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**EUROPEAN LINGERIE
GROUP**



EUROPEAN LINGERIE GROUP AB

**QUARTERLY REPORT - TWELVE MONTHS
AND FOURTH QUARTER**

1 JANUARY 2019 – 31 DECEMBER 2019

CONTENTS

MANAGEMENT REPORT	3
CONDENSED INTERIM FINANCIAL STATEMENTS	16
Information on the Company	18
Condensed consolidated statement of profit or loss and other comprehensive income	19
Condensed consolidated statement of financial position	20
Condensed consolidated statement of changes in equity	21
Condensed consolidated statement of cash flows	22
Notes to the condensed interim financial statements	25
Parent Company Financial information	42
Condensed Parent Company statement of profit or loss and other comprehensive income	43
Condensed Parent Company statement of financial position	44
Condensed Parent Company statement of changes in equity	45
Condensed Parent Company statement of cash flows	46
Notes to the condensed Parent Company interim financial statements	47
Statement by the Board of Directors	50

MANAGEMENT REPORT

MANAGEMENT REPORT

General information

European Lingerie Group AB (the "Parent" and together with its subsidiaries the "Group") is a Public Limited Liability Company domiciled in Sweden. At 31 December 2019 the Group had 20 wholly owned subsidiaries, a representative office located in Russia and a joint venture company located in Latvia.

Type of operations

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

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

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

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

In October 2019, the major shareholder of European Lingerie Group Mr. Indrek Rahumaa stepped in as an active CEO of the Group to lead the transformation required in order to improve profitability and grow the business. Mr Peter Partma has decided to step down as CEO of the Group and Member of the Board of Directors.

Revenue in Q4 2019 for European Lingerie Group was stable and slightly above Q4 2018, but gross margin and as a result operating profit dropped. The decrease in gross margin was mainly faced by the lingerie segment of the Group and was to a large extent caused by price discounts and volume discounts provided to the customers in Q4 2019 as well as clearance of ready garment stock balances through sale prior to year-end (ahead of year-end write-down of inventories). Furthermore, there was some increase in production costing in the Group's production facility in Hungary due to lower efficiency of sewing. Also, in Q4 2019 the share of Senselle branded garments in total revenue increased and as these are lower margin products, for the same level of total revenue the average gross margin for the Group decreased.

The Group reported in the report for nine months and third quarter 2019 that the Group's Net Interest Bearing Debt to EBITDA ratio exceeded the maximum 4.25 allowed under the maintenance test of the Original Bond Terms and Conditions issued on 22 February 2018. On 13 December 2019, the Parent company of the Group announced that it is formally initiating a written procedure under the Bond Terms and Conditions, whereby the holders of the Bonds could approve or reject a proposal from the Group to amongst other (i) waive the event of default arising as a result of the breach of the maintenance test, (ii) enable the Group to conduct certain restructurings to increase its EBITDA and (iii) to increase the Net Interest Bearing Debt to EBITDA ratio. On 16 January 2020, the proposal was passed and a majority of the holders of the Bonds voted for it. The Amended Bond Terms and Conditions will come into effect on the date when European Lingerie Group AB has received capital injection by way of equity and/or subordinated debt in the amount of EUR 1,300 thousand.

In January 2020, the management and the shareholders of European Lingerie Group commenced discussions with potential parties in respect of additional capital investment into the Group. As of the date of this report, the term-sheet negotiations are ongoing and the due-diligence process is anticipated to commence in March. The preliminary terms discussed fully provide for required minimum amount of EUR 6,000 thousand mandatory partial redemption of the bonds. The management and shareholders also believe that the deadline as

per the Amended Bond Terms and Conditions with respect to mandatory partial redemption of the bonds by the end of May 2020 is realistic.

On 21 February 2020, the Parent company of the Group concluded a subordinated loan agreement with its majority shareholder Helike Holdings OU for the total amount required and the first tranche in the amount of EUR 200 thousand has been disbursed by the date of this report. EUR 1,300 thousand facility terms were to certain extent interdependent of preliminary terms of additional capital investment negotiations discussed above, therefore, the completion of investment is pending. The disbursement of the remaining amount is anticipated by 9 March 2020 upon completion of registration of certain securities by majority shareholder in favour of its investees. The effective date of the Amended Bond Terms and Conditions will be announced as soon as funds fully received by the Group.

The Group is pleased to announce that it has fulfilled the conditions subsequent stated in Clause 13.11 (a) and (b) of the Amended Bond Terms and Conditions, i.e. (i) provided to Intertrust (Sweden) AB a market valuation dated 30 January 2020 of the Group's factory and real estate property in Liepaja, Latvia, fulfilled by Latio LLC, and (ii) granted additional security over the trademarks Felina and Conturelle as defined in Clause 1.1 (a) and over E|L|B GmbH and Felina Hungaria Kft shares as defined in Clause 1.1 (b) and (c).

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 12 months 2019, Q4 2019 and pro forma financial information for 12 months 2018 and Q4 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, 12 months 2018 pro forma and Q4 2018 reported figures were adjusted as well to include the impact of IFRS 16 for better comparativeness (unless otherwise indicated). IFRS 16 impact on 12 months 2018 and Q4 2018 was calculated as if the standard had been adopted from 1 January 2018.

Refer to page 10 for the description of the pro forma financial information and pro forma assumptions. Summarized selected financial indicators of the Group for 12 months 2019 compared to 12

months 2018, Q4 2019 compared to Q4 2018, and 31.12.2019 compared to 31.12.2018 were as follows:

In thousands of EUR	12 months 2019 (Actual)	12 months 2018 (Pro forma)	Change
Revenue	77,323	77,233	0.1%
Normalised operating profit ¹	4,980	6,322	-21.2%
Normalised EBITDA ²	8,929	10,487	-14.9%
Normalised net profit ³	1,262	152	730.4%
Operating cash flow for the period	1,889	693	172.6%

In thousands of EUR	Q4 2019 (Actual)	Q4 2018 (Pro forma)	Change
Revenue	18,456	18,076	2.1%
Normalised operating profit ¹	156	588	-73.5%
Normalised EBITDA ²	1,310	1,701	-23.0%
Normalised net profit/(loss) ³	175	(1,418)	-112.3%
Operating cash flow for the period	392	(935)	-141.9%

¹Normalised 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.

²Normalised 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.

³Normalised 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	31.12.2019 (Actual)	31.12.2018 (Pro forma)	Change to 31.12.2018
Total assets	70,779	69,173	2.3%
Total current assets	37,883	35,723	6.0%
Cash and cash equivalents	1,365	1,335	2.2%
Total current liabilities	17,169	14,612	17.5%
Gross interest-bearing debt ⁴	46,996	44,865	4.7%
Net interest-bearing debt ⁵	45,631	43,530	4.8%

⁴Gross interest-bearing debt includes non-current and current loans and borrowings.

⁵Net interest-bearing debt is calculated as gross interest-bearing debt less cash and cash equivalents.

Marginal analysis, %	12 months 2019 (Actual)	12 months 2018 (Pro forma)	Change
Normalised operating profit margin	6.4%	8.2%	-1.8%
Normalised EBITDA margin	11.5%	13.6%	-2.1%
Normalised net profit margin	1.6%	0.2%	1.4%

Marginal analysis, %	Q4 2019 (Actual)	Q4 2018 (Pro forma)	Change
Normalised operating profit margin	0.8%	3.3%	-2.5%
Normalised EBITDA margin	7.1%	9.4%	-2.3%
Normalised net profit margin	0.9%	-7.8%	8.7%

Financial ratios	31.12.2019 (Actual)	31.12.2018 (Pro forma)
ROA (return on assets) ⁶	1.8%	0.2%
Current ratio ⁷	2.2	2.4
Quick ratio ⁸	1.0	1.1
12 months rolling normalised EBITDA ⁹	8,929	10,487
Net debt/EBITDA ¹⁰	5.1	4.2

⁶ ROA (return on assets) is calculated as the 12 months normalised net profit divided by the average total assets for the relevant period.

⁷ Current ratio is calculated as total current assets divided by total current liabilities.

⁸ Quick ratio is calculated as total current assets excluding inventories divided by total current liabilities.

⁹ 12 months rolling normalised EBITDA is EBITDA for the period from 1 January 2019 to 31 December 2019 and from 1 January 2018 to 31 December 2018.

¹⁰ 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 12 months 2019, Q4 2019 as well as pro forma financial information for 12 months 2018, Q4 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, 12 months 2018 pro forma and Q4 2018 reported figures were adjusted as well to include the impact of IFRS 16 for better comparativeness (unless otherwise indicated). IFRS 16 impact on 12 months 2018 and Q4 2018 was calculated as if the standard had been adopted from 1 January 2018. Refer to page 10 for the description of the pro forma financial information and pro forma assumptions.

The Group's sales amounted to EUR 77,323 thousand in 12 months 2019 (Q4 2019: EUR 18,456 thousand), representing a 0.1% increase as compared to pro forma sales of 12 months 2018 (2.1% increase to pro forma sales of Q4 2018). In 12 months 2019 and Q4 2019, the increase in sales was mainly a result of the increase in lingerie segment due to growing revenue of new Senselle brand. Additional positive revenue effect in Q4 2019 was achieved by renegotiating the stock consignment agreement with the largest customer in Spain, whereby part of the goods, which were previously delivered under

the consignment arrangement would be delivered as standard purchases in the future and the goods still held by the customer under the previous arrangement would be bought out by it upon conclusion of the new agreement. The deal resulted in additional revenue in the amount of EUR 437 thousand recognised in December 2019. On the other side, some of the revenue increase has been outweighed by backlog in production of the lingerie ready garments in Hungary which reduced total absolute increase.

