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EUROPEAN LINGERIE GROUP AB

QUARTERLY REPORT –  
FIRST QUARTER 2021



**European Lingerie Group (ELG)** is a fully vertically integrated intimate apparel and lingerie group, supplying lingerie materials to all major intimate apparel brands and distributing own ready garment lingerie products through more than 4,500 points of sale in 46 countries worldwide and online. ELG includes three business segments – **Lauma Fabrics, Felina International** and online business **Dessus-Dessous**.

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

## Key numbers

**1,059**

Employees  
worldwide

**46**

Countries

**4,500**

Points of sale

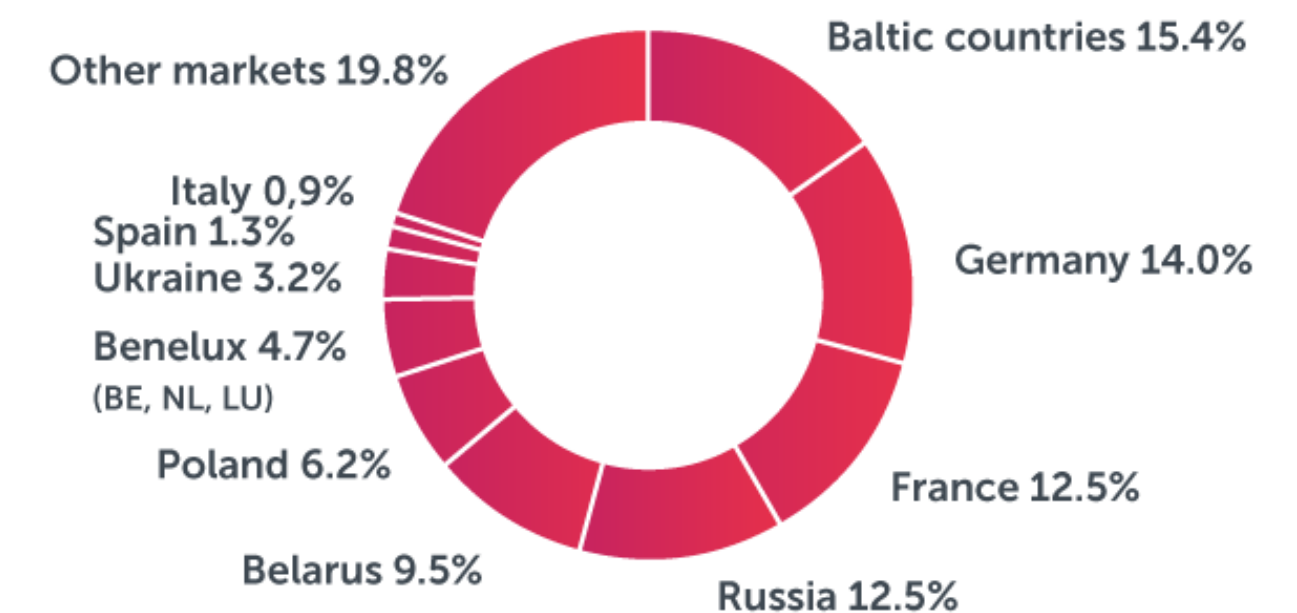
**6 brands**

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

**€ 13.4m**

Sales Q1 2021

## Sales by markets 3M 2021



# Company Locations

## Key company locations –

sourcing, design, development

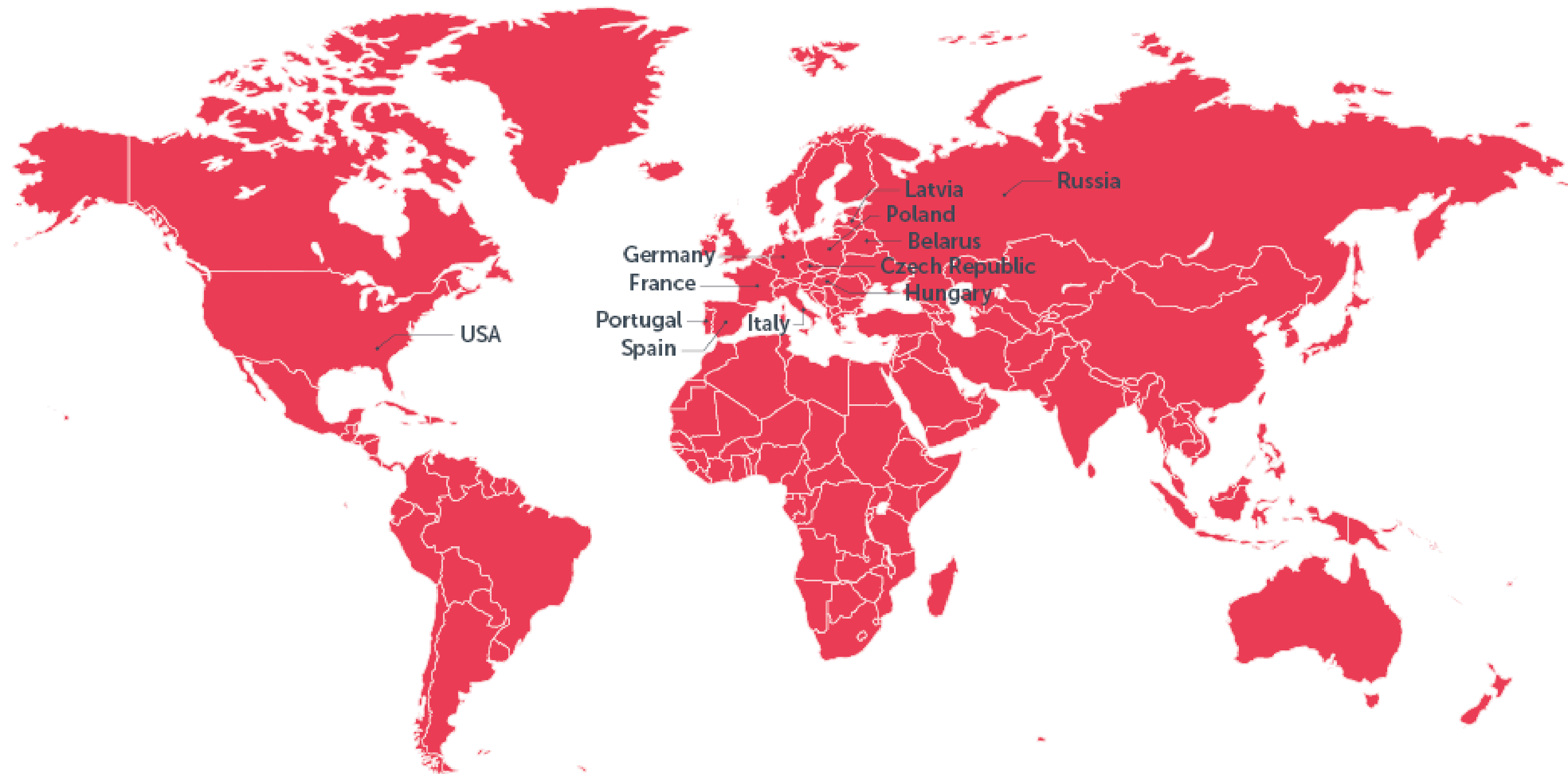
Germany (Mannheim), Latvia (Liepaja)

## Production

Germany, Latvia, Hungary, Belarus

## Trading

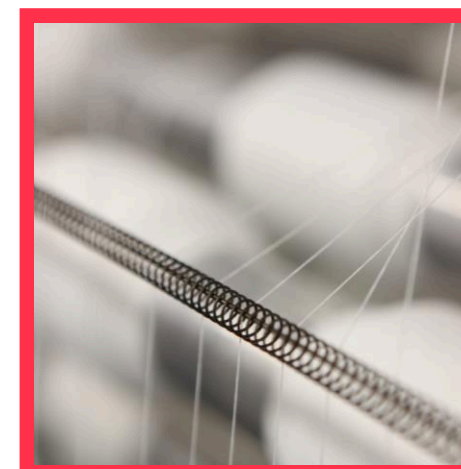
Germany, Latvia, Hungary, Poland,  
France, Italy, USA, Spain, Portugal,  
Czech Republic, Russia



# Company Products

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

Premium branded lingerie under  
Conturelle and Felina brands



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# Business case

## Unique for lingerie industry

ELG is one of few **fully vertically integrated** companies in the lingerie industry in Europe producing lace and fabrics for international lingerie brands as well as producing and distributing lingerie garments under its own brands.

## Established position in CEE and excellent platform for growth

The Group has historically demonstrated **stable performance**. The leadership team have identified **further growth opportunities** in private label business expansion, geographical expansion, product portfolio expansion and new distribution channels, especially online; also – licencing projects by large global brands.

