EUROPEAN LINGERIE GROUP

EUROPEAN LINGERIE GROUP AB

QUARTERLY REPORT - FIRST QUARTER

1 JANUARY 2019 – 31 MARCH 2019

CONTENTS

MANAGEMENT REPORT

MANAGEMENT REPORT

General information

European Lingerie Group AB (previously Goldcup 15769 AB) (the "Parent" and together with its subsidiaries the "Group") is a Public Limited Liability Company domiciled in Sweden. At 31 March 2019 the Group had 21 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 a 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 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 2018 (as if all entities were in the Group from the beginning of the year) exceeded EUR 77 million and the combined workforce was over 1,200 people.

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

Even though the trend of closure of small specialized retail shops in the Southern and Central Europe still continues and the macroeconomy is slowing down in most European markets, which limits the recovery speed to some extent, the sales results of the first quarter of 2019 for European Lingerie Group were satisfactory and for the second quarter in a row the Group demonstrated the sales growth. It was a result of different innovations brought to the market, which started to contribute to the total revenue.

In January 2019, the Group acquired Yustina OOO (later renamed to Senselle OOO), a lingerie ready garment producer in Belarus. This acquisition is part of European Lingerie Group strategy to expand its operations and add capacity for private label and Senselle by Felina brand production.

The bonds issued by the Parents were approved for listing on Nasdaq Stockholm Corporate Bond list in December 2018 and are traded since 2 January 2019.

In January 2019 European Lingerie Group AB established a new subsidiary Brafetch GmbH and in March 2019 Brafetch GmbH established a new subsidiary SistersOf Production SIA, which will be involved in the implementation of the omni-channel strategy of the Group.

To summarize, the Group continues doing additional strategic investments and market initiatives to respond faster to changes in the market. The results of all these changes start gradually converting into sales and will help the Group to sustain the business in the future and earn stable margin going forward. To achieve that, the Group needs to invest part of today's profit into these innovations, which unfortunately negatively affects the current profitability levels and financial ratios of the Group. The Group is currently close to the edge with its bond financial covenant and the Management is fully focused that the Group complies with the covenant's requirements and several improvement steps are in the implementation process.

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 2019 and pro forma financial information for Q1 2018. As the Group adopted *IFRS 16 Leases* starting from 1 January 2019 (refer to Note 3 for further details) and the impact of the standard is material, Q1 2018 pro forma figures were adjusted as well to include the impact of IFRS 16 for better comparativeness (unless otherwise indicated).

IFRS 16 impact on Q1 2018 was calculated as if the standard had been adopted from 1 January 2018.

Refer to page 9 for the description of the pro forma financial information and pro forma assumptions. Summarized selected financial indicators of the Group for Q1 2019 compared to Q1 2018 and 31.03.2019 compared to 31.03.2018 and 31.12.2018 were as follows:

In thousands of EUR	Q1 2019 (Actual)	Q1 2018 (Pro forma)	Change
Revenue	21,022	19,357	8.6%
Normalised operating profit[1]	1,739	1,380	26.0%
Normalised EBITDA[2]	2,684	2,417	11.0%
Normalised net profit[3]	318	29	997.0%
Operating cash flow for the period	12	(1,148)	-100.8%

[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	31.03.2019 (Actual)	31.03.2018 (Pro forma)	31.12.2018 (Pro forma)	Change to 31.03.2018	Change to 31.12.2018
Total assets	75,168	72,997	69,173	3.0%	8.7%
Total current assets	42,365	43,214	35,723	-2.0%	18.6%
Cash and cash equivalents	2,101	9,777	1,335	-78.5%	57.4%
Total current liabilities	20,357	15,796	14,612	28.9%	39.3%
Gross interest-bearing debt[4]	46,036	44,866	44,865	2.6%	2.6%
Net interest-bearing debt[5]	43,935	35,089	43,530	25.2%	0.9%

[4]Gross interest-bearing debt includes non-current and current loans and borrowings.
[5]Net interest-bearing debt is calculated as gross interest-bearing debt less cash and cash equivalents.

Marginal analysis, %	Q1 2019 (Actual)	Q1 2018 (Pro forma)	Change
Normalised operating profit margin	8.3%	7.1%	1.2 pp
Normalised EBITDA margin	12.8%	12.5%	0.3 pp
Normalised net profit margin	1.5%	0.1%	1.4 pp

Financial ratios	31.03.2019 (Actual)	31.03.2018 (Pro forma)[6]	31.12.2018 (Pro forma)
ROA (return on assets)[7]	0.6%	Not available	0.2%
Adjusted current ratio[8]	2.1	2.7	2.4
Adjusted quick ratio[9]	1.1	1.8	1.1
12 months rolling normalised EBITDA[10]	10,754	Not available	10,487
Net debt/EBITDA[11]	4.1	Not available	4.2

[6]Ratios marked as "Not available" cannot be calculated due to the absence of data regarding IFRS 16 impact on the year 2017.
[7]ROA (return on assets) is calculated as the 12 months normalised rolling 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 April 2018 to 31 March 2019 and from 1 January 2018 to 31 December 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 reported financial information of European Lingerie Group AB for Q1 2019 as well as pro forma financial information for Q1 2018. As the Group adopted *IFRS 16 Leases* starting from 1 January 2019 (refer to Note 3 for further details) and the impact of the standard is material, Q1 2018 pro forma figures were adjusted as well to include the impact of IFRS 16 for better comparativeness (unless otherwise indicated). IFRS 16 impact on Q1 2018 was calculated as if the standard had been adopted from 1 January 2018. Refer to page 9 for the description of the pro forma financial information and pro forma assumptions.

The Group's sales amounted to EUR 21,022 thousand in Q1 2019 (Q1 2018: EUR 19,357 thousand), representing an 8.6% increase as compared to pro forma sales of Q1 2018. In Q1 2019, the growth in sales was achieved by sales of new product lines, i.e. Senselle by Felina lingerie and Felina swimwear, as well as the general increase of orders from traditional customers in the textile segment.

Profitability margins in Q1 2019 are generally comparable to those of Q1 2018 while starting to demonstrate an increasing trend. The slight improvement in margins is a result of contribution earned on additional sales. The profit improvement effect, though, is not significant due to the general cost inflation still faced in important cost categories as well as the effect of additional costs invested in marketing to promote the new products just launched and in product development to deliver further novelties to the market. Normalised EBITDA in Q1 2019 amounted to EUR 2,684 thousand (Q1 2018: EUR 2,417 thousand) and increased by 11.0% compared to pro forma normalised EBITDA in Q1 2018. Normalised EBITDA margin in Q1 2019 and Q1 2018 were 12.8% and 12.5% respectively.

Normalised net profit in Q1 2019 amounted to EUR 318 thousand, compared to pro forma normalised net profit of EUR 29 thousand in Q1 2018. Normalised net profit margin in Q1 2019 and Q1 2018 were 1.5% and 0.1%.

Financial position

Financial position of the Group at 31 March 2019 was consolidated position as per the consolidated interim financial statements of European Lingerie Group AB for Q1 2019. Financial position of the Group at 31 March 2018 and 31 December 2018 was calculated on the basis of the pro forma financial information. Refer to page 9 for the description of the pro forma financial information and pro forma assumptions.

At 31 March 2019 consolidated total assets amounted to EUR 75,168 thousand representing an increase of 3.0% as compared to the pro forma statement of financial position at 31 March 2018 (8.7% as compared to the pro forma statement of financial position at 31 December 2018). An increase to 31 December 2018 is explained by a seasonal growth in inventories and trade receivables balances due to production and delivery of new season collections. The main reasons of an increase to 31 March 2018 are a launch of new Senselle by Felina lingerie collection the sales of which started in Q4 2018 and sales of a new Felina swimwear line, which was introduced into the market in Q1 2019.

