

**E | L | G**

**EUROPEAN LINGERIE  
GROUP**



**EUROPEAN LINGERIE GROUP AB**

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**QUARTERLY REPORT – NINE MONTHS  
AND THIRD QUARTER**

**1 JANUARY 2020 – 30 SEPTEMBER 2020**

# CONTENTS

MANAGEMENT REPORT	3
CONDENSED INTERIM FINANCIAL STATEMENTS	12
Information on the Company	13
Condensed consolidated statement of profit or loss and other comprehensive income	14
Condensed consolidated statement of financial position	15
Condensed consolidated statement of changes in equity	16
Condensed consolidated statement of cash flows	17
Notes to the condensed interim financial statements	20
Parent Company Financial information	34
Condensed Parent Company statement of profit or loss and other comprehensive income	35
Condensed Parent Company statement of financial position	36
Condensed Parent Company statement of changes in equity	37
Condensed Parent Company statement of cash flows	38
Notes to the condensed Parent Company interim financial statements	39
Statement by the Board of Directors	42

# 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 30 September 2020 the Group had 20 wholly owned subsidiaries, a representative office located in Russia and a joint venture company located in Latvia.

## Type of operations

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

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

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

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

The COVID-19 pandemic, which started in December 2019 in Wuhan, China and later spread with alarming speed to the rest of the world, infecting millions of people, brought economic activity in the first and the second quarter of 2020 to a near-standstill as countries imposed tight restrictions on movement to halt the spread of the virus. The economic damage is already evident and

represents the largest economic shock the world has experienced in decades. After release of the restrictions and re-opening of shops at the end of the second quarter of 2020 and throughout the third quarter of 2020, the Group experienced rather stable recovery of its volumes during the whole reporting quarter and filled its production close to fully utilised capacity. Some of the novelty production in the lingerie ready garment segment for Autumn 2020 collection was delayed due to the slowed down production in the second quarter of 2020 as well as the short-time regime of part of the suppliers of materials. Due to that, shipments of the novelties were shifted from the third to the fourth quarter of 2020, which influenced the volume and revenue fluctuations in the reporting quarter on a comparable basis. The same issue was faced by the majority of the Group's competitors in the lingerie ready garment segment. Brands were later with their Autumn 2020 novelties, which also influenced the revenue generated by our online lingerie company Dessus-Dessous SAS in the reporting quarter. In general, the Group is satisfied with its results of the reporting quarter and in some product groups it traded even at the level above the same period last year. The trading would have been even better if the short-time regime at the suppliers' facilities were not in place.

Looking at the fourth quarter of 2020, the countries started to bring new restrictions and rules in place due to the speedy development of the second wave of COVID-19. This will certainly hurt economies further and the negative influence onto them would probably last longer than in Spring as the implemented measures by the governments are not so quick and severe now. Complete closures in Spring were not expected by the economies in general and stopped most of the supply chains completely for the closure period, however, back in Spring such approach helped to control and limit the spread of the virus much faster than we experience now.

As a result of pandemic, revenue in 9 months 2020 for European Lingerie Group was 17.6% lower than in 9 months 2019. The drop in traditional textile and lingerie products was larger, but the Group was able to outweigh part of it with additional business from sewing protective masks as well as trading imported medical masks and respirators. This gave large support to the Group in covering

its operating costs during the down-time period. Revenue in the third quarter 2020 for the Group was 15.5% lower than in the third quarter 2019. The textiles segment achieved a growth in revenue and the lingerie segment experienced a drop. The drop in the revenue of the lingerie ready garment segment is mainly explained by the continuing relatively weak customer turnover in physical stores as tourism was still limited throughout the whole period and people in general were reluctant to visit public places in order to escape from the risk of being infected. Also, the delay of novelty shipments explained above negatively influenced the revenue of the reporting quarter.

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

Online retail of the Group continued working as normal during the lock-down period and sales were even higher than in the same period last year. Dessus-Dessous SAS continued to be above last year in revenue also in the reporting quarter, when physical retail stores were open in general.

As announced on the website and in the Annual Report 2019, in July 2020 the Group reached an agreement on a standstill with the Bondholder Committee (representing approximately 60 per cent of the Total Nominal Amount of the Bonds) regarding ELG's defaults under the Terms and Conditions as well as a cooperation between the ELG and the Bondholder Committee to explore and execute a potential restructuring of the Group and the Bonds. The initial long stop date for the standstill was 30 November 2020 (the "Standstill Period"), which was later extended to accommodate the investment process deadlines with a requirement to sign binding investment agreement

by mid-December at the latest and full closing of transaction in January 2021 at the latest.

Provided that certain conditions are met, the Bondholder Committee has agreed to the following undertakings during the Standstill Period:

- not to instruct Intertrust (Sweden) AB (the "Agent") to accelerate the Bonds due to ELG's failure to (a) comply with the Maintenance Test covenant for Q3 and Q4 2019 as well as Q1, Q2, Q3 and Q4 2020, (b) pay Interest in respect of the Bonds on the Interest Payment Date for the Interest Period ending on 22 May 2020, on 22 August 2020 and on 22 November 2020, (c) comply with Clause 11.1(a)(i) (Information from the Issuer) due to the fact that ELG has not timely delivered the Audited Financial Report for the financial year 2019, and (d) timely announce the intra-group transfer of shares of Felina GmbH from Felina International AG to E|L|B GmbH;
- to waive any breach of (a) Clause 13.4 (Financial Indebtedness) due to the planned additional aid loans and (b) Clause 13.8 (Negative Pledge) due to the additional security to be provided in respect of these loans.

The amendments, extensions and waivers above are subject to the Group's and principal shareholder continued cooperation with Bondholders' Committee for finalization of the investment process as well as certain milestones being satisfied throughout the investment process. The Standstill Period may be further extended or, if certain conditions of the standstill agreement are not met, lapse prior to the end of January 2021.

The written procedure initiated on 13 August 2020 in order to vote for certain amendments to the terms and conditions for the Bonds has been successfully concluded in September 2020.

It is noted that the completion of any restructuring measures agreed upon during the Standstill Period is subject to the approval of an additional Written Procedure to be held in accordance with the Terms and Conditions.

## 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 9 months 2020, Q3 2020 and 9 months

2019, Q3 2019.

Summarized selected financial indicators of the Group for 9 months 2020 compared to 9 months 2019, Q3 2020 compared to Q3 2019 and 30.09.2020 compared to 30.09.2019 and 31.12.2019 were as follows:

In thousands of EUR	9 months 2020	9 months 2019	Change
Revenue	48,664	59,060	-17.6%
Normalised operating profit <sup>1</sup>	43	4,824	-99.1%
Normalised EBITDA <sup>2</sup>	2,951	7,619	-61.3%
Normalised net loss <sup>3</sup>	(2,804)	1,085	-358.4%
Operating cash flow for the period	4,389	1,488	195.0%

In thousands of EUR	Q3 2020	Q3 2019	Change
Revenue	16,013	18,951	-15.5%
Normalised operating profit <sup>1</sup>	(49)	2,063	-102.4%
Normalised EBITDA <sup>2</sup>	952	2,991	-68.2%
Normalised net profit/(loss) <sup>3</sup>	(1,078)	660	-263.3%
Operating cash flow for the period	636	472	34.7%

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

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

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

In thousands of EUR	30.09. 2020	30.09. 2019	31.12. 2019	Change to 30.09. 2019	Change to 31.12. 2019
Total assets	67,600	71,250	70,386	-5.1%	-4.0%
Total current assets	35,858	39,238	37,798	-8.6%	-5.1%
Cash and cash equivalents	6,793	1,855	1,365	266.2%	397.7%
Total current liabilities	57,939	16,866	56,387	243.5%	2.8%
Adjusted current liabilities <sup>4</sup>	18,197	16,866	17,107	7.9%	6.4%
Gross interest-bearing debt <sup>5</sup>	51,541	46,574	46,996	10.7%	9.7%
Net interest-bearing debt <sup>6</sup>	44,748	44,719	45,631	0.1%	-1.9%

<sup>4</sup> Adjusted total current liabilities exclude bond liabilities in the amount of EUR 39,742 thousand classified as short-term (31 December 2019: EUR 39,280 thousand).

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

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

Marginal analysis, %	9 months 2020	9 months 2019	Change
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Normalised operating profit margin	0.1 %	8.2%	-8.1%
Normalised EBITDA margin	6.1%	12.9%	-6.8 %
Normalised net profit margin	-5.8%	1.8%	-7.6%

Marginal analysis, %	Q3 2020	Q3 2019	Change
Normalised operating profit margin	-0.3%	10.9%	-11.2%
Normalised EBITDA margin	5.9%	15.8%	-9.9%
Normalised net profit margin	-6.7%	3.5%	-10.2%

Financial ratios	30.09.2020	30.09.2019	31.12.2019
ROA (return on assets) <sup>7</sup>	-4.3%	-0.5%	1.3%
Adjusted current ratio <sup>8</sup>	2.0	2.3	2.2
Adjusted quick ratio <sup>9</sup>	1.0	1.1	1.0
12 months rolling normalised EBITDA <sup>10</sup>	4,161	9,323	8,829
Net debt/EBITDA <sup>11</sup>	10.8	4.8	5.2

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

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

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

<sup>10</sup> 12 months rolling normalised EBITDA is EBITDA for the period from 1 October 2019/2018 to 30 September 2020/2019 and from 1 January 2019 to 31 December 2019

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

## Financial performance

Financial performance of the Group was analysed on the basis of the reported financial information of European Lingerie Group AB for 9 months 2020, Q3 2020 and for 9 months 2019, Q3 2019.

The Group's sales amounted to EUR 48,664 thousand in 9 months 2020 (Q3 2020: EUR 16,013 thousand), representing a 17.6% decrease as compared to sales of 9 months 2019 (15.5% decrease to Q3 2019). In 9 months 2020, the decrease in sales was mainly a result of COVID-19 outbreak followed by partial deferral of orders by customers as well as significant reduction of orders during the lock-down period. In addition to that, due to introduction of a smaller Felina swimwear collection in 2020, revenue of swimwear was also lower in 9 months 2020 than in the same period last year. In the reporting quarter, the textiles segment achieved a growth in revenue whereby the lingerie segment still experienced a drop. The drop in the revenue of the lingerie ready garment segment in the reporting quarter is mainly explained by the

continuing relatively weak customer turnover in physical stores as well as the delay of Autumn 2020 novelty shipments as explained above. Furthermore, closure of stores during the second quarter of 2020 limited significantly the possibility of sales of Spring/Summer 2020 novelties to be at full price and larger parts of those than normally were either sold at discount or returned at the end of the season, which was a negative effect to the revenue of the reporting quarter carried as a consequence of the lock-down imposed in the second quarter of 2020.

Profitability margins in 9 months 2020 were below previous year which is explained by COVID-19 outbreak and shortfall in revenue which made it difficult to cover part of the fixed costs. The drop in profitability though was partly outweighed by the additional business from protective masks, state subsidies received for the down-time payments to employees and strict cost control during the lock-down period. Q3 2020 profitability from traditional textile and lingerie product operations was satisfactory, however, it was negatively affected by the write downs accrued for the face masks stock in the amount of EUR 960 thousand to reflect their net realisable value at period-end and outweighed the higher profit realised on the medical mask business during the second quarter of 2020.