ELG's strong market position, brand awareness and network in CEE support **integration of new business segments** and **geographical expansion**.

## Highly experienced Management team

The Group has a **capable and highly experienced leadership team**, who are supported by a well-established 2nd tier management team responsible for the daily operations of the Group and its subsidiaries.

## Manufacturing arm with blue-chip customer base

ELG is **one-stop-shop manufacturer** with diversified blue-chip customer base.

The Group supplies all major European manufacturers of intimate apparel.

Innovative **European design and quality** for relatively **low cost**.

## High brand awareness and customer proximity

Its established brands, Felina and Conturelle, have **high brand awareness**.

Close customer proximity through department stores and other retailers. Wide distribution network exceeding **4,500 points of sale** throughout Western Europe.

## Several profitability initiatives available

**Optimisation** of manufacturing and organisation, and **development of online sales**.

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# Value creation through vertical integration

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) and quick reaction to market demands.

Efficient 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.

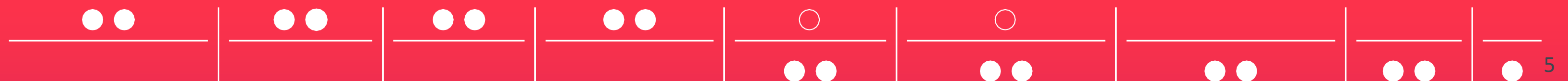
Diversification of the group sales and markets.

ELG has a track record of successfully expanding into new geographies through acquisitions. Acquired companies include Elastic (fine fabrics, a client) and Felina (premium lingerie, a client), facilitating the geographical expansion and vertical integration.

