



Senselle by Felina

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EUROPEAN LINGERIE GROUP AB

QUARTERLY REPORT –
9 MONTHS AND THIRD
QUARTER 2018

European Lingerie Group AB (ELG) is a fully vertically integrated intimate apparel and lingerie group, supplying lingerie materials to all major intimate apparel brands and distributing own ready garment lingerie products through more than 5000 points of sale in 46 countries worldwide and online. ELG includes three business segments – **Lauma Fabrics, Felina International** and online business **Dessus-Dessous**.

ELG has successfully embarked upon a growth strategy involving international M&A targets and building size, and is today a renowned and strong player in the European intimate apparel industry.

Key numbers

1266

Employees
worldwide

46

Countries

5000

Points of sale

6 brands

Lauma Fabrics,
Felina, Conturelle,
Senselle, Lauma
Medical, Dessus-
Dessous

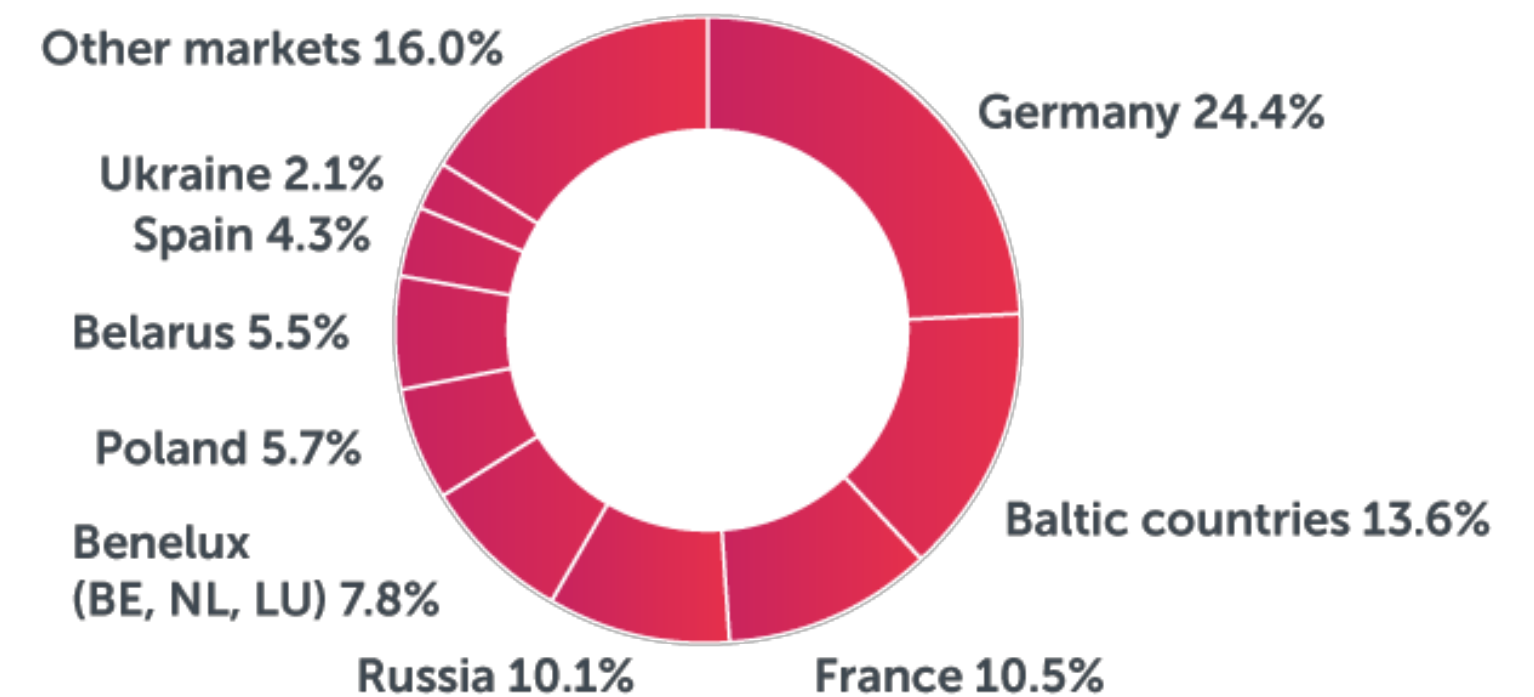
20.8m

Sales Q3 2018

59.2m

Sales 9M 2018

ELG sales by markets 9M 2018



Company locations

Key company locations –

sourcing, design, development

Germany (Mannheim), Latvia (Liepaja),

Production

Germany, Latvia, Hungary

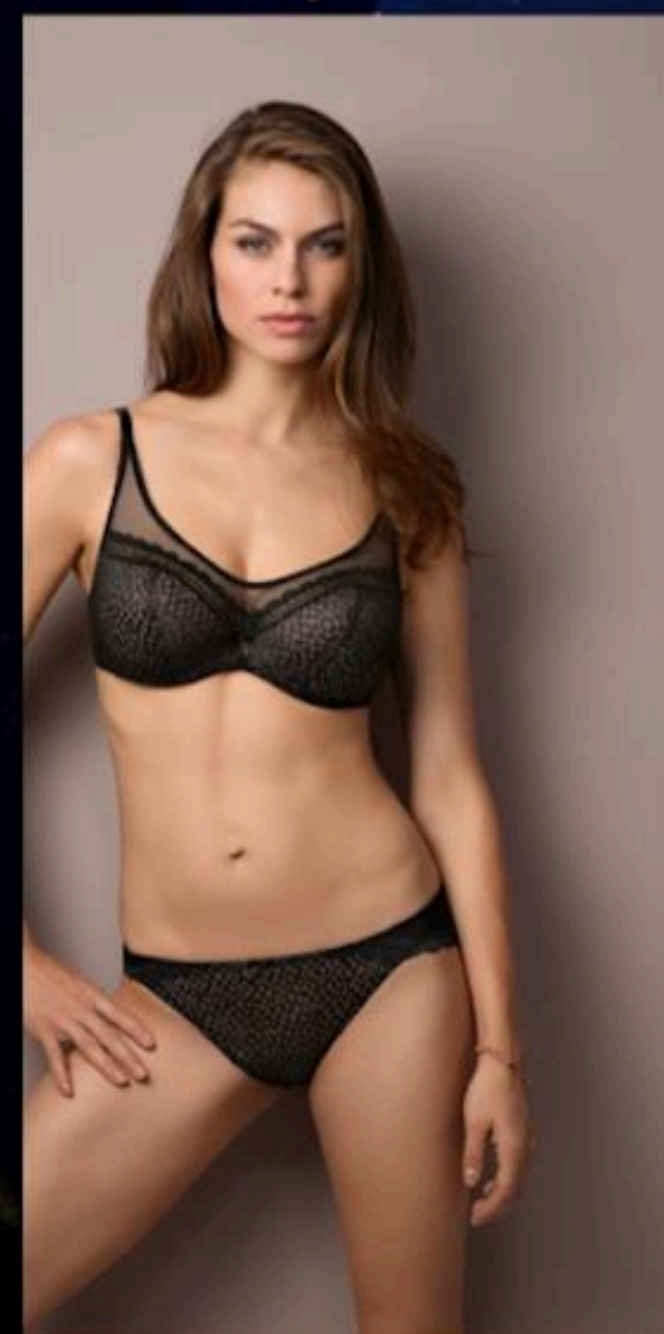
Trading

Germany, Latvia, Hungary, Poland, France, Italy, USA, Spain, Portugal, Czech Republic, rep office in Moscow, Russia

Company products

Lace, embroidery,
elastic fabrics, narrows,
private label products

Premium branded
lingerie under Conturelle
and Felina brands



Business case

Unique for lingerie industry

European Lingerie Group AB is one of the rare fully vertically integrated companies in the lingerie industry in Europe who produces lace and fabrics for largest lingerie brands as well as produces and distributes branded lingerie garments under Conturelle and Felina brands.

Sound business model and strong cash flow

Sound business model whereas products are based on classic, never out of stock items - both in material and ready garment segment with low fashion sensitivity, have provided for sound and stable long term performance with substantial profitability margins.

The business is fully invested with recent investment in dye house and does not require substantial capital expenditure going forwards.

Highly experienced and credible management

Highly experienced Board and management with diversity of corporate and function experience. Proven track record of successful growth management.

On growth path

The company is on a stable organic growth path and is in addition looking at further M&A targets.

Organic growth from private label business expansion, geographical expansion and new distribution channels.

