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EUROPEAN LINGERIE
GROUP

EUROPEAN LINGERIE GROUP AB

YEAR BOOK 2020

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European Lingerie Group (ELG) is a fully vertically integrated intimate apparel and lingerie group. We supply lingerie materials to all major intimate apparel brands and distribute our own ready garment lingerie products through more than 4500 points of sale in 46 countries worldwide and online.

ONE-STOP-SHOP FOR LINGERIE

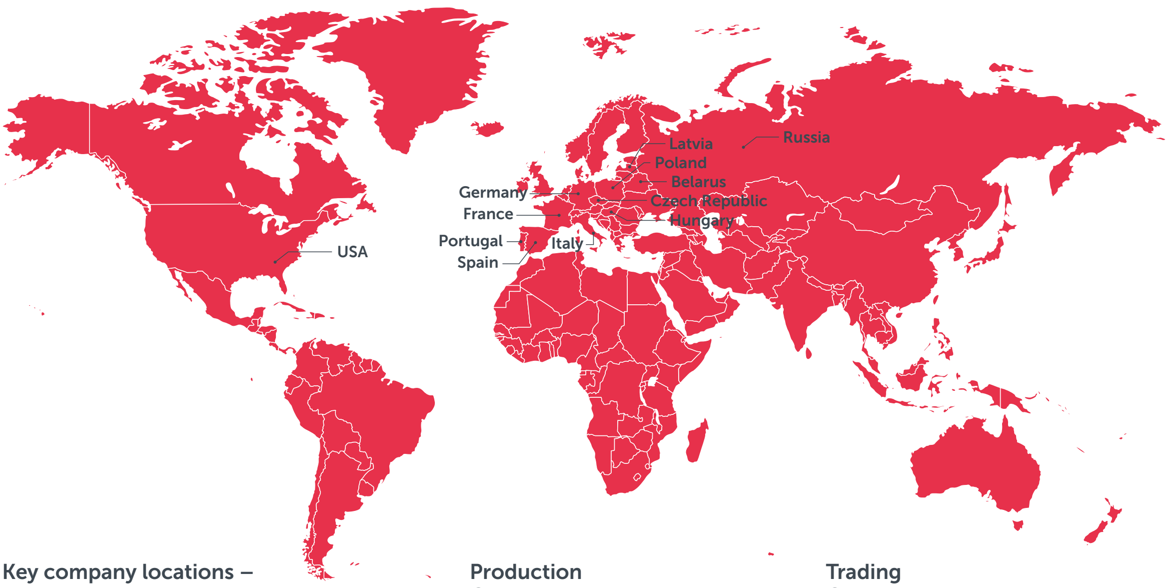
OUR VISION

*To become the **preferred supplier of lingerie** in Europe, be it fabrics and materials for ready garment production, or ready garments for customers **presented in various distribution channels**.*

OUR MISSION

*To be effective and innovative **one-stop-shop** for lingerie offering the very best for our customers in terms of **quality, style** and **comfort**.*

GROUP'S LOCATIONS



Key company locations – sourcing, design, development - Germany (Mannheim), Latvia (Liepaja)

Production Germany, Latvia, Hungary, Belarus

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

€63m sales 12M 2020

1,075 employees worldwide

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

46 countries

4,500 points of sale

UNIQUE FOR LINGERIE INDUSTRY

ELG is one of the rare fully vertically integrated companies in the lingerie industry in Europe.

SOUND BUSINESS MODEL

Sound business model whereas products are based on classic, never-out-of-stock items.

MANUFACTURING ARM WITH BLUE-CHIP CUSTOMER BASE

ELG is a one-stop-shop manufacturer with diversified blue-chip customer base. Innovative European design and quality for relatively low cost.

HIGH BRAND AWARENESS AND CUSTOMER PROXIMITY

Well-established brands Felina and Conturelle with high brand awareness. Close customer proximity and a wide distribution network exceeding 4,500 points of sale.

ESTABLISHED POSITION IN CENTRAL AND EASTERN EUROPE

An excellent platform for growth. ELG's long track record, strong market position, brand awareness and network in Central and Eastern Europe support integration of new business segments and geographical expansion.