Inventories balance increased by 24.0% compared to the balance at 31 March 2018 (increased by 9.9% compared to the balance at 31 December 2018). The increase mainly relates to the additional product lines introduced into the market, which required additional working capital in inventories. Trade and other receivables balance was EUR 18,131 thousand at 31 March 2019 and increased by 15.6% compared to 31 March 2018 (increased by 29.2% compared to 31 December 2018). The increase in receivables was driven by the increase in sales. An additional effect was a result of the change in customer mix and higher sales portion reached with customers, who have longer payment terms, i.e. Russia.

Loans and borrowings at 31 March 2019 increased by EUR 1,171 thousand compared to 31 December 2018, which is explained by the increase in the utilised credit line facilities in order to finance working capital of the new product lines.

Trade and other payables at 31 March 2019 were EUR 14,993 thousand and increased by EUR 4,002 thousand compared to 31 March 2018 (increased by EUR 4,474 thousand compared to 31 December 2018) as a result of the same additional working capital built for the product novelties.

Sales

Sales structure of the Group was calculated on the basis of the reported financial information of European Lingerie Group AB for Q1 2019, as well as pro forma financial information for Q1 2018. Refer to page 9 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, Russia, Belarus and Ukraine. Group's sales in its core markets in Q1 2019 were 79.5% of its total sales against 83.0% in Q1 2018. Decrease in core markets is explained by a diversification of the Group to other markets and growth of its sales there. Q1 2019 demonstrated a growth in Morocco, Italy, Austria and other EU countries.

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

In thousands of EUR	Q1 2019 (Actual)	Q1 2018 (Pro forma)	Change, %	Q1 2019, % of sales	Q1 2018, % of sales
Germany	4,068	4,436	-8.3%	19.4%	22.9%
Russia	2,796	1,416	97.5%	13.3%	7.3%
Baltic countries[12]	2,260	2,295	-1.5%	10.8%	11.9%
France	1,890	2,378	-20.5%	9.0%	12.3%
Belarus	1,519	1,287	18.0%	7.2%	6.6%
Benelux countries[13]	1,432	1,548	-7.5%	6.8%	8.0%
Poland	1,259	1,203	4.7%	6.0%	6.2%
Spain	1,117	1,052	6.2%	5.3%	5.4%
Ukraine	348	459	-24.2%	1.7%	2.4%
Other markets	4,333	3,283	32.0%	20.5%	17.0%
Total	**21,022**	**19,357**	**8.6%**	**100.0%**	**100.0%**

[12]Latvia, Estonia and Lithuania

[13]Belgium, the Netherlands and Luxembourg

The largest growth in sales in Q1 2019 was in Russia and Belarus. These markets grew by 97.5% and 18.0% respectively in Q1 2019. Sales in Russia in Q1 2018 were very limited due to postponement of orders by two largest Felina and Conturelle distributors in Russia. 2019, in its turn, did not have extraordinary circumstances; thus, the sales were at a normal level with the growing trend. Russia is also one of the main customers for Felina swimwear and Senselle by Felina lingerie ready garments, which pushed the sales up even further. Sales in Belarus grew in the textile segment of the Group and was a result of the growth of medium lingerie sewing companies in the country.

Spain and Poland also delivered sizeable growth in the first quarter, whereby sales in these countries in Q1 2019 increased by 6.2% and 4.7% respectively. This is a result of several activities including development of the omni-channel strategy with the largest customer in Spain as well as expansion of our lingerie products' presence in the retail channels in these countries. Spain is another important market for Felina swimwear, which helped to grow the sales further.

Sales in Germany, France and Benelux decreased by 8.3%, 20.5% and 7.5% respectively due to the slowdown of the European macroeconomy and blocked potential growth. The balance of sales growth vs margin is still the main issue in France in the current and the coming periods as the Group's main competitors in the region continue suffering and try to improve their sales by reducing prices and offering higher discounts to customers not only for previous season collections, but also for novelties. In part of these cases the Group chooses not to follow the general price trend and to better sell less, but at better margin.

Sales in Baltic countries reduced by 1.5% in Q1 2019 and it related to the textile segment of the Group. Most of the Baltic customers of the Group suffered from changes in the importing rules into Russia and as a result, did not have quick enough capital turn to continue ordering raw materials.

Sales in Ukraine dropped by 24.2% in Q1 2019, but there was no particular reason for that. One of the largest customers of the Group in the textile segment in Ukraine orders its raw materials only 4 times a year and Q1 2019 was inside the low order period. The Group expects the sales deficit to reduce throughout the year.

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	Q1 2019 (Actual)	Q1 2018 (Pro forma)	Change, %	Q1 2019, % of sales	Q1 2018, % of sales
Textiles	8,918	8,074	10.5%	40.1%	40.1%
Lingerie	12,599	11,603	8.6%	59.9%	59.9%
Intercompany eliminations	(495)	(320)			
Total	**21,022**	**19,357**	**8.6%**	**100.0%**	**100.0%**

In Q1 2019, both - textiles and lingerie segments performed better than in the first quarter of 2018. This was driven by the improvement of the sales trend in particular markets explained above and start of the sales of new swimwear, activity wear and Senselle by Felina lingerie ready garments.

Investments

During Q1 2019 the Group invested into property plant and equipment and intangible assets EUR 472 thousand compared to EUR 108 thousand in Q1 2018 on a pro forma basis. The main investments in the first quarter related to the remaining payment for the spacer molding equipment for Lauma Fabrics as well as the down-payment for 2 new knitting machines, lace and racheltronic technology, which will be delivered in the second half of 2019. The knitting machines were ordered by the Group due to the lack of knitting capacity in these technologies. Additional machines will also allow the Group to develop new material solutions for its customers, which should improve its competitiveness in the market in the textile segment .

In addition to this, the Group continues investing in its new sewing plant in Belarus, whereby it increases the number of sewing machines there and develops a new material cutting facility, which is necessary for sewing operations.

Further development of the Group

The Group has had a difficult last year after the acquisition of Felina group and Dessus-Dessous S.A.S. It continues realising its strategy of the vertical integration, which takes time and bears costs during the transformation phase of the previous processes. In 2019, the Group's new product lines, i.e. the backup brand Senselle by Felina and Felina swimwear, started bringing good volumes and the contribution of the new products to total sales will continue with increasing pace throughout the whole year.

On the production side, the Group continues investing in its manufacturing base in order to improve the quality of its products as well as to be able to offer better and new materials to its customers. The result of these investments will gradually convert into the cost savings and profit margin improvement starting from the second half of this year.

On the e-commerce side, the Group is preparing to launch a Market place in its industry to facilitate the omni-channel strategy implementation as well as to further expand sales and establish a position of Felina brand with high contribution to its profitability.

Reported financials for the first quarter 2019 and pro forma financials for 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 SIA European Lingerie Group (previously AS European Lingerie Group) shares into the equity of European Lingerie Group AB. The acquisition of SIA 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 SIA European Lingerie Group were included in European Lingerie Group AB consolidated earnings from 3 January 2018.

In 2018 the Group had one acquisition, which was a business combination. Felina France 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, which was consolidated into the Group starting from 30 June 2018 (the Transaction).