ELG's long track record, strong market position, brand awareness and network in Central and Eastern Europe supports integration of new business segments and geographical expansion.

Manufacturing arm with blue-chip customer base

One-stop-shop manufacturer with diversified blue-chip customer base.

Supplies all major manufacturers of intimate apparel in Europe.

High brand awareness and customer proximity

Established brands Felina and Conturelle with high brand awareness.

Wide distribution network exceeding 5,000 points of sale throughout Western Europe and online.

Close customer proximity through department stores, online and other retailers.

**ONE-
STOP-
SHOP
FOR LINGERIE**

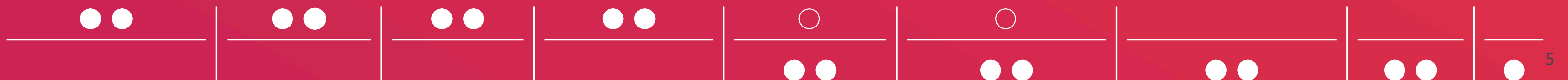
Value creation through vertical integration

Business rationale of full vertical integration is value creation through:

- Deep integration of the supply chain (from fabrics to retail)
 - Efficient supply chain management
 - Short time to market and secured access to market for all types of products (classic, flash, seasonal)
 - Quick reaction to market demands
 - Efficient inventory managements across the whole supply chain
 - High asset/capital turnover
- Reduction of risk through controlling key elements of the industry value chain.
 - Diversification of the group sales and markets.
 - **ELG has a track record of successfully expanding into new geographies through acquisitions. Acquired companies include Elastic (fine fabrics, a client), Felina (premium lingerie, a client) and Dessus-Dessous (French leader in online sales), facilitating the geographical expansion and vertical integration.**

Raw material (yarns) > Fashion trends > Fabric design > Fabric production > Product design > Lingerie production > Branding / marketing > Wholesale > Retail