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

**Lauma Fabrics**

**Felina**





# *felina*

CONTURELLE  
— *felina* —

  
**senselle**  
by *felina*

*Felina SS19*





# *Felina*

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## Premium quality lingerie since 1885

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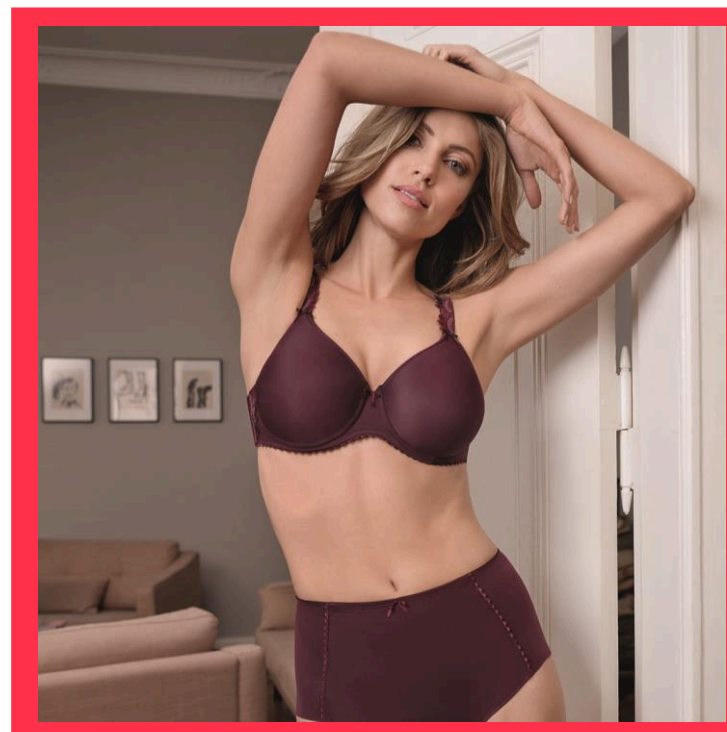
Well-established player in an intimate wear niche focused on **premium** bras, slips and other intimate wear products.

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Over **100 years** of brand heritage and excellent product fit with loyal end customers obtaining a low degree of price sensitivity.

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Two distinct and complimentary premium brands – ***Felina*** and ***Conturelle***. Newest addition ***Senselle*** is a fusion collection

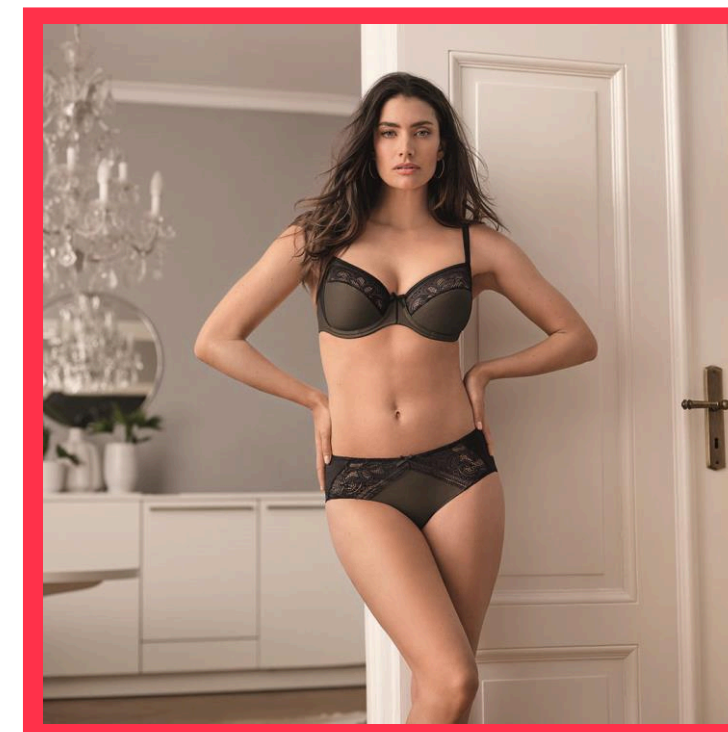


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**Vertical integration.** The combination of in-house large-scale fabrics and lace production by Lauma and strong end-product and distribution experience by Felina.

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**Close customer proximity** through regional sales subsidiaries focusing on department stores as well as fashion and lingerie retailers.