Based on the above, the Group has prepared pro forma financial information presenting a description of how the acquisition transaction might have affected the consolidated earnings of European Lingerie Group, had the Transaction been undertaken at the commencement of the year 2017.

As the Group adopted *IFRS 16 Leases* starting from 1 January 2019 (refer to Note 3 for further details) and the impact of the standard is material, Q1 2018 pro forma figures were adjusted as well to include the impact of IFRS 16 for better comparativeness.

The impact of the IFRS 16 adoption on the items of the Statement of Profit or Loss, normalised EBITDA and the Statement of Financial position is explained under the respective statements on pages 10 and 12. IFRS 16 impact on Q1 2018 was calculated as if the standard had been adopted from 1 January 2018.

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 Transaction 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 Dessus-Dessous S.A.S for Q1 2018 eliminating intercompany transactions between this company and the Group based on individual company performance during this period. The impact of accounting for the share acquisition in the Transaction (including, but not limited to the purchase price allocation and goodwill) and related financing of the Transaction (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 Q1 2018. The compiled pro forma financial statements have not been audited or reviewed by the external auditors.

Statement of Profit or Loss

In thousands of EUR	Q1 2019 (Actual)	Q1 2018 (Pro forma)
Revenue	**21,022**	**19,357**
Other operating income	654	540
Changes in inventories of finished goods and work in progress	1,755	1,112
Raw materials and services	(8,827)	(7,300)
Employee benefits expense	(6,834)	(6,624)
Depreciation and amortisation	(945)	(1,037)
Impairment loss on trade receivables and contract assets	(16)	(102)
Other operating expenses	(5,197)	(4,926)
Operating profit	**1,612**	**1,020**
Finance income	187	88
Finance costs	(1,162)	(1,126)
Net finance costs	**(975)**	**(1,038)**
Profit/(loss) before income tax	**637**	**(18)**
Income tax expense	(447)	(306)
Profit/(loss) for the period	**190**	**(324)**
Profit attributable to:		
Owners of the Company	190	(324)
Reported EBITDA	**2,557**	**2,057**
Adjusted by:		
Transaction costs	4	253
Inventory write-off under purchase price allocation exercises	-	34
Net loss on disposal of intangible assets and property, plant and equipment	90	-
Other	33	73
Normalised EBITDA	**2,684**	**2,417**
Reported net profit/(loss)	**190**	**(324)**
Normalisation adjustments	127	360
Tax effect on normalization adjustments	1	(7)
Normalised net profit	**318**	**29**

As a result of IFRS 16 adoption, in the first quarter 2019 the Group derecognised rent expenses in the amount of EUR 318 thousand (Q1 2018: EUR 289 thousand) and recognised additional depreciation expenses in the amount of EUR 261 thousand (Q1 2018: EUR 231 thousand) and additional interest expenses in the amount of EUR 78 thousand (Q1 2018: EUR 85 thousand).

Excluding the effect of IFRS 16, normalised EBITDA in Q1 2019 would have been EUR 2,366 thousand (Q1 2018: EUR 2,128 thousand) and the normalised 12 months rolling EBITDA as at 31 March 2019 would have been EUR 9,526 thousand (at 31 December 2018: EUR 9,288 thousand).

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:

- *Transaction costs* in Q1 2019 related to the acquisition of Yustina OOO (renamed to Senselle OOO). Transaction costs in Q1 2018 related to the issue of bonds by European Lingerie Group AB.

- *Inventory write-off under purchase price allocation exercises* included gross profit margin distortion effect at consolidated level as a result of sale of AO Avangard inventories that had been acquired in the business combination and sold during 2018. At acquisition date, AO Avangard 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 Q1 2018 amounted to EUR 34 thousand.

- *Other costs* in Q1 2018 included various consultancy costs related to the planned bond listing and further potential acquisitions. 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.

Statement of Financial Position

In thousands of EUR	31 March 2019 (Actual)	31 March 2018 (Pro forma)	31 December 2018 (Pro forma)
Assets			
Property, plant and equipment	11,519	11,891	11,729
Intangible assets	15,120	10,558	15,207
Right-of-use assets	3,637	3,990	3,793
Deferred tax assets	2,127	3,042	2,333
Trade and other receivables	400	302	388
Total non-current assets	**32,803**	**29,783**	**33,450**
Inventories	20,897	16,855	19,006
Current tax assets	411	223	384
Trade and other receivables	18,131	15,681	14,032
Contract assets	73	-	26
Prepayments	752	678	940
Cash and cash equivalents	2,101	9,777	1,335
Total current assets	**42,365**	**43,214**	**35,723**
Total assets	**75,168**	**72,997**	**69,173**
Total equity	**5,201**	**8,449**	**4,746**
Liabilities			
Loans and borrowings	41,450	41,363	41,561
Net employee defined benefit liability	3,778	4,458	3,808
Deferred income	512	715	570
Provisions	217	242	213
Deferred tax liabilities	3,653	1,974	3,663
Total non-current liabilities	**49,610**	**48,752**	**49,815**
Loans and borrowings	4,586	3,503	3,304
Trade and other payables	14,993	10,991	10,519
Contract liabilities	291	-	292
Current tax liabilities	226	623	170
Provisions	47	383	111
Deferred income	214	296	216
Total current liabilities	**20,357**	**15,796**	**14,612**
Total liabilities	**69,967**	**64,548**	**64,427**
Total equity and liabilities	**75,168**	**72,997**	**69,173**

As a result of IFRS 16 adoption, at 31 March 2019 the Group recognised additional right-of-use assets in the amount of EUR 3,529 thousand (at 31 December 2018: EUR 3,677 thousand) and additional loans and borrowings in the amount of EUR 3,552 thousand (at 31 December 2018: EUR 3,772 thousand).

Excluding the effect of IFRS 16, net interest-bearing debt at 31 March 2019 would have been EUR 40,383 thousand (at 31 December 2018: EUR 39,758 thousand) and the net debt/EBITDA ratio at 31 March 2019 would have been 4.2 (at 31 December 2018: 4.3).

Statement of Cash Flows

In thousands of EUR	Q1 2019 (Actual)	Q1 2018 (Pro forma)
Cash flows from operating activities		
Reported EBITDA	2,557	2,057
Adjustments for:		
Impairment loss	16	102
Net loss on sale of property, plant and equipment	90	-
Equity-settled share-based payment transactions	52	126
Income from government grants	(59)	(80)
Gain on bargain purchase	(22)	-
Changes in:		
Inventories	(1,889)	(140)
Trade and other receivables	(4,251)	(1,698)
Contract assets	(47)	-
Prepayments	187	(81)
Trade and other payables	4,493	(462)
Contract liabilities	(1)	-
Provisions	(60)	(55)
Net employee defined benefit liability	(47)	(49)
Cash generated from operating activities	**1,019**	**(280)**
Interest paid	(893)	(577)
Income taxes paid	(114)	(291)
Net cash from/(used in) operating activities	**12**	**(1,148)**
Cash flows from investing activities		
Interest received	10	1
Proceeds from sale of property, plant and equipment	7	-
Proceeds from repayment of loans issued	-	128
Acquisition of subsidiaries net of cash acquired	9	(569)
Cash acquired in common control transactions	-	1,874
Acquisition of property, plant and equipment and intangible assets	(472)	(108)
Deposits placed in restricted accounts	-	(5)
Deposits released from restricted accounts	-	4,500
Loans issued	-	(9)
Loans issued to shareholders in lieu of future dividends	-	(77)
Net cash (used in)/from investing activities	**(446)**	**5,735**
Cash flows from financing activities		
Proceeds from issue of share capital	-	60
Proceeds from bonds issue	-	40,000
Change in bank overdraft	1,328	(323)
Transaction costs related to bonds issue	-	(1,730)
Repayment of loans and borrowings	-	(20,021)
Repayment of convertible notes	-	(12,375)
Payment of finance lease liabilities	(241)	(233)
Dividends paid	-	(269)
Factoring (paid)/ received	(51)	55
Net cash from financing activities	**1,036**	**5,164**
Net increase in cash and cash equivalents	**602**	**9,751**
Cash and cash equivalents at 1 January	1,335	70
Effect of movement in exchange rates on cash held	164	(44)
Cash and cash equivalents at 31 March	**2,101**	**9,777**

