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**EUROPEAN LINGERIE
GROUP**



EUROPEAN LINGERIE GROUP AB

**QUARTERLY REPORT - SIX MONTHS
AND SECOND QUARTER**

1 JANUARY 2018 – 30 JUNE 2018

Contents

Management report	3
Pro forma financials for 6 months 2018, Q2 2018 and comparative periods	7
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	
Information on the Company	14
Condensed consolidated statement of profit or loss and other comprehensive income	15
Condensed consolidated statement of financial position	16
Condensed consolidated statement of changes in equity	17
Condensed consolidated statement of cash flows	18
Notes to the condensed consolidated interim financial statements	20
Statement by the Board of Directors	30

Management report

General information

European Lingerie Group AB (the "Parent") is a Public Limited Liability Company domiciled in Sweden. At 30 June 2018 the Company had 19 wholly owned subsidiaries, a representative office located in Russia and a joint venture company located in Latvia.

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

The results for the second quarter of 2018 are not satisfactory for European Lingerie Group (ELG or the "Group"), but in the same time expected. On the sales side we see the overall change in retail concept in the Southern and Central Europe whereby some of the small specialised retail shops (traditional brick & mortar stores) disappear and department and online stores take over the market. This is also confirmed by the trend with our largest customers in these countries, and our sales are growing with them. Despite that, in the short-term this growth does not compensate the drop of the shrinking sales channel of small boutique stores and the time is needed for the market to adapt.

2018 is regarded by the Group as a year in transition. To recover the decrease in turnover and to grow we do quite a lot of strategic investments and market initiatives this year. One of such steps in our strategy is to develop the online channel. In June 2018 the Group acquired the largest online retailer of lingerie and swimwear in France – Dessus-Desous S.A.S. The acquisition marks the Group's expansion to the online retail segment of the lingerie market and reinforces the Group's strategic commitment to building a truly vertically integrated business. The acquisition was financed by the proceeds received from the bonds issue.

The taken actions will not affect the sales until 2019 due to the natural cycle of the industry, but will start bringing returns in the coming years and we still believe that 16-17% EBITDA margin over a business cycle is a good target.

Financial highlights of the reporting 6 months and second quarter

Selected financial indicators

Selected financial indicators of the Group were calculated on the basis of the pro forma financial information of European Lingerie Group AB

for 6 months 2018, 6 months 2017, Q2 2018 and Q2 2017. Refer to page 7 for the description of the pro forma financial information and pro forma assumptions. Summarized selected financial indicators of the Group for 6 months 2018 compared to 6 months 2017, Q2 2018 compared to Q2 2017 and 30.06.2018 compared to 30.06.2017 and 31.12.2017 were as follows:

In thousands of EUR	6 months 2018 (Pro forma)	6 months 2017 (Pro forma)	Change
Revenue	38,348	41,211	-6.9%
Normalised operating profit ¹	2,427	5,559	-56.3%
Normalised EBITDA ²	4,026	6,954	-42.1%
Normalised net profit/(loss) ³	26	3,472	-99.3%
Operating cash flow for the period	(733)	2,007	-136.5%

In thousands of EUR	Q2 2018 (Pro forma)	Q2 2017 (Pro forma)	Change
Revenue	18,991	20,072	-5.4%
Normalised operating profit ¹	1,014	2,875	-64.7%
Normalised EBITDA ²	1,807	3,544	-49.0%
Normalised net profit/(loss) ³	(120)	1,115	-110.8%
Operating cash flow for the period	619	2,958	-79.1%

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

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

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

In thousands of EUR	30.06. 2018 (Actual)	30.06. 2017 (Pro forma)	31.12. 2017 (Pro forma)	Change to 30.06. 2017	Change to 31.12. 2017
Total assets	66,130	69,042	65,487	-4.2%	1.0%
Total current assets	36,082	41,776	38,688	-13.6%	-6.7%
Cash and cash equivalents	2,972	2,762	1,944	7.6%	52.9%
Total current liabilities	14,961	20,127	48,886	-25.7%	-69.4%
Adjusted total current liabilities ⁴	14,961	20,127	17,916	-25.7%	-16.5%
Gross interest-bearing debt ⁵	40,530	31,634	33,606	28.1%	20.6%
Net interest-bearing debt ⁶	37,558	28,872	31,662	30.1%	18.6%

⁴ Adjusted total current liabilities exclude loans and borrowings subject to refinancing.