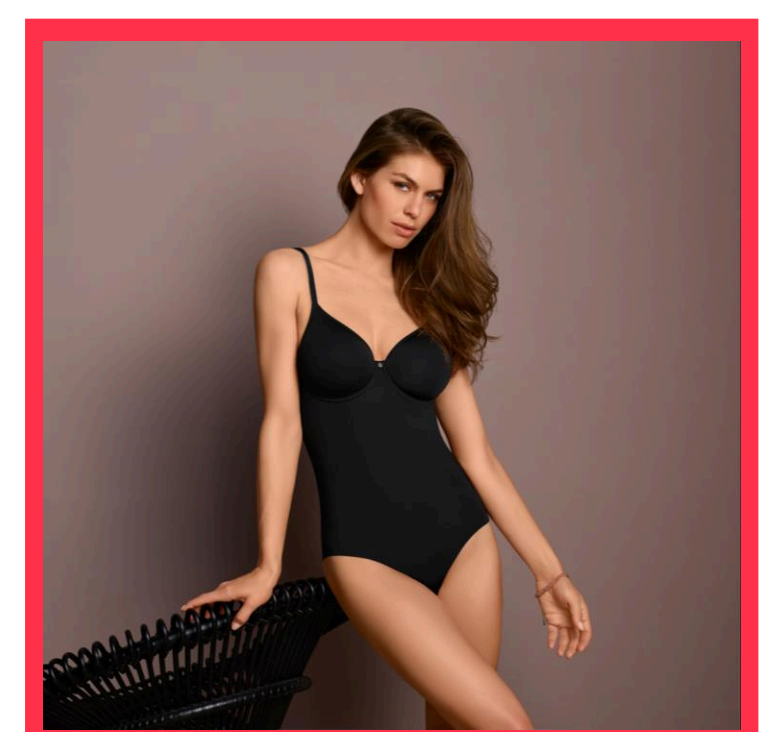


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**Low risk, asset-light business model**, due to growing core business with high share of NOS (never-out-of-stock) products.

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**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.



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# Own Brands sales and distribution

Felina has long-standing international customer relationship and a well-developed lingerie distribution network covering most of the European countries and serving over 4,500 wholesale customers worldwide. Wholesale business is mainly in the CIS region. Felina realizes approximately 75% of sales through specialized shops, fashion boutiques and department stores.

Felina mainly sells lingerie to the European market, which is the world's largest women's lingerie market. Germany, is the core market for Felina.

## Core Markets

**Germany**



**Western Europe**



**Russia**



Felina has a strong international presence, generating more than 60% of sales outside Germany (22% Western Europe, 14% Southern Europe, 24% Eastern Europe, 3% Northern America and Asia). In 2018, a new back-up brand *Senselle by Felina* was launched to grow the market share in Eastern Europe as well as CIS countries and target the medium price segment.

In the near future the Group sees good potential in expanding further into Scandinavia, Spain and the UK. Such an expansion can be facilitated either through greenfield expansion or via strategic acquisitions.

Product development, sales and logistics of Felina are located in Mannheim, Germany and manufacturing in 2 plants in South-East Hungary. Felina employs 680 people.





*Embroidery by Lauma Fabrics*







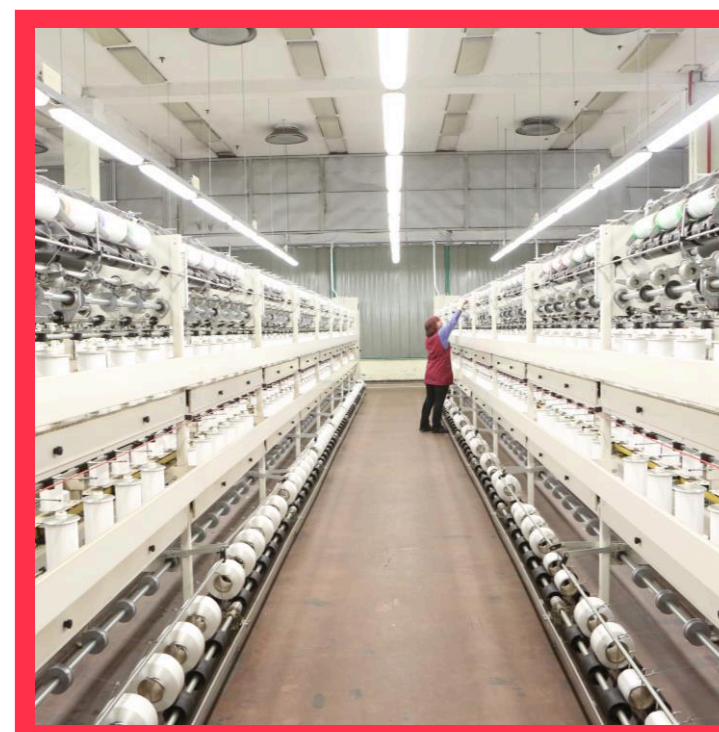
## Business strengths

The company, situated in Liepaja, Latvia **supplies all major manufacturers** of intimate apparel throughout Europe.

Lauma Fabrics balances **European design and quality** for a relatively low cost in comparison with old European producers.

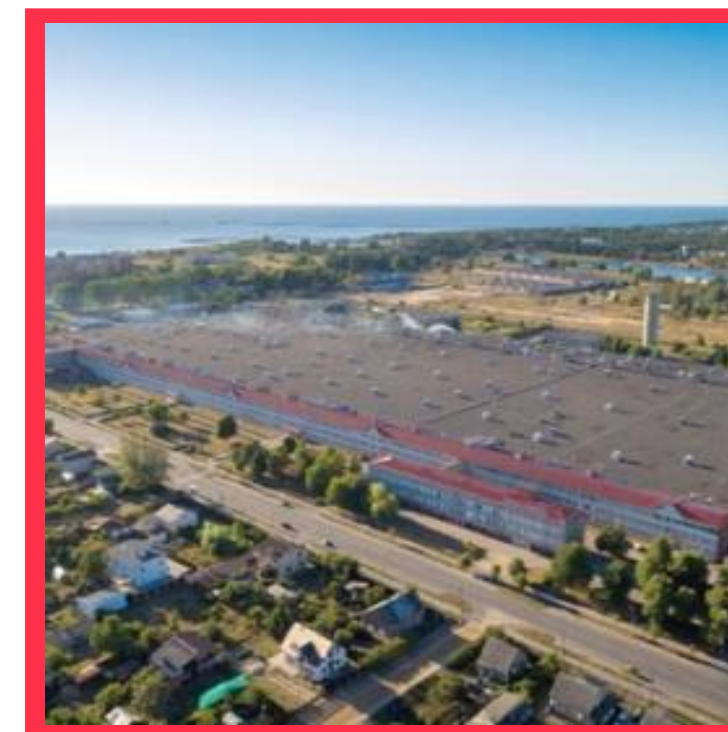
**Financially sound** and strong cash flow generative business.