EUROPEAN LINGERIE GROUP AB

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FIRST QUARTER ENDED
31 MARCH 2019
(UNAUDITED)

INFORMATION ON THE COMPANY

Name of the company	*European Lingerie Group AB (from 29 January 2018)* *Goldcup 15769 AB (until 29 January 2018)*
Legal status of the company	*Public Limited Liability Company*
Number, place and date of registration	*559135-0136, Stockholm, 23 November 2017*
Legal and postal address	*Norrlandsgatan 16, 111 43 Stockholm, Sweden*
Corporate website	*www.elg-corporate.com*
Core activities	*Manufacturing, processing, wholesale and retail of textiles and lingerie products*
Members of the Board and their positions	*Indrek Rahumaa, Chairman of the Board* *Fredrik Synnerstad, Board Member* *Dmitry Ditchkovsky, Board Member* *Peter Partma, Board Member*
Managing director	*Peter Partma*
Financial year	*1 January 2019 – 31 December 2019*
Reporting period	*1 January 2019 – 31 March 2019*
Information on shareholders	*From 23 April 2019:* *Helike Holdings OU (71.18%),* *Bryum Capial Ltd (24.72%),* *SIA Silver Invest (1.80%),* *SIA Ievades Nozares (1.60%),* *Tuida Holding AB (0.40%) and* *Amorvero Holding OU (0.30%)*
Information on the subsidiaries	*SIA European Lingerie Group (100.0% from 19 February 2018)* *Felina France S.a.r.l. (100.0% from 16 May 2018)* *Brafetch GmbH (100% from 29 January 2019)* *Senselle OOO (100% from 2 January 2019)*
Auditors	*KPMG AB* *Vasagatan 16* *101 27 Stockholm, Sweden*

Condensed consolidated statement of profit or loss and other comprehensive income

For the first quarter ended 31 March

In thousands of EUR	*Note*	Q1 2019	Q1 2018 Restated*
Revenue	*4,5*	**21,022**	**17,213**
Other operating income		654	442
Changes in inventories of finished goods and work in progress		1,755	1,159
Raw materials and services		(8,827)	(6,229)
Employee benefits expense	*6*	(6,834)	(6,201)
Impairment loss on trade receivables and contract assets		(945)	(759)
Depreciation and amortisation		(16)	(102)
Other operating expenses	*7*	(5,197)	(4,705)
Operating profit		**1,612**	**818**
Finance income	*8*	187	88
Finance costs	*9*	(1,162)	(1,040)
Net finance costs		**(975)**	**(952)**
Profit/(loss) before income tax		**637**	**(134)**
Income tax expense	*10*	(447)	(266)
Profit/(loss) for the period attributable to the owners of the Parent Company		**190**	**(400)**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		145	(49)
Other comprehensive income, net of tax		**145**	**(49)**
Total comprehensive income		**335**	**(449)**

* Comparatives for the first quarter ended 31 March 2018 were restated to include expenses for share-based payment arrangements in the amount of EUR 126 thousand within other operating expenses. First quarter ended 31 March 2018 also includes a reclassification of change in write downs of inventories expense from changes in inventories of finished goods and work in progress to change in write downs of inventories with-in other operating expenses in the amount of EUR 231 thousand.

Condensed consolidated statement of financial position

In thousands of EUR	*Note*	31 March 2019	31 December 2018
Assets			
Property, plant and equipment	*11*	11,519	11,845
Intangible assets		15,120	15,207
Right-of-use assets		3,637	-
Deferred tax assets		2,127	2,307
Trade and other receivables	*13*	400	388
Total non-current assets		**32,803**	**29,747**
Inventories	*12*	20,897	19,006
Current tax assets		411	384
Trade and other receivables	*13*	18,131	14,032
Contract assets		73	26
Prepayments		752	939
Cash and cash equivalents		2,101	1,335
Total current assets		**42,365**	**35,722**
Total assets		**75,168**	**65,469**
Equity			
Share capital	*14*	60	60
Reserves	*14*	(187)	(332)
Retained earnings		5,328	5,086
Total equity		**5,201**	**4,814**
Liabilities			
Loans and borrowings	*15*	41,450	38,767
Net employee defined benefit liability		3,778	3,808
Deferred income		512	570
Provisions		217	213
Deferred tax liabilities		3,653	3,663
Total non-current liabilities		**49,610**	**47,021**
Loans and borrowings	*15*	4,586	2,326
Trade and other payables	*16*	14,993	10,519
Contract liabilities		291	292
Current tax liabilities		226	170
Provisions		47	111
Deferred income		214	216
Total current liabilities		**20,357**	**13,634**
Total liabilities		**69,967**	**60,655**
Total equity and liabilities		**75,168**	**65,469**

Condensed consolidated statement of changes in equity

For the first quarter ended 31 March

In thousands of EUR	Attributable to owners of the Parent Company Share capital	Translation reserve	Retained earnings	Total equity
Balance at 31 December 2018	**60**	**(332)**	**5,086**	**4,814**
Total comprehensive income				
Profit for the period	-	-	190	190
Other comprehensive income	-	145	-	145
Total comprehensive income	**-**	**145**	**190**	**335**
Transactions with owners of the Group				
Contributions and distributions				
Equity-settled share-based payment	-	-	52	52
Total contributions and distributions	**-**	**-**	**52**	**52**
Total transactions with owners of the Group	**-**	**-**	**52**	**52**
Balance at 31 March 2019	**60**	**(187)**	**5,328**	**5,201**

Condensed consolidated statement of cash flows

For the first quarter ended 31 March

In thousands of EUR	*Note*	Q1 2019	Q1 2018 Restated*
Cash flows from operating activities			
Profit/(loss) for the reporting period		190	(400)
Adjustments for:			
Depreciation		757	618
Amortization		188	141
Impairment loss		16	102
Income from government grants		(59)	(80)
Finance income	*8*	(21)	(14)
Finance costs	*9*	1,039	940
Foreign exchange gains	*8*	(166)	(74)
Foreign exchange losses	*9*	123	100
Net loss on sale of property, plant and equipment		90	-
Equity-settled share-based payment transactions		52	126
Gain on bargain purchase	*18*	(22)	-
Income tax expense	*10*	447	266
Changes in:			
Inventories		(1,889)	(207)
Trade and other receivables		(4,251)	(1,815)
Contract assets		(47)	-
Prepayments		187	18
Trade and other payables		4,493	(446)
Contract liabilities		(1)	-
Provisions		(60)	(46)
Net employee defined benefit liability		(47)	(49)
Cash generated from/(used in) operating activities		**1,019**	**(820)**
Interest paid		(893)	(492)
Income taxes paid		(114)	(230)
Net cash from/(used in) operating activities		**12**	**(1,542)**
Cash flows from investing activities			
Interest received		10	1
Proceeds from sale of property, plant and equipment		7	-
Proceeds from repayment of loans issued		-	72
Acquisition of subsidiary net of cash acquired		9	(569)
Cash acquired in common control transactions		-	1,874
Acquisition of property, plant and equipment and intangible assets		(472)	(97)
Deposits placed in restricted accounts		-	(5)
Deposits released from restricted accounts		-	4,500
Loans issued to shareholders in lieu of future dividends		-	(77)
Net cash (used in)/from investing activities		**(446)**	**5,699**

