017
Financial trade and other payables		
Trade payables	6,203	-
Accrued expenses	2,552	-
Other payables to related parties	31	-
Payables to personnel	696	-
Other payables	613	-
	10,095	-
Non-financial trade and other payables		
Advances received	220	-
VAT payable	605	-
Personal income tax payable	218	-
Social contributions payable	410	-
Other taxes payable	32	-
	1,485	-
Total	11,580	-
Non-current	-	-
Current	11,580	-
Total	11,580	-

Other current payables include payable for acquisition of AO Avangard and deferred payment for acquisition of Dessus-Dessous S.A.S.

18. Related parties

Transactions with key management personnel

Key management personnel compensation for the 9 months ended 30 September 2018 amounted to EUR 697 thousand (Q3 2018: EUR 231 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 9 months 2018	Transaction values for Q3 2018	Balance outstanding at 30 September 2018
Sales of goods and services			
Joint ventures	35	8	-
Other related parties	89	-	-
Purchases of goods and services			
Shareholders	30	10	-
Other related parties	1,840	186	-
Interest income accrued during the year			
Joint ventures	32	11	-
Shareholders	4	1	-
Loans granted			
Shareholders	77	-	-
Trade receivables			
Joint ventures	-	-	94
Other related parties	-	-	704
Other payables			
Shareholders	-	-	25
Other related parties	-	-	6
Loans receivable			
Joint ventures	-	-	608
Shareholders	-	-	134
Other related parties	-	-	2
Interest receivable			
Joint ventures	-	-	89
Shareholders	-	-	7
Allowance for trade and other receivables			
Joint ventures	-	-	(541)
Other related parties	-	-	(617)

19. Acquisition of subsidiary

Common control transactions

AS European Lingerie Group

On 19 February 2018, Myrtyle Ventures Ltd, being the direct Parent Company of AS European Lingerie Group, contributed AS European Lingerie Group shares into the equity of European Lingerie Group AB. As a result, the direct Parent Company of AS European Lingerie Group changed from Myrtyle Ventures Ltd to European Lingerie Group AB. The contribution was made at the fair value of the equity of AS European Lingerie Group in the amount of EUR 43,500 thousand.

The contribution of AS European Lingerie Group shares, made at the fair value of the equity of AS

European Lingerie Group, created a revaluation reserve in the consolidated financial statements of European Lingerie Group AB, which is equal to the difference between the fair and the book value of the contributed equity. The following table summarises the book value of assets and liabilities of AS European Lingerie Group:

<i>In thousands of EUR</i>	<i>Note</i>	
Property, plant and equipment	11	12,390
Intangible assets	12	10,560
Deferred tax assets		3,204
Inventories		15,089
Trade and other receivables		19,113
Prepayments		585
Cash and cash equivalents		1,874
Loans and borrowings		(33,606)
Net employee benefit liability		(4,490)
Deferred tax liabilities		(2,032)
Trade and other payables		(14,286)
Provisions		(503)
Deferred income		(1,092)
Total		6,806

Restructuring reserve recognised as a result of the transaction is as follows:

<i>In thousands of EUR</i>	
Fair value of contributed equity	43,500
Book value of contributed equity	(6,806)
Restructuring reserve	36,694

Business combinations

Dessus-Dessous S.A.S

On 14 June 2018 the Group acquired 100% of shares and voting rights in Dessus-Dessous S.A.S, the largest online retailer of lingerie and swimwear in France. With the acquisition of Dessus-Dessous S.A.S. the Group will expand to the online retail segment of the lingerie market which reinforces its strategic commitment to building a truly vertically integrated business.

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

<i>In thousands of EUR</i>	<i>Note</i>	
Cash		6,000
Deferred consideration payable in March 2019	17	315
Contingent consideration		-
Total		6,315

The Group has agreed to pay the selling shareholder additional consideration of up to EUR 1,333 thousand if the acquiree's EBITDA for the financial year 2018 exceeds the reference level as per sale and purchase agreement. The Group has estimated the fair value of contingent consideration at the date of acquisition to be zero.

The Group incurred acquisition related costs of EUR 151 thousand on legal fees and due diligence costs. These costs have been included in other operating expenses.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

<i>In thousands of EUR</i>	<i>Note</i>	
Property, plant and equipment	11	149
Intangible assets	12	147
Deferred tax assets		44
Inventories		1,548
Trade and other receivables		161
Prepayments		35
Cash and cash equivalents		290
Trade and other payables		(912)
Provisions		(188)
Total		1,274

Goodwill arising from the acquisition has been recognised as follows:

<i>In thousands of EUR</i>	<i>Note</i>	
Consideration transferred		6,315
Book value of identifiable net assets		(1,274)
Goodwill	12	5,041

The purchase price has not been allocated yet and all difference between the consideration transferred and the identifiable net assets were recorded as goodwill at the date of acquisition. Until the end of Q4 2018, the Group will allocate the purchase price on this acquisition to particular assets and the goodwill amount will be adjusted accordingly.

Statement by the Board of Directors

The Board of Directors of European Lingerie Group AB has reviewed and approved condensed consolidated interim financial statements for the 9 months ended 30 September 2018.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the financial position, financial performance and cash flows of European Lingerie Group AB.

Stockholm, 29 November 2018

Indrek Rahumaa
Chairman of the Board

Fredrik Synnerstad
Board member

Dmitry Ditchkovsky
Board member

Peter Partma
Board member, CEO

E | L | G

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