Lauma Fabrics historical success has been built on '**one-stop-shop**' strategy whereas a full set of materials for ladies underwear (warp knitted fabrics, laces, narrows, embroideries, moulded cups) is offered to the customer.



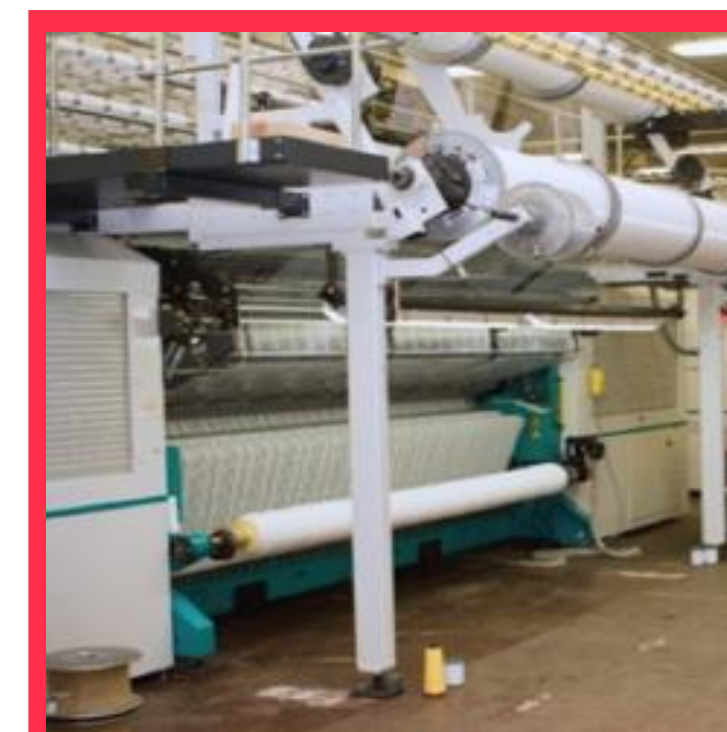
Lauma Fabrics has a **full production process under one roof** (warping, knitting, dyeing and finishing), very rare for a European producer.

The company has a **modern dye-house**, which enables beam and jet dyeing as well as includes water scouring equipment and stenters.



**Convenient location** for European production and historically loyal employee base.

**Balanced geographical sales** to CIS / Russia and Central and Western Europe with **market leaders** as the **key customers**.





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# Lauma Fabrics product portfolio

Product portfolio includes elastic knitted fabrics, rigid knitted fabrics, elastic laces, narrows and embroideries.

Lauma Fabrics also offers SCM\* services where ready garments are produced under customer brands.

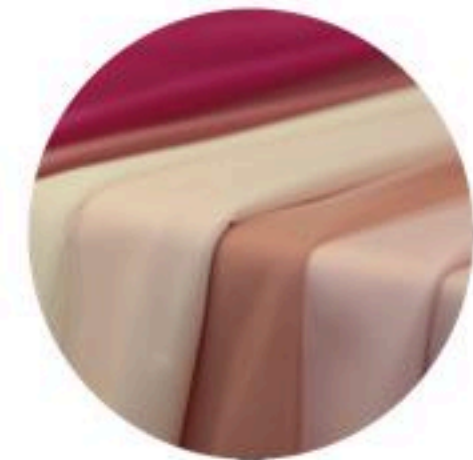
In addition to its core products, Lauma produces medical textile – compression bands and back supports. These products are sold under the brand Lauma Medical.



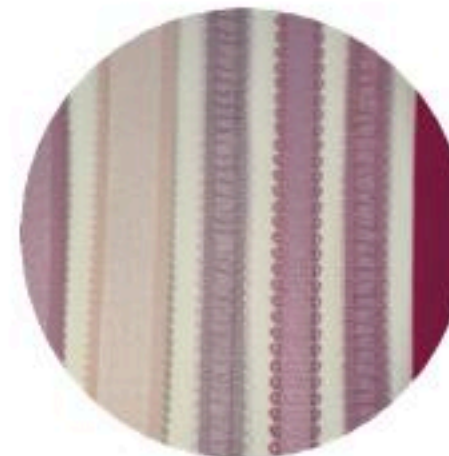
Lace



Embroidery



Elastic fabric



Narrows



Medical goods

\*SCM - Supply  
chain management

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# Lauma Fabrics – Factories and manufacturing



All **production** including warping, knitting, dyeing and finishing **under one roof** with no outsourcing involved.