Lauma Fabrics
Felina



felina

CONTURELLE
— *felina* —

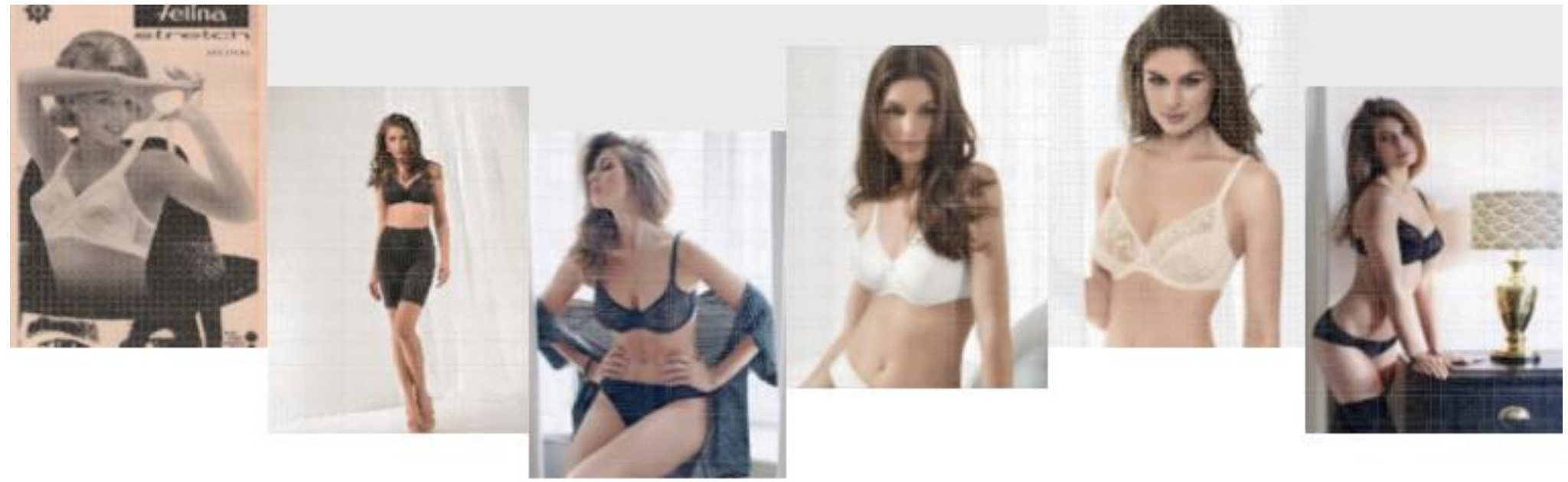

senselle
by *Felina*



Senselle by Felina

Felina

premium quality
lingerie since 1885



Products and brands

- Felina's classical and modern collections are marketed under three distinct and complementary brands *Felina*, *Conturelle* and *Senselle*. The first two are positioned in the upper pricing, premium fit segment whereas the newest addition *Senselle by Felina* is a fusion lingerie collection providing unprecedented fit and comfort of premium lingerie garments at great value. Felina also has a swimwear line and *Move by Conturelle* activity line in its collection.
- Core portfolio of Felina is focused on bras up to large cup sizes, slips, shape wear and other intimate wear, which distinguish via excellent fitting characteristics, quality, wearing comfort and skin-friendly materials. Product development, sales and logistics are located in Mannheim, Germany and manufacturing in two plants in Hungary. Felina employs 698 people.

Target markets

- Felina has long-standing international customer relationship and a well-developed lingerie distribution network covering most of the European countries and serving over 5,000 wholesale customers worldwide. Felina realizes approximately 75% of sales through specialized shops, fashion boutiques and department stores.
- Felina mainly sells lingerie to the European market, which is the world's largest women's lingerie market. Germany, is the core market for Felina.
- Felina has a strong international presence, generating 60% of sales outside Germany (23% Western Europe, 12% Southern Europe, 8% Eastern Europe, 5% Northern America and Asia.

Vertical integration

- Lauma Fabrics is one of the key suppliers for Felina. The combination of in-house large-scale fabrics and lace production by Lauma Fabrics and strong end-product and distribution experience contributed by Felina allows the Group to significantly decrease time to market, and react faster to changes in consumer preferences.
- The high internal value-add of Felina's fully integrated business model from product design and collection management to two own production sites in Hungary and sales support secures highest quality standards and guarantees short lead times.

LAUMA
F A B R I C S



Lauma Fabrics

Lauma Fabrics is located in Latvia, European Union, and has a strong reputation and loyal customer base built by using high quality materials, manufacturing all products in-house and reasonable product pricing. The company has around 200 client accounts in total.

Currently Lauma Fabrics supplies all major manufacturers of intimate apparel throughout Europe. Lauma Fabrics historical success has been built on 'one-stop-shop' strategy whereas a full set of materials for ladies underwear is offered to the customer.