Normalised EBITDA in 9 months 2020 amounted to EUR 2,951 thousand (Q3 2020: EUR 952 thousand) and decreased by 61.3% compared to 9 months 2019 (68.2% decrease to Q3 2019). Normalised EBITDA margin in 9 months 2020 and 9 months 2019 was 6.1% and 12.9% respectively (Q3 2020 and Q3 2019: 5.9% and 15.8% respectively).

Normalised net profit in 9 months 2020 amounted to a loss of EUR 2,804 thousand (Q3 2020: loss of EUR 1,078 thousand), compared to normalised net profit of EUR 1,085 thousand in 9 months 2019 (Q3 2019: EUR 660 thousand). Decrease in net profit is as well explained by the reasons described above.

Normalised net profit margin in 9 months 2020 and 9 months 2019 was -5.8% and 1.8% respectively (-6.7% and 3.5% in Q3 2020 and Q3 2019 respectively).

### **Financial position**

Financial position of the Group at 30 September 2020 and 30 September 2019 was consolidated position as per the consolidated interim financial statements of European Lingerie Group AB for 9 months 2020 and 9 months 2019 respectively. Financial position of the Group at 31 December 2019 was consolidated position as per the consolidated

annual financial statements for the year 2019.

At 30 September 2020 consolidated total assets amounted to EUR 67,600 thousand representing a decrease of 5.1% as compared to the statement of financial position at 30 September 2019 (decrease of 4.0% as compared to the statement of financial position at 31 December 2019).

Inventories balance decreased by 16.7% compared to the balance at 30 September 2019 (by 13.4% compared to the balance at 31 December 2019). The decrease was a result of reduction in production volumes after the initiated downtime and continuing sales made from warehouse stock. Also, the results of the started improvement measures in the consignment arrangements brought additional improvement in the total inventories balance at the reporting date.

Current trade and other receivables decreased by 28.6% and 28.1% compared to the balance at 30 September 2019 and 31 December 2019 respectively as a result of lower sales in 9 months 2020 and additional allowance for expected credit losses recognised. Higher allowance for expected credit loss is a result of the bad economic cycle statistics applied for the calculations in 2020 and temporarily worsened ageing structure of the receivables, which affected the calculated amount as well. The Group expects reversals of these additional allowances in the coming periods when the ageing structure of the receivables improves and the economic cycle applied to the calculation is changed to a normal cycle.

Cash and cash equivalents increased by EUR 4,938 thousand and EUR 5,428 thousand compared to 30 September 2019 and 31 December 2019 mainly as a result of improvements in working capital and additional inflows from credit line facilities.

Loans and borrowings at 30 September 2020 increased by EUR 4,967 thousand compared to 30 September 2019 (EUR 4,545 thousand compared to 31 December 2019), which is explained by the increase in the utilised credit line facilities and additional leases recognised after renegotiation of lease terms and conclusion of new lease agreements for new time frames.

Current trade and other payables at 30 September 2020 were EUR 9,482 thousand and decreased by EUR 1,658 thousand compared to 30 September 2019 (by EUR 2,031 thousand compared to 31 December 2019). Decrease is explained by the improvement on liquidity during Q3 and repayment of accumulated outstanding debts.

## Sales

Sales structure of the Group was calculated on the basis of the reported financial information of European Lingerie Group AB for 9 months 2020, Q3 2020 and 9 months 2019, Q3 2019.

### Sales by markets

Core operating markets for European Lingerie Group are Germany, Spain, France, Poland, Benelux countries, Baltic countries, Russia, Belarus, Italy and Ukraine. Group's sales in its core markets in 9 months 2020 were 86.5% of its total sales against 84.1% in 9 months 2019 (85.1% in Q3 2020 against 84.3% in Q3 2019).

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

In thousands of EUR	9 months 2020	9 months 2019	Change, %	9 months 2020, % of sales	9 months 2019, % of sales
Baltic countries <sup>12</sup>	9,532	6,815	39.9%	19.6%	11.5%
Germany	9,240	13,281	-30.4%	19.0%	22.5%
France	7,115	5,032	41.4%	14.6%	8.5%
Russia	4,823	7,773	-38.0%	9.9%	13.2%
Benelux countries <sup>13</sup>	3,076	4,246	-27.6%	6.3%	7.2%
Belarus	2,860	3,924	-27.1%	5.9%	6.6%
Poland	2,502	3,403	-26.5%	5.1%	5.8%
Italy	1,189	1,516	-21.6%	2.4%	2.6%
Spain	896	2,609	-65.7%	1.8%	4.4%
Ukraine	866	1,061	-18.4%	1.8%	1.8%
Other markets	6,565	9,400	-30.2%	13.6%	15.9%
<b>Total</b>	<b>48,664</b>	<b>59,060</b>	<b>-17.6%</b>	<b>100.0%</b>	<b>100.0%</b>

In thousands of EUR	Q3 2020	Q3 2019	Change, %	Q3 2020, % of sales	Q3 2019, % of sales
Germany	3,524	4,490	-21.5%	22.0%	23.7%
Baltic countries <sup>12</sup>	2,603	2,038	27.7%	16.3%	10.8%
France	2,075	1,701	22.0%	13.0%	9.0%
Russia	1,805	2,506	-28.0%	11.3%	13.2%
Belarus	1,434	982	46.0%	9.0%	5.2%
Poland	1,281	1,014	26.3%	8.0%	5.4%
Benelux countries <sup>13</sup>	1,028	1,452	-29.2%	6.4%	7.7%
Ukraine	231	328	-29.6%	1.4%	1.7%
Italy	176	397	-55.7%	1.1%	2.1%
Spain	(524)	1,069	-149.0%	-3.3%	5.6%
Other markets	2,380	2,974	-20.0%	14.8%	15.6%
<b>Total</b>	<b>16,013</b>	<b>18,951</b>	<b>-15.5%</b>	<b>100.0%</b>	<b>100.0%</b>

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

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

As a result of COVID-19 outbreak, sales in all markets operated by the Group demonstrated a decrease in 9 months, except Baltic countries and France. In Q3 2020, also Belarussian and Polish markets demonstrated a recovery and growth.

Sales in the Baltic countries increased by 39.9% in 9 months 2020 compared to previous year (Q3 2020: increase by 27.7%). 9 months increase is explained by sales of medical masks and respirators, while Q3 growth was a result of the market and production recovery after the first wave of COVID-19.

Sales in France increased by 41.4% in 9 months 2020 and by 22.0% in Q3 2020 compared to previous year. Such an outstanding growth was caused by two factors. Firstly, Felina's Hungarian production facility concluded a contract for sewing protective masks for a French customer. Secondly, switch of demand from traditional shopping to online during the lock-down period resulted in higher sales achieved by the Group's online retailer – Dessus-Dessous S.A.S.

Sales in Spain had the most dramatic drop - by 65.7% in 9 months 2020 and by 149.0% in Q3 2020 compared to previous year. This was mainly a result of Covid-19 impact as well as substantial returns received by the Group from its key customer in the market in Q3 2020 which combined the returns related to Q1 and Q2 2020, but were delayed due to closure of retail stores in Spring.

Sales in Italy decreased by 21.6% in 9 months 2020 and by 55.7% in Q3 2020 compared to previous year. 9 months drop was not as significant as Q3 because of sales of medical masks imported by the Group from China. Like for like sales change in 9 months 2020 (excluding medical masks impact) was a decrease of 54.6%. Both Spain and Italy suffered severely from the COVID-19 and applied restrictions, which lowered substantially the level of tourists in the country during the summer vacation period and as a result reduced customer flow and sales in the retail stores.

Sales in Russia decreased by 38.0% in 9 months and 28.0% in Q3 2020. This was a result of tighter restrictions on movement imposed by the government in the region together with complete closure of stores except for pharmacies and grocery shops for 2 months during Q2. Belarus and Poland suffered from the same effect as large portion of lingerie ready garments produced in these countries are exported to Russia for retail. After the release of restrictions in June 2020, the Russian market start-



ed recovering quite fast and sales volume started to pick up.

Sales in Ukraine decreased by 18.4% in 9 months 2020 and by 29.6% in Q3 2020 compared to previous year. The lower year-to-date drop is explained by Senselle by Felina lingerie sales in the region which are not shipped regularly on monthly basis.

#### 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	9 months 2020	9 months 2019	Change, %	9 months 2020, % of sales	9 months 2019, % of sales
Textiles	24,367	25,117	-3.0%	47.4%	41.0%
Lingerie	25,573	34,844	-26.6%	52.6%	59.0%
Intercompany eliminations	(1,276)	(901)	-	-	-
<b>Total</b>	<b>48,664</b>	<b>59,060</b>	<b>-17.6%</b>	<b>100.0%</b>	<b>100.0%</b>

In thousands of EUR	Q3 2020	Q3 2019	Change, %	Q3 2020, % of sales	Q3 2019, % of sales
Textiles	8,694	7,214	20.5%	51.6%	36.4%
Lingerie	7,747	12,059	-35.8%	48.4%	63.6%
Intercompany eliminations	(428)	(322)	-	-	-
<b>Total</b>	<b>16,013</b>	<b>18,951</b>	<b>-15.5%</b>	<b>100.0%</b>	<b>100.0%</b>

During 9 months, both textiles and lingerie segment demonstrated a decrease, though textile segment decrease was minor. Lingerie segment suffered more from COVID-19 as it was hit immediately upon the closure of retail stores in most of our core markets. Textile segment felt the reduction 2 weeks later when stopped retail sales hit lingerie manufacturers and brands and these decided to temporarily stop their production as well. In both segments the drop in sales was par-

tially outweigh by the additional sales of imported medical masks and respirators carried out during the lock-down period in the textile segment and by additional income from sewing protective masks in the lingerie segment. In Q3 2020 the textiles segment achieved a growth in revenue whereby the lingerie segment still experienced a drop. The drop in the revenue of the lingerie ready garment segment in the reporting quarter is mainly explained by the continuing relatively weak customer turnover in physical stores as well as the delay of Autumn 2020 novelty shipments as explained above. Furthermore, closure of stores during the second quarter of 2020 limited significantly the possibility of sales of Spring/Summer 2020 novelties to be at full price and larger parts of those than normally were either sold at discount or returned at the end of the season, which was a negative effect to the revenue of the reporting quarter carried as a consequence of the lock-down imposed in the second quarter of 2020.

#### **Investments**

During 9 months 2020 the Group invested into property plant and equipment and intangible assets EUR 415 thousand compared to EUR 2,549 thousand in 9 months 2019. Q3 2020 investments amounted to EUR 77 thousand compared to EUR 1,149 thousand in Q3 2019. The main investments during Q3 2020 related to Magento and Open ERP platform migration project in Dessus-Dessous S.A.S. which was started in 2019 and was completed in October 2020.