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

The company made an **investment of €6.4 million** in 2014-2015 and 2019 in dye-house modernization in Latvia, which enables beam and jet dyeing; includes water scouring machine and stenters.

The Group has **own machinery** needed for the full production cycle:

- In Latvia & Germany: 10 yarn weaving machines, 249 fabrics/narrows knitting and weaving machines, 4 drying machines, 27 dyeing machines as well as other supplementary equipment.

Fabrics and laces are mainly produced in the Latvian factory in Liepaja in the north of Latvia (471 employees):

- **Built in** the early **1970s** to provide textile products throughout the Soviet Union. Consequently, the business was established with both **knitting and dyeing & finishing facilities**
- **Dye-house** recently **modernized**
- The entire production process takes place in the same factory, enabling Lauma to **fully control all stages** of the process
- Provides ample **space for expansion**
- The knitting **machinery** is **well maintained** and generally is adequate for current needs

There are **two** smaller operating elastic fabrics **units in Neukirchen, Germany** (knitting) and **Wuppertal, Germany** (dyeing and finishing) with 65 employees.



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# Lauma Fabrics sales

## Lauma Fabrics blue-chip customer base:

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's 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**.

Lauma Fabrics currently produces a wide range of lace plus a variety of basic broad elastic fabrics. The majority of its production is used in intimate apparel garments, with principal markets being the CIS countries and Russia.

Sales to Western European countries are also growing steadily. More than 85% of fabrics, laces and other materials exported to more than **20 countries all over the world**.

Fabrics and laces are sold and marketed by dedicated distribution teams aiming to develop a close link between materials manufactured by Lauma Fabrics and the clothing where these products are used. In combination, the Latvian and German production facilities provide **wide geographic coverage**.

Lauma Fabrics carries a **wide range of fabrics** covering all product types. These are presented to customers either at trade fairs, customer conventions or directly at the customers' premises.