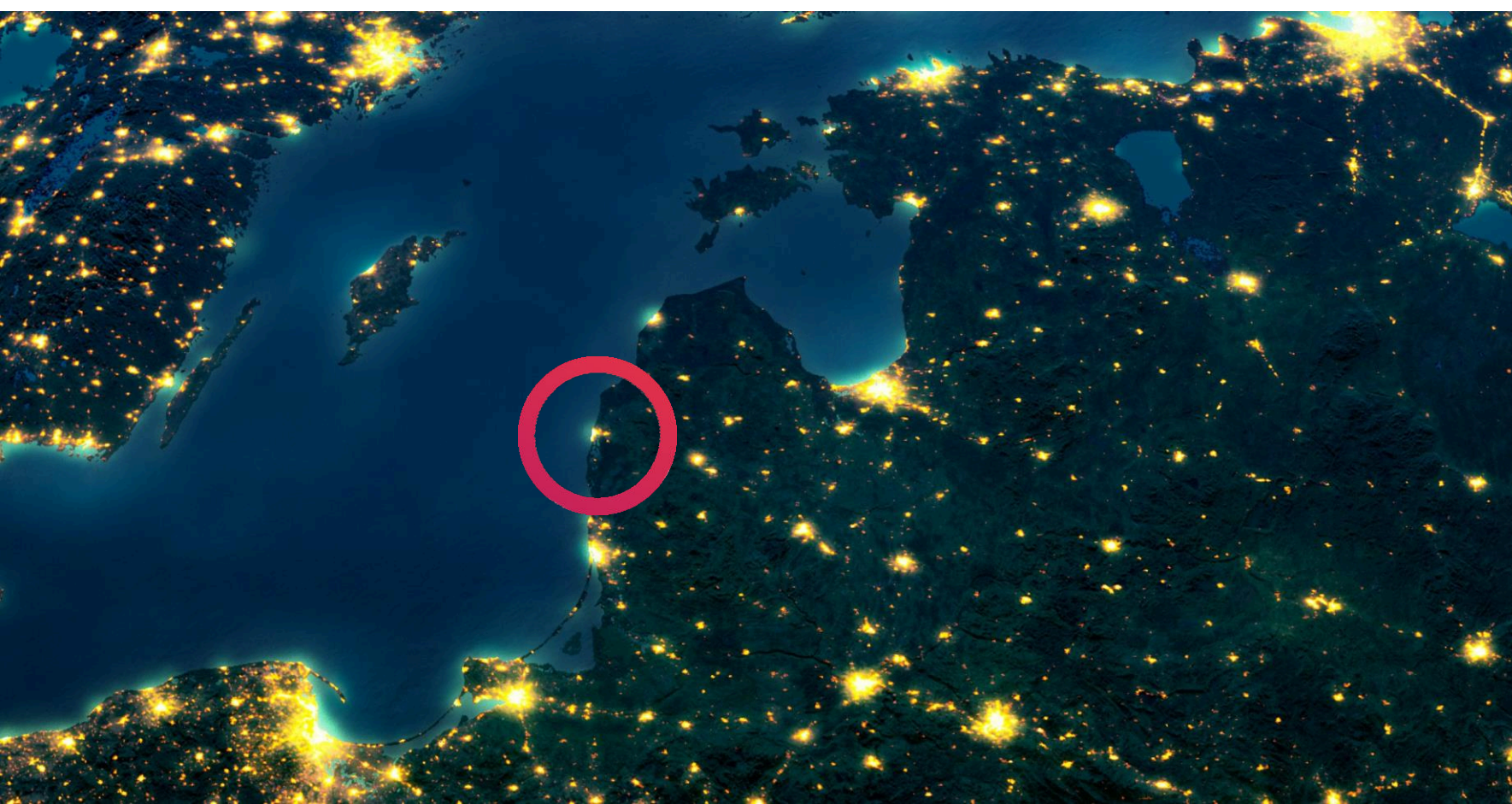
In September 2013 Lauma Fabrics acquired a business in Germany, which manufactures elastic fabrics with an objective to enter the Western European market.

Lauma Fabrics produces and sells laces, fabrics, narrows and embroideries (89% of current turnover), medical products (8%) and molded cups and supply chain management services where ready garment production services are offered on an outsourced basis (3%).

Historically Lauma Fabrics specializes in the production of materials used for classical lingerie models for a big cup size and exclusively with synthetic yarns (polyamide and elastane).

The building of the main production site in Liepaja ranks as the 8th largest factory in the World in 2016 (100k sqm), after Volkswagen, Hyundai, Tesla, Boeing, Belvidere, Mitsubishi and Jean-Luc Lagardère Plant. Lauma Fabrics currently employs 518 people.

Lauma Fabrics blue-chip customer base:



Dessus
Dessous
LINGERIE
FRENCH LUXURY LINGERIE SHOP

www.dessus-dessous.com

Customer : +33 (0)4 67 71 58 60



EN



EUR



Connect



My Cart

Dessus
Dessous
LINGERIE
FRENCH LUXURY LINGERIE SHOP



New! Look for brand, product , size



BRANDS | LINGERIE | NEW | MEN | DISCOUNT

Plus Size Lingerie | The Invisibles | Swimwear | Outlet

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-40%

All our
Good Deals of
your
lingerie brands

LISE CHARMEL
PRIMA DONNA

SP
SIMONE PÉRELE
PARIS

Chantal Thomass
PARIS

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-50%

Aubade

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My wishlist



Dessus-Dessous, headquartered in Lunel, France, is the French leader in online sales of lingerie. The Company specializes in online sales of luxury lingerie brands including Lise Charmel, Van De Velde, Simone Pérèle, Felina, Conturelle and others.

Dessus-Dessous has been leading the French online lingerie market since 2000, and enjoys extraordinary rates of customer satisfaction and loyalty, thanks to superb customer service, reliable delivery and a constantly up-to-date selection of over 150 thousand articles from over 50 brands.

Key numbers

7.3m

Sales 2017

31

Employees

No 1

in French online lingerie market

50+ brands

Represented on website

150 thousand

Articles in selection

214 thousand

Customers in database

Highlights of 9M/Q3 2018

Acquisition of Dessus-Dessous S.A.S.