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

Q3 2020 showed that the measures implemented by the Group for recovering lost sales volumes and improving profitability margins start to pay back. This further provides solid base to complete the investment and restructuring process of the bonds.

The Group expects to come back to pre-pandemic levels of revenue in the next 1 to 1.5 years, but with healthier profitability margins than historically. The Group appreciates the support of its customers, suppliers, employees and financiers. All implemented measures, as well as the general approach by the Group and its companies, are targeted at a long-term sustainability of the business as well as its positioning for the period of revived demand. The Group's business model is based on providing high-quality products in relatively short lead times, sourced locally. This is the fundament that is stable as many short-term disruptions come and go.

## Normalised EBITDA and normalized net profit calculation

<i>In thousands of EUR</i>	9 months 2020	9 months 2019	Q3 2020	Q3 2019
<b>Reported EBITDA</b>	<b>1,807</b>	<b>7,587</b>	<b>526</b>	<b>2,962</b>
Adjusted by:				
Costs related to the contemplated restructuring costs of the Group	472	-	293	-
Transaction costs:				
Bond change / amendment / restructuring related costs	522	-	131	-
Acquisition of subsidiary	-	4	-	-
Net (gain) / loss on disposal of intangible assets and property, plant and equipment	31	68	-	(22)
Gain on disposal of subsidiary	-	(217)	-	-
Capital raise related costs	39	-	2	-
Other	50	177	-	51
<b>Normalised EBITDA</b>	<b>2,951</b>	<b>7,619</b>	<b>952</b>	<b>2,991</b>
<b>Reported net profit / (loss)</b>	<b>(4,248)</b>	<b>636</b>	<b>(1,573)</b>	<b>490</b>
Normalisation adjustments	1,606	449	585	171
Tax effect on normalization adjustments	(162)	-	(90)	(1)
<b>Normalised net profit/(loss)</b>	<b>(2,804)</b>	<b>1,085</b>	<b>(1,078)</b>	<b>660</b>

### **Commentary on the calculation of normalised EBITDA and net profit**

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

- *Costs related to the contemplated restructuring of the Group* in 2020 related to consulting and legal expenses related to further restructuring measures plan preparation for the Group.
- *Transaction costs* in 2020 related to renegotiation of the Bond Terms and Conditions, establishment and registration of additional collateral requested by the bondholders as well as restructuring of the bonds through an investment process. 2019 transaction costs related

to acquisition of Yustina OOO (renamed to Senselle OOO).

- *Capital raise related costs* included mainly legal costs related to potential equity or subordinated debt attraction projects.
- *Other costs* in 2020 included various consulting costs related to the potential investment projects and other costs in 2019 included costs related to the establishment of the new subsidiary in Germany - Brafetch GmbH, which was divested by the Group in Q3 2019.
- *Normalisation adjustments for net profit* in 2020 and 2019 included interest expense related to the amortization of transaction costs on bonds issue



**EUROPEAN LINGERIE  
GROUP AB**

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**CONDENSED  
INTERIM  
FINANCIAL  
STATEMENTS**

FOR THE NINE MONTHS AND  
THIRD QUARTER ENDED  
30 SEPTEMBER 2020 (UNAUDITED)

# INFORMATION ON THE COMPANY

Name of the company	<i>European Lingerie Group AB</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>C/O Rödl &amp; Partner Nordic AB, Drottninggatan 95 A, Stockholm, 113 60 Sweden</i>
Corporate website	<i>www.elg-corporate.com</i>
Core activities	<i>Manufacturing, processing, wholesale and retail of textiles and lingerie products</i>
Members of the Board and their positions	<i>Carl Oscar Edgren, Chairman of the Board Indrek Rahumaa, Member of the Board Dmitry Ditchkovsky, Board Member</i>
Managing director	<i>Indrek Rahumaa</i>
Financial year	<i>1 January 2020 – 31 December 2020</i>
Reporting period	<i>1 January 2020 – 30 September 2020</i>
Information on shareholders	<i>From 26 April 2019 and until 7 January 2020: Helike Holdings OU (71.18%), Bryum Capial Ltd (24.72%), SIA Silver Invest (1.80%), SIA Ievades Nozares (1.60%), Tuida Holding AB (0.40%) and Amorvero Holding OU (0.30%)  From 7 January 2020 and until 26 February 2020: Helike Holdings OU (71.18%), Bryum Capial Ltd (24.72%), SIA Silver Invest (1.80%), Pohja-Balti Usaldusfond (1.60%), Tuida Holding AB (0.40%) and Amorvero Holding OU (0.30%)  From 26 February 2020: Helike Holdings OU (70.35%), Bryum Capial Ltd (25.55%), SIA Silver Invest (1.80%), Pöhja-Balti Usaldusfond (1.60%), Tuida Holding AB (0.40%) and Amorvero Holding OU (0.30%)</i>
Information on the subsidiaries	<i>SIA European Lingerie Group (100.0% from 19 February 2018) Felina France S.a.r.l. (100.0% from 16 May 2018) Senselle OOO (100% from 2 January 2019)</i>
Auditors	<i>Ernst &amp; Young AB Jakobsbergsgatan 24 111 44 Stockholm, Sweden</i>

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

For the nine months and the third quarter ended 30 September

<i>In thousands of EUR</i>	<i>Note</i>	<b>9 months 2020</b>	<b>9 months 2019 Restated*</b>	<b>Q3 2020</b>	<b>Q3 2019 Restated*</b>
<b>Revenue</b>	4,5	<b>48,664</b>	<b>59,060</b>	<b>16,013</b>	<b>18,951</b>
Other operating income	6	2,775	2,164	1,709	1,077
Changes in inventories of finished goods and work in progress		794	3,046	(286)	676
Raw materials and services		(20,276)	(23,113)	(6,012)	(7,197)
Employee benefits expense	7	(16,422)	(19,709)	(5,402)	(6,183)
Depreciation and amortisation		(2,908)	(2,795)	(1,001)	(928)
(Impairment loss)/reversal of impairment loss on trade and other receivables		(858)	23	(260)	15
Other operating expenses	8	(12,870)	(13,884)	(5,236)	(4,377)
<b>Operating profit/ (loss)</b>		<b>(1,101)</b>	<b>4,792</b>	<b>(475)</b>	<b>2,034</b>
Finance income	9	1,780	370	834	106
Finance costs	10	(4,901)	(3,435)	(1,896)	(1,158)
<b>Net finance costs</b>		<b>(3,121)</b>	<b>(3,065)</b>	<b>(1,062)</b>	<b>(1,052)</b>
<b>Profit/ (loss) before income tax</b>		<b>(4,222)</b>	<b>1,727</b>	<b>(1,537)</b>	<b>982</b>
Income tax expense	11	(26)	(1,091)	(36)	(492)
<b>Profit/(loss) for the period attributable to the owners of the Parent Company</b>		<b>(4,248)</b>	<b>636</b>	<b>(1,573)</b>	<b>490</b>
<b>Other comprehensive income</b>					
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Foreign operations – foreign currency translation differences		(898)	29	(405)	(150)
<b>Other comprehensive income, net of tax</b>		<b>(898)</b>	<b>29</b>	<b>(405)</b>	<b>(150)</b>
<b>Total comprehensive income</b>		<b>(5,146)</b>	<b>665</b>	<b>(1,978)</b>	<b>340</b>

\* Refer to Note 3 for the explanation of the figures restated in 9 months and Q3 2019

## Condensed consolidated statement of financial position

<i>In thousands of EUR</i>	<i>Note</i>	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>30 September 2019</b>
<b>Assets</b>				
Property, plant and equipment	12	9,687	11,066	11,273
Intangible assets		14,393	14,573	14,754
Right-of-use assets		5,111	4,306	4,023
Deferred tax assets		1,850	1,926	1,615
Other receivables	14	701	717	347
<b>Total non-current assets</b>		<b>31,742</b>	<b>32,588</b>	<b>32,012</b>
Inventories	13	17,736	20,471	21,302
Corporate tax assets		29	280	247
Trade and other receivables	14	10,679	14,854	14,967
Contract assets		72	29	112
Prepayments		549	799	755
Cash and cash equivalents		6,793	1,365	1,855
<b>Total current assets</b>		<b>35,858</b>	<b>37,798</b>	<b>39,238</b>
<b>Total assets</b>		<b>67,600</b>	<b>70,386</b>	<b>71,250</b>
<b>Equity</b>				
Share capital	15	60	60	60
Reserves	15	(1,114)	(216)	(303)
Retained earnings		160	4,408	5,107
<b>Total equity</b>		<b>(894)</b>	<b>4,252</b>	<b>4,864</b>
<b>Liabilities</b>				
Loans and borrowings	16	3,788	2,666	41,557
Net employee defined benefit liability		3,239	3,336	3,720
Deferred income		335	449	392
Provisions		227	221	224
Other payables	17	74	92	98
Deferred tax liabilities		2,892	2,983	3,529
<b>Total non-current liabilities</b>		<b>10,555</b>	<b>9,747</b>	<b>49,520</b>
Loans and borrowings	16	47,753	44,330	5,017
Trade and other payables	17	9,482	11,513	11,140
Contract liabilities		406	192	103
Corporate income tax liabilities		101	191	246
Provisions		26	46	147
Deferred income		171	115	213
<b>Total current liabilities</b>		<b>57,939</b>	<b>56,387</b>	<b>16,866</b>
<b>Total liabilities</b>		<b>68,494</b>	<b>66,134</b>	<b>66,386</b>
<b>Total equity and liabilities</b>		<b>67,600</b>	<b>70,386</b>	<b>71,250</b>

## Condensed consolidated statement of changes in equity

For the nine months ended 30 September 2020

Attributable to owners of the Parent Company

<i>In thousands of EUR</i>	Share capital	Translation reserve	Retained earnings	Total equity
Balance at 31 December 2019	60	(216)	4,408	4,252
<b>Total comprehensive income</b>				
Loss for the period	-	-	(4,248)	(4,248)
Other comprehensive income	-	(898)	-	(898)
<b>Total comprehensive income</b>	<b>-</b>	<b>(898)</b>	<b>(4,248)</b>	<b>(5,146)</b>
Balance at 30 September 2020	60	(1,114)	160	(894)

For the nine months ended 30 September 2019

Attributable to owners of the Parent Company

<i>In thousands of EUR</i>	Share capital	Translation reserve	Retained earnings	Total equity
Balance at 31 December 2018	60	(332)	5,086	4,814
<b>Total comprehensive income</b>				
Profit for the period	-	-	636	636
Other comprehensive income	-	29	-	29
<b>Total comprehensive income</b>	<b>-</b>	<b>29</b>	<b>636</b>	<b>665</b>
<b>Contributions and distributions</b>				
Equity-settled share-based payment	-	-	(615)	(615)
<b>Total contributions and distributions</b>	<b>-</b>	<b>-</b>	<b>(615)</b>	<b>(615)</b>
Balance at 30 September 2019	60	(303)	5,107	4,864