Dessus  
Dessous  
LINGERIE  
FRENCH LUXURY LINGERIE SHOP

*www.dessus-dessous.com*

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

EN | EUR

Connect

My Cart

Dessus  
Dessous  
LINGERIE  
FRENCH LUXURY LINGERIE SHOP

New! Look for brand, product , size

BRANDS | LINGERIE | NEW | MEN | DISCOUNT

Plus Size Lingerie | The Invisibles | Swimwear | Outlet

NEW ! Free delivery in Europe relay points. > More information

-40%

All our  
Good Deals of  
your  
lingerie brands

LISE CHARMEL  
PRIMA DONNA

SP  
SIMONE PÉRELE  
PARIS

Chantal Thomass  
PARIS

> Shop now

-50%

Aubade

Recently Viewed Products

My wishlist





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

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

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## Key numbers

**No 1**

in French online  
lingerie market

**50+ brands**

Represented on website

**150 thousand**

Articles in selection

**214 thousand**

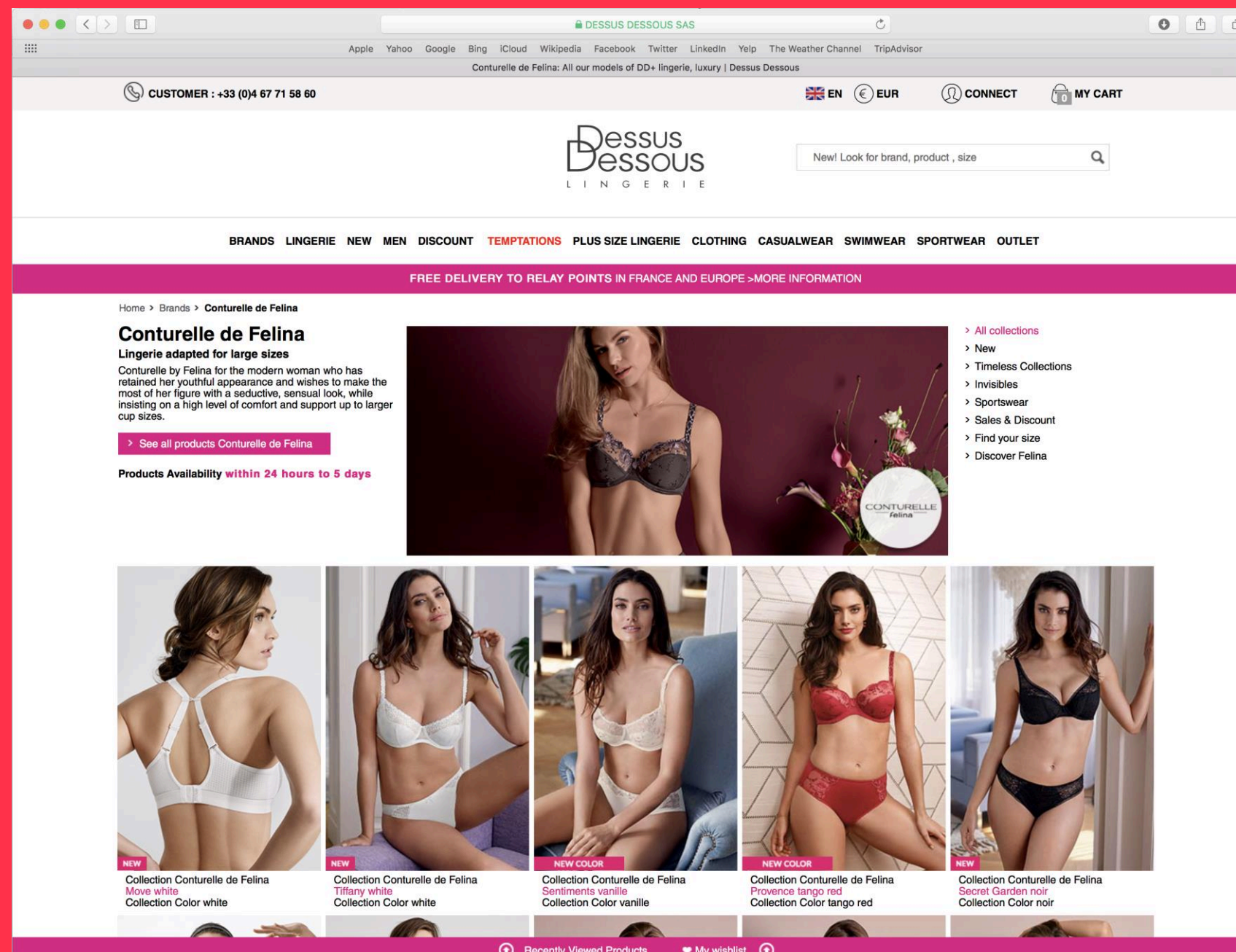
Customers in database



# Business Strengths

The acquisition of Dessus-Dessous, completed in June 2018, marked ELG's expansion to the online retail segment of the lingerie market, reinforcing the Group's strategic commitment to building a truly vertically integrated business.

Sales of consumer goods are increasingly moving online, as is the modern lingerie business. The acquisition of Dessus-Dessous is the response of ELG towards the persistent market trends.



ELG believes the acquisition of Dessus-Dessous is of great long-term strategic value for the Group.





## Business Strengths & Opportunities

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**Magento 2** project went live in October 2020. The project improves performance through increased conversion, a better and more user-friendly admin interface even for non-technical users and is a mobile friendly platform.

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Numerous initiatives are in the pipeline to facilitate the **conversion rate** as well as **average basket** increase.

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Dessus & Dessous has been successful with Google campaigns in France while international campaigns have not been prioritised in the past. Target is to **grow international reach**, specifically English speaking countries and Russia.

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**E-mail channel** was substantially re-enforced in 2020 after GDPR implementation. Conversion of customer data base into opt-ins was also completed. E-mail is the highest conversion channel for the Company and the Company will continue to aim to strengthen this channel.

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Further **connection to the brands' warehouse** databases is planned to facilitate the product availability and decrease stock requirement.

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For 2021, **translation of the web page** into one language annually is planned for countries where local language is preferred for a better shopping experience.

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# Highlights of Q1 2021

## **COVID-19 pandemic**

The first quarter of 2021 continued to be a challenging quarter for the Company. Most of its main markets were still hit by COVID-19 lockdowns and traditional shopping was restricted throughout the whole Europe. ELG is pleased to acknowledge that the management of the Group companies is responding quickly to the new reality and keeps managing the situation accordingly.

In these difficult circumstances, the management focuses on the long term continuity of the Group's business and supports key strategic customers through difficult times. Irrespective of the COVID-19 imposed challenges, the Company has shown sufficient financial stability throughout the reporting quarter and continues to deliver good results.

## **Signing of the restructuring agreement with the Bondholder Committee**

As previously announced by the Company on several occasions, a lengthy restructuring process of the Company's bonds was carried out since the end of 2019. As the result, in April 2021 the Group and its major shareholders signed an agreement with the Bondholder Committee (representing approximately 64 per cent of the total bond amount), AS Rietumu Banka as the lender and its affiliated company RB SIA as equity investor on a restructuring of ELG and its Bonds, under which the Bonds will 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 will be written down to zero.

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. Closing of the restructuring, including repayment to the holders of the Bonds according to the above, is expected to occur in June 2021.



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# Key findings of Q1 2020

As a result of the global continuing pandemic, revenue in the first quarter 2021 for European Lingerie Group was 21.2% lower than in the first quarter 2020. The textile segment performed almost on the level of previous year, but the lingerie segment still suffered due to continuous severe restrictions in most of the countries, which directly affected ELG's customers – retailers. Despite the difficult quarter for the lingerie segment, European governments have recently announced gradual release of the lockdown restrictions, including re-opening of stores, which will inevitably lead to the recovering of the turnover in the coming months and moving closer to pre-COVID level of business.

In respect of costs and profitability, the Group is still in the process of implementing various cost saving initiatives and improvements in the processes, functions and digitalisation. Therefore, all measures which have already been done and the ones which are on the way, helped the Group to minimize losses and maintain stable liquidity throughout the reporting period.

Covid-19 pandemic will continue to have an impact on the Group in 2021, as customers are less ready to place orders. They do show a lot of appreciation for the direct and transparent communication and willingness to work in partnership to overcome this crisis. This goodwill the Group has built up and a number of targeted investments to add new dimensions to the partnership with our customers strengthen the confidence in the future. Furthermore, the Group has started adding new business lines in order to split the business risk and grow the revenue and profit quicker, which should pay back in the coming periods.