Profitability margins excluding net profit margin in 12 months 2019 were below previous year which is explained by a change in accounting estimate for write downs of finished goods in Q3 2018, which boosted the performance in 2018 at the expense of other quarters, resulting in a weaker 2019 in comparison. The change in accounting estimate for write downs of finished goods was made in order to be in line with the historical statistics on write downs and net realisable values and resulted in EUR 1,103 thousand increase in EBITDA in Q3 2018 based on recalculated position of write downs as of 30 September 2018. The recalculation included the impact of the reported quarter and all previous periods and was recognised prospectively in the period of the change in accordance with IAS 8. Profitability margins excluding net profit margin in Q4 2019 were below previous year which is explained by lower average gross margin in Q4 2019 as a result of price and volume discounts provided to customers, clearance of ready garment stock balances through sale prior to year-end, increase in production costing due to lower efficiency of sewing and growing lower-margin product share of Senselle branded garments in total revenue. Normalised EBITDA in 12 months 2019 amounted to EUR 8,929 thousand (Q4 2019: EUR 1,310 thousand) and decreased by 14.9% compared to pro forma normalised EBITDA in 12 months 2018 (23.0% decrease to pro forma normalised EBITDA for Q4 2018). Normalised EBITDA margin in 12 months 2019 and 12 months 2018 was 11.5% and 13.6% respectively (Q4 2019 and Q4 2018: 7.1% and 9.4% respectively).

Normalised net profit in 12 months 2019 amounted to EUR 1,262 thousand (Q4 2019: EUR 175 thousand), compared to pro forma normalised net profit of EUR 152 thousand in 12 months 2018 (Q4 2018: loss EUR 1,418 thousand). Improvement in net profit was due to recognition of the deferred tax income in the amount of EUR 288 thousand on Liepaja Special Economic Zone tax incentives to be utilized by LSEZ Lauma Fabrics SIA in future periods equal to 35% of the amount of qualifying

investments into property, plant and equipment made in 2019. These tax incentives will offset the tax payable on future dividend distribution by the Latvian subsidiary of the Group. In 2018, the Group recognised deferred tax expense on future dividend distribution by the same Latvian subsidiary in the amount of EUR 691 thousand, being the future income tax at a standard rate of 20% on retained distributable profit. In addition to that, the German subsidiary of the Group Felina GmbH had smaller taxable profit to be offset with carried forward tax losses from previous periods. This didn't influence current income tax payable, but deferred tax expense from utilisation of tax losses was only EUR 283 thousand in 2019 (2018: EUR 832 thousand).

Normalised net profit margin in 12 months 2019 and 12 months 2018 was 1.6% and 0.2% respectively (0.9% and -7.8% in Q4 2019 and Q4 2018 respectively).

Financial position

Financial position of the Group at 31 December 2019 was consolidated position as per the consolidated interim financial statements of European Lingerie Group AB for 12 months 2019. Financial position of the Group at 31 December 2018 was calculated on the basis of the pro forma financial information. Refer to page 10 for the description of the pro forma financial information and pro forma assumptions.

At 31 December 2019 consolidated total assets amounted to EUR 70,779 thousand representing an increase of 2.3% as compared to the pro forma statement of financial position at 31 December 2018. An increase is explained by growth in inventories and trade and other receivables.

Inventories balance increased by 7.2% compared to the balance at 31 December 2018. The increase mainly relates to the newly contracted consignment arrangements with customers in 2019 as well as the production and delivery of new products and collections, in particular Senselle by Felina and Felina 1885 lingerie collections, which required additional working capital in inventories.

Current trade and other receivables are higher than previous year by 7.2% as a result of higher sales in Q4 2019 compared to Q4 2018.

Loans and borrowings at 31 December 2019 increased by EUR 2,131 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 collections and consignment arrangements as well as a new

finance lease for the stenter equipment (refer to Note 16 for further details).

Current trade and other payables at 31 December 2019 were EUR 11,497 thousand and increased by EUR 978 thousand compared to 31 December 2018.

Sales

Sales structure of the Group was calculated on the basis of the reported financial information of European Lingerie Group AB for 12 months 2019 and Q4 2019, as well as pro forma financial information for 12 months 2018 and Q4 2018. Refer to page 10 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 12 months 2019 were 81.7% of its total sales against 83.7% in 12 months 2018 (82.5% in Q4 2019 against 82.6% in Q4 2018). Decrease in core markets is temporary and is explained by the general macroeconomic and retail situation in each particular country. In some countries, the decrease is temporary and caused by the shift of turnover between quarters.

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

In thousands of EUR	12 months 2019 (Actual)	12 months 2018 (Pro forma)	Change, %	12 months 2019, % of sales	12 months 2018, % of sales
Germany	17,120	18,257	-6.2%	22.1%	23.6%
Russia	10,888	8,625	26.2%	14.1%	11.2%
Baltic countries ¹¹	9,023	10,732	-15.9%	11.7%	13.9%
France	6,590	7,477	-11.9%	8.5%	9.7%
Belarus	5,171	4,679	10.5%	6.7%	6.1%
Benelux countries ¹²	5,094	5,704	-10.7%	6.6%	7.4%
Poland	4,245	4,326	-1.9%	5.5%	5.6%
Spain	3,498	3,099	12.9%	4.5%	4.0%
Ukraine	1,545	1,747	-11.6%	2.0%	2.3%
Other markets	14,149	12,587	12.4%	18.3%	16.2%
Total	77,323	77,233	0.1%	100.0%	100.0%

¹¹Latvia, Estonia and Lithuania

¹²Belgium, the Netherlands and Luxembourg

In thousands of EUR	Q4 2019 (Actual)	Q4 2018 (Pro forma)	Change, %	Q4 2019, % of sales	Q4 2018, % of sales
Germany	3,929	3,811	3.1%	21.3%	21.1%
Russia	3,115	2,630	18.4%	16.9%	14.5%
Baltic countries ¹³	2,208	2,684	-17.7%	12.0%	14.8%
France	1,558	1,272	22.5%	8.4%	7.0%
Belarus	1,247	1,446	-13.8%	6.8%	8.0%
Benelux countries ¹⁴	848	1,098	-22.8%	4.6%	6.1%
Poland	842	927	-9.2%	4.6%	5.1%
Spain	992	536	85.1%	5.4%	3.0%
Ukraine	484	527	-8.2%	2.6%	2.9%
Other markets	3,233	3,145	2.8%	17.4%	17.5%
Total	18,456	18,076	2.1%	100.0%	100.0%

¹³Latvia, Estonia and Lithuania

¹⁴Belgium, the Netherlands and Luxembourg

The largest growth in sales in 12 months 2019 was in Russia, Spain and Belarus. These markets grew by 26.2%, 12.9% and 10.5% respectively in 12 months 2019 (18.4%, 85.1% and -13.8% respectively in Q4 2019). Sales in Russia in 12 months 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. The increase in sales in Spain was a result of the renegotiated consignment arrangement agreement with the largest customer in Spain explained above, which brought additional revenue in the amount of EUR 437 thousand recognised in December 2019.

Poland showed a slight decrease by 1.9% in 12 months 2019 and sales in this country in Q4 2019 decreased by 9.2%. Deviation in sales between quarters is mainly a cut-off and delivery driven aspect and evens out on an annual basis.

Sales in Germany, France and Benelux decreased by 6.2%, 11.9% and 10.7% respectively in 12 months 2019 due to the slowdown of the European macro-economy and blocked potential growth (Q4 2019: increase by 3.1% in Germany, increase by 22.5% in France, drop by 22.8% in Benelux). In addition to that, due to the merger of the two largest German department store chains Galeria Kaufhof and Karstadt, their purchasing in 2019 was significantly slowed down during the transaction process. 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. As explained in the trend of other countries, also here quarterly fluctuations in sales include in addition order and delivery cut-off factor, which evens out on an annual basis. In Q4 2019 though, after three poor previous quarters the Group sees that sales started stabilising in Germany and France and this trend is expected to continue.

Sales in the Baltic countries reduced by 15.9% in 12 months 2019 (Q4 2019: decrease by 17.7%) 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. In addition to that with continuing labour inflation in the Baltics, some customers could not recover the previous level of turnover due to lack of price competitiveness in their sales markets.

Sales in Ukraine dropped by 11.6% in 12 months 2019 (Q4 2019: 8.2%) which was caused by one textile segment customer in that country changing its product strategy and moving purchases to Asia. In Q1 2020, though we see that shifted away customers have huge problems with their deliveries from Asia due to the recent Coronavirus aspect and the Group receives more and more requests from these customers for additional orders.

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:

In thousands of EUR	12 months 2019 (Actual)	12 months 2018 (Pro forma)	Change, %	12 months 2019, % of sales	12 months 2018, % of sales
Textiles	34,172	34,107	0.2%	42.7%	42.8%
Lingerie	44,328	44,149	0.4%	57.3%	57.2%
Intercompany eliminations	(1,177)	(1,023)			
Total	77,323	77,233	0.1%	100.0%	100.0%

In thousands of EUR	Q4 2019 (Actual)	Q4 2018 (Pro forma)	Change, %	Q4 2019, % of sales	Q4 2018, % of sales
Textiles	9,055	9,093	-0.4%	47.6%	49.1%
Lingerie	9,677	9,206	5.1%	52.4%	50.9%
Intercompany eliminations	(276)	(223)			
Total	18,456	18,076	2.1%	100.0%	100.0%

During 12 months 2019, both textiles and lingerie segment performed slightly better than in 12 months 2018. Textiles segment was slightly below previous year in Q4 which was driven by the decrease of sales in particular markets explained above. Lingerie segment increased by 5.1% in Q4 2019 compared to Q4 2018 as a result of new *Senselle by Felina* brand sales and additional revenue recognised in Spain out from the amended consignment arrangement agreement.

Investments

During 12 months 2019 the Group invested into property plant and equipment and intangible assets EUR 2,921 thousand compared to EUR 1,973 thousand in 12 months 2018 on a pro forma basis. Q4 2019 investments amounted to EUR 372 thousand compared to EUR 853 thousand in Q4 2018. The main investments during 12 months 2019 related to the remaining payment for the spacer molding equipment for LSEZ Lauma Fabrics SIA, the purchase of 2 new knitting machines, lace and rachel-tronic technology, the remaining payment for the stenter acquired by LSEZ Lauma Fabrics SIA and first instalments for Magento and Open ERP platform migration project in Dessus-Dessous S.A.S.

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

Further development of the Group

The Group has had difficult last 2 years after the acquisition of Felina group and Dessus-Dessous S.A.S. and fluctuations in the various core markets and distribution channels of the lingerie industry in general. 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 volumes and the contribution of the new collections to total sales will continue 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 is gradually converting into the cost savings and profit margin improvement.

Due to the dropped profitability, the Group has prepared an action plan with specific measures aimed at recovery of the initial profitability and has a sustainable business model for the medium and long-term. The measures were approved by the bondholders in January 2020 with several amendments made to the Bond Terms and Conditions and preparatory work for their implementation has started already.