Condensed consolidated statement of cash flows (continued)

For the first quarter ended 31 March

In thousands of EUR	*Note*	Q1 2019	Q1 2018 Restated*
Cash flows from financing activities			
Proceeds from issue of share capital		-	60
Proceeds from bonds issue		-	40,000
Change in bank overdraft		1,328	(323)
Transaction costs related to bonds issue		-	(1,730)
Repayment of loans and borrowings		-	(20,021)
Repayment of convertible notes		-	(12,375)
Payment of finance lease liabilities		(241)	(29)
Payment of dividends		-	(269)
Receipt/(repayment) of factoring		(51)	55
Net cash from financing activities		**1,036**	**5,368**
Net increase in cash and cash equivalents		**602**	**9,525**
Cash and cash equivalents at 1 January		1,335	-
Effect of movement in exchange rates on cash held		164	(43)
Cash and cash equivalents at 31 March		**2,101**	**9,482**

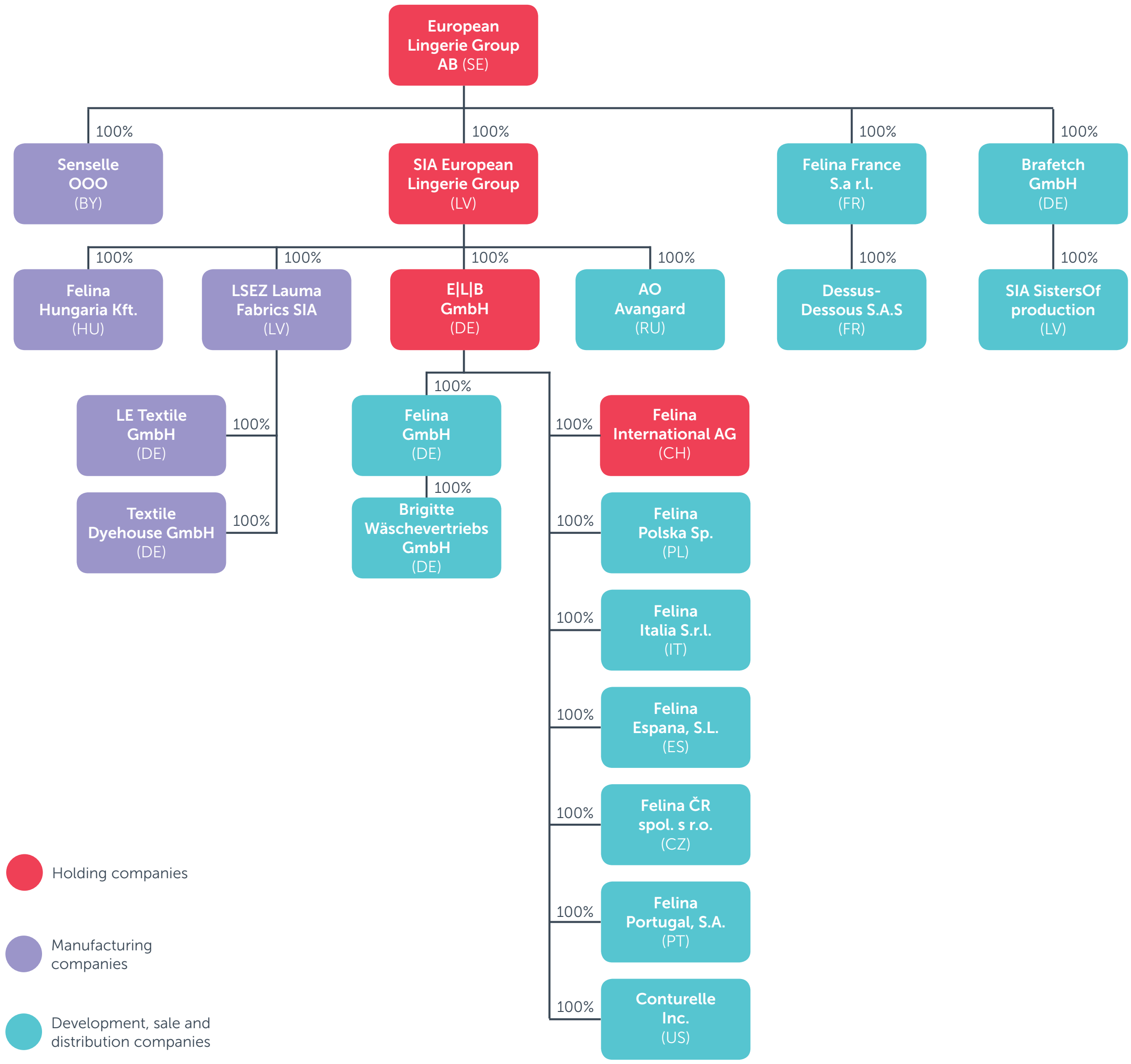
* Comparatives for the first quarter ended 31 March 2018 were restated to include the effect of expenses for share-based payment arrangements in the amount of EUR 126 thousand.

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 three months ended 31 March 2019 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 2019, 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 31 March 2019	Principal activity
SIA 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 International AG	Switzerland	100%	Holding Company
Felina Italia S.r.l.	Italy	100%	Wholesale
Felina France S.a r.l.	France	100%	Wholesale
Felina GmbH	Germany	100%	Production and wholesale
Brigitte Wäschevertriebs GmbH	Germany	100%	Retail
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%	Wholesale
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
Senselle OOO	Belarus	100%	Production
Brafetch GmbH	Germany	100%	Online retail
SIA SistersOf Production	Latvia	100%	Photo and video content production

Senselle OOO

On 2 January 2019 European Lingerie Group AB acquired Senselle OOO, which was consolidated into the Group starting from 1 January 2018. For more information on acquisition of the subsidiary see Note 18.

Brafetch GmbH

Brafetch GmbH was established by European Lingerie Group AB on 29 January 2019 and was consolidated into the Group starting from that date. The Company will be involved in the implementation of the omni-channel strategy of the Group.

SIA SistersOf Production

SIA SistersOf Production was established by Brafetch GmbH on 26 March 2019 and was consolidated into the Group starting from that date. The Company will be involved in photo and video content production for the Group companies and third parties.

2. Basis of preparation

These interim financial statements have been prepared in accordance with *IAS 34 Interim financial reporting* and should be read in conjunction with the Group's last annual financial statements as at and for the period ended 31 December 2018 ('last annual financial statements'). The accounting and measurement policies, as well as the assessment bases, applied in the last 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.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.

These interim financial statements were authorised for issue by the Company's Board of Directors on 15 May 2019.