2020 HIGHLIGHTS

Acquisition of Yustyna OOO, a lingerie ready garment producer in Belarus

Outbreak of COVID-19

In December 2019, a new outbreak of coronavirus (COVID-19) appeared in Wuhan, China. In the first quarter of 2020, the virus spread to other countries and has affected practically the whole world. With the rapid spread of COVID-19 pandemic around the world, an unprecedented healthcare crisis began, causing significant disruptions to the operations of companies and daily life of people.

In March 2020, various restrictions came into force in many countries to reduce the spread of COVID-19, significantly slowing down economic growth. These public policy measures, which were and still are aimed at limiting the spread of COVID-19, had a significant impact on economic activity in many sectors. At the same time, governments introduced various financial support mechanisms to mitigate the economic impact of the COVID-19 pandemic. Also European Lingerie Group companies have applied for such state aids.

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, but when the countries were hit by COVID-19 second wave in the middle of Autumn, governments reinstated the lock-downs in majority of the countries, which is still continuing to various extent in most of the Group's main markets.

As a result of pandemic, revenue in 2020 for European Lingerie Group was 18.4% lower than in 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.

As response measures to the volume drop, the management initiated several cost saving actions to save the profitability and limit losses. 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 and selling imported medical 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 lock-down measures in the countries were fully or partially released and when the customers restarted their operations and restarted their orders from the Group, to save costs and to continue being normalised EBITDA profitable and liquidity stable throughout the whole period.

Online retail of the Group continued working despite staff capacity limitations on various occasions during the lock-down periods and sales increased as compared to the same period last year and stable growth was achieved in Dessus-Dessous SAS in 2020.

Bonds restructuring process

As previously announced by the Group on several occasions, a lengthy restructuring process of the Parent's bonds was carried out since the end of 2019. In July 2020, the Group reached an agreement on a standstill with the Bondholder Committee (representing approximately 64 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 transaction timeline.

Provided that certain conditions were met, the Bondholder Committee 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 starting from Q3 2019, (b) pay Interest in respect of the Bonds on the Interest Payment Date for the Interest Period ending on 22 May 2020 and onwards, (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 2020, 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 were 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.

Furthermore, because of the ongoing restructuring process, the Group did not repay its Bonds on 22 February 2021, which was the original maturity date stipulated in the Terms and Conditions. The non-repayment of the bonds on the original maturity date constituted an Event of Default and any potential de-listing of the Bonds from Nasdaq Stockholm could result in an Event of Default under the Terms and Conditions. The Company restored the listing of the Bonds on Nasdaq Stockholm on 23 February 2021 and upheld it to correspond with the period to close the transaction under the concluded Master Transaction Agreement. The Bondholder Committee undertook, during the standstill period, not to instruct the Agent to accelerate the Bonds due to any such Event of Defaults.

As a result, in April 2021 the Group and its major shareholders signed an agreement with the Bondholder, AS Rietumu Banka as a lender and its affiliated company RB ELG SIA as an equity investor on the restructuring of ELG and its Bonds, under which the Bonds are to be repaid with EUR 21 million in cash and the remaining nominal amount of EUR 19 million of the Bonds plus accrued and unpaid interest to be written down to zero.

After a competitive bid process during the standstill period with several investors showing an interest in ELG Group and placing bids on ELG and/or the parts of it, it has been concluded by the Bondholder Committee and ELG that the best cash compensation offered is the offer received from the lender and the equity investor named above. Considering the structure of alternative offers on any alternative non-cash compensation offered by other bidders, the offer received from the lender and the equity investor was also for other reasons considered the strongest offer.

In May 2021, the proposed restructuring was also approved by the holders of the Bonds through a written procedure in accordance with the Terms and Conditions and closed subsequently on 29 June 2021 as the First Closing with the repayment of the Bonds made on 7 July 2021 and on 2 July 2021 as the Second Closing. The restructuring included the following:

- the equity investor acquired 30% of shares in SIA European Lingerie Group (SIA ELG), a subsidiary of European Lingerie Group AB (ELG AB), and certain receivables of ELG AB from ELG SIA for the total purchase price of EUR 4.5 million;

- the lender provided a loan to the Group of EUR 22.5 million. The loan has been secured by an extensive security package over the SIA ELG group's assets (including real estates, assets, machinery, shares, trademarks, receivables, etc);

- The proceeds from the loan and the equity investment amounted to in total EUR 27 million. EUR 21 million was used to repay the Bonds, EUR 2 million was used to refinance a bank loan issued to the ELG group's German subsidiary and the remainder of the proceeds is be used for working capital needs and transaction costs.