## Condensed consolidated statement of cash flows

For the nine months and third quarter ended 30 September

<i>In thousands of EUR</i>	<i>Note</i>	<b>9 months 2020</b>	<b>9 months 2019</b>	<b>Q3 2020</b>	<b>Q3 2019</b>
<b>Cash flows from operating activities</b>					
Profit/(loss) for the reporting period		(4,248)	636	(1,573)	490
Adjustments for:					
Depreciation		2,398	2,234	853	741
Amortization		510	561	148	187
Impairment loss/(reversal of impairment loss) on trade and other receivables		858	(23)	260	(15)
Income from government grants		(2,026)	(182)	(1,486)	(60)
Finance income	9	(40)	(48)	(17)	(15)
Finance costs	10	3,279	3,154	1,200	1,062
Foreign exchange gains	9	(1,740)	(322)	(817)	(91)
Foreign exchange losses	10	1,622	281	696	96
Net loss on disposal of property, plant and equipment		32	68	-	(22)
Equity-settled share-based payment transactions		-	(615)	-	-
Gain on disposal of subsidiary		-	(217)	-	(667)
Gain on bargain purchase		-	(22)	-	-
Gain on termination of lease agreement		(69)	-	-	-
Income tax expense	11	26	1,091	36	492
Changes in:					
Inventories		2,735	(2,294)	2,328	(175)
Trade and other receivables		4,123	(630)	1,832	1,292
Contract assets		(43)	(86)	(16)	6
Prepayments		250	184	490	(92)
Trade and other payables		(2,154)	988	(3,044)	(1,872)
Contract liabilities		214	(189)	65	(54)
Provisions		(14)	47	(23)	114
Net employee defined benefit liability		(140)	(140)	(47)	(46)
<b>Cash generated from operating activities</b>		<b>5,573</b>	<b>4,476</b>	<b>885</b>	<b>1,371</b>
Interest paid		(1,153)	(2,658)	(181)	(895)
Income taxes paid		(31)	(330)	(68)	(4)
<b>Net cash from operating activities</b>		<b>4,389</b>	<b>1,488</b>	<b>636</b>	<b>472</b>

## Condensed consolidated statement of cash flows (continued)

For the nine months and third quarter ended 30 September

<i>In thousands of EUR</i>	<i>Note</i>	<b>9 months 2020</b>	<b>9 months 2019</b>	<b>Q3 2020</b>	<b>Q3 2019</b>
<b>Cash flows from investing activities</b>					
Interest received		26	89	23	79
Proceeds from sale of property, plant and equipment		1	51	-	44
Cash disposed on disposal of subsidiary		-	(2)	-	-
Proceeds from repayment of loans issued		25	-	25	
Acquisition of subsidiary net of cash acquired		(51)	(217)	-	(226)
Acquisition of property, plant and equipment and intangible assets		(415)	(2,549)	(77)	(1,149)
Deposits placed on restricted accounts		(95)	-	(95)	-
<b>Net cash used in investing activities</b>		<b>(509)</b>	<b>(2,628)</b>	<b>(124)</b>	<b>(1,252)</b>
<b>Cash flows from financing activities</b>					
Proceeds from bank loans		649	-	73	-
Change in bank overdraft		1,310	1,840	(363)	294
Repayment of borrowings		(22)	-	(22)	-
Payment of finance lease liabilities		(999)	(739)	(339)	(252)
Proceeds from sale and leaseback transaction		-	595	-	595
Proceed from grants and donations		1,749	-	1,214	-
(Repayment)/receipt of factoring		(357)	(167)	91	(109)
<b>Net cash from financing activities</b>		<b>2,330</b>	<b>1,529</b>	<b>654</b>	<b>528</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>6,210</b>	<b>389</b>	<b>1,166</b>	<b>(252)</b>
Cash and cash equivalents at 1 January / 1 July		1,365	1,335	6,023	2,185
Effect of movement in exchange rates on cash held		(782)	131	(396)	(78)
<b>Cash and cash equivalents at 30 September</b>		<b>6,793</b>	<b>1,855</b>	<b>6,793</b>	<b>1,855</b>



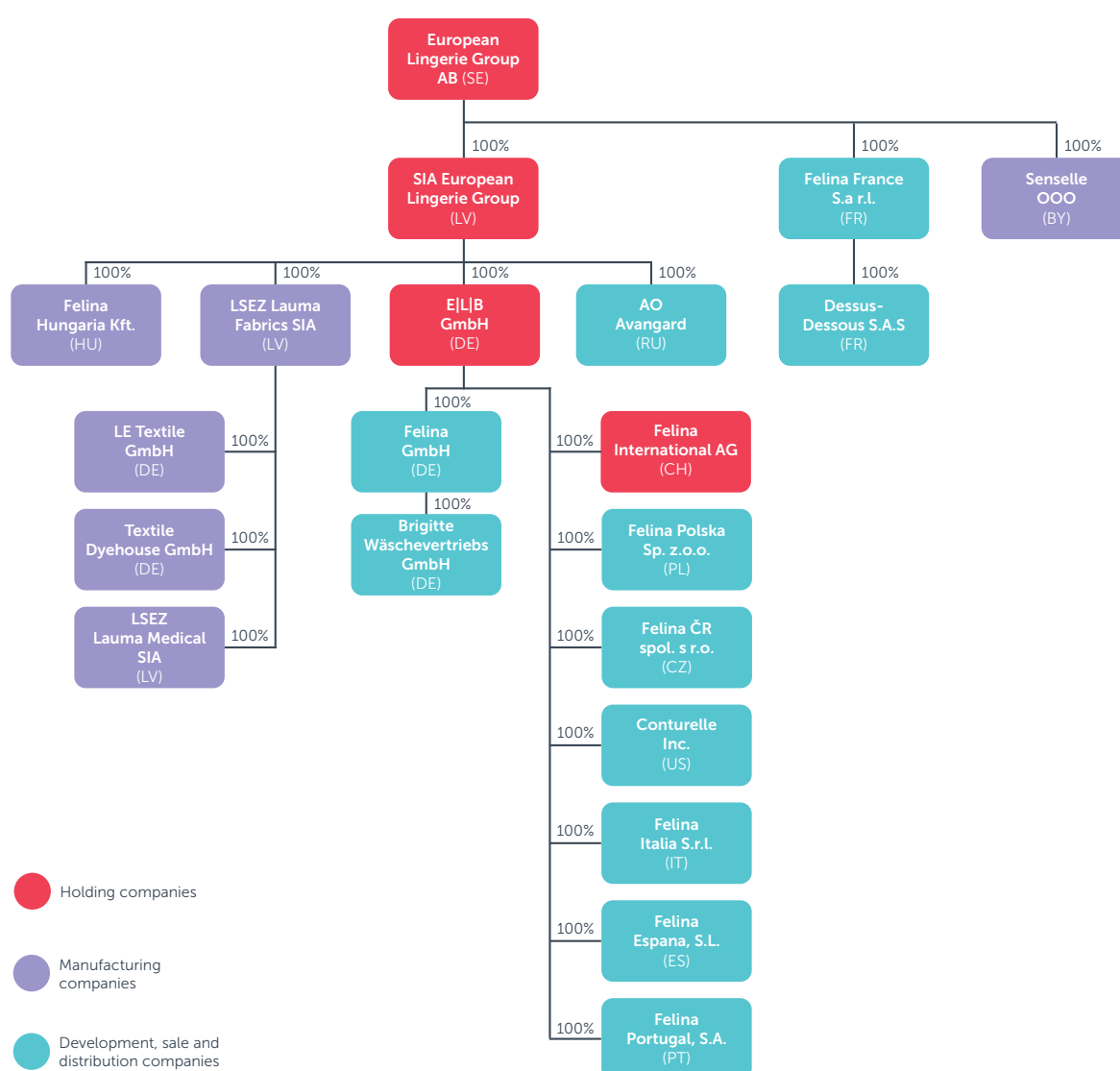
# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

## 1. Reporting entity

European Lingerie Group AB is a company domiciled in Sweden. These condensed consolidated interim financial statements ("interim financial statements") as at and for the third quarter ended 30 September 2020 comprise the Parent compa-

ny and its subsidiaries (together referred to as "the Group"). The Group is primarily involved in manufacturing, processing, wholesale and retail of textiles and lingerie products.

At 30 September 2020, the Group structure was as follows:



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

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

## 2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim financial reporting and should be read in conjunction with the Group's last annual financial statements as at and for the period ended 31 December 2019 ('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.

These interim financial statements were authorised for issue by the Company's Board of Directors on 30 November 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:

	30 September 2020	31 December 2019	30 September 2019
1 EUR/CHF	1.0804	1.0854	1.0847
1 EUR/PLN	4.5462	4.2568	4.3782
1 EUR/HUF	365.5300	330.5300	334.8300
1 EUR/CZK	27.2330	25.4080	25.8160
1 EUR/USD	1.1708	1.1234	1.0889
1 EUR/RUB	91.7763	69.9563	70.7557
1 EUR/BYN	3.0840	2.3524	2.2651

	Average for 9 months 2020	Average for Q3 2020	Average for 9 months 2019	Average for Q3 2019
1 EUR/CHF	1.0680	1.0754	1.1179	1.0960
1 EUR/PLN	4.4220	4.4413	4.3011	4.3184
1 EUR/HUF	348.1300	353.6000	323.0700	328.1000
1 EUR/CZK	26.3830	26.4790	25.7020	25.7340
1 EUR/USD	1.1250	1.1689	1.1236	1.1119
1 EUR/RUB	79.9599	86.2421	73.0853	71.8369
1 EUR/BYN	2.6934	2.9291	2.3578	2.2867

### 3. Restatements of comparatives

Commission income in the amount of EUR 103 thousand and license income in the amount of EUR 90 thousand were reclassified from 'other operating income' line item in the statement of profit or loss and OCI to revenue line item in 9 months 2019 (Q3 2019: commission income of EUR 39 thousand and license income of EUR 30 thousand) in order to comply with 9 months and Q3 2020 classification.

Additionally, transportation income in the amount of EUR 333 thousand was reclassified from other operating income line item in the statement of profit or loss and OCI in 9 months 2019 (Q3 2019: EUR 109 thousand) and instead netted with related transportation expenses within 'other operating expenses' line item in 9 months and Q3 2019 in order to comply with 9 months and Q3 2020 classification. The Group sometimes arranges for the delivery of goods for its customers at its own cost and afterwards recharges those transportation costs to customers without charging additional margin on that. Since the Group acts as an agent in these

transactions respective transportation income and costs were netted.

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

#### For the 9 months ended 30 September 2019

In thousands of EUR	As previously reported	Adjustments	As restated
Revenue	58,867	193	59,060
Other operating income	2,690	(526)	2,164
Other operating expenses	(14,217)	333	(13,884)
<b>Profit for the period</b>	<b>636</b>	<b>-</b>	<b>636</b>
<b>Total comprehensive income</b>	<b>665</b>	<b>-</b>	<b>665</b>

#### For the third quarter ended 30 September 2019

In thousands of EUR	As previously reported	Adjustments	As restated
Revenue	18,882	69	18,951
Other operating income	1,255	(178)	1,077
Other operating expenses	(4,486)	109	(4,377)
<b>Profit for the period</b>	<b>490</b>	<b>-</b>	<b>490</b>
<b>Total comprehensive income</b>	<b>340</b>	<b>-</b>	<b>340</b>

### 4. Segment information

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

The following summary describes the operations of each reportable segment.