Reported financials for the twelve months 2019 and fourth 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, 12 months 2018 and Q4 2018 pro forma figures were adjusted as well to include the impact of IFRS 16

for better comparativeness. IFRS 16 impact on 12 months 2018 and Q4 2018 was calculated as if the standard had been adopted from 1 January 2018.

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 12 months 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 12 months 2018 and Q4 2018. The compiled pro forma financial statements have not been audited or reviewed by the external auditors.

Statement of Profit or Loss

<i>In thousands of EUR</i>	12 months 2019 (Actual)	12 months 2018 (Pro forma)	Q4 2019 (Actual)	Q4 2018 (Pro forma)
Revenue	77,323	77,233	18,456	18,076
Other operating income	3,106	2,247	416	576
Changes in inventories of finished goods and work in progress	1,720	901	(1,326)	195
Raw materials and services	(29,600)	(27,562)	(6,487)	(6,509)
Employee benefits expense	(26,089)	(25,637)	(6,380)	(6,436)
Depreciation and amortisation	(3,949)	(4,165)	(1,154)	(1,113)
Impairment loss on trade receivables and contract assets	378	(84)	355	7
Other operating expenses	(18,554)	(19,101)	(4,337)	(5,436)
Operating profit/ (loss)	4,335	3,832	(457)	(640)
Finance income	455	386	85	95
Finance costs	(4,607)	(4,737)	(1,172)	(1,184)
Net finance costs	(4,152)	(4,351)	(1,087)	(1,089)
Profit / (loss) before income tax	183	(519)	(1,544)	(1,729)
Income tax (expense)/ benefit	(14)	(1,869)	1,077	(696)
Profit / (loss) for the period	169	(2,388)	(467)	(2,425)
Profit / (loss) attributable to:				
Owners of the Company	169	(2,388)	(467)	(2,425)
Reported EBITDA	8,284	7,997	697	473
Adjusted by:				
Restructuring of brands, subsidiaries	93	172	93	82
Management contract termination costs	310	-	310	-
Transaction costs	141	1,101	137	62
Net loss on disposal of intangible assets and property, plant and equipment	70	109	2	109
Gain on disposal of subsidiary	(217)	-	-	-
Inventory write-off under purchase price allocation exercises	-	877	-	877
Other	248	231	71	98
Normalised EBITDA	8,929	10,487	1,310	1,701
Reported net loss	169	(2,388)	(467)	(2,425)
Normalisation adjustments	1,212	2,935	761	1,363
Tax effect on normalization adjustments	(119)	(395)	(119)	(356)
Normalised net profit/(loss)	1,262	152	175	(1,418)

Commentary on the calculation of normalised EBITDA and net profit

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

- *Restructuring of brands/subsidiaries* in 12 months 2019 and 2018 related to restructuring/consolidation of some functions within the Group which caused one-off dismissal costs and closure costs as well as consulting and legal expenses related to further restructuring measures plan preparation for the Group. *Management contract termination* costs in 12 months 2019 related to contract terminations with Mr Peter Patrtma, Mr Christian Stolba and Ms Brigitte Hardt.
- *Transaction costs* in 12 months 2019 related to acquisition of Yustina OOO (renamed to Senselle OOO) and costs related to renegotiation of the Bond Terms and Conditions. Transaction costs in 12 months 2018 related to the issue of bonds by European Lingerie Group AB and acquisition of Dessus-Dessous S.A.S.
- *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.
- *Gain on disposal of subsidiary* included net amount of profit recognised (difference between consideration received and net assets disposed) as a result of Brafetch GmbH disposal. For further details on the transaction refer to Note 20.
- *Other costs* in 12 months 2018 included various consultancy costs related to the planned bond listing and further potential acquisitions. Other costs in 12 months 2019 included costs related to the establishment and activities of the new subsidiary in Germany - Brafetch GmbH, various consultancy costs related to potential investment projects and costs of renaming and relabelling of two new Felina lingerie garment series. The initially proposed names were objected by another swimwear company, which had these registered as trademarks for their products. The objection was amicably settled with the claimant and a respective compensation was paid.
- *Normalisation adjustments for net profit* included interest expense related to the amortization of transaction costs on bonds issue in amount of EUR 567 thousand and EUR 443 thousand for 12 months 2019 and 12 months 2018 respectively (Q4 2019: EUR 148 thousand and Q4 2018: 134).

Statement of Financial Position

<i>In thousands of EUR</i>	31 December 2019 (Actual)	31 December 2018 (Pro forma)
Assets		
Property, plant and equipment	11,066	11,729
Intangible assets	14,755	15,207
Right-of-use assets	4,306	3,793
Deferred tax assets	2,052	2,333
Trade and other receivables	717	388
Total non-current assets	32,896	33,450
Inventories	20,372	19,006
Current tax assets	280	384
Trade and other receivables	15,039	14,032
Contract assets	29	26
Prepayments	798	940
Cash and cash equivalents	1,365	1,335
Total current assets	37,883	35,723
Total assets	70,779	69,173
Total equity	4,641	4,746
Liabilities		
Loans and borrowings	41,946	41,561
Net employee defined benefit liability	3,336	3,808
Deferred income	449	570
Provisions	221	213
Other payables	92	-
Deferred tax liabilities	2,925	3,663
Total non-current liabilities	48,969	49,815
Loans and borrowings	5,050	3,304
Trade and other payables	11,497	10,519
Contract liabilities	192	292
Current tax liabilities	269	170
Provisions	46	111
Deferred income	115	216
Total current liabilities	17,169	14,612
Total liabilities	66,138	64,427
Total equity and liabilities	70,779	69,173

Statement of Cash Flows

<i>In thousands of EUR</i>	12 months 2019 (Actual)	12 months 2018 (Pro forma)	Q4 2019 (Actual)	Q4 2018 (Pro forma)
Cash flows from operating activities				
Reported EBITDA	8,284	7,997	697	473
Adjustments for:				
(Reversal of impairment) / impairment loss	(378)	84	(355)	(7)
Net loss on sale of property, plant and equipment	71	109	3	91
Equity-settled share-based payment transactions	(615)	364	-	(12)
Income from government grants	(226)	(308)	(44)	(76)
Gain on bargain purchase	(22)	-	-	-
Gain on termination of lease agreement	(1)	-	(1)	-
Gain on disposal of subsidiary	(217)	-	-	-
Changes in:				
Inventories	(1,364)	(1,340)	930	189
Trade and other receivables	(746)	(541)	(125)	1,212
Contract assets	(3)	(25)	83	(25)
Prepayments	141	(361)	(43)	(321)
Trade and other payables	1,395	(331)	407	(1,270)
Contract liabilities	(100)	249	89	249
Provisions	(57)	(188)	(104)	(174)
Net employee defined benefit liability	(302)	(291)	(162)	(155)
Cash generated from operating activities	5,860	5,418	1,375	174
Interest paid	(3,585)	(3,282)	(927)	(891)
Income taxes paid	(386)	(1,443)	(56)	(218)
Net cash from / (used in) operating activities	1,889	693	392	(935)
Cash flows from investing activities				
Interest received	6	13	-	1
Proceeds from sale of property, plant and equipment	56	17	5	17
Cash disposed on disposal of subsidiary	(2)	-	-	-
Proceeds from repayment of loans issued	74	414	-	-
Acquisition of subsidiaries net of cash acquired	(228)	(7,532)	(11)	127
Cash acquired in common control transactions	-	1,874	-	-
Acquisition of property, plant and equipment and intangible assets	(2,921)	(1,973)	(372)	(853)
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 investing activities	(3,015)	(2,769)	(378)	(708)

Statement of Cash Flows (continued)

<i>In thousands of EUR</i>	12 months 2019 (Actual)	12 months 2018 (Pro forma)	Q4 2019 (Actual)	Q4 2018 (Pro forma)
Cash flows from financing activities				
Proceeds from issue of share capital	-	60	-	-
Proceeds from bonds issue	-	40,000	-	-
Proceeds from loans and borrowings	166	-	166	-
Change in bank overdraft	1,573	(52)	(267)	1,180
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	(1,299)	(971)	(560)	(251)
Dividends paid	-	(866)	-	-
Factoring (paid)/ received	(77)	(420)	90	97
Proceeds from sale and leaseback trans- action	595	-	-	-
Proceeds from grants and donations	13	13	13	11
Net cash from/(used in) financing activities	971	3,638	(558)	1,037
Net (decrease) / increase in cash and cash equivalents	(155)	1,562	(544)	(606)
Cash and cash equivalents at 1 January/ 1 October	1,335	70	1,855	2,102
Effect of movement in exchange rates on cash held	185	(297)	54	(161)
Cash and cash equivalents at 31 December	1,365	1,335	1,365	1,335



**EUROPEAN LINGERIE
GROUP AB**

**CONDENSED
FINANCIAL
STATEMENTS**

FOR THE TWELVE MONTHS AND
FOURTH QUARTER ENDED
31 DECEMBER 2019

INFORMATION ON THE COMPANY

Name of the company	<i>European Lingerie Group AB (from 29 January 2018) Goldcup 15769 AB (until 29 January 2018)</i>
Legal status of the company	<i>Public Limited Liability Company</i>
Number, place and date of registration	<i>559135-0136, Stockholm, 23 November 2017</i>
Legal and postal address	<i>Norrlandsgatan 16, 111 43 Stockholm, Sweden</i>
Corporate website	<i>www.elg-corporate.com</i>
Core activities	<i>Manufacturing, processing, wholesale and retail of textiles and lingerie products</i>
Members of the Board and their positions	<i>Carl Oscar Edgren, Chairman of the Board (from 11 October 2019) Indrek Rahumaa, Chairman of the Board (until 11 October 2019) Indrek Rahumaa, Member of the Board (from 11 October 2019) Dmitry Ditchkovsky, Board Member Fredrik Synnerstad, Board Member (until 11 October 2019) Peter Partma, Board Member (until 11 October 2019)</i>
Managing director	<i>Indrek Rahumaa (from 11 October 2019) Peter Partma (until 11 October 2019)</i>
Financial year	<i>1 January 2019 – 31 December 2019</i>
Reporting period	<i>1 January 2019 – 31 December 2019</i>
Information on shareholders	<i>From 26 April 2019 and until 26 February 2020: 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%) From 26 February 2020: Helike Holdings OU (70.35%), Bryum Capial Ltd (25.55%), SIA Silver Invest (1.80%), SIA Ievades Nozares (1.60%), Tuida Holding AB (0.40%) and Amorvero Holding OU (0.30%)</i>
Information on the subsidiaries	<i>SIA European Lingerie Group (100.0% from 19 February 2018) Felina France S.a.r.l. (100.0% from 16 May 2018) Senselle OOO (100% from 2 January 2019)</i>
Auditors	<i>Ernst & Young AB Jakobsbergsgatan 24 111 44 Stockholm, Sweden</i>