Investments into production

During 2020 the Group invested into property plant and equipment and intangible assets EUR 626 thousand. The main investments during this period related to Magento platform migration project in Dessus-Dessous S.A.S.

MANAGEMENT REPORT

WHAT WE DO

European Lingerie Group (ELG) is a fully vertically integrated intimate apparel and lingerie group headquartered in Stockholm, Sweden. ELG is the leading lingerie, fabrics and lace manufacturer and distributer in Europe, encompassing the entire value chain from product design and sourcing of raw materials to producing fabrics and lace, moulding and dyeing, manufacturing and distributing finished products.

ELG business consists of three segments – **Lauma Fabrics,** which produces and supplies fabrics, laces and narrow bands for the lingerie industry as well as own branded medical textiles, **Felina,** which designs, manufactures and distributes premium lingerie and **Dessus-Dessous**, which serves as the main online sales channel of the Group. Felina's main brands are *Felina* and *Conturelle*, both having established a strong position in the market over the decades, with a loyal and stable customer base.

ELG products are sold in over 4500 points of sale in 46 countries worldwide and online. Lauma Fabrics main production units are located in Latvia (Liepaja) and Germany (Neukirchen, Wuppertal). Felina operates two production facilities in Hungary and includes distribution companies in Germany, France, Italy, Spain, Portugal, Poland, Czech Republic and USA. The lingerie ELG produces is designed in-house at Felina's design centre in Mannheim, Germany. The online sales channel of Dessus-Dessous is internationally present in 130 countries with its physical location in Lunel, France.

Lauma Fabrics

Established in 1969, Lauma Fabrics is today the leading European manufacturer of fabrics, laces and narrow bands for the lingerie sector with a long heritage of technical know-how, operating from plants in Latvia and Germany. Lauma Fabrics supplies all major manufacturers of intimate apparel throughout Europe, offering a unique for Europe 'one-stop-shop' solution with wide offering. All main production is done under one roof with no outsourcing involved whereas a full set of materials for lingerie is offered to a customer. Lauma Fabrics is a financially sound and strong cash flow generative business. In addition to lingerie materials, the company produces medical textiles under the brand *Lauma Medical*. Lauma Fabrics balances European design and quality for a relatively low cost in comparison with old European producers.

Sourcing and manufacturing

Lauma Fabrics supplier management system is well-balanced and built on long-standing and trust-based relationships with the majority of its suppliers. The entire production process takes place in the same factory, enabling to fully control all stages of the process. In addition, there are two operating units in Germany, where the Company concentrates design and product requirement definition, alongside the manufacturing of high-end elastic fabrics and certain dyeing operations.

Products

Lauma Fabrics produces a wide selection of fabrics and materials, the majority of which are used in intimate apparel garments. The products include: elastic warp-knit fabrics, rigid warp-knit fabrics, elastic laces, rigid laces, embroidery, narrow bands and molded cups as well as a selection of medical textiles.

The ability to manufacture full sets of materials in equivalent colour ranges have been amongst Lauma Fabrics' greatest competitive advantages. Lauma Fabrics' wide product range for fabrics and laces is supplemented by a range of specialised services. For example, Lauma Fabrics offers thermal processing of textiles (i.e. molding), which is in demand by the lingerie market as a substantial part of it comprises lingerie garments produced from moulded materials. Lauma Fabrics also offers the supply-chain-management services where ready garments are produced under customer brands under the supervision of professional designers and technologists.

Medical products are manufactured and sold under the brand name *Lauma Medical* and the production is ISO certified. Extensive experience and use of modern technologies have made *Lauma Medical* the market leader in its product groups in the Eastern Europe and CIS countries.

Sales and distribution

Lauma Fabrics has a strong reputation and loyal customer base built by using high quality materials, manufacturing all products in-house and reasonable product pricing. Lauma Fabrics' client base is diversified in terms of size and geography – the Company serves all main lingerie brands in Europe and has around 200 client accounts. Blue – chip customers of Lauma Fabrics include Triumph, Anita, Wacoal, Van de Velde, Naturana, Chantelle and others.

Historically, Lauma Fabrics has had a strong focus on Eastern European and CIS markets. In nowadays, sales to Western European countries are growing steadily and their share in total portfolio is increasing. The Company exports more than 85% of its products to more than 20 countries worldwide.