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

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

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

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

#### 9 months 2020

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	23,091	25,573	48,664	-	-	48,664
Intersegment revenue	1,276	-	1,276	-	(1,276)	-
<b>Total revenue</b>	<b>24,367</b>	<b>25,573</b>	<b>49,940</b>	<b>-</b>	<b>(1,276)</b>	<b>48,664</b>
Other operating income	1,424	1,362	2,786	883	(894)	2,775
Changes in inventories of finished goods and work in progress	1,599	(805)	794	-	-	794
Raw materials and services	(13,790)	(7,744)	(21,534)	-	1,258	(20,276)
Employee benefits expense	(5,615)	(10,134)	(15,749)	(673)	-	(16,422)
Depreciation and amortisation	(1,168)	(1,727)	(2,895)	(13)	-	(2,908)
Impairment loss on trade and other receivables	(380)	(478)	(858)	-	-	(858)
Other operating expenses	(4,665)	(7,907)	(12,572)	(1,147)	849	(12,870)
<b>Operating profit / (loss)</b>	<b>1,772</b>	<b>(1,860)</b>	<b>(88)</b>	<b>(950)</b>	<b>(63)</b>	<b>(1,101)</b>
Interest income	57	159	216	319	(500)	35
Other finance income	816	928	1,744	1	-	1,745
Interest expense	(133)	(375)	(508)	(3,051)	525	(3,034)
Other finance costs	(735)	(1,120)	(1,855)	(12)	-	(1,867)
Income tax	(137)	105	(32)	6	-	(26)
<b>Net profit / (loss)</b>	<b>1,640</b>	<b>(2,163)</b>	<b>(523)</b>	<b>(3,687)</b>	<b>(38)</b>	<b>(4,248)</b>
Operating profit / (loss)	1,772	(1,860)	(88)	(950)	(63)	(1,101)
Depreciation and amortisation	1,168	1,727	2,895	13	-	2,908
<b>EBITDA</b>	<b>2,940</b>	<b>(133)</b>	<b>2,807</b>	<b>(937)</b>	<b>(63)</b>	<b>1,807</b>
Segment assets	26,196	40,394	66,590	1,010	-	67,600
Segment liabilities	7,292	18,719	26,011	42,483	-	68,494
Capital expenditure	51	364	415	-	-	415
Number of employees at reporting date	474	641	1,115	7	-	1,122

**Q3 2020**

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	8,266	7,747	16,013	-	-	16,013
Intersegment revenue	428	-	428	-	(428)	-
<b>Total revenue</b>	<b>8,694</b>	<b>7,747</b>	<b>16,441</b>	<b>-</b>	<b>(428)</b>	<b>16,013</b>
Other operating income	878	832	1,710	527	(528)	1,709
Changes in inventories of finished goods and work in progress	487	(773)	(286)	-	-	(286)
Raw materials and services	(4,212)	(2,249)	(6,461)	-	449	(6,012)
Employee benefits expense	(2,141)	(3,095)	(5,236)	(166)	-	(5,402)
Depreciation and amortisation	(461)	(536)	(997)	(4)	-	(1,001)
Impairment loss on trade and other receivables	(119)	(141)	(260)	-	-	(260)
Other operating expenses	(2,129)	(3,227)	(5,356)	(362)	482	(5,236)
<b>Operating profit / (loss)</b>	<b>997</b>	<b>(1,442)</b>	<b>(445)</b>	<b>(5)</b>	<b>(25)</b>	<b>(475)</b>
Interest income	23	53	76	161	(225)	12
Other finance income	335	487	822	-	-	822
Interest expense	(44)	(204)	(248)	(1,091)	236	(1,103)
Other finance costs	(218)	(566)	(784)	(9)	-	(793)
Income tax	(83)	44	(39)	3	-	(36)
<b>Net profit / (loss)</b>	<b>1,010</b>	<b>(1,628)</b>	<b>(618)</b>	<b>(941)</b>	<b>(14)</b>	<b>(1,573)</b>
Operating profit / (loss)	997	(1,442)	(445)	(5)	(25)	(475)
Depreciation and amortisation	461	536	997	4	-	1,001
<b>EBITDA</b>	<b>1,458</b>	<b>(906)</b>	<b>552</b>	<b>(1)</b>	<b>(25)</b>	<b>526</b>
Segment assets	26,196	40,394	66,590	1,010	-	67,600
Segment liabilities	7,292	18,719	26,011	42,483	-	68,494
Capital expenditure	11	66	77	-	-	77
Number of employees at reporting date	474	641	1,115	7	-	1,122



**9 months 2019 Restated\***

<i>In thousands of EUR</i>	<b>Textiles</b>	<b>Lingerie</b>	<b>Total segments</b>	<b>Unallocated</b>	<b>Consolidation adjustments</b>	<b>Total</b>
External revenues	24,216	34,844	59,060	-	-	59,060
Intersegment revenue	901	-	901	-	(901)	-
<b>Total revenue</b>	<b>25,117</b>	<b>34,844</b>	<b>59,961</b>	<b>-</b>	<b>(901)</b>	<b>59,060</b>
Other operating income	627	643	1,270	1,946	(1,052)	2,164
Changes in inventories of finished goods and work in progress	1,029	2,017	3,046	-	-	3,046
Raw materials and services	(11,304)	(12,797)	(24,101)	-	988	(23,113)
Employee benefits expense	(6,775)	(12,597)	(19,372)	(337)	-	(19,709)
Depreciation and amortisation	(1,178)	(1,616)	(2,794)	(1)	-	(2,795)
(Impairment loss)/reversal of impairment loss on trade and other receivables	146	(123)	23	-	-	23
Other operating expenses	(4,693)	(8,873)	(13,566)	(622)	304	(13,884)
<b>Operating profit / (loss)</b>	<b>2,969</b>	<b>1,498</b>	<b>4,467</b>	<b>986</b>	<b>(661)</b>	<b>4,792</b>
Interest income	34	212	246	323	(521)	48
Other finance income	155	158	313	9	-	322
Interest expense	(141)	(296)	(437)	(2,951)	509	(2,879)
Other finance costs	(132)	(421)	(553)	(3)	-	(556)
Income tax	(127)	(936)	(1,063)	(28)	-	(1,091)
<b>Net profit / (loss)</b>	<b>2,758</b>	<b>215</b>	<b>2,973</b>	<b>(1,664)</b>	<b>(673)</b>	<b>636</b>
Operating profit / (loss)	2,969	1,498	4,467	986	(661)	4,792
Depreciation and amortisation	1,178	1,616	2,794	1	-	2,795
<b>EBITDA</b>	<b>4,147</b>	<b>3,114</b>	<b>7,261</b>	<b>987</b>	<b>(661)</b>	<b>7,587</b>
Segment assets	26,655	44,075	70,730	520	-	71,250
Segment liabilities	8,044	18,677	26,721	39,665	-	66,386
Capital expenditure	2,195	352	2,547	2	-	2,549
Number of employees at reporting date	509	789	1,298	7	-	1,305

**Q3 2019 Restated\***

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	6,892	12,059	18,951	-	-	18,951
Intersegment revenue	322	-	322	-	(322)	-
<b>Total revenue</b>	<b>7,214</b>	<b>11,990</b>	<b>19,204</b>	<b>-</b>	<b>(322)</b>	<b>18,882</b>
Other operating income	190	198	388	832	(143)	1,077
Changes in inventories of finished goods and work in progress	412	264	676	-	-	676
Raw materials and services	(3,272)	(4,322)	(7,594)	-	397	(7,197)
Employee benefits expense	(2,099)	(3,962)	(6,061)	(122)	-	(6,183)
Depreciation and amortisation	(377)	(550)	(927)	(1)	-	(928)
(Impairment loss)/reversal of impairment loss on trade and other receivables	97	(82)	15	-	-	15
Other operating expenses	(1,385)	(2,889)	(4,274)	(153)	50	(4,377)
<b>Operating profit / (loss)</b>	<b>780</b>	<b>716</b>	<b>1,496</b>	<b>556</b>	<b>(18)</b>	<b>2,034</b>
Interest income	11	65	76	111	(172)	15
Other finance income	46	42	88	3	-	91
Interest expense	(48)	(102)	(150)	(1,003)	177	(976)
Other finance costs	(55)	(126)	(181)	(1)	-	(182)
Income tax	(56)	(431)	(487)	(5)	-	(492)
<b>Net profit / (loss)</b>	<b>678</b>	<b>164</b>	<b>842</b>	<b>(339)</b>	<b>(13)</b>	<b>490</b>
Operating profit / (loss)	780	716	1,496	556	(18)	2,034
Depreciation and amortisation	377	550	927	1	-	928
<b>EBITDA</b>	<b>1,157</b>	<b>1,266</b>	<b>2,423</b>	<b>557</b>	<b>(18)</b>	<b>2,962</b>
Segment assets	26,655	44,075	70,730	520	-	71,250
Segment liabilities	8,044	18,677	26,721	39,665	-	66,386
Capital expenditure	1,102	47	1,149	-	-	1,149
Number of employees at reporting date	509	789	1,298	7	-	1,305

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

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

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

**Non-current non-financial assets**

<i>In thousands of EUR</i>	30 September 2020	31 December 2019
Germany	11,199	10,540
Latvia	7,910	8,923
France	5,877	5,959
Hungary	2,148	2,569
Russia	980	981
Poland	996	882
Other countries	81	91
<b>Total</b>	<b>29,191</b>	<b>29,945</b>

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

## 5. Revenue

### (i) Revenue streams

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

In thousands of EUR	9 months 2020	9 months 2019 Restated*
Sales of goods, wholesale	39,200	52,231
Sales of goods, retail	6,817	6,005
Rendering of services	2,517	631
Sales commissions	80	103
License income	50	90
<b>Total revenue from contracts with customers</b>	<b>48,664</b>	<b>59,060</b>

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

In thousands of EUR	Q3 2020	Q3 2019 Restated*
Sales of goods, wholesale	13,065	16,669
Sales of goods, retail	2,309	1,994
Rendering of services	628	219
Sales commissions	1	39
License income	10	30
<b>Total revenue from contracts with customers</b>	<b>16,013</b>	<b>18,951</b>

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

### (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).

#### 9 months 2020

In thousands of EUR	Textiles	Lingerie	Total
Baltic States	9,442	90	<b>9,532</b>
Germany	1,376	7,864	<b>9,240</b>
France	555	6,560	<b>7,115</b>
Russia	3,046	1,777	<b>4,823</b>
Belarus	2,851	9	<b>2,860</b>
Poland	1,409	1,093	<b>2,502</b>
The Netherlands	22	2,168	<b>2,190</b>
Italy	553	636	<b>1,189</b>
Morocco	1,007	-	<b>1,007</b>
Spain	12	884	<b>896</b>
Belgium, Luxembourg	105	781	<b>886</b>
Ukraine	666	200	<b>866</b>
Great Britain	269	395	<b>664</b>
Swiss, Liechtenstein	-	665	<b>665</b>
Austria	184	309	<b>493</b>
Sweden	81	108	<b>189</b>
Other countries	1,513	2,052	<b>3,549</b>
<b>External revenue as reported in Note 4</b>	<b>23,091</b>	<b>25,573</b>	<b>48,664</b>