Condensed consolidated statement of profit or loss and other comprehensive income

For the twelve months and fourth quarter ended 31 December

<i>In thousands of EUR</i>	<i>Note</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Revenue	4,5	77,323	73,475	18,456	18,076
Other operating income	6	3,106	2,061	416	576
Changes in inventories of finished goods and work in progress		1,720	897	(1,326)	155
Raw materials and services		(29,600)	(25,640)	(6,487)	(6,509)
Employee benefits expense	7	(26,089)	(24,856)	(6,380)	(6,436)
Reversal of impairment / (impairment loss) on trade receivables and contract assets		378	(84)	355	7
Depreciation and amortisation		(3,949)	(3,111)	(1,154)	(862)
Other operating expenses	8	(18,554)	(19,448)	(4,337)	(5,801)
Operating profit/ (loss)		4,335	3,294	(457)	(794)
Finance income	9	455	386	85	135
Finance costs	10	(4,607)	(4,403)	(1,172)	(1,147)
Net finance costs		(4,152)	(4,017)	(1,087)	(1,012)
Profit/ (loss) before income tax		183	(723)	(1,544)	(1,806)
Income tax (expense) / benefit	11	(14)	(1,804)	1,077	(767)
Profit/(loss) for the period attributable to the owners of the Parent Company		169	(2,527)	(467)	(2,573)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit liability		227	461	227	461
- Actuarial gain		227	202	227	202
- Return on plan assets excluding interest income		-	264	-	264
- Effect of movements in exchange rates		-	(5)	-	(5)
Related tax		(70)	(50)	(70)	(50)
		157	411	157	411
Items that are or may be reclassified subsequently to profit or loss					
Foreign operations – foreign currency translation differences		116	(332)	87	(95)
		116	(332)	87	(95)
Other comprehensive income, net of tax		273	79	244	316
Total comprehensive income		442	(2,448)	(223)	(2,257)

Condensed consolidated statement of financial position

<i>In thousands of EUR</i>	<i>Note</i>	31 December 2019	31 December 2018
Assets			
Property, plant and equipment	12	11,066	11,845
Intangible assets		14,755	15,207
Right-of-use assets		4,306	-
Deferred tax assets		2,052	2,307
Other receivables	14	717	388
Total non-current assets		32,896	29,747
Inventories	13	20,372	19,006
Current tax assets		280	384
Trade and other receivables	14	15,039	14,032
Contract assets		29	26
Prepayments		798	939
Cash and cash equivalents		1,365	1,335
Total current assets		37,883	35,722
Total assets		70,779	65,469
Equity			
Share capital	15	60	60
Reserves	15	(216)	(332)
Retained earnings		4,797	5,086
Total equity		4,641	4,814
Liabilities			
Loans and borrowings	16	41,946	38,767
Net employee defined benefit liability		3,336	3,808
Deferred income		449	570
Provisions		221	213
Other payables	17	92	-
Deferred tax liabilities		2,925	3,663
Total non-current liabilities		48,969	47,021
Loans and borrowings	16	5,050	2,326
Trade and other payables	17	11,497	10,519
Contract liabilities		192	292
Current tax liabilities		269	170
Provisions		46	111
Deferred income		115	216
Total current liabilities		17,169	13,634
Total liabilities		66,138	60,655
Total equity and liabilities		70,779	65,469

Condensed consolidated statement of changes in equity

For the period ended 31 December 2019

Attributable to owners of the Parent Company

<i>In thousands of EUR</i>	Share capital	Translation reserve	Retained earnings	Total equity
Balance at 1 January 2018	60	-	-	60
Total comprehensive income				
Loss for the period	-	-	(2 527)	(2 527)
Other comprehensive income	-	(332)	411	79
Total comprehensive income	-	(332)	(2 116)	(2 448)
Transactions with owners of the Group				
Contributions and distributions				
Acquisition of subsidiary under common control	-	-	6 838	6 838
Equity-settled share-based payment	-	-	364	364
Total contributions and distributions	-	-	7 202	7 202
Total transactions with owners of the Group	-	-	7 202	7 202
Balance at 31 December 2018	60	(332)	5 086	4 814
Total comprehensive income				
Profit for the period	-	-	169	169
Other comprehensive income	-	116	157	273
Total comprehensive income	-	116	326	442
Transactions with owners of the Group				
Contributions and distributions				
Equity-settled share-based payment	-	-	(615)	(615)
Total contributions and distributions	-	-	(615)	(615)
Total transactions with owners of the Group	-	-	(615)	(615)
Balance at 31 December 2019	60	(216)	4 797	4 641

Condensed consolidated statement of cash flows

For the twelve months and fourth quarter ended 31 December

In thousands of EUR	Note	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Cash flows from operating activities					
Profit/(loss) for the reporting period		169	(2,527)	(467)	(2,573)
Adjustments for:					
Depreciation		3,224	2,369	990	580
Amortization		725	742	164	282
(Reversal of impairment) / impairment loss		(378)	84	(355)	(7)
Income from government grants		(226)	(306)	(44)	(76)
Finance income	9	(51)	(53)	(11)	(53)
Finance costs	10	4,228	3,929	1,074	1,027
Foreign exchange gains	9	(404)	(333)	(74)	(82)
Foreign exchange losses	10	379	474	98	120
Net loss on disposal of property, plant and equipment		71	109	3	91
Gain on disposal of subsidiary	20	(217)	-	-	-
Equity-settled share-based payment transactions		(615)	364	-	(12)
Gain on bargain purchase	19	(22)	-	-	-
Gain on termination of lease agreement		(1)	-	(1)	-
Income tax expense	11	14	1,804	(1,077)	767
Changes in:					
Inventories		(1,364)	(1,337)	930	272
Trade and other receivables		(746)	(772)	(125)	1,079
Contract assets		(3)	(11)	83	(11)
Prepayments		141	(336)	(43)	(317)
Trade and other payables		1,395	(332)	407	(1,094)
Contract liabilities		(100)	92	89	92
Provisions		(57)	(122)	(104)	(97)
Net employee defined benefit liability		(302)	(291)	(162)	(155)
Cash generated from operating activities		5,860	3,547	1,375	(167)
Interest paid		(3,585)	(2,948)	(927)	(808)
Income taxes paid		(386)	(1,310)	(56)	(195)
Net cash from operating activities		1,889	(711)	392	(1,170)

Condensed consolidated statement of cash flows (continued)

For the twelve months and fourth quarter ended 31 December

<i>In thousands of EUR</i>	<i>Note</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Cash flows from investing activities					
Interest received		6	13	-	1
Proceeds from sale of property, plant and equipment		56	17	5	17
Proceeds from repayment of loans issued		74	68	-	-
Cash disposed on disposal of subsidiary		(2)	-	-	-
Acquisition of subsidiary net of cash acquired		(228)	(7,242)	(11)	127
Cash acquired in common control transactions		-	1,874	-	-
Acquisition of property, plant and equipment and intangible assets		(2,921)	(1,904)	(372)	(845)
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 investing activities		(3,015)	(2,756)	(378)	(700)
Cash flows from financing activities					
Proceeds from issue of share capital		-	60	-	-
Proceeds from bonds issue		-	40,000	-	-
Proceeds from bank loans		166	-	166	-
Change in bank overdraft		1,573	(52)	(267)	1,180
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		(1,299)	(105)	(560)	(20)
Proceeds from sale and leaseback transaction	12	595	-	-	-
Payment of dividends		-	(269)	-	-
Proceeds from grants and donations		13	11	13	11
(Repayment)/receipt of factoring		(77)	(420)	90	97
Net cash from/(used in) financing activities		971	5,099	(558)	1,268
Net (decrease)/increase in cash and cash equivalents		(155)	1,632	(544)	(602)
Cash and cash equivalents at 1 January / 1 October		1,335	-	1,855	2,102
Effect of movement in exchange rates on cash held		185	(297)	54	(165)
Cash and cash equivalents at 31 December		1,365	1,335	1,365	1,335