Felina

Felina is a premium German quality lingerie company with over 130 years of history. The Company's classical and modern collections are marketed under two distinct and complementary brands *Felina* and *Conturelle*. Both brands are positioned in the upper pricing, premium fit segment and address female end-customers above 30 years of age with high purchasing power. Newest addition to the portfolio *Senselle by Felina* is a fusion collection providing unprecedent fit and comfort of premium lingerie garments at great value. Core portfolio of Felina is focused on bras up to large cup sizes, slips, shape wear and other intimate wear, which distinguish via excellent fitting characteristics, quality, wearing comfort and skin-friendly materials. Product development, sales and logistics are located in Mannheim, Germany with manufacturing in two owned plants in the South-Eastern Hungary.

Sourcing and manufacturing

Supply relationships for the production materials for lingerie are mainly maintained via Felina GmbH, which purchases materials for direct delivery to the Company's factories in Hungary. There is high internal value-add from product design and collection management to two own production sites in Hungary that secures highest quality standards and short lead times.

Lauma Fabrics is also one of the key suppliers for Felina with long-term cooperation history. Materials not provided by Lauma Fabrics are purchased from trusted suppliers outside of the Group. The majority of raw high-quality fabrics used by Felina are sourced from Germany and Western Europe. Commodity fabrics and parts, such as bra pads are sourced from the Eastern Europe or Asia. Certain finished goods are sourced from interconnected partners in China to a smaller extent.

The lingerie produced is designed in-house at Felina's design centre in Mannheim. In order to secure seamless collaboration with suppliers and short drop lining, the design team coordinates its activities with the procurement teams, in close cooperation with the designers at Lauma Fabrics.

Products and brands

Felina brand provides classical collections in smart, elegant look, perfect fit and excellent quality. Collections are targeted for women in their best age, who have found their personal, classical style. Felina products are positioned in the premium price segment for classical large-cup lingerie.

Conturelle brand, launched in 2005, provides for younger ages, feminine collections in stylish seasonal fashion, modern basic ranges, perfect fit and premium quality. Conturelle designs combine sensuality with high wearing comfort. Collections are targeted for women above 30 and are positioned in the premium price segment for sensual lingerie.

Senselle by Felina brand, launched in 2018, is a fusion collection providing unprecedented fit and comfort of premium lingerie garments in the medium-price segment, targeted mainly at the Eastern European countries and CIS market. In 2018 Felina also launched a new Move by Conturelle activity wear and a new swimwear collection by Felina, which are complementary to the current lingerie products sold under the brand names Felina and Conturelle.

The Company's balanced product assortment includes a relatively high share of never-out-of-stock items in addition to fashion sale garments. The vast majority of the Company's products hold the STANDARD 100 by OEKO-TEX certificate, which guarantees the highest quality and safety of a product in the textile industry.

Sales and distribution

Felina has long-standing international customer relationships and a well-developed lingerie distribution network covering most of the European countries and serving over 4,500 wholesale customers worldwide. The Company realizes approximately 70% of sales through specialized shops, fashion boutiques and department stores.

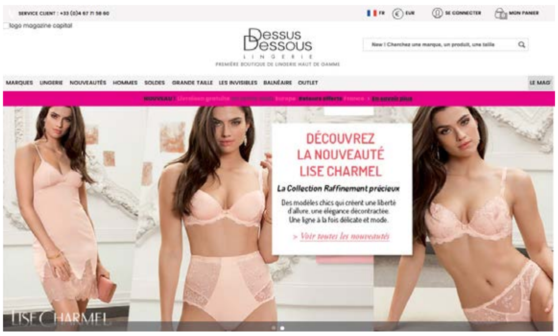
Felina mainly sells lingerie to the European market, which is the world's largest women's lingerie market. Germany, having a prominent market share in the lingerie segment, is the core market for Felina. Russia is another important market, where the underwear segment has considerable potential for growth. Overall, Felina has a strong international presence, generating approximately 60% of sales outside Germany with a strong European footprint (23% Western Europe, 12% Southern Europe, 8% Eastern Europe), including 5% of sales to Northern America and Asia.