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 2019	Average for Q1 2019
1 EUR/CHF	1.1181	1.1324
1 EUR/PLN	4.3060	4.3016
1 EUR/HUF	321.0500	317.9100
1 EUR/CZK	25.8020	25.6830
1 EUR/USD	1.1235	1.1358
1 EUR/RUB	72.8564	74.9094
1 EUR/BYN	2.3889	2.4390

	31 December 2018	Average for Q1 2018
1 EUR/CHF	1.1269	1.1653
1 EUR/PLN	4.3014	4.1792
1 EUR/HUF	320.9800	311.0300
1 EUR/CZK	25.7240	25.4020
1 EUR/USD	1.1450	1.2292
1 EUR/RUB	79.7153	69.9291
1 EUR/BYN	2.4734	2.4256

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Group's financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted *IFRS 16 Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under *IFRIC 4 Determining Whether an Arrangement Contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to reassess whether all existing contracts contain a lease as defined under IFRS 16 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessee

The Group leases many assets, including properties, machinery, equipment and other assets.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The carrying amounts of right-of-use assets recognised by the Group are as follows:

In thousands of EUR	Land and buildings	Machinery and equipment	Other assets
Balance at 1 January 2019	3,364	132	393
Balance at 31 March 2019	3,160	117	360

The Group presents lease liabilities in 'loans and borrowings' in the statement of financial position.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include office, shops and factory premises. These leases typically run for a period of up to 5 years, with some leases of up to 10 years. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

Previously, the Group classified leases of some items of machinery and other assets as operating leases under IAS 17. These include cars, office equipment and some machines. These leases typically run for a period of up to 5 years.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to lease liability.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases which were classified as finance leases under IAS 17 the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The Group leases out some premises and classifies these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities in the amount of EUR 3,773 thousand.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rates applied in the lingerie segment are 7.6% and 9.2%; rate applied in the textiles segment is 8.8%.

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised EUR 3,773 thousand of right-of-use assets and lease liabilities (textiles segment: EUR 277 thousand; lingerie segment: EUR 3,496 thousand) as at 31 March 2019.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During first quarter ended 31 March 2019, the Group derecognised rent expenses in the amount of EUR 318 thousand (textiles segment: EUR 49 thousand, lingerie segment: EUR 269 thousand), the Group recognised EUR 261 thousand of depreciation charges (textiles segment: EUR 46 thousand; lingerie segment: EUR 215 thousand) and EUR 78 thousand of interest costs (textiles segment: EUR 6 thousand; lingerie segment: EUR 72 thousand) from these leases.

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
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, SIA European Lingerie Group and E|L|B GmbH).

Q1 2019

In thousands of EUR	Textiles	Lingerie	Total segments	Unallocated	Consolida-tion adjust-ments	Total
External revenues	8,423	12,599	21,022	-	-	21,022
Intersegment revenue	495	-	495	-	(495)	-
Total revenue	**8,918**	**12,599**	**21,517**	**-**	**(495)**	**21,022**
Other operating income	277	359	636	609	(591)	654
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	(468)	(477)	(945)	-	-	(945)
Impairment loss on trade receivables and contract assets	26	(42)	(16)	-	-	(16)
Other operating expenses	(1,866)	(3,255)	(5,121)	(237)	161	(5,197)
Operating profit	**1,132**	**673**	**1,805**	**271**	**(464)**	**1,612**
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)
Net profit	**1,072**	**179**	**1,251**	**(617)**	**(444)**	**190**
Operating profit	1,132	673	1,805	271	(464)	1,612
Depreciation and amortisation	468	477	945	-	-	945
EBITDA	**1,600**	**1,150**	**2,750**	**271**	**(464)**	**2,557**
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

In thousands of EUR	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
			Q1 2018 Restated*			
External revenues	7,754	9,459	17,213	-	-	17,213
Intersegment revenue	320	-	320	-	(320)	-
Total revenue	**8,074**	**9,459**	**17,533**	**-**	**(320)**	**17,213**
Other operating income	286	164	450	11	(19)	442
Changes in inventories of finished goods and work in progress	304	855	1,159	-	-	1,159
Raw materials and services	(3,488)	(3,055)	(6,543)	-	314	(6,229)
Employee benefits expense	(2,216)	(3,878)	(6,094)	(107)	-	(6,201)
Depreciation and amortisation	(462)	(297)	(759)	-	-	(759)
Impairment loss on trade receivables and contract assets	(35)	(67)	(102)	-	-	(102)
Other operating expenses	(1,603)	(2,617)	(4,220)	(548)	63	(4,705)
Operating profit	**860**	**564**	**1,424**	**(644)**	**38**	**818**
Interest income	210	27	237	288	(511)	14
Other finance income	25	61	86	-	(12)	74
Interest expense	(210)	(13)	(223)	(1,169)	495	(897)
Other finance costs	(30)	(125)	(155)	-	12	(143)
Income tax	23	(289)	(266)	-	-	(266)
Net profit	**878**	**225**	**1,103**	**(1,525)**	**22**	**(400)**
Operating profit	860	564	1,424	(644)	38	818
Depreciation and amortisation	462	297	759	-	-	759
EBITDA	**1,322**	**861**	**2,183**	**(644)**	**38**	**1,577**
Segment assets	24,436	35,012	59,448	6,953	-	66,401
Segment liabilities	7,825	11,437	19,262	40,596	-	59,858
Capital expenditure	95	33	128	1	-	129
Number of employees at reporting date	532	689	1,221	7	-	1,228

* Comparatives for the first quarter ended 31 March 2018 were restated to include expenses for share-based payment arrangements in the amount of EUR 126 thousand within other operating expenses. First quarter ended 31 March 2018 also includes a reclassification of change in write downs of inventories expense from changes in inventories of finished goods and work in progress to change in write downs of inventories within other operating expenses in the amount of EUR 231 thousand.

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

In thousands of EUR	Q1 2019	Q1 2018
Germany	4,068	4,378
Russia	2,796	1,380
Baltic States	2,260	2,288
France	1,890	815
Belarus	1,519	1,287
Poland	1,259	1,199
Spain	1,117	1,035
The Netherlands	983	1,038
Italy	756	404
Morocco	651	576
Belgium, Luxemburg	449	400
Austria	392	300
Ukraine	348	448
Switzerland, Liechtenstein	320	304
Great Britain	280	127
Sweden	40	23
Other countries	1,894	1,211
Total	**21,022**	**17,213**

Non-current non-financial assets

In thousands of EUR	31 March 2019	31 December 2018
Germany	11,250	9,630
Latvia	7,825	8,023
France	6,109	5,415
Hungary	2,798	2,829
Russia	981	980
Other countries	1,313	175
Total	**30,276**	**27,052**

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.

In thousands of EUR	Q1 2019	Q1 2018
Sales of goods	20,810	17,042
Rendering of services	212	171
Total	**21,022**	**17,213**

(ii) Disaggregation of revenue from contracts with customers

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

	Q1 2019			Q1 2018		
In thousands of EUR	Textiles	Lingerie	Total	Textiles	Lingerie	Total
Germany	720	3,348	4,068	818	3,560	4,378
Russia	1,230	1,566	2,796	618	762	1,380
Baltic States	2,221	39	2,260	2,286	2	2,288
France	286	1,604	1,890	367	448	815
Belarus	1,507	12	1,519	1,287	-	1,287
Poland	534	725	1,259	663	536	1,199
Spain	13	1,104	1,117	25	1,010	1,035
The Netherlands	30	953	983	102	936	1,038
Italy	46	710	756	60	344	404
Morocco	651	-	651	576	-	576
Belgium, Luxemburg	34	415	449	33	367	400
Austria	125	267	392	69	231	300
Ukraine	330	18	348	446	2	448
Swiss, Liechtenstein	-	320	320	2	302	304
Great Britain	91	189	280	53	74	127
Sweden	12	28	40	-	23	23
Other countries	593	1,301	1,894	349	862	1,211
External revenue as reported in Note 4	**8,423**	**12,599**	**21,022**	**7,754**	**9,459**	**17,213**

6. Employee benefits expense

In thousands of EUR	Q1 2019	Q1 2018
Wages and salaries	5,364	4,971
Social security contributions	1,207	1,019
Expenses related to post-employment defined benefit plans	2	2
Other employee benefits	261	209
Total	**6,834**	**6,201**

7. Other operating expenses

In thousands of EUR	Q1 2019	Q1 2018 Restated*
Sales and marketing	1,237	840
Utilities	958	932
Storage, transportation and packaging	489	289
Change in write downs to net realizable value for obsolete and slow-moving inventories	367	229
Repair and maintenance	218	189
Professional services	198	575
Travel expenses	183	149
IT and communication	175	98
Rents	145	453
Bank services	86	97
Expenses related to share-based payment arrangements	52	126
Real estate tax	2	12
Other operating expenses	1,087	716
Total	**5,197**	**4,705**

* Comparatives for the first quarter ended 31 March 2018 were restated to include expenses for share-based payment arrangements in the amount of EUR 126 thousand within other operating expenses.