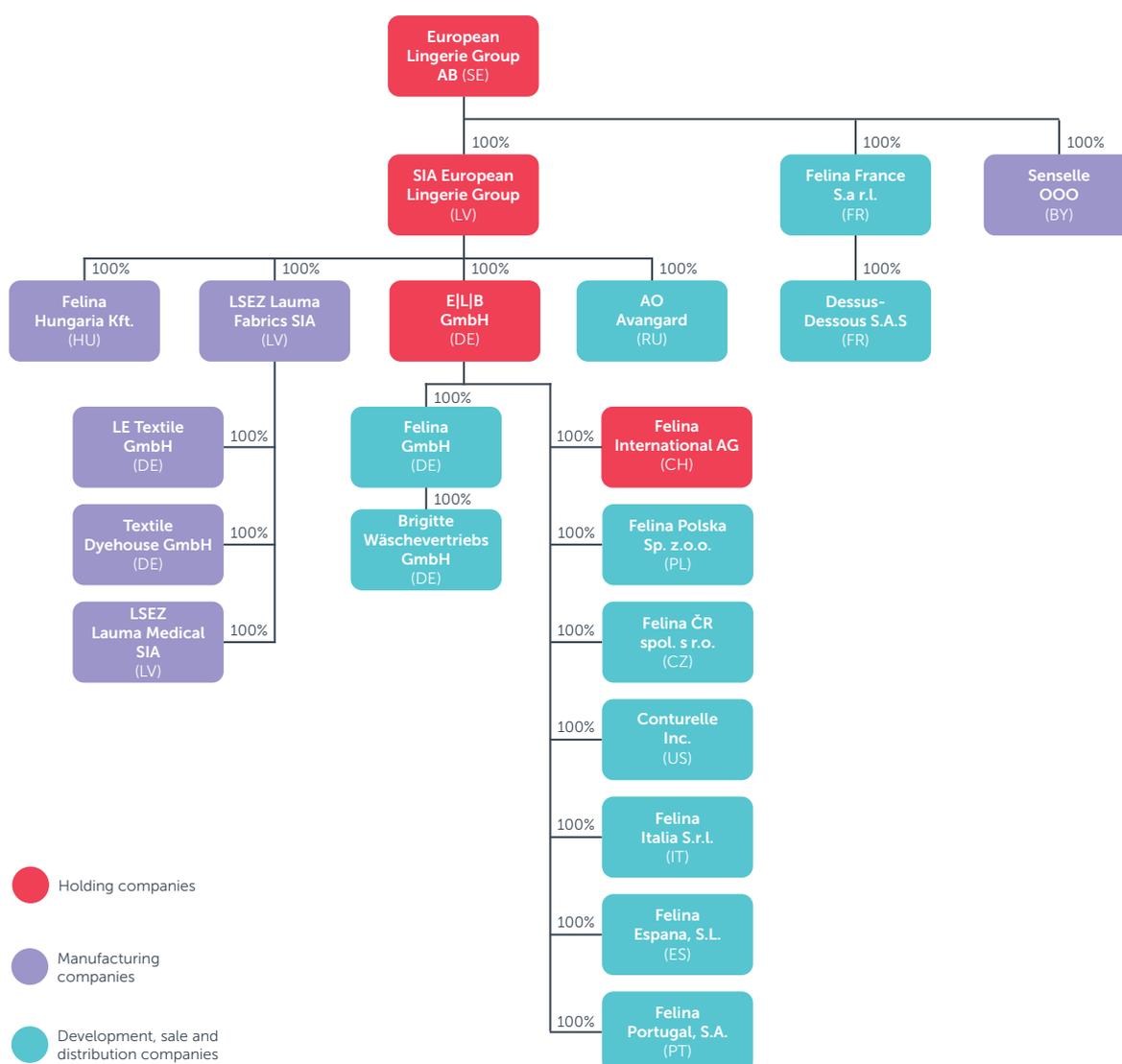
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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 twelve months ended 31 December 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 December 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 December 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
LSEZ Lauma Medical SIA	Latvia	100%	Production and wholesale

Senselle OOO

On 2 January 2019 European Lingerie Group AB acquired Senselle OOO, which was consolidated into the Group starting from 1 January 2019. For more information on acquisition of the subsidiary see Note 19.

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 is involved in the implementation of the omni-channel strategy of the Group. On

14 June 2019, European Lingerie Group AB sold Brafetch GmbH, a wholly owned subsidiary. For more information see Note 20.

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 is involved in photo and video content production for the Group companies and third parties. On 14 June 2019, SIA SistersOf Production was disposed by the European Lingerie Group AB as a result of Brafetch GmbH sale.

LSEZ Lauma Medical SIA

LSEZ Lauma Medical SIA was established by LSEZ Lauma Fabrics SIA on 30 May 2019 and was consolidated into the Group starting from that date. The Company will be involved in production and wholesale of medical textiles under Lauma Medical brand name.

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 2 March 2020.

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

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

	31 December 2019	Average for 12 months 2019	Average for Q4 2019
1 EUR/CHF	1.0854	1.1124	1.0962
1 EUR/PLN	4.2568	4.2976	4.2871
1 EUR/HUF	330.5300	325.3000	331.9300
1 EUR/CZK	25.4080	25.6700	25.5770
1 EUR/USD	1.1234	1.1195	1.1071
1 EUR/RUB	69.9563	72.4553	70.5754
1 EUR/BYN	2.3524	2.3418	2.2950

	31 December 2018	Average for 12 months 2018	Average for Q4 2018
1 EUR/CHF	1.1269	1.1550	1.1365
1 EUR/PLN	4.3014	4.2615	4.2993
1 EUR/HUF	320.9800	318.8900	323.0000
1 EUR/CZK	25.7240	25.6470	25.8640
1 EUR/USD	1.1450	1.1810	1.1414
1 EUR/RUB	79.7153	74.0416	75.9075
1 EUR/BYN	2.4734	2.4054	2.4271

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 (if any) 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	Recognised under initial adoption of IFRS 16		
	Land and buildings	Machinery and equipment	Other assets
Balance at 1 January 2019	4,675	67	186
Balance at 31 December 2019	2,855	1,212	153

In thousands of EUR	Previously accounted under IAS 17 as finance leases and reclassified from property, plant and equipment		
	Land and buildings	Machinery and equipment	Other assets
Balance at 1 January 2019	-	66	52
Balance at 31 December 2019	-	49	37

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.

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 (excluding leases already classified as finance leases under IAS 17 on transition date) in the amount of EUR 4,928 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 4,928 thousand of right-of-use assets and lease liabilities (textiles segment: EUR 306 thousand; lingerie segment: EUR 4,622 thousand) as at 1 January 2019.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During the twelve months 2019 ended 31 December 2019, the Group derecognised rent expenses in the amount of EUR 1,512 thousand (textiles segment: EUR 201 thousand, lingerie segment: EUR 1,311 thousand), the Group recognised EUR 1,354 thousand of depreciation charges (textiles segment: EUR 197 thousand; lingerie segment: EUR 1,157 thousand) and EUR 298 thousand of interest costs (textiles segment: EUR 20 thousand; lingerie segment: EUR 278 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).

12 months 2019

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	32,995	44,328	77,323	-	-	77,323
Intersegment revenue	1,177	-	1,177	-	(1,177)	-
Total revenue	34,172	44,328	78,500	-	(1,177)	77,323
Other operating income	944	1,298	2,242	23,383	(22,519)	3,106
Changes in inventories of finished goods and work in progress	743	977	1,720	-	-	1,720
Raw materials and services	(14,954)	(16,059)	(31,013)	-	1,413	(29,600)
Employee benefits expense	(9,141)	(16,342)	(25,483)	(606)	-	(26,089)
Depreciation and amortisation	(1,563)	(2,384)	(3,947)	(2)	-	(3,949)
Reversal of impairment/ (impairment loss) on trade receivables and contract assets	485	(107)	378	-	-	378
Other operating expenses	(6,474)	(11,605)	(18,079)	(1,126)	651	(18,554)
Operating profit	4,212	106	4,318	21,649	(21,632)	4,335
Interest income	44	255	299	295	(543)	51
Other finance income	182	212	394	10	-	404
Interest expense	(189)	(391)	(580)	(3,813)	539	(3,854)
Other finance costs	(159)	(590)	(749)	(4)	-	(753)
Income tax	(7)	6	(1)	(13)	-	(14)
Net profit / (loss)	4,083	(402)	3,681	18,124	(21,636)	169
Operating profit	4,212	106	4,318	21,649	(21,632)	4,335
Depreciation and amortisation	1,563	2,384	3,947	2	-	3,949
EBITDA	5,775	2,490	8,265	21,651	(21,632)	8,284
Segment assets	27,363	42,801	70,164	615	-	70,779
Segment liabilities	8,311	18,268	26,579	39,559	-	66,138
Capital expenditure	2,345	575	2,920	1	-	2,921
Number of employees at reporting date	503	775	1,278	7	-	1,285

Q4 2019

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	8,779	9,677	18,456	-	-	18,456
Intersegment revenue	276	-	276	-	(276)	-
Total revenue	9,055	9,677	18,732	-	(276)	18,456
Other operating income	212	234	446	21,437	(21,467)	416
Changes in inventories of finished goods and work in progress	(286)	(1,040)	(1,326)	-	-	(1,326)
Raw materials and services	(3,650)	(3,262)	(6,912)	-	425	(6,487)
Employee benefits expense	(2,366)	(3,745)	(6,111)	(269)	-	(6,380)
Depreciation and amortisation	(385)	(768)	(1,153)	(1)	-	(1,154)
Reversal of impairment on trade receivables and contract assets	339	16	355	-	-	355
Other operating expenses	(1,676)	(2,504)	(4,180)	(504)	347	(4,337)
Operating profit	1,243	(1,392)	(149)	20,663	(20,971)	(457)
Interest income	10	43	53	(28)	(22)	3
Other finance income	27	54	81	1	-	82
Interest expense	(48)	(95)	(143)	(862)	30	(975)
Other finance costs	(27)	(169)	(196)	(1)	-	(197)
Income tax	120	942	1,062	15	-	1,077
Net profit / (loss)	1,325	(617)	708	19,788	(20,963)	(467)
Operating profit	1,243	(1,392)	(149)	20,663	(20,971)	(457)
Depreciation and amortisation	385	768	1,153	1	-	1,154
EBITDA	1,628	(624)	1,004	20,664	(20,971)	697
Segment assets	27,363	42,801	70,164	615	-	70,779
Segment liabilities	8,311	18,268	26,579	39,559	-	66,138
Capital expenditure	150	222	372	-	-	372
Number of employees at reporting date	503	775	1,278	7	-	1,285

12 months 2018

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	33,084	40,391	73,475	-	-	73,475
Intersegment revenue	1,023	-	1,023	-	(1,023)	-
Total revenue	34,107	40,391	74,498	-	(1,023)	73,475
Other operating income	1,074	1,106	2,180	3,005	(3,124)	2,061
Changes in inventories of finished goods and work in progress	477	420	897	-	-	897
Raw materials and services	(14,443)	(12,190)	(26,633)	-	993	(25,640)
Employee benefits expense	(8,995)	(15,349)	(24,344)	(512)	-	(24,856)
Depreciation and amortisation	(1,755)	(1,355)	(3,110)	(1)	-	(3,111)
Impairment loss on trade receivables and contract assets	(48)	(36)	(84)	-	-	(84)
Other operating expenses	(5,820)	(11,492)	(17,312)	(2,508)	372	(19,448)
Operating profit	4,597	1,495	6,092	(16)	(2,782)	3,294
Interest income	251	110	361	327	(636)	52
Other finance income	144	187	331	3	-	334
Interest expense	(422)	(229)	(651)	(3,822)	642	(3,831)
Other finance costs	(195)	(375)	(570)	(2)	-	(572)
Income tax	(862)	(941)	(1,803)	(1)	-	(1,804)
Net profit	3,513	247	3,760	(3,511)	(2,776)	(2,527)
Operating profit	4,597	1,495	6,092	(16)	(2,782)	3,294
Depreciation and amortisation	1,755	1,355	3,110	1	-	3,111
EBITDA	6,352	2,850	9,202	(15)	(2,782)	6,405
Segment assets	25,577	39,480	65,057	412	-	65,469
Segment liabilities	7,833	13,517	21,350	39,305	-	60,655
Capital expenditure	1,502	399	1,901	3	-	1,904
Number of employees at reporting date	539	732	1,271	8	-	1,279