Felina operates sales subsidiaries in most of its international core markets to closely serve its retail and wholesale clients. Felina's products are also sold in numerous third-party online stores worldwide as well as in the Group's owned Dessus-Dessous e-store. In addition to third-party retail partners, Felina operates several own stores in Poland and Germany. Wholesale business is mainly generated in the CIS region.

Dessus-Dessous

Dessus-Dessous, headquartered in Lunel, France, specializes in online sales of luxury lingerie brands including Lise Charmel, Van De Velde, Simone Pérèle, ELG's own brands Felina, Conturelle and others. The Company has been leading the French online lingerie market since 2000, and enjoys extraordinary rates of customer satisfaction and loyalty, thanks to superb customer service, reliable delivery and a constantly up-to-date selection of over 150,000 articles from over 50 brands. Dessus-Dessous works in close collaboration with luxury lingerie suppliers and has established a trustworthy relation with its partners.

The company offers varied and complete collections from the greatest lingerie designers, for all body types, in all sizes. From special sets to everyday wear, from top-of-the-range to sculpting and glamorous products, to swimwear, sports, tights and corsetry. Dessus-Dessous has 214 thousand customers in database, with an average of 37 thousand active customers a year, with over 65 thousand orders delivered. The company has presence in 130 thousand countries worldwide.



Dessus-Dessous is year-after-year ranked as one of the top e-commerce stores for lingerie in France. In 2018 the Company introduced a new look for its website and in 2019 started Magento platform migration project, which was completed in October 2020.

The Company was acquired by the Group in June 2018, marking ELG's expansion to the online retail segment of the lingerie market, and reinforcing the Group's vertically integrated business model. Dessus-Dessous business is a unique window on consumer trends and preferences, which in turn help to create greater efficiencies in the Group. There is great potential in Dessus-Dessous business model on its own – it is a successful, profitable and sustainable business. Continued development and geographical expansion of Dessus-Dessous is the Group's priority.

ELG vertical integration

The strategy of vertical integration is at the core of ELG business and operations. With this chosen business model, the Group benefits from more efficient supply chain and inventory management, improved control of the production stages as well as better use of capital and know-how. The combination of in-house large-scale fabrics and lace production by Lauma Fabrics and strong end-product and distribution experience contributed by Felina and by Dessus-Dessous online allows the Group to significantly decrease time to market and react faster to changes in consumer preferences.

There is considerable benefit gained from close cooperation between the fabrics and end-product arms of the Group: combining the expertise from different levels of the value chain helps Lauma Fabrics better serve external clients, while Felina benefits from guaranteed intra-Group supplies of materials produced when needed, as needed, by Lauma Fabrics. Design and product development are areas where the vertical integration of the Group is most profound.

ELG's vertically integrated business model enables tight cooperation between the designers on the end-product side and the teams responsible for the manufacturing of source materials. On account of greater efficiencies and tighter control over the entire product cycle, there are tangible synergies between the Group's companies.

	Raw material (yarns)	Fashion trends	Fabric design	Fabric production	Product design	Lingerie production	Branding / marketing	Whole-sale	Retail
Lauma Fabrics	●●	●●	●●	●●	○	○			
Felina					●●	●●	●●	●●	●

ELG's business rationale of full vertical integration is value creation through:

- Deep integration of the supply chain (from fabrics to retail)
- Efficient supply chain management
- Integration as a response to new demands for speed to market of 6 – 10 weeks (previously up to 9 months) for all types of products (classic, flash, seasonal)
- Quick reaction to market demands
- State of the art inventory management across the whole supply chain
- High asset/capital turnover and realization of full gross margin in-house
- Reduction of risk through controlling key elements of the industry value chain
- Diversification of the group sales and markets

The Group has a clear strategy to grow through integration of new business segments and geographical expansion. The Group's extensive track record, strong market position, brand awareness and network in the Central and Eastern Europe is a stable platform for further dynamic development, integration and innovations. ELG has successfully embarked upon a growth path involving international M&A and is today a renowned and strong player in the European intimate apparel industry.