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# Financial highlights of Q1 2021

The Group's **sales** amounted to **EUR 13,366** thousand in Q1 2020, representing a 21.2% decrease as compared to sales of Q1 2019.

In Q1 2021, the **decrease in sales** was mainly a result of COVID-19 outbreak and continued closure of stores in majority of the Group's main markets. In addition to that, due to imposed restrictions on travel and shopping, the Group made the decision not to introduce Felina swimwear collection in 2021 as well as reduced its lingerie collection for Spring/Summer 2021. In the reporting quarter, the textiles segment was able to achieve almost the same level of revenue as in Q1 2020 due to much lower or no lockdown restrictions imposed in the main sales markets of the segment.

**Profitability margins** in Q1 2021 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 state subsidies received for the down-time payments to employees and working capital needs and strict cost control during the lock-down periods.

<i>In thousands of EUR</i>	Q1 2021	Q1 2020	Change
Revenue	13,366	16,961	-21.2%
Normalised operating profit	(1,162)	(518)	124.3%
Normalised EBITDA	(331)	482	-168.7%
Normalised net profit /(loss)	(2,318)	(1,364)	69.9%
Operating cash flow for the period	(1,234)	620	-299.0%



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# Financial highlights of Q1 2021

**Normalised EBITDA** in Q1 2021 amounted to a loss of EUR 331 thousand and decreased by 168.7% compared to Q1 2020.

**Normalised EBITDA margin** in Q1 2021 and Q1 2020 was -2.5% and 2.8% respectively.

**Normalised net profit** in Q1 2021 amounted to a loss of EUR 2,318 thousand compared to a loss of EUR 1,364 thousand in Q1 2020.

**Normalised net profit margin** in Q1 2021 and Q1 2020 was -17.3% and -8.0% respectively.

Marginal analysis, %	Q1 2021	Q1 2020	Change
Normalised operating profit margin	-8.7%	-3.1%	-5.6%
Normalised EBITDA margin	-2.5%	2.8%	-5.3%
Normalised net profit margin	-17.3%	-8.0%	-9.3%

# Sales of Q1 2021

**Core operating 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 Q1 2021 were 80.2% of its total sales against 84.1% in Q1 2020.

As a result of COVID-19 outbreak, sales in **all markets** operated by the Group demonstrated a **decrease in Q1**, except Belarus.

Sales in the Baltic countries, Germany, France, Benelux, Poland, Spain, Italy and Ukraine were below previous year due to restrictions and lockdowns imposed in the countries during the second and third wave of COVID-19.

Sales in Russia decreased by 11.0% in Q1 2021. This was a result of unequal sales rounds by the largest customers there. Furthermore, due to imposed lockdown back in March 2020 in the whole Europe, some Russian customers chose to order more in order to ensure sufficient product availability during the lockdown and difficulties in transporting the goods at that period of time.

Belarus was the only increasing region – by 10% in Q1 2021. Partially this is a result of switching of Asian, Turkish and European supplies of materials to Lauma Fabrics as it is still hard to get goods from those suppliers on time as well as transportation costs from Asia have increased almost 5 times.

## Sales by markets

<i>In thousands of EUR</i>	Q1 2021	Q1 2020	Change, %	Q1 2021, % of sales	Q1 2020, % of sales
Baltic countries <sup>12</sup>	2,056	2,294	-10.4%	15.4%	13.5%
Germany	1,871	3,306	-43.4%	14.0%	19.5%
France	1,673	1,777	-5.9%	12.5%	10.5%
Russia	1,671	1,878	-11.0%	12.5%	11.1%
Belarus	1,266	1,151	10.0%	9.5%	6.8%
Poland	826	840	-1.7%	6.2%	5.0%
Benelux countries <sup>13</sup>	628	1,166	-46.1%	4.7%	6.9%
Ukraine	432	465	-7.1%	3.2%	2.7%
Spain	174	1,157	-85.0%	1.3%	6.8%
Italy	120	224	-46.4%	0.9%	1.3%
Other markets	2,649	2,703	-2.0%	19.8%	15.9%
<b>Total</b>	<b>13,366</b>	<b>16,961</b>	<b>-21.2%</b>	<b>100.0%</b>	<b>100.0%</b>



# Sales of Q1 2021

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

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

During Q1 2021, textiles segment was at the level of previous year while lingerie segment demonstrated a decrease of 38.9%. Lingerie segment suffered more from COVID-19 as the closure of retail stores was reinstated in most of our core markets during the second and third COVID wave.

## Sales by business segments

<i>In thousands of EUR</i>	Q1 2021	Q1 2020	Change, %	Q1 2021, % of sales	Q1 2020, % of sales
Textiles	8,014	8,036	-0.3%	57.2%	44.8%
Lingerie	5,717	9,361	-38.9%	42.8%	55.2%
Intercompany eliminations	(365)	(436)			
<b>Total</b>	<b>13,366</b>	<b>16,961</b>	<b>-21.2%</b>	<b>100.0%</b>	<b>100.0%</b>





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GROUP

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