Q4 2018

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	8,870	9,206	18,076	-	-	18,076
Intersegment revenue	223	-	223	-	(223)	-
Total revenue	9,093	9,206	18,299	-	(223)	18,076
Other operating income	175	503	678	423	(525)	576
Changes in inventories of finished goods and work in progress	126	29	155	-	-	155
Raw materials and services	(3,752)	(3,008)	(6,760)	-	251	(6,509)
Employee benefits expense	(2,468)	(3,843)	(6,311)	(125)	-	(6,436)
Depreciation and amortisation	(419)	(443)	(862)	-	-	(862)
(Impairment loss)/reversal of impairment on trade receivables and contract assets	(22)	29	7	-	-	7
Other operating expenses	(1,232)	(3,925)	(5,157)	(685)	41	(5,801)
Operating profit	1,501	(1,452)	49	(387)	(456)	(794)
Interest income	14	28	42	149	(138)	53
Other finance income	40	42	82	-	-	82
Interest expense	(47)	(78)	(125)	(1,058)	141	(1,042)
Other finance costs	(61)	(43)	(104)	(1)	-	(105)
Income tax	(755)	(11)	(766)	(1)	-	(767)
Net profit	692	(1,514)	(822)	(1,298)	(453)	(2,573)
Operating profit	1,501	(1,452)	49	(387)	(456)	(794)
Depreciation and amortisation	419	443	862	-	-	862
EBITDA	1,920	(1,009)	911	(387)	(456)	68
Segment assets	25,577	39,480	65,057	412	-	65,469
Segment liabilities	7,833	13,517	21,350	39,305	-	60,655
Capital expenditure	602	243	845	-	-	845
Number of employees at reporting date	539	732	1,271	8	-	1,279

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

In presenting the geographic information, segment revenue was based on the geographic location of customers and segment assets were based on the geographic location of the assets.

Revenue

<i>In thousands of EUR</i>	12 months 2019	12 months 2018
Germany	17,120	18,148
Russia	10,888	8,560
Baltic States	9,023	10,718
France	6,590	4,846
Belarus	5,171	4,678
Poland	4,245	4,318
The Netherlands	3,731	4,028
Spain	3,498	3,075
Morocco	2,376	2,118
Italy	1,871	1,634
Ukraine	1,545	1,727
Belgium, Luxemburg	1,363	1,479
Swiss, Liechtenstein	1,116	1,068
Austria	959	1,005
Great Britain	851	664
Sweden	256	182
Other countries	6,720	5,227
Total	77,323	73,475

<i>In thousands of EUR</i>	Q4 2019	Q4 2018
Germany	3,929	3,811
Russia	3,115	2,629
Baltic States	2,208	2,684
France	1,558	1,302
Belarus	1,247	1,446
Spain	992	536
Poland	842	927
Morocco	655	574
Ukraine	484	528
The Netherlands	632	775
Italy	355	432
Belgium, Luxemburg	216	323
Swiss, Liechtenstein	235	221
Great Britain	196	226
Austria	192	211
Sweden	72	41
Other countries	1,528	1,410
Total	18,456	18,076

Non-current non-financial assets

<i>In thousands of EUR</i>	31 December 2019	31 December 2018
Germany	10,540	9,630
Latvia	8,923	8,023
France	6,141	5,415
Hungary	2,569	2,829
Russia	981	980
Poland	882	154
Other countries	91	21
Total	30,127	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.

<i>In thousands of EUR</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Sales of goods	76,450	72,655	18,214	17,883
Rendering of services	873	820	242	193
Total	77,323	73,475	18,456	18,076

(ii) Disaggregation of revenue from contracts with customers

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

<i>In thousands of EUR</i>	12 months 2019		
	Textiles	Lingerie	Total
Germany	2,744	14,376	17,120
Russia	5,875	5,013	10,888
Baltic States	8,851	172	9,023
France	864	5,726	6,590
Belarus	5,158	13	5,171
Poland	1,929	2,316	4,245
The Netherlands	56	3,675	3,731
Spain	96	3,402	3,498
Morocco	2,376	-	2,376
Italy	169	1,702	1,871
Belgium, Luxemburg	102	1,261	1,363
Ukraine	1,368	177	1,545
Swiss, Liechtenstein	-	1,116	1,116
Austria	384	575	959
Great Britain	256	595	851
Sweden	109	147	256
Other countries	2,658	4,062	6,720
External revenue as reported in Note 4	32,995	44,328	77,323

12 months 2018

<i>In thousands of EUR</i>	Textiles	Lingerie	Total
Germany	2,933	15,215	18,148
Russia	4,473	4,087	8,560
Baltic States	10,693	25	10,718
France	1,192	3,654	4,846
Belarus	4,678	-	4,678
Poland	2,342	1,976	4,318
The Netherlands	131	3,897	4,028
Spain	119	2,956	3,075
Morocco	2,118	-	2,118
Italy	134	1,500	1,634
Belgium, Luxemburg	239	1,240	1,479
Ukraine	1,692	35	1,727
Swiss, Liechtenstein	1	1,067	1,068
Austria	431	574	1,005
Great Britain	202	462	664
Sweden	69	113	182
Other countries	1,637	3,590	5,227
External revenue as reported in Note 4	33,084	40,391	73,475

Q4 2018

<i>In thousands of EUR</i>	Textiles	Lingerie	Total
Germany	587	3,224	3,811
Russia	1,429	1,200	2,629
Baltic States	2,667	17	2,684
France	264	1,038	1,302
Belarus	1,446	-	1,446
Poland	551	376	927
The Netherlands	10	765	775
Spain	52	484	536
Morocco	574	-	574
Italy	15	417	432
Belgium, Luxemburg	89	234	323
Ukraine	516	12	528
Swiss, Liechtenstein	-	221	221
Austria	92	119	211
Great Britain	74	152	226
Sweden	21	20	41
Other countries	483	927	1,410
External revenue as reported in Note 4	8,870	9,206	18,076

Q4 2019

<i>In thousands of EUR</i>	Textiles	Lingerie	Total
Germany	705	3,224	3,929
Russia	1,950	1,165	3,115
Baltic States	2,168	40	2,208
France	253	1,305	1,558
Belarus	1,247	-	1,247
Poland	420	422	842
The Netherlands	8	624	632
Spain	37	955	992
Morocco	655	-	655
Italy	18	337	355
Belgium, Luxemburg	24	192	216
Ukraine	352	132	484
Swiss, Liechtenstein	-	235	235
Austria	82	110	192
Great Britain	58	138	196
Sweden	35	37	72
Other countries	767	761	1,528
External revenue as reported in Note 4	8,779	9,677	18,456

6. Other operating income

<i>In thousands of EUR</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Income related to share-based payment arrangements	666	-	-	-
Rental income from property leases	561	625	154	153
Transportation income	444	307	111	97
Profit from subsidiary disposal	217	-	-	-
Government grants	226	306	44	76
Gain on settlement of pension plan	-	118	-	118
Income from sales commissions	121	106	18	22
License income	110	108	20	-
Income from sales of non-core materials	71	40	9	2
Gain on sale of property, plant and equipment	56	7	10	7
Proceeds from bad debts previously written off	21	75	2	-
Gain on termination of lease agreement	1	-	-	-
Gain on bargain purchase	22	-	-	-
Other income from non-core activities	590	369	48	101
Total	3,106	2,061	416	576

In June 2017 Felina International AG (assigned to Felina Group GmbH in September 2018) concluded management and consulting service agreement with Xiberia Capital Investments AB that entitles Xiberia Capital Investments AB to receive shares in SIA European Lingerie Group corresponding to 0.33% of its share capital per each year of services for years one, two and three, and 0.5% for year four, i.e. 1.49% in total.

In Q3 2019 this agreement was mutually terminated by both parties along with any entitlements under it. As a result, the Group recognized income in the amount of EUR 666 thousand as a reversal of previously recognised expenses related to the share-based payment arrangement as it was agreed between the parties that the conditions for the vesting of the share options under the service agreement have not been met and Xiberia Capital Investments AB shall not be entitled to any shares in any Group company on any legal basis, for periods past or current.

7. Employee benefits expense

<i>In thousands of EUR</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Wages and salaries	20,777	19,817	5,244	5,119
Social security contributions	4,486	4,025	993	967
Expenses related to post-employment defined benefit plans	7	155	2	142
Other employee benefits	819	859	141	208
Total	26,089	24,856	6,380	6,436

8. Other operating expenses

<i>In thousands of EUR</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Sales and marketing	4,482	3,564	1,093	852
Utilities	2,928	3,126	715	864
Storage, transportation and packaging	2,087	1,640	539	478
Change in write downs to net realizable value for obsolete and slow-moving inventories	919	835	(182)	1,022
Professional services	1,561	2,238	759	441
Repair and maintenance	868	883	243	270
Travel expenses	689	695	127	212
IT and communication	681	485	181	156
Rents	1,837	1,717	448	433
Bank services	389	377	108	96
Insurance	230	193	73	50
Loss on disposal of property, plant and equipment	127	116	12	98
Car park related costs	125	128	34	39
Expenses related to share-based payment arrangements	52	364	-	(12)
Real estate tax	40	49	3	2
Other taxes	276	204	89	68
Other operating expenses	1,263	2,834	95	732
Total	18,554	19,448	4,337	5,801

9. Finance income

<i>In thousands of EUR</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Interest income under the effective interest method on:				
Trade and other receivables	51	52	11	13
Total interest income arising from financial assets measured at amortised cost	51	52	11	13
Net gain from the revaluation of forward exchange contracts	-	-	-	39
Foreign exchange gains	404	333	74	82
Other finance income	-	1	-	1
Finance income – other	404	334	74	122
Total	455	386	85	135

10. Finance costs

In thousands of EUR	12 months 2019	12 months 2018
Interest expense on financial liabilities measured at amortised cost	4,152	3,831
Foreign exchange losses	379	474
Interest expense on net employee defined benefit liability	57	70
Fines and penalties	19	10
Net change in fair value of financial assets at fair value through profit and loss	-	18
Total	4,607	4,403

In thousands of EUR	Q4 2019	Q4 2018
Interest expense on financial liabilities measured at amortised cost	1,065	1,002
Foreign exchange losses	98	120
Interest expense on net employee defined benefit liability	5	18
Fines and penalties	4	7
Total	1,172	1,147

EUR 4,152 thousand of interest expense in 12 months 2019 (Q4 2019: EUR 1,065 thousand) consist of EUR 3,585 thousand (Q4 2019: EUR 917 thousand) of interest expense on loans and borrowings, EUR 567 thousand (Q4 2019: EUR 148 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value.