#### 9 months 2019 Restated\*

In thousands of EUR	Textiles	Lingerie	Total
Baltic States	6,683	132	<b>6,815</b>
Germany	2,039	11,242	<b>13,281</b>
France	611	4,421	<b>5,032</b>
Russia	3,925	3,848	<b>7,773</b>
Belarus	3,908	16	<b>3,924</b>
Poland	1,509	1,894	<b>3,403</b>
The Netherlands	48	3,051	<b>3,099</b>
Italy	151	1,365	<b>1,516</b>
Morocco	1,721	-	<b>1,721</b>
Spain	59	2,550	<b>2,609</b>
Belgium, Luxembourg	78	1,069	<b>1,147</b>
Ukraine	1,016	45	<b>1,061</b>
Great Britain	198	457	<b>655</b>
Swiss, Liechtenstein	-	881	<b>881</b>
Austria	302	465	<b>767</b>
Sweden	74	110	<b>184</b>
Other countries	1,894	3,298	<b>5,192</b>
<b>External revenue as reported in Note 4</b>	<b>24,216</b>	<b>34,844</b>	<b>59,060</b>

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

### Q3 2020

<i>In thousands of EUR</i>	Textiles	Lingerie	Total
Germany	462	3,062	<b>3,524</b>
Baltic States	2,534	69	<b>2,603</b>
France	213	1,862	<b>2,075</b>
Russia	1,244	561	<b>1,805</b>
Belarus	1,434	-	<b>1,434</b>
Poland	793	488	<b>1,281</b>
The Netherlands	6	745	<b>751</b>
Morocco	399	-	<b>399</b>
Belgium, Luxemburg	52	225	<b>277</b>
Great Britain	115	152	<b>267</b>
Ukraine	220	11	<b>231</b>
Austria	96	96	<b>192</b>
Italy	15	161	<b>176</b>
Swiss, Liechtenstein	-	169	<b>169</b>
Sweden	23	40	<b>63</b>
Spain	8	(532)	<b>(524)</b>
Other countries	652	638	<b>1,290</b>
<b>External revenue as reported in Note 4</b>	<b>8,266</b>	<b>7,747</b>	<b>16,013</b>

### Q3 2019 Restated\*

<i>In thousands of EUR</i>	Textiles	Lingerie	Total
Germany	608	3,882	<b>4,490</b>
Baltic States	2,006	32	<b>2,038</b>
France	133	1,568	<b>1,701</b>
Russia	1,180	1,326	<b>2,506</b>
Belarus	978	4	<b>982</b>
Poland	403	611	<b>1,014</b>
The Netherlands	4	1,061	<b>1,065</b>
Morocco	373	-	<b>373</b>
Belgium, Luxemburg	6	381	<b>387</b>
Great Britain	44	137	<b>181</b>
Ukraine	312	16	<b>328</b>
Austria	77	150	<b>227</b>
Italy	53	344	<b>397</b>
Swiss, Liechtenstein	-	347	<b>347</b>
Sweden	17	44	<b>61</b>
Spain	30	1,039	<b>1,069</b>
Other countries	668	1,117	<b>1,785</b>
<b>External revenue as reported in Note 4</b>	<b>6,892</b>	<b>12,059</b>	<b>18,951</b>

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

## 6. Other operating income

<i>In thousands of EUR</i>	9 months 2020	9 months 2019 Restated*
Government grants	2,026	182
Rental income from property leases	453	407
Gain on termination of lease agreement	69	-
Proceeds from bad debts previously written off	39	19
Income from sales of non-core materials	31	62
Income related to share-based payment arrangements	-	667
Gain on disposal of subsidiary	-	217
Gain on sale of property, plant and equipment	-	47
Gain on bargain purchase	-	22
Other income from non-core activities	148	541
<b>Total</b>	<b>2,775</b>	<b>2,164</b>

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

<i>In thousands of EUR</i>	Q3 2020	Q3 2019 Restated*
Government grants	1,486	60
Rental income from property leases	141	118
Gain on termination of lease agreement	-	-
Proceeds from bad debts previously written off	27	12
Income from sales of non-core materials	14	14
Income related to share-based payment arrangements	-	667
Gain on disposal of subsidiary	-	-
Gain on sale of property, plant and equipment	-	40
Gain on bargain purchase	-	-
Other income from non-core activities	41	166
<b>Total</b>	<b>1,709</b>	<b>1,077</b>

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

## 7. Employee benefits expense

<i>In thousands of EUR</i>	9 months 2020	9 months 2019
Wages and salaries	12,852	15,533
Social security contributions	3,200	3,493
Expenses related to post-employment defined benefit plans	5	5
Other employee benefits	365	678
<b>Total</b>	<b>16,422</b>	<b>19,709</b>

<i>In thousands of EUR</i>	Q3 2020	Q3 2019
Wages and salaries	4,162	4,877
Social security contributions	1,116	1,094
Expenses related to post-employment defined benefit plans	1	1
Other employee benefits	123	211
<b>Total</b>	<b>5,402</b>	<b>6,183</b>

## 8. Other operating expenses

<i>In thousands of EUR</i>	9 months 2020	9 months 2019 Restated*
Change in write downs to net realizable value for obsolete and slow-moving inventories	2,537	1,101
Sales and marketing	2,244	3,389
Professional services	1,954	802
Utilities	1,760	2,213
Storage, transportation and packaging	945	1,215
Repair and maintenance	550	625
IT and communication	330	500
Bank services	268	281
Expense relating to short-term leases	207	464
Travel expenses	189	562
Insurance	186	157
Car park related costs	46	91
Loss on disposal of property, plant and equipment	32	115
Real estate tax	36	37
Other taxes	155	187
Expenses related to share-based payment arrangements	-	52
Other operating expenses	1,431	2,093
<b>Total</b>	<b>12,870</b>	<b>13,884</b>

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

<i>In thousands of EUR</i>	Q3 2020	Q3 2019 Restated*
Change in write downs to net realizable value for obsolete and slow-moving inventories	1,818	424
Sales and marketing	607	1,022
Professional services	705	337
Utilities	569	581
Storage, transportation and packaging	346	443
Repair and maintenance	166	197
IT and communication	107	158
Bank services	103	104
Expense relating to short-term leases	60	197
Travel expenses	45	151
Insurance	62	42
Car park related costs	11	28
Loss on disposal of property, plant and equipment	-	18
Real estate tax	18	4
Other taxes	52	63
Expenses related to share-based payment arrangements	-	-
Other operating expenses	567	608
<b>Total</b>	<b>5,236</b>	<b>4,377</b>

\* Refer to Note 3 for explanation of the restated figures for 9 months 2019 and Q3 2019.

## 9. Finance income

<i>In thousands of EUR</i>	9 months 2020	9 months 2019
Interest income under the effective interest method on:		
Trade and other receivables	35	48
<b>Total interest income arising from financial assets measured at amortised cost</b>	<b>35</b>	<b>48</b>
Foreign exchange gains	1,740	322
Other finance income	5	-
<b>Finance income – other</b>	<b>1,745</b>	<b>322</b>
<b>Total</b>	<b>1,780</b>	<b>370</b>

<i>In thousands of EUR</i>	Q3 2020	Q3 2019
Interest income under the effective interest method on:		
Trade and other receivables	12	15
<b>Total interest income arising from financial assets measured at amortised cost</b>	<b>12</b>	<b>15</b>
Foreign exchange gains	817	91
Other finance income	5	-
<b>Finance income – other</b>	<b>822</b>	<b>91</b>
<b>Total</b>	<b>834</b>	<b>106</b>

## 10. Finance costs

<i>In thousands of EUR</i>	9 months 2020	9 months 2019
Interest expense on financial liabilities measured at amortised cost	3,231	3,087
Foreign exchange losses	1,622	281
Interest expense on net employee defined benefit liability	43	52
Fines and penalties	5	15
<b>Total</b>	<b>4,901</b>	<b>3,435</b>

<i>In thousands of EUR</i>	Q3 2020	Q3 2019
Interest expense on financial liabilities measured at amortised cost	1,184	1,040
Foreign exchange losses	696	96
Interest expense on net employee defined benefit liability	15	17
Fines and penalties	1	5
<b>Total</b>	<b>1,896</b>	<b>1,158</b>

EUR 3,231 thousand of interest expense in 9 months 2020 (Q3 2020: EUR 1,184 thousand) consist of EUR 2,731 thousand (Q3 2020: EUR 987 thousand) of interest expense on loans and borrowings, EUR 462 thousand (Q3 2020: EUR 159 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value and EUR 38 thousand (Q3 2020: EUR 38 thousand) of interest expenses related to trade and other payables.

EUR 3,087 thousand of interest expense in 9 months 2019 (Q3 2019: EUR 1,040 thousand) consist of EUR 2,658 thousand (Q3 2019: EUR 895 thousand) of interest expense on loans and borrowings, EUR 419 thousand (Q3 2019: EUR 144 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which

were deducted from the bond nominal value and EUR 10 thousand (Q3 2019: EUR 1 thousand) of interest expense on trade and other payables.

## 11. Income tax expense

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

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

<i>In thousands of EUR</i>	9 months 2020	9 months 2019
<b>Current tax expense</b>		
Current period	40	527
<b>Deferred tax expense/ (benefit)</b>		
Origination and reversal of temporary differences	(14)	564
<b>Income tax expense reported in profit or loss</b>	<b>26</b>	<b>1,091</b>

<i>In thousands of EUR</i>	Q3 2020	Q3 2019
<b>Current tax expense</b>		
Current period	151	149
<b>Deferred tax expense/ (benefit)</b>		
Origination and reversal of temporary differences	(115)	343
<b>Income tax expense reported in profit or loss</b>	<b>36</b>	<b>492</b>

## 12. Property, plant and equipment

During the nine months and the third quarter ended 30 September 2020, the Group acquired assets with a cost of EUR 78 thousand and EUR 21 thousand respectively (9 months and Q3 2019: EUR 2,363 thousand and EUR 1,117 thousand respectively).

Assets with a net book value of EUR 58 thousand were disposed by the Group during 9 months and Q3 2020 (9 months 2019: EUR 116 thousand; Q3 2019: EUR 19 thousand), resulting in a net loss on disposal of EUR 32 thousand (9 months 2019: EUR 68 thousand; Q3 2019: none).