8. Finance income

In thousands of EUR	Q1 2019	Q1 2018
Interest income under the effective interest method on:		
Trade and other receivables	21	14
Total interest income arising from financial assets measured at amortised cost	**21**	**14**
Foreign exchange gains	166	74
Finance income – other	**166**	**74**
Total	**187**	**88**

9. Finance costs

In thousands of EUR	Q1 2019	Q1 2018
Interest expense on financial liabilities measured at amortised cost	1,019	897
Foreign exchange losses	123	100
Interest expense on net defined benefit liability	17	17
Fines and penalties	3	1
Net change in fair value of financial assets at fair value through profit and loss	-	25
Total	**1,162**	**1,040**

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

10. Income tax expense

The income tax rate applied to the Parent in 2019 was 21.4% (22.0% in 2018).

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

In thousands of EUR	Q1 2019	Q1 2018
Current tax expense		
Current period	294	97
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	153	169
Income tax expense reported in profit or loss	**447**	**266**

11. Property, plant and equipment

During the first quarter ended 31 March 2019, the Group acquired assets with a cost of EUR 370 thousand, excluding property, plant and equipment acquired through a business combination (see Note 18).

Assets with a net book value of EUR 97 thousand were disposed by the Group during the first quarter ended 31 March 2019 (Q1 2018: none), resulting in a net loss on disposal of EUR 90 thousand (Q1 2018: none).

12. Inventories

In thousands of EUR	31 March 2019	31 December 2018
Finished goods	11,897	10,505
Raw materials and consumables	6,766	6,530
Work in progress	2,133	1,878
Goods in transit	15	-
Right to recover returned goods	86	93
Total	**20,897**	**19,006**

13. Trade and other receivables

In thousands of EUR	31 March 2019	31 December 2018
Financial trade and other receivables		
Trade receivables	18,341	14,390
Loans to related parties (note 17)	860	848
Trade receivables due from related parties (note 17)	688	669
Other receivables due from related parties (note 17)	41	-
Other receivables	253	386
Allowance for trade and other receivables	(1,003)	(1,055)
Allowance for trade and other receivables due from related parties (note 17)	(640)	(645)
Allowance for loans to related parties (note 17)	(460)	(460)
	18,080	**14,133**
Non-financial trade and other receivables		
VAT receivable	311	202
Social contributions receivable	4	2
Other taxes receivable	72	17
Deferred expenses	64	66
	451	**287**
Total	**18,531**	**14,420**
Non-current	400	388
Current	18,131	14,032
Total	**18,531**	**14,420**

Trade receivables at 31 March 2019 in the gross amount of EUR 18,341 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 15).

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

In thousands of EUR	31 March 2019	31 December 2018
Carrying amount of trade receivables transferred to a factoring company	905	1,011
Carrying amount of associated liabilities	724	770

14. Capital and reserves

Share capital

Number of shares	2019
In issue at 1 January	-
Issued for cash	60,000
In issue at 31 March – 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 reserves

Reserves include translation reserve in the amount of EUR -187 thousand which comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

15. Loans and borrowings

In thousands of EUR	31 March 2019	31 December 2018
Non-current liabilities		
Bonds	38,848	38,713
Lease liabilities	2,602	54
Total	**41,450**	**38,767**
Current liabilities		
Short-term secured bank loans	2,493	1,147
Short-term unsecured bank loans	15	33
Secured other loans	724	770
Bonds	319	336
Lease liabilities	1,035	40
Total	**4,586**	**2,326**

Lease liabilities increased compared to 31 December 2018 as a result of adoption of IFRS 16 by the Group on 1 January 2019. EUR 3,552 thousand out of total amount of lease liabilities outstanding at 31 March 2019 refer to new leases recognised under IFRS 16. Secured other loans represent amounts received from factoring companies, see Note 13.

16. Trade and other payables

In thousands of EUR	31 March 2019	31 December 2018
Financial trade and other payables		
Trade payables	9,527	5,671
Accrued expenses	2,372	2,184
Other payables to related parties (Note 17)	6	12
Payables to personnel	692	735
Other payables	904	811
	13,501	**9,413**
Non-financial trade and other payables		
Refund liabilities	247	186
VAT payable	396	140
Personal income tax payable	328	259
Social contributions payable	461	475
Other taxes payable	60	46
	1,492	**1,106**
Total	**14,993**	**10,519**
Non-current	-	-
Current	14,993	10,519
Total	**14,993**	**10,519**

17. Related parties

Transactions with key management personnel

Key management personnel compensation for the first quarter ended 31 March 2019 amounted to EUR 184 thousand (Q1 2018: EUR 221 thousand) and comprised only short-term employee benefits in the form of salaries and social contributions.

Other related party transactions

In thousands of EUR	Transaction values for Q1 2019	Transaction values for Q1 2018	Balance outstanding at 31 March 2019	Balance outstanding at 31 December 2018
Sales of goods and services				
Joint ventures	15	18	-	-
Other related parties	-	88	-	-
Purchases of goods and services				
Shareholders	9	-	-	-
Other related parties	61	659	-	-
Interest income accrued during the year				
Joint ventures	10	10	-	-
Shareholders	1	2	-	-
Loans granted	**-**			
Shareholders	-	77	-	-
Trade and other receivables				
Joint ventures	-	-	70	52
Other related parties	-	-	659	658
Allowance for trade and other receivables				
Joint ventures	-		(23)	(28)
Other related parties	-		(617)	(617)
Other payables				
Shareholders	-	-	6	10
Other related parties	-	-	-	2
Loans receivable, gross amount				
Joint ventures	-	-	607	607
Shareholders	-	-	134	134
Allowance for loans receivable				
Joint ventures			(460)	(460)
Interest receivable				
Joint ventures	-	-	110	99
Shareholders	-	-	9	8

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.

18. Acquisition of subsidiary

Senselle OOO

In January 2019, the Group acquired Yustina OOO (later renamed to Senselle OOO), a lingerie ready garment producer in Belarus. The acquisition is part of European Lingerie Group strategy to expand its operations and add capacity for private label and *Senselle by Felina* brand production. The acquisition was financed by the Group's own resources.

Cash consideration transferred for the Company was EUR 19 thousand.

The Group incurred acquisition related costs of EUR 10 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:

In thousands of EUR	
Property, plant and equipment	4
Right of use asset	18
Inventories	2
Trade and other receivables	25
Cash and cash equivalents	28
Loans and borrowings	(18)
Trade and other payables	(18)
Total	**41**

The Group recognised bargain purchase as a result of acquisition has been recognised as follows:

In thousands of EUR	
Consideration transferred	19
Book value of identifiable net assets	(41)
Income from bargain purchase	**22**

The Group recognised income on bargain purchase within other operating income.