EUR 3,831 thousand of interest expense in 12 months 2018 (Q4 2018: EUR 1,002 thousand) consist of EUR 3,216 thousand (Q4 2018: EUR 808 thousand) of interest expense on loans and borrowings; EUR 443 thousand (Q4 2018: EUR 134 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value; EUR 112 thousand (Q4 2018: none) of interest expense related to the amortisation of convertible notes to nominal value after revision of estimated cash flows due to early repayment and EUR 60 thousand of interest expense related to unwinding of discount on deferred consideration payable for AO Avangard.

11. 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 December are:

In thousands of EUR	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Current tax expense	562	565	35	45
Current period	512	445	(15)	45
Changes in estimates related to prior years	50	120	50	-
Deferred tax (benefit)/expense	(548)	1,239	(1,112)	722
Origination and reversal of temporary differences	(547)	1,239	(1,111)	722
Reduction in rate	(1)	-	(1)	-
Income tax expense/(benefit) reported in profit or loss	14	1,804	(1,077)	767

12. Property, plant and equipment

During the twelve months and the fourth quarter ended 31 December 2019, the Group acquired assets with a cost of EUR 2,559 thousand and EUR 197 thousand respectively, excluding property, plant and equipment acquired through a business combination (see Note 19).

During the twelve months ended 31 December 2019 assets with a net book value of EUR 116 thousand were disposed by the Group (12 months 2018: EUR 67 thousand), resulting in a net loss on disposal of EUR 71 thousand (12 months 2018: EUR 109 thousand). Additionally, in twelve months 2019 LSEZ Lauma Fabrics SIA entered into a sale and leaseback transaction with Citadele Lizings un faktoringu SIA for the new stenter equipment which was acquired in 2019 for EUR 1,200 thousand. The proceeds due from the sale were EUR 1,200 thousand. The equipment was then leased back for EUR 1,200 thousand. The first instalment due under the lease-back agreement was EUR 605 thousand. This instalment was offset against the proceeds due from the sale of the stenter, resulting in net cash proceeds from sale and lease-back transaction for the Group of EUR 595 thousand. Subsequently, the asset was recognised as the right-of-use asset in the amount of EUR 1,200 thousand.

13. Inventories

<i>In thousands of EUR</i>	31 December 2019	31 December 2018
Finished goods	11,752	10,505
Raw materials and consumables	6,691	6,530
Work in progress	1,803	1,878
Right to recover returned goods	126	93
Total	20,372	19,006

14. Trade and other receivables

<i>In thousands of EUR</i>	31 December 2019	31 December 2018
Financial trade and other receivables		
Trade receivables	14,941	14,390
Loans to related parties (Note 18)	819	848
Trade receivables due from related parties (Note 18)	623	669
Other receivables due from related parties (Note 18)	431	-
Other receivables	428	386
Allowance for trade and other receivables	(999)	(1,055)
Allowance for trade and other receivables due from related parties (Note 18)	(617)	(645)
Allowance for loans to related parties (Note 18)	(102)	(460)
	15,524	14,133
Non-financial trade and other receivables		
VAT receivable	189	202
Social contributions receivable	2	2
Other taxes receivable	6	17
Deferred expenses	35	66
	232	287
Total	15,756	14,420
Non-current	717	388
Current	15,039	14,032
Total	15,756	14,420

Trade receivables at 31 December 2019 in the gross amount of EUR 14,941 thousand mostly comprise receivables for goods sold.

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

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

<i>In thousands of EUR</i>	31 December 2019	31 December 2018
Carrying amount of trade receivables transferred to a factoring company	720	1,011
Carrying amount of associated liabilities	698	770

15. Capital and reserves

Share capital

<i>Number of shares</i>	2019
In issue at 1 January	60,000
Issued for cash	-
In issue at 31 December – 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 -216 thousand which comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16. Loans and borrowings

<i>In thousands of EUR</i>	31 December 2019	31 December 2018
Non-current liabilities		
Bonds	39,280	38,713
Lease liabilities	2,532	54
Long-term secured bank loans	134	-
Total	41,946	38,767
Current liabilities		
Short-term secured bank loans	2,678	1,147
Short-term unsecured bank loans	75	33
Current portion of long-term secured bank loans	32	-
Secured other loans	698	770
Bonds	336	336
Current portion of lease liabilities	1,231	40
Total	5,050	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 3,159 thousand out of total amount of lease liabilities outstanding at

31 December 2019 refer to new leases recognised under IFRS 16. Secured other loans represent amounts received from factoring companies, see Note 14. In Q4 2019 the Group entered into sale and lease-back transaction resulting in lease liability of EUR 548 thousand at 31 December 2019 (see Note 12 for more details).

17. Trade and other payables

<i>In thousands of EUR</i>	31 December 2019	31 December 2018
Financial trade and other payables		
Trade payables	7,070	5,671
Accrued expenses	1,823	2,184
Other payables to related parties (Note 18)	-	12
Payables to personnel	667	735
Other payables	552	811
	10,112	9,413
Non-financial trade and other payables		
Refund liabilities	349	186
VAT payable	376	140
Personal income tax payable	277	259
Social contributions payable	454	475
Other taxes payable	21	46
	1,477	1,106
Total	11,589	10,519
Non-current	92	-
Current	11,497	10,519
Total	11,589	10,519

Other current payables include deferred payment payable for acquisition of Dessus-Dessous S.A.S. in the amount of EUR 51 thousand.

18. Related parties

Transactions with key management personnel

Key management personnel compensation for the 12 months and fourth quarter ended 31 December 2019 amounted to EUR 901 thousand and EUR 280 thousand respectively (12 months and Q4 2018: EUR 1,012 thousand and EUR 315 thousand respectively) and comprised only short-term employee benefits in the form of salaries and social contributions.

Other related party transactions

<i>In thousands of EUR</i>	Transaction values for 12 months 2019	Transaction values for 12 months 2018	Transaction values for Q4 2019	Transaction values for Q4 2018	Balance outstanding at 31 December 2019	Balance outstanding at 31 December 2018
Sales of goods and services						
Joint ventures	44	48	11	13	-	-
Other related parties	69	89	68	-	-	-
Purchases of goods and services						
Shareholders	5	56	-	26	-	-
Other related parties	457	1,980	180	140	-	-
Gain on disposal of subsidiary						
Shareholders	217	-	-	-	-	-
Interest income accrued during the year						
Joint ventures	41	42	10	10	-	-
Shareholders	4	5	1	1	-	-
Interest expense accrued during the year						
Shareholders	-	20	-	-	-	-
Key management personnel	-	6	-	-	-	-
Loans granted						
Shareholders	-	77	-	-	-	-
Trade and other receivables						
Shareholders	-	-	-	-	25	-
Joint ventures	-	-	-	-	6	52
Other related parties	-	-	-	-	1,023	617
Allowance for trade and other receivables						
Joint ventures	-	-	-	-	-	(28)
Other related parties	-	-	-	-	(617)	(617)
Prepayments						
Other related parties	-	-	-	-	-	41
Other payables						
Shareholders	-	-	-	-	-	10
Other related parties	-	-	-	-	-	2
Loans receivable, gross amount						
Joint ventures	-	-	-	-	525	607
Shareholders	-	-	-	-	134	134
Allowance for loans receivable						
Joint ventures	-	-	-	-	(102)	(460)
Interest receivable						
Joint ventures	-	-	-	-	148	99
Shareholders	-	-	-	-	12	8

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

19. 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:

<i>In thousands of EUR</i>	
Property, plant and equipment	4
Right of use asset	53
Inventories	2
Trade and other receivables	25
Cash and cash equivalents	28
Loans and borrowings	(53)
Trade and other payables	(18)
Total	41

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

<i>In thousands of EUR</i>	<i>Note</i>	
Consideration transferred		(19)
Book value of identifiable net assets		41
Income from bargain purchase	6	22

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

Dessus-Dessous S.A.S

During 12 months 2019, the Group paid EUR 226 thousand for the acquisition of Dessus-Dessous S.A.S. EUR 51 thousand are remaining payable at 31 December 2019.

Avangard AO

During 12 months 2019 the Group fully paid the debt for the acquisition of AO Avangard in amount of EUR 11 thousand.

20. Disposal of subsidiary

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

On 14 June 2019, European Lingerie Group AB sold Brafetch GmbH to its shareholder – Helike Holdings OU.

Effect of Brafetch GmbH disposal on the financial statements of the Group was as follows:

<i>In thousands of EUR</i>	<i>Note</i>	
Intangible assets		(76)
Current tax assets		(54)
Cash and cash equivalents		(2)
Current tax liabilities		47
Short-term other payables		277
Net assets and liabilities disposed		192
Consideration received		25
Gain on disposal	6	217

The Group recognised gain on disposal of subsidiary within other operating income.

Short-term other payables disposed comprised other payables to European Lingerie Group AB in the amount of EUR 270 thousand.

During 5 months 2019, Brafetch GmbH reported net loss in the amount of EUR 44 thousand excluding the effect of intragroup transactions.

The Group did not have any tax expenses as a result of Brafetch GmbH disposal.