GROUP FINANCIAL REVIEW

Selected financial indicators

Selected financial indicators of the Group were calculated on the basis of the consolidated financial statements of European Lingerie Group AB for the year 2020 and 2019. Summarized selected financial indicators of the Group for 2020 compared to 2019 and 31.12.2020 compared to 31.12.2019 were as follows:

in thousands of EUR	2020	2019	Change
Revenue	63,284	77,554	-18.4%
Normalised operating profit	(57)	4,698	-101.2%
Normalised EBITDA	3,954	8,829	-55.2%
Normalised net profit	(6,268)	873	-817.9%
Operating cash flow for the period	3,679	1,890	94.7%

in thousands of EUR	31.12.2020	31.12.2019	Change to 31.12.2019
Total assets	64,265	70,386	-8.7%
Total current assets	34,614	37,798	-8.4%
Cash and cash equivalents	5,915	1,365	333.3%
Total current liabilities	61,104	56,387	8.4%
Adjusted total current liabilities [4]	21,200	17,107	23.9%
Gross interest-bearing debt [5]	51,901	46,996	10.4%
Net interest-bearing debt [6]	45,986	45,631	0.8%

Marginal analysis, %	2020	2019	Change
Normalised operating profit margin	-0.1%	6.1%	-6.2%
Normalised EBITDA margin	6.2%	11.4%	-5.2%
Normalised net profit margin	-9.9%	1.1%	-11.0%

Financial ratios	31.12.2020	31.12.2019
ROA (return on assets)[7]	-9.3%	1.3%
Adjusted current ratio[8]	1.6	2.2
Adjusted quick ratio[9]	0.8	1.0
12 months rolling normalised EBITDA[10]	3,954	8,829
Net debt/EBITDA[11]	11.6	5.2

Financial performance

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

The Group's sales amounted to EUR 63,284 thousand in 2020, representing a 18.4% decrease as compared to sales in 2019. 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 periods. In addition to that, due to introduction of a smaller Felina swimwear collection in 2020, revenue of swimwear was also lower than in 2019.

Profitability margins in 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 outweigh by the additional business from protective masks, state subsidies received for the down-time payments to employees and working capital needs and strict cost control during the lock-down periods.

Normalised EBITDA in 12 months 2020 amounted to EUR 3,954 thousand and decreased by 55.2% compared to 2019. Normalised EBITDA margin in

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

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

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

[4] Adjusted total current liabilities exclude bond liabilities in the amount of EUR 39,904 thousand classified as short-term (31 December 2019: EUR 39,280 thousand)

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

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

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

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

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

[10] 12 months rolling normalised EBITDA is EBITDA for the period from 1 January to 31 December.

[11] Net debt/EBITDA is calculated as net interest-bearing debt divided by 12 months rolling normalised EBITDA.

2020 and 2019 was 6.2% and 11.4% respectively.

Normalised net profit in 2020 amounted to a loss of EUR 6,268 thousand, compared to normalised net profit of EUR 873 thousand in 2019. Decrease in net profit is as well explained by the reasons described above as well as interest expense related to the amortization of transaction costs on bonds issue. Normalised net profit margin in 2020 and 2019 was -9.9% and 1.1% respectively.

Financial position

Financial position of the Group at 31 December 2020 and 2019 was consolidated position as per the consolidated financial statements of European Lingerie Group AB for 2020 and 2019.

At 31 December 2020 consolidated total assets amounted to EUR 64,265 thousand representing a decrease of 8.7% as compared to the statement of financial position at 31 December 2019.

Inventories balance decreased by 18.1% compared to the balance at 31 December 2019. The decrease was a result of reduction in production volumes to align with the current revenue levels as well as optimisation of the inventory levels. 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 25.4% compared to the balance at 31 December 2019 as a result of lower sales in 12 months 2020. Higher allowance for expected credit loss is a result of the bad economic cycle statistics applied for the calculations in 2020. The Group expects reversals of these additional allowances in the coming periods when the economic cycle applied to the calculation is changed to a normal cycle.

Cash and cash equivalents increased by EUR 4,550 thousand compared to 31 December 2019 mainly as a result of improvements in working capital and additional inflows from credit line facilities.

Loans and borrowings at 31 December 2020 increased by EUR 4,905 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 31 December 2020 were EUR 9,478 thousand and decreased by EUR 2,035 thousand compared to 31 December 2019. Decrease is explained by the improvement of liquidity during the year 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 2020 and 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 2020 were 85.3% of its total sales against 84.2% in 2019.