## 13. Inventories

<i>In thousands of EUR</i>	30 September 2020	31 December 2019
Finished goods	10,840	11,851
Raw materials and consumables	4,920	6,691
Work in progress	1,865	1,803
Right to recover returned goods	111	126
<b>Total</b>	<b>17,736</b>	<b>20,471</b>

## 14. Trade and other receivables

<i>In thousands of EUR</i>	30 September 2020	31 December 2019
<b>Financial trade and other receivables</b>		
Trade receivables	11,292	14,941
Loans to related parties (Note 18)	803	819
Trade receivables due from related parties (Note 18)	764	623
Other receivables due from related parties (Note 18)	381	431
Other receivables	396	429
Allowance for trade and other receivables	(1,785)	(1,065)
Allowance for trade and other receivables due from related parties (Note 18)	(835)	(737)
Allowance for loans to related parties (Note 18)	(102)	(102)
	<b>11,914</b>	<b>15,339</b>
<b>Non-financial trade and other receivables</b>		
Social contributions receivable	161	2
VAT receivable	158	189
Other taxes receivable	31	6
Deferred expenses	116	35
	<b>466</b>	<b>232</b>
<b>Total</b>	<b>11,380</b>	<b>15,571</b>
Non-current	701	717
Current	10,679	14,854
<b>Total</b>	<b>11,380</b>	<b>15,571</b>

Trade receivables at 30 September 2020 in the gross amount of EUR 11,292 thousand (31 December 2019: EUR 14,941 thousand) mostly comprise receivables for goods sold.

The Group sold with recourse trade receivables to a factoring company with cash proceeds. These trade receivables were not derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards – primarily credit risk. The amount received

on transfer was recognised as secured other loans (see Note 16).

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

<i>In thousands of EUR</i>	30 September 2020	31 December 2019
Carrying amount of trade receivables transferred to a factoring company	350	720
Carrying amount of associated liabilities	297	698

## 15. Capital and reserves

### Share capital

<i>Number of shares</i>	30 September 2020	31 December 2019
Opening balance	60,000	60,000
Issued for cash	-	-
<b>In issue at 30 September/ 31 December – fully paid</b>	<b>60,000</b>	<b>60,000</b>
Nominal value of one share, EUR	1	1

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

### Nature and purpose of reserves

As at 30 September 2020 reserves include translation reserve in the amount of EUR -1,114 thousand which comprises all foreign currency differences arising from the translation of the financial statements of foreign operations (31 December 2019: EUR -216 thousand).

## 16. Loans and borrowings

In thousands of EUR	30 September 2020	31 December 2019
<b>Non-current liabilities</b>		
Lease liabilities	3,449	2,532
Long-term secured bank loans	246	134
Other long-term loans	93	-
<b>Total</b>	<b>3,788</b>	<b>2,666</b>
<b>Current liabilities</b>		
Bonds	41,628	39,616
Short-term secured bank loans	4,063	2,678
Current portion of lease liabilities	1,287	1,231
Other loans from related parties (Note 18)	325	-
Secured other loans	297	698
Current portion of long-term secured bank loans	132	32
Current portion of other long-term loans	21	-
Short-term unsecured bank loans	-	75
<b>Total</b>	<b>47,753</b>	<b>44,330</b>

As the Group hasn't received a waiver in respect of maintenance test covenant default as of 31 December 2019 and 30 September 2020, the Group reclassified the bonds under the short-term loans and borrowings at 31 December 2019 and 30 September 2020.

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

Other long-term loans include interest free loan received by Felina Polska Sp. z o.o from Polski Fund Rozwoju to overcome the negative consequences of COVID-19. The loan matures in May 2023 and is repayable in equal parts starting from June 2021. 75% of the loan may be forgiven by the Fund and is not due for repayment by Felina Polska Sp. z o.o depending on the fulfilment of the following criteria:

- 25% of the loan may be forgiven if the company continues the business during 12 months following the loan issuance.
- 25% of the loan may be forgiven if the company keeps the average number of employees during 12 months following the loan issuance.
- Up to 25% of the loan may be forgiven depending on the loss in sales during 12 months following the loan issuance.

## 17. Trade and other payables

In thousands of EUR	30 September 2020	31 December 2019
<b>Financial trade and other payables</b>		
Trade payables	4,646	7,086
Trade payables to related parties (Note 18)	70	-
Accrued expenses	2,132	1,823
Payables to personnel	630	667
Other payables to related parties (Note 18)	15	-
Other payables	570	552
	<b>8,063</b>	<b>10,128</b>
<b>Non-financial trade and other payables</b>		
Refund liabilities	433	349
VAT payable	336	376
Social contributions payable	536	454
Personal income tax payable	175	277
Other taxes payable	13	21
	<b>1,493</b>	<b>1,477</b>
<b>Total</b>	<b>9,556</b>	<b>11,605</b>
Non-current	74	92
Current	9,482	11,513
<b>Total</b>	<b>9,556</b>	<b>11,605</b>

Other current payables include deferred payment payable for acquisition of Dessus-Dessous S.A.S. in the amount of EUR 51 thousand at 31 December 2019 (30 September 2020: none).

## 18. Related parties

### Transactions with key management personnel

Key management personnel compensation for 9 months and Q3 2020 amounted to EUR 964 thousand and EUR 360 thousand respectively (9 months and Q3 2019: EUR 621 thousand and EUR 208 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 9 months 2020	Transaction values for 9 months 2019	Transaction values for Q3 2020	Transaction values for Q3 2019	Balance outstanding at 30 September 2020	Balance outstanding at 31 December 2019
<b>Sales of goods and services</b>						
Joint ventures	32	33	8	9	-	-
Other related parties	299	1	2	-	-	-
<b>Purchases of goods and services</b>						
Shareholders	-	9	-	-	-	-
Other related parties	455	273	47	53	-	-
<b>Gain on disposal of subsidiary</b>						
Shareholders	-	217	-	-	-	-
<b>Interest income accrued during the year</b>						
Joint ventures	27	31	9	10	-	-
Shareholders	3	3	1	1	-	-
Other related parties	4	1	2	1	-	-
<b>Interest expense accrued during the year</b>						
Shareholders	25	-	12	-	-	-
<b>Loans received</b>						
Shareholders	300	-	-	-	-	-
<b>Trade and other receivables</b>						
Shareholders	-	-	-	-	25	25
Joint ventures	-	-	-	-	3	6
Other related parties	-	-	-	-	1,117	1,023
<b>Allowance for trade and other receivables</b>						
Other related parties	-	-	-	-	(835)	(737)
<b>Trade and other payables</b>						
Other related parties	-	-	-	-	85	-
<b>Loans receivable, gross amount</b>						
Joint ventures	-	-	-	-	501	525
Shareholders	-	-	-	-	133	134
<b>Allowance for loans receivable</b>						
Joint ventures	-	-	-	-	(102)	(102)
<b>Interest receivable</b>						
Joint ventures	-	-	-	-	154	148
Shareholders	-	-	-	-	15	12
<b>Loans payable</b>						
Shareholders	-	-	-	-	300	-
<b>Interest payable</b>						
Shareholders	-	-	-	-	25	-

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

The Group received a loan from shareholder, He-like Holdings OU, in the amount of EUR 300 thou-

sand during 9 months 2020 (Q3 2020: none). The loan matures on 31 December 2021 and carries the interest rate of 15% per annum. The loan is subordinated to the bonds.

# PARENT COMPANY FINANCIAL INFORMATION

## General information

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

## Type of operations

The Company carries out holding operations through investing in and managing assets involved in manufacturing, processing, wholesale and retail of textiles and lingerie products. The assets of the Parent Company consist of shares in SIA European Lingerie Group, Felina France S.a.r.l, and Senselle OOO as of 30 September 2020. Net loss of European Lingerie Group AB for 9 months and Q3 2020 was EUR 2,153 thousand and EUR 753 thousand respectively (9 months and Q3 2019: loss of EUR 1,269 thousand and EUR 465 thousand respectively).

## Accounting Principles

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

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

For the nine months and third quarter ended 30 September

<i>In thousands of EUR</i>	<i>Note</i>	<b>9 months 2020</b>	<b>9 months 2019 Restated*</b>	<b>Q3 2020</b>	<b>Q3 2019 Restated*</b>
Revenue	20	123	87	41	29
Other operating income		42	102	-	-
Employee benefits expense	21	(92)	(98)	(27)	(37)
Other operating expenses		(1,087)	(398)	(373)	(115)
<b>Operating loss</b>		<b>(1,014)</b>	<b>(307)</b>	<b>(359)</b>	<b>(123)</b>
Finance income	22	1,730	1,818	579	601
Finance costs	23	(2,875)	(2,780)	(976)	(943)
<b>Net finance costs</b>		<b>(1,145)</b>	<b>(962)</b>	<b>(397)</b>	<b>(342)</b>
<b>Loss before income tax</b>		<b>(2,159)</b>	<b>(1,269)</b>	<b>(756)</b>	<b>(465)</b>
Income tax expense		6	-	3	-
<b>Loss for the period</b>		<b>(2,153)</b>	<b>(1,269)</b>	<b>(753)</b>	<b>(465)</b>
<b>Total comprehensive income</b>		<b>(2,153)</b>	<b>(1,269)</b>	<b>(753)</b>	<b>(465)</b>

\* Refer to Note 19 for the explanation of the figures restated in 9 months and Q3 2019.

## Condensed Parent Company statement of financial position

<i>In thousands of EUR</i>	<i>Note</i>	<b>30 September 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
Shares in subsidiaries		46,328	46,328
Receivables from Group companies	24	33,911	33,277
<b>Total non-current assets</b>		<b>80,239</b>	<b>79,605</b>
Receivables from Group companies	24	49	166
Other receivables	24	324	208
Prepaid expenses and accrued income		-	31
Cash and cash equivalents		7	6
<b>Total current assets</b>		<b>380</b>	<b>411</b>
<b>Total assets</b>		<b>80,619</b>	<b>80,016</b>
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		60	60
<b>Non-restricted equity</b>			
Shareholder contribution		43,500	43,500
Net income		(6,522)	(4,369)
<b>Total equity</b>		<b>37,038</b>	<b>39,191</b>
<b>Liabilities</b>			
Loans and borrowings		723	723
Deferred tax liabilities		6	13
<b>Total non-current liabilities</b>		<b>729</b>	<b>736</b>
Loans and borrowings	25	40,042	39,280
Liabilities to Group companies	26	490	158
Other liabilities	26	373	195
Accrued expenses and deferred income	26	1,947	456
<b>Total current liabilities</b>		<b>42,852</b>	<b>40,089</b>
<b>Total liabilities</b>		<b>43,581</b>	<b>40,825</b>
<b>Total equity and liabilities</b>		<b>80,619</b>	<b>80,016</b>

## Condensed Parent Company statement of changes in equity

For the nine months ended 30 September 2020

<i>In thousands of EUR</i>	Restricted equity	Non-restricted equity		Total equity
	Share capital	Shareholder contribution	Net income	
<b>Balance at 31 December 2019</b>	<b>60</b>	<b>43,500</b>	<b>(4,369)</b>	<b>39,191</b>
<b>Total comprehensive income</b>				
Loss for the period	-	-	(2,153)	(2,153)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(2,153)</b>	<b>(2,153)</b>
<b>Balance at 30 September 2020</b>	<b>60</b>	<b>43,500</b>	<b>(6,522)</b>	<b>37,038</b>