In June 2018, the Group acquired the largest online retailer of lingerie and swimwear in France – Dessus-Dessous S.A.S. The company's sales amounted to 7.3 million euros in 2017 and it employs 31 people. The acquisition marks the Group's expansion to the online retail segment of the lingerie market and reinforces the ELG's strategic commitment to building a truly vertically integrated business.

Secured bond issue and the Group refinancing

On 22 February 2018 the Parent issued new bonds in Sweden in the amount of EUR 40,000,000. The issued bonds are senior secured bonds with a maturity of 3 years. The bonds are planned to be listed on a regulated market in Q1 2019.

New Senselle by Felina fusion collection

This year the Group already introduced two new product lines to its lingerie ready garment collections portfolio: Move activity collection by Conturelle for which sales started in October 2018 and a swimwear collection by Felina for which sales will commence in Q1 2019.

Additionally, ELG has just launched a new Senselle by Felina, a fusion lingerie collection providing unprecedented fit and comfort of premium lingerie garments at great value. First three series of Senselle classical collection are already in retail and the full range will be available from March 2019. Senselle's target markets are primarily CIS countries.

Further development of the Group

This year the Group is doing quite a lot of strategic investments and market initiatives to respond faster to changes in market. One of these steps is product range expansion to position itself as a one-stop supplier of all relevant product segments. Another important initiative is developing the online channel as e-commerce is the future of retail. The recent acquisition of Dessus-Dessous definitely offers the possibility to embrace a true omni-channel strategy. Also, ELG has focused on increasing ready garments offering under private labels. The initiative is well perceived by Western customers. ELG will continue to build and strengthen its international team.

Key findings of 9M/Q3 2018

The results for the third quarter of 2018 are still not satisfactory for European Lingerie Group but it's finally seen that sales have started to pick up from the trend in the first six months.

The closure of small specialised retail shops in Southern and Central Europe continues and furthermore, in most European markets the macro-economy has started slowing down and the trading climate is still poor, which does not support growth.

In Q3 2018 though, the Group believes to have hit the bottom line of decline and sales are expected to be flat or slightly growing in the next periods.

In Q3 2018 the Group still faced a decline in revenue, but the deficit in sales was significantly lower in Q3 2018 compared to Q1 and Q2 2018.

The shortfall in sales reduced in Q3 as a result of improving sales trend in Russia and other countries, which export its products to CIS countries and Europe.

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

Financial highlights of 9M/Q3 2018

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, Q3 2018 and Q3 2017.

The Group's sales amounted to **EUR 59.2 million** in 9 months 2018 (Q3 2018: **EUR 20.8 million**), 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).

As part of the costs are fixed, decline in revenue caused drop of profitability margins. Normalised **EBITDA** in 9 months 2018 amounted to **EUR 7.9 million** (Q3 2018: **EUR 3.9 million**) 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 **net profit** in 9 months 2018 amounted to EUR 1.6 million (Q3 2018: EUR 1.7 million), compared to pro forma normalised net profit of EUR 5.5 million in 9 months 2017 (Q3 2017: EUR 2.0 million).

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

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

Financial highlights of 9M/Q3 2018

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.

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 to EBITDA, **lower profitability** was due to sales decrease and cost of new initiatives. 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.

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

Sales of 9M/Q3 2018

Core operating markets for European Lingerie Group are Germany, Spain, France, Poland, Benelux countries, Baltic countries and CIS countries (Russia, Belarus and Ukraine). The 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 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 Germany decreased by 0.5% in 9 months 2018 due to the slowdown of the macroeconomic development in Europe, which limits the potential growth.

Sales in Benelux countries and Poland had a slight increase in 9 months 2018 (0.8% and 0.7% respectively).

Sales by markets – 9 months

<i>In thousands of EUR</i>	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	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	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%

Sales of 9M/Q3 2018

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. 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. Sales in Russia and Ukraine are expected to **recover completely** and have a growth in the coming 3-6 months.

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 where small specialised retail stores close. This also explains a **growth trend** of the Group with its largest customers in these countries.

Sales by markets – Q3

<i>In thousands of EUR</i>	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	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	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%

Sales of 9M/Q3 2018

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.

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

Sales by business segments

<i>In thousands of EUR</i>	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%

<i>In thousands of EUR</i>	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%



Senselle by Felina

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EUROPEAN LINGERIE
GROUP

www.elg-corporate.com