In thousands of EUR	2020	2019	Change, %	2020, % of sales	2019, % of sales
Germany	11,893	17,230	-31.0%	18.7%	22.2%
Baltic countries [12]	11,693	9,023	29.6%	18.3%	11.6%
France	8,521	6,590	29.3%	13.4%	8.5%
Russia	7,222	10,888	-33.7%	11.3%	14.0%
Belarus	4,413	5,171	-14.7%	6.9%	6.7%
Benelux countries [13]	3,781	5,094	-25.8%	5.9%	6.6%
Poland	3,247	4,245	-23.5%	5.1%	5.5%
Italy	1,315	1,871	-29.7%	2.1%	2.4%
Ukraine	1,297	1,545	-16.1%	2.0%	2.0%
Spain	608	3,619	-83.2%	1.0%	4.7%
Other markets	9,294	12,278	-24.3%	14.7%	15.8%
Total	**63,284**	**77,554**	**-18.4%**	**100.0%**	**100.0%**

[12] Latvia, Estonia and Lithuania
[13] Belgium, the Netherlands and Luxembourg

As a result of COVID-19 outbreak, sales in all markets operated by the Group demonstrated a decrease in 2020, except Baltic countries and France.

Sales in the Baltic countries increased by 29.6% in 2020 compared to previous year. The increase is explained by sales of medical masks and respirators.

Sales in France increased by 29.3% in 2020 compared to previous year. The 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 largest drop - by 83.2% in 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 due to closure of stores for significant part of the year and thus inability to trade.

Sales in Italy decreased by 29.7% in 12 months 2020 compared to previous year. The drop was not as significant as in other markets because of sales of medical masks imported by the Group from China. Like for like sales change in 2020 (excluding medical masks impact) was a decrease of 56.5%. 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 33.7% in 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 started recovering quite fast and sales volume started to pick up.

Sales in Ukraine decreased by 16.1% in 12 months 2020 and by 11.0% in Q4 2020 compared to previous year. The drop in this market was on a low side compared with other markets which is explained by Senselle by Felina lingerie sales increase in this region.

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	2020	2019	Change, %	2020, % of sales	2019, % of sales
Textiles	32,589	34,172	-4.6%	49.5%	42.5%
Lingerie	31,983	44,559	-28.2%	50.5%	57.5%
Intercompany eliminations	(1,288)	(1,177)			
Total	**63,284**	**77,554**	**-18.4%**	**100.0%**	**100.0%**

During 2020, 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 partially 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.

Investments

During 2020 the Group invested into property plant and equipment and intangible assets EUR 626 thousand compared to EUR 2,921 thousand in 2019. The main investments related to Magento platform migration project in Dessus-Dessous S.A.S. which was started in 2019 and was completed in Q4 2020.

In the reporting year, the Group invested in the development of its production base very cautiously due to the significant uncertainty as a result of the rapid spread of the COVID-19 pandemic and put more attention at stabilization of its liquidity and improvement of the working capital situation.

Further development of the Group

The year 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

In thousands of EUR	2020	2019
Reported EBITDA	**(699)**	**8,184**
Adjusted by:		
Costs related to the contemplated restructuring costs of the Group	3,385	93
Management contract termination costs	-	310
Transaction costs:		
Bond change / amendment / restructuring related costs	1,002	137
Acquisition of subsidiary	-	4
Net loss on disposal of intangible assets and property, plant and equipment	36	70
Gain on disposal of subsidiary	-	(217)
Capital raise related costs	180	-
Other	50	248
Normalised EBITDA	**3,954**	**8,829**
Reported net loss	(10,517)	(220)
Normalisation adjustments	5,277	1,212
Tax effect on normalization adjustments	(1,028)	(119)
Normalised net profit/(loss)	**(6,268)**	**873**

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 comprised consulting and legal expenses related to further restructuring measures plan preparation for the Group as well as accrued costs for potential business model transformation. Restructuring of brands/subsidiaries in 2019 related to restructuring/consolidation of some functions within Felina 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.
- *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) and costs related to renegotiation of the Bond Terms and Conditions.
- *Capital raise related costs* included mainly legal costs related to potential equity and debt attraction projects.
- *Other costs* in 2020 included various consulting costs related to the potential investment projects. Other costs in 2019 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.
- *Normalisation adjustments for net profit* in 2020 and 2019 included interest expense related to the amortization of transaction costs on bonds issue.

ANNUAL REPORT

Annual report of European Lingerie Group AB for the year ended 31 December 2020 has been approved on July 28, 2021 and can be found at the Group's website: www.elg-corporate.com