For the nine months ended 30 September 2019

<i>In thousands of EUR</i>	Restricted equity	Non-restricted equity		Total equity
	Share capital	Shareholder contribution	Net income	
<b>Balance at 31 December 2018</b>	<b>60</b>	<b>43,500</b>	<b>(2,419)</b>	<b>41,141</b>
<b>Total comprehensive income</b>				
Loss for the period	-	-	(1,269)	(1,269)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,269)</b>	<b>(1,269)</b>
<b>Balance at 30 September 2019</b>	<b>60</b>	<b>43,500</b>	<b>(3,688)</b>	<b>39,872</b>

## Condensed Parent Company statement of cash flows

For the nine months and third quarter ended 30 September

<i>In thousands of EUR</i>	<i>Note</i>	9 months 2020	9 months 2019	Q3 2020	Q3 2019
<b>Cash flows from operating activities</b>					
Loss for the reporting period		(2,153)	(1,269)	(753)	(465)
Adjustments for:					
Finance income	22	(1,729)	(1,816)	(579)	(601)
Finance costs	23	2,868	2,778	970	943
Foreign exchange gains	22	(1)	(2)	-	-
Foreign exchange losses	23	7	2	6	-
Income tax expense		(6)	-	(3)	-
<b>Changes in:</b>					
Other receivables		94	(164)	157	(1)
Prepaid expenses and accrued income		31	100	2	(1)
Other liabilities		398	40	(8)	(6)
<b>Cash used in operating activities</b>		<b>(491)</b>	<b>(331)</b>	<b>(208)</b>	<b>(131)</b>
Interest paid		(809)	(2,351)	-	(792)
<b>Net cash used in operating activities</b>		<b>(1,300)</b>	<b>(2,682)</b>	<b>(208)</b>	<b>(923)</b>
<b>Cash flows from investing activities</b>					
Interest received		158	120	158	1
Acquisition of subsidiary		-	(44)	-	-
Deposits placed on restricted accounts		(95)	-	(95)	
Loans issued		(10)	(396)	-	(23)
Proceeds from repayment of loans issued		948	2,272	126	678
<b>Net cash from investing activities</b>		<b>1,001</b>	<b>1,952</b>	<b>189</b>	<b>656</b>
<b>Cash flows from financing activities</b>					
Proceeds from loans and borrowings		300	722	-	297
<b>Net cash from financing activities</b>		<b>300</b>	<b>722</b>	<b>-</b>	<b>297</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>1</b>	<b>(8)</b>	<b>(19)</b>	<b>30</b>
Cash and cash equivalents at 1 January/1 July		6	40	26	2
<b>Cash and cash equivalents at 30 September</b>		<b>7</b>	<b>32</b>	<b>7</b>	<b>32</b>

# NOTES TO THE CONDENSED PARENT COMPANY INTERIM FINANCIAL STATEMENTS

## 19. Restatement of comparatives

Management fee income from Group companies in the amount of EUR 87 thousand and EUR 29 thousand have been reclassified from other operating income line item in the statement of profit or loss and OCI to revenue line item in 9 months 2019 and Q3 2019 respectively in order to comply with 9 months 2020 and Q3 2020 classification. The reclassification has been done by restating each of the affected line items for 9 months 2019 and Q3 2019. The following table summarises the impacts on the Parent's statement of profit or loss and OCI.

### 9 months 2019

<i>In thousands of EUR</i>	As previously reported	Adjustments	As Restated
Revenue	-	87	87
Other operating income	189	(87)	102
<b>Loss for the period</b>	<b>(1,269)</b>	<b>-</b>	<b>(1,269)</b>
<b>Total comprehensive income</b>	<b>(1,269)</b>	<b>-</b>	<b>(1,269)</b>

### Q3 2019

<i>In thousands of EUR</i>	As previously reported	Adjustments	As Restated
Revenue	-	29	29
Other operating income	29	(29)	-
<b>Loss for the period</b>	<b>(465)</b>	<b>-</b>	<b>(465)</b>
<b>Total comprehensive income</b>	<b>(465)</b>	<b>-</b>	<b>(465)</b>

## 20. Revenue

Revenue of the Parent includes management fee Revenue of the Parent includes management fee income received from the Group companies in the amount of EUR 123 thousand and EUR 41 thousand for 9 months and Q3 2020 (9 months 2019: EUR 87 thousand; Q3 2019: EUR 29 thousand).

## 21. Employee benefits expense

<i>In thousands of EUR</i>	9 months 2020	9 months 2019
Wages and salaries	76	80
Social security contributions	16	18
<b>Total</b>	<b>92</b>	<b>98</b>

<i>In thousands of EUR</i>	Q3 2020	Q3 2019
Wages and salaries	23	30
Social security contributions	4	7
<b>Total</b>	<b>27</b>	<b>37</b>

As of 30 September 2020, the Parent Company employed 2 people (31 December 2019: 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

<i>In thousands of EUR</i>	9 months 2020	9 months 2019
Interest income under the effective interest method on:		
Receivables from Group companies	1,729	1,816
<b>Total interest income arising from financial assets measured at amortised cost</b>	<b>1,729</b>	<b>1,816</b>
Foreign exchange gains	1	2
<b>Finance income – other</b>	<b>1</b>	<b>2</b>
<b>Total</b>	<b>1,730</b>	<b>1,818</b>

<i>In thousands of EUR</i>	Q3 2020	Q3 2019
Interest income under the effective interest method on:		
Receivables from Group companies	579	601
<b>Total interest income arising from financial assets measured at amortised cost</b>	<b>579</b>	<b>601</b>
Foreign exchange gains	-	-
<b>Finance income – other</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>579</b>	<b>601</b>

## 23. Finance costs

<i>In thousands of EUR</i>	9 months 2020	9 months 2019
Interest expense on financial liabilities measured at amortised cost	2,868	2,778
Foreign exchange losses	7	2
<b>Total</b>	<b>2,875</b>	<b>2,780</b>

<i>In thousands of EUR</i>	Q3 2020	Q3 2019
Interest expense on financial liabilities measured at amortised cost	970	943
Foreign exchange losses	6	-
<b>Total</b>	<b>976</b>	<b>943</b>

EUR 2,868 thousand of interest expense in 9 months 2020 (Q3 2020: EUR 970 thousand) consist of EUR 2,406 thousand (Q3 2020: EUR 811 thousand) of interest expense on loans and borrowings, EUR 462 thousand (Q3 2020: EUR 159 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value.

EUR 2,778 thousand of interest expense in 9 months 2019 (Q3 2019: EUR 943 thousand) consist of EUR 2,359 thousand (Q3 2019: EUR 799 thousand) of interest expense on loans and borrowings, EUR 419 thousand (Q3 2020: EUR 144 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value.

## 24. Other receivables

<i>In thousands of EUR</i>	30 September 2020	31 December 2019
<b>Financial trade and other receivables</b>		
Loans to Group companies (Note 27)	33,911	33,277
Other receivables due from related parties (Note 27)	155	195
Other receivables from Group Companies (Note 27)	49	166
Other receivables	100	5
	<b>34,215</b>	<b>33,643</b>
<b>Non-financial trade and other receivables</b>		
VAT receivable	-	6
Deferred expenses	71	2
	<b>71</b>	<b>8</b>
<b>Total</b>	<b>34,286</b>	<b>33,651</b>
Non-current	33,911	33,277
Current	375	374
<b>Total</b>	<b>34,286</b>	<b>33,651</b>

## 25. Loans and borrowings

Loans and borrowings for the nine months ended 30 September 2020 comprise secured bonds in the amount of EUR 39,742 thousand (31 December 2019: EUR 39,280 thousand), loans from Group Companies in the amount of EUR 723 thousand (31 December 2019: EUR 723 thousand) and loan from shareholder in the amount of EUR 300 thousand (31 December 2019: none). Refer to Note 18 for details on loan from shareholder.

## 26. Other liabilities

<i>In thousands of EUR</i>	30 September 2020	31 December 2019
<b>Financial trade and other payables</b>		
Accrued interest on bonds	1,885	336
Other payables to Group companies (Note 27)	490	158
Payables to personnel	115	103
Accrued interest on loans from Group companies (Note 27)	37	15
Accrued interest on loans from related parties (Note 27)	25	-
Other accrued expenses	-	105
Other payables to related parties (Note 27)	15	-
Other payables to third parties	136	65
	<b>2,703</b>	<b>782</b>
<b>Non-financial trade and other payables</b>		
VAT payable	53	-
Social contributions payable	35	17
Personal income tax payable	19	10
	<b>107</b>	<b>27</b>
<b>Total</b>	<b>2,810</b>	<b>809</b>
Non-current	-	-
Current	2,810	809
<b>Total</b>	<b>2,810</b>	<b>809</b>

## 27. Related parties

### Transactions with key management personnel

Key management personnel compensation for 9 months and Q3 2020 amounted to EUR 92 thousand and EUR 27 thousand (9 months and Q3 2019: EUR 98 thousand and EUR 37 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 9 months 2020	Transaction values for 9 months 2019	Transaction values for Q3 2020	Transaction values for Q3 2019	Balance outstanding at 30 September 2020	Balance outstanding at 31 December 2019
<b>Sales of goods and services</b>						
Subsidiaries	165	189	41	29	-	-
<b>Purchases of goods and services</b>						
Shareholders	-	9	-	-	-	-
Subsidiaries	577	50	381	19	-	-
Other related parties	152	98	47	21	-	-
<b>Interest income accrued during the period</b>						
Subsidiaries	1,729	1,816	579	601	-	-
<b>Interest expense accrued during the period</b>						
Subsidiaries	22	8	8	6	-	-
Shareholders	25	-	12	-	-	-
<b>Loans granted</b>						
Subsidiaries	10	396	-	23	-	-
<b>Loans received</b>						
Shareholders	300	-	-	-	-	-
Subsidiaries	-	722	-	297	-	-
<b>Other receivables</b>						
Shareholders	-	-	-	-	25	25
Subsidiaries	-	-	-	-	49	166
Other related parties	-	-	-	-	130	170
<b>Loans receivable</b>						
Subsidiaries	-	-	-	-	28,102	28,579
<b>Interest receivable</b>						
Subsidiaries	-	-	-	-	5,810	4,698
<b>Loans payable</b>						
Shareholders	-	-	-	-	300	-
Subsidiaries	-	-	-	-	-	723
<b>Interest payable</b>						
Shareholders	-	-	-	-	25	-
Subsidiaries	-	-	-	-	37	15
<b>Other payables</b>						
Subsidiaries	-	-	-	-	490	158
Other related parties	-	-	-	-	15	-

As the Parent Company carries out holding operations through investing in and managing assets, all loans issued and outstanding as of 30 September 2020 are intra-group loans.

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

# STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of European Lingerie Group AB has reviewed and approved condensed consolidated and Parent Company interim financial statements for the nine months and the third quarter ended 30 September 2020.

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

Stockholm, 30 November 2020

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Carl Oscar Edgren  
*Chairman of the Board*

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Dmitry Ditchkovsky  
*Board member*

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Indrek Rahumaa  
*Board member, CEO*

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