Net assets acquired by the Group exceed consideration paid by EUR 22 thousand which results in a bargain purchase.

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, Senselle OOO and Brafetch GmbH as of 31 March 2019. Net loss of European Lingerie Group AB for the quarter ended 31 March 2019 totalled EUR 360 thousand (Q1 2018: loss of EUR 408 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 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

In thousands of EUR	*Note*	Q1 2019	Q1 2018
Other operating income		31	-
Employee benefits expense	*19*	(26)	(13)
Other operating expenses		(65)	(260)
Operating loss		**(60)**	**(273)**
Finance income	*20*	611	226
Finance costs	*21*	(911)	(361)
Net finance costs		**(300)**	**(135)**
Loss before income tax		**(360)**	**(408)**
Income tax expense		-	-
Loss for the period		**(360)**	**(408)**
Total comprehensive income		**(360)**	**(408)**

Condensed Parent Company statement of financial position

In thousands of EUR	*Note*	31 March 2019	31 December 2018
Assets			
Shares in subsidiaries		46,350	46,309
Receivables from Group companies	*22*	33,356	33,795
Total non-current assets		**79,706**	**80,104**
Receivables from Group companies	*22*	227	172
Other receivables	*22*	85	23
Prepaid expenses and accrued income		117	127
Cash and cash equivalents		42	40
Total current assets		**471**	**362**
Total assets		**80,177**	**80,466**
Equity			
Restricted equity			
Share capital		60	60
Non-restricted equity			
Shareholder contribution		43,500	43,500
Net income		(2,779)	(2,419)
Total equity		**40,781**	**41,141**
Liabilities			
Loans and borrowings	*23*	38,848	38,713
Total non-current liabilities		**38,848**	**38,713**
Liabilities to Group companies	*24*	65	58
Other liabilities	*24*	106	109
Accrued expenses and deferred income	*24*	377	445
Total current liabilities		**548**	**612**
Total liabilities		**39,396**	**39,325**
Total equity and liabilities		**80,177**	**80,466**

Condensed Parent Company statement of changes in equity

For the first quarter ended 31 March

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

Condensed Parent Company statement of cash flows

For the first quarter ended 31 March

In thousands of EUR	*Note*	Q1 2019	Q1 2018
Cash flows from operating activities			
Loss for the reporting period		(360)	(408)
Adjustments for:			
Finance income	*20*	(610)	(226)
Finance costs	*21*	910	361
Foreign exchange gains	*20*	(1)	-
Foreign exchange losses	*21*	1	-
Changes in:			
Trade and other receivables		(74)	(2)
Prepayments		9	-
Trade and other payables		(49)	900
Cash generated from operating activities		**(174)**	**625**
Interest paid		(792)	-
Net cash from/ (used in) operating activities		**(966)**	**625**
Cash flows from investing activities			
Interest received		17	-
Acquisition of subsidiary		(41)	-
Deposits placed in restricted accounts		-	(5)
Loans issued		(80)	(36,822)
Proceeds from repayment of loans issued		1,072	4,389
Net cash from/(used in) investing activities		**968**	**(32,438)**
Cash flows from financing activities			
Proceeds from issue of share capital		-	60
Proceeds from bonds issue		-	40,000
Transaction costs related to bonds issue		-	(1,730)
Net cash from financing activities		**-**	**38,330**
Net increase in cash and cash equivalents		**2**	**6,517**
Cash and cash equivalents at 1 January		40	-
Cash and cash equivalents at 31 March		**42**	**6,517**

NOTES TO THE CONDENSED PARENT COMPANY INTERIM FINANCIAL STATEMENTS

19. Employee benefits expense

In thousands of EUR	Q1 2019	Q1 2018
Wages and salaries	22	10
Social security contributions	4	3
Total	**26**	**13**

As of 31 March 2019, the Parent Company employed 3 people, 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 25.

20. Finance income

In thousands of EUR	Q1 2019	Q1 2018
Interest income under the effective interest method on:		
Receivables from Group companies	610	226
Total interest income arising from financial assets measured at amortised cost	**610**	**226**
Foreign exchange gains	1	-
Finance income – other	**1**	**-**
Total	**611**	**226**

21. Finance costs

In thousands of EUR	Q1 2019	Q1 2018
Interest expense on financial liabilities measured at amortised cost	910	361
Foreign exchange losses	1	-
Total	**911**	**361**

EUR 910 thousand of interest expense in the reporting period consist of EUR 775 thousand of interest expense on bonds, EUR 135 thousand of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value.

22. Trade and other receivables

In thousands of EUR	31 March 2019	31 December 2018
Financial trade and other receivables		
Loans to Group companies (note 25)	33,356	33,795
Other receivables from Group Companies (note 25)	227	172
Other receivables due from related parties (note 25)	41	-
Other receivables	5	5
	33,629	**33,972**
Non-financial trade and other receivables		
VAT receivable	33	18
Deferred expenses	6	-
	39	**18**
Total	**33,668**	**33,990**
Non-current	33,356	33,795
Current	312	195
Total	**33,688**	**33,990**

For more details on Group and related parties balances refer to Note 25.

23. Loans and borrowings

Loans and borrowings comprise secured bonds in the amount of EUR 38,848 thousand (31 December 2018: EUR 38,713 thousand).

24. Other liabilities

In thousands of EUR	31 March 2019	31 December 2018
Financial trade and other payables		
Accrued interest on bonds	319	336
Other accrued expenses	58	109
Other payables to Group companies (Note 25)	65	58
Other payables to related parties (Note 25)	6	12
Payables to personnel	48	29
Other payables	38	62
	534	**606**
Non-financial trade and other payables		
Personal income tax payable	9	3
Social contributions payable	5	3
	14	**6**
Total	**548**	**612**
Non-current	-	-
Current	548	612
Total	**548**	**612**

25. Related parties

Transactions with key management personnel

Key management personnel compensation for the first quarter ended 31 March 2019 amounted to EUR 26 thousand (Q1 2018: EUR 13 thousand) and comprised only short-term employee benefits in the form of salaries and social contributions.

Other related party transactions

In thousands of EUR	Transaction values for Q1 2019	Transaction values for Q1 2018	Balance outstanding at 31 March 2019	Balance outstanding at 31 December 2018
Sales of goods and services				
Subsidiaries	31	-	-	-
Purchases of goods and services				
Subsidiaries	13	233	-	-
Shareholders	9	655	-	-
Other related parties	13	-	-	-
Interest income accrued during the year				
Subsidiaries	610	226	-	-
Loans granted				
Subsidiaries	80	36,822	-	-
Other receivables				
Subsidiaries	-	-	227	172
Other related parties	-	-	41	-
Loans receivable				
Subsidiaries	-	-	29,766	30,798
Interest receivable				
Subsidiaries	-	-	3,590	2,997
Other payables				
Subsidiaries	-	-	65	58
Shareholders	-	-	6	10
Other related parties	-	-	-	2

As the Parent Company carries out holding operations through investing in and managing assets, all loans issued and outstanding as of 31 March 2019 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 2019.

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, 15 May 2019

Indrek Rahumaa
Chairman of the Board

Fredrik Synnerstad
Board member

Dmitry Ditchkovsky
Board member

Peter Partma
Board member, CEO

E | L | G

EUROPEAN LINGERIE GROUP

www.elg-corporate.com