PARENT COMPANY FINANCIAL INFORMATION

General information

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

Type of operations

The Company carries out holding operations through investing in and managing assets involved in manufacturing, processing, wholesale and retail of textiles and lingerie products. The assets of the Parent Company consist of shares in SIA European Lingerie Group, Felina France S.a.r.l, and Senselle OOO as of 31 December 2019. Net loss of European Lingerie Group AB for the twelve months and the fourth quarter ended 31 December 2019 totalled EUR 1,950 thousand and EUR 681 thousand respectively (12

months 2018: loss of EUR 2,419 thousand, Q4 2018: loss of EUR 579 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 twelve months and fourth quarter ended 31 December

<i>In thousands of EUR</i>	<i>Note</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Other operating income		218	59	29	40
Employee benefits expense	21	(130)	(126)	(32)	(44)
Other operating expenses		(707)	(1,331)	(309)	(285)
Operating loss		(619)	(1,398)	(312)	(289)
Finance income	22	2,410	2,111	592	637
Finance costs	23	(3,728)	(3,132)	(948)	(927)
Net finance costs		(1,318)	(1,021)	(356)	(290)
Loss before income tax		(1,937)	(2,419)	(668)	(579)
Income tax expense		(13)	-	(13)	-
Loss for the period		(1,950)	(2,419)	(681)	(579)
Total comprehensive income		(1,950)	(2,419)	(681)	(579)

Condensed Parent Company statement of financial position

<i>In thousands of EUR</i>	<i>Note</i>	31 December 2019	31 December 2018
Assets			
Shares in subsidiaries		46,328	46,309
Receivables from Group companies	24	33,277	33,795
Total non-current assets		79,605	80,104
Receivables from Group companies	24	166	172
Other receivables	24	208	23
Prepaid expenses and accrued income		31	127
Cash and cash equivalents		6	40
Total current assets		411	362
Total assets		80,016	80,466
Equity			
Restricted equity			
Share capital		60	60
Non-restricted equity			
Shareholder contribution		43,500	43,500
Net income		(4,369)	(2,419)
Total equity		39,191	41,141
Liabilities			
Loans and borrowings	25	40,003	38,713
Deferred tax liabilities		13	-
Total non-current liabilities		40,016	38,713
Liabilities to Group companies	26	158	58
Other liabilities	26	195	109
Accrued expenses and deferred income	26	456	445
Total current liabilities		809	612
Total liabilities		40,825	39,325
Total equity and liabilities		80,016	80,466

Condensed Parent Company statement of changes in equity

For the period ended 31 December 2019

<i>In thousands of EUR</i>	Restricted equity		Non-restricted equity		Total equity
	Share capital		Shareholder contribution	Net income	
Balance at 1 January 2018	60		-	-	60
Total comprehensive income					
Loss for the period	-		-	(2 419)	(2 419)
Total comprehensive income	-		-	(2 419)	(2 419)
Transactions with owners of the Company					
Contributions and distributions					
Shareholder contribution received	-		43 500	-	43 500
Total contributions and distributions	-		43 500	-	43 500
Total transactions with owners of the Company	-		43 500	-	43 500
Balance at 31 December 2018	60		43 500	(2 419)	41 141
Total comprehensive income					
Loss for the period	-		-	(1 950)	(1 950)
Total comprehensive income	-		-	(1 950)	(1 950)
Balance at 31 December 2019	60		43 500	(4 369)	39 191

Condensed Parent Company statement of cash flows

For the twelve months and fourth quarter ended 31 December

<i>In thousands of EUR</i>	<i>Note</i>	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Cash flows from operating activities					
Loss for the reporting period		(1,950)	(2,419)	(681)	(579)
Adjustments for:					
Finance income	22	(2,408)	(2,110)	(592)	(636)
Finance costs	23	3,725	3,130	947	926
Foreign exchange gains	22	(2)	(1)	-	(1)
Foreign exchange losses	23	3	2	1	1
Income tax expense		13	-	13	-
Changes in:					
Other receivables		12	(65)	177	460
Prepaid expenses and accrued income		96	(127)	(4)	(127)
Other liabilities		180	281	140	157
Cash (used in)/ generated from operating activities		(331)	(1,309)	1	201
Interest paid		(3,143)	(2,351)	(792)	(792)
Net cash used in operating activities		(3,474)	(3,660)	(791)	(591)
Cash flows from investing activities					
Interest received		708	21	588	21
Acquisition of subsidiary		(44)	(2,809)	-	-
Deposits placed in restricted accounts		-	(5)	-	-
Loans issued		(396)	(40,372)	-	(2,500)
Proceeds from repayment of loans issued		2,449	8,535	177	3,105
Net cash from/(used in) investing activities		2,717	(34,630)	765	626
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)	-	-
Proceeds from loans and borrowings		723	-	-	-
Net cash from financing activities		723	38,330	-	-
Net (decrease) / increase in cash and cash equivalents		(34)	40	(26)	35
Cash and cash equivalents at 1 January / 1 October		40	-	32	5
Cash and cash equivalents at 31 December		6	40	6	40

NOTES TO THE CONDENSED PARENT COMPANY INTERIM FINANCIAL STATEMENTS

21. Employee benefits expense

In thousands of EUR	12 months 2019	12 months 2018	Q4 2019	Q4 2018
Wages and salaries	107	102	27	35
Social security contributions	23	24	5	9
Total	130	126	32	44

As of 31 December 2019, the Parent Company employed 2 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 27.

22. Finance income

In thousands of EUR	12 months 2019	12 months 2018
Interest income under the effective interest method on:		
Receivables from Group companies	2,408	2,110
Total interest income arising from financial assets measured at amortised cost	2,408	2,110
Foreign exchange gains	2	1
Finance income – other	2	1
Total	2,410	2,111

In thousands of EUR	Q4 2019	Q4 2018
Interest income under the effective interest method on:		
Receivables from Group companies	592	636
Total interest income arising from financial assets measured at amortised cost	592	636
Foreign exchange gains	-	1
Finance income – other	-	1
Total	592	637

23. Finance costs

In thousands of EUR	12 months 2019	12 months 2018
Interest expense on financial liabilities measured at amortised cost	3,725	3,130
Foreign exchange losses	3	2
Total	3,728	3,132

In thousands of EUR	Q4 2019	Q4 2018
Interest expense on financial liabilities measured at amortised cost	947	926
Foreign exchange losses	1	1
Total	948	927

EUR 3,725 thousand of interest expense in the twelve months 2019 consist of EUR 3,143 thousand of interest expense on bonds, EUR 567 thousand of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value and EUR 15 thousand on loans from Group companies (Q4 2019: interest expense in the amount of EUR 947 thousand consist of EUR 792 thousand of interest expense on bonds, EUR 148 thousand of interest expense related to the amortisation of transaction costs on bonds issue and EUR 7 thousand on loans from Group companies).

EUR 3,130 thousand of interest expense in the twelve months 2018 consist of EUR 2,687 thousand of interest expense on bonds and EUR 443 thousand of interest expense related to the amortisation of transaction costs on bonds issue (Q4 2018: interest expense in the amount of EUR 926 thousand consist of EUR 792 thousand of interest expense on bonds and EUR 134 thousand of interest expense related to the amortisation of transaction costs on bonds issue).

24. Trade and other receivables

<i>In thousands of EUR</i>	31 December 2019	31 December 2018
Financial trade and other receivables		
Loans to Group companies (Note 27)	33,277	33,795
Other receivables from Group Companies (Note 27)	166	172
Other receivables due from related parties (Note 27)	195	-
Other receivables	5	5
	33,643	33,972
Non-financial trade and other receivables		
VAT receivable	6	18
Deferred expenses	2	-
	8	18
Total	33,651	33,990
Non-current	33,277	33,795
Current	374	195
Total	33,651	33,990

25. Loans and borrowings

Loans and borrowings for the twelve months ended 31 December 2019 comprise secured bonds in the amount of EUR 39,280 thousand (31 December 2018: EUR 38,713 thousand) and loans from Group Companies in the amount of EUR 723 thousand.

26. Other liabilities

<i>In thousands of EUR</i>	31 December 2019	31 December 2018
Financial trade and other payables		
Accrued interest on bonds	336	336
Accrued interest on loans from Group companies (Note 27)	15	-
Other accrued expenses	105	109
Other payables to Group companies (Note 27)	158	58
Other payables to related parties (Note 27)	-	12
Payables to personnel	103	29
Other payables	65	62
	782	606
Non-financial trade and other payables		
Personal income tax payable	10	3
Social contributions payable	17	3
	27	6
Total	809	612
Non-current	-	-
Current	809	612
Total	809	612

27. Related parties

Transactions with key management personnel

Key management personnel compensation for the twelve months and fourth quarter ended 31 De-

cember 2019 amounted to EUR 130 thousand and EUR 32 thousand respectively (12 months 2018: EUR 126 thousand; Q4 2018: EUR 44 thousand) and comprised only short-term employee benefits in the form of salaries and social contributions.

Other related party transactions

<i>In thousands of EUR</i>	Transaction values for 12 months 2019	Transaction values for 12 months 2018	Transaction values for Q4 2019	Transaction values for Q4 2018	Balance outstanding at 31 December 2019	Balance outstanding at 31 December 2018
Sales of goods and services						
Subsidiaries	218	58	29	39	-	-
Purchases of goods and services						
Shareholders	5	56	-	26	-	-
Subsidiaries	122	378	72	95	-	-
Other related parties	177	1,321	75	12	-	-
Interest income accrued during the period						
Subsidiaries	2,408	2,110	592	636	-	-
Interest expense accrued during the period						
Subsidiaries	15	-	7	-	-	-
Loans granted						
Subsidiaries	396	40,372	-	-	-	-
Loans received						
Subsidiaries	723	-	-	-	-	-
Other receivables						
Shareholders	-	-	-	-	25	-
Subsidiaries	-	-	-	-	166	172
Other related parties	-	-	-	-	170	-
Loans receivable						
Subsidiaries	-	-	-	-	28,579	30,798
Interest receivable						
Subsidiaries	-	-	-	-	4,698	2,997
Loans payable						
Subsidiaries	-	-	-	-	723	-
Interest payable						
Subsidiaries	-	-	-	-	15	-
Other payables						
Subsidiaries	-	-	-	-	158	58
Shareholders	-	-	-	-	-	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 December 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 twelve months and fourth quarter ended 31 December 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, 2 March 2020

Carl Oscar Edgren
Chairman of the Board

Dmitry Ditchkovsky
Board member

Indrek Rahumaa
Board member, CEO

E | L | G

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