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

Marginal analysis, %	6 months 2018 (Pro forma)	6 months 2017 (Pro forma)	Change
Normalised operating profit margin	6.3%	13.5%	-7.2 pp
Normalised EBITDA margin	10.5%	16.9%	-6.4 pp
Normalised net profit margin	0.1%	8.4%	-8.3 pp

Marginal analysis, %	Q2 2018 (Pro forma)	Q2 2017 (Pro forma)	Change
Normalised operating profit margin	5.3%	14.3%	-9.0 pp
Normalised EBITDA margin	9.5%	17.7%	-8.2 pp
Normalised net profit margin	-0.6%	5.6%	-6.2 pp

Financial ratios	30.06.2018 (Pro forma)	30.06.2017 (Pro forma)	31.12.2017 (Pro forma)
ROA (return on assets) ⁷	0.1%	5.5%	9.8%
Adjusted current ratio ⁸	2.4	2.1	2.2
Adjusted quick ratio ⁹	1.2	1.1	1.2
12 months rolling normalised EBITDA ¹⁰	10,129	not available	13,057
Net debt/EBITDA ¹¹	3.7	not available	2.4

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 July 2017 to 30 June 2018

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

Financial performance

Financial performance of the Group was analysed on the basis of the pro forma financial information of European Lingerie Group AB for 6 months 2018, 6 months 2017, Q2 2018 and Q2 2017. Refer to page 7 for the description of the pro forma financial information and pro forma assumptions. The Group's sales amounted to EUR 38,348 thousand in 6 months 2018 (Q2 2018: EUR 18,991 thousand), representing a 6.9% decrease as compared to pro forma sales of 6 months 2017 (5.4% decrease to pro forma sales of Q2 2017). In Q2 2018 the Group still faced a decline in revenue, but the deficit in sales reduced in Q2 2018 compared to Q1 2018 (from 8.5% on pro forma basis in Q1 2018 to 5.4% in Q2 2018). The shortfall in sales reduced as a result of improving sales trend in Russia. In most Europe-

an markets, though, the trading climate is still poor and most European suppliers suffer from this to the same extent.

As already mention in Q1 2018 report, due to the fact that part of the costs is fixed, decline in revenue caused drop of profitability margins. Normalised EBITDA in 6 months 2018 amounted to EUR 4,026 thousand (Q2 2018: EUR 1,807 thousand) and decreased by 42.1% compared to pro forma normalised EBITDA in 6 months 2017 (49.0% decrease to pro forma normalised EBITDA for Q2 2017). Normalised EBITDA margin in 6 months 2018 and 6 months 2017 were 10.5% and 16.9% respectively (Q2 2018 and Q2 2017: 9.5% and 17.7% respectively). EBITDA margin deteriorated mainly due to sales decrease and high impact of marginal sales contribution to EBITDA. Additionally, there was a one-off impact on Q2 2017 EBITDA from release of non-recurring accruals for returns and employee bonuses of EUR 452 thousand, which increased profitability margins in Q2 2017 further.

Normalised net profit in 6 months 2018 amounted to EUR 26 thousand (Q2 2018: net loss of EUR 120 thousand), compared to pro forma normalised net profit of EUR 3,472 thousand in 6 months 2017 (Q2 2017: EUR 1,115). Normalised net profit margin in 6 months 2018 and 6 months 2017 were 0.1% and 8.4% respectively (-0.6% and 5.6% in Q2 2018 and Q2 2017 respectively). Similarly as for EBITDA, lower profitability was due to sales decrease and one-off accrual release impact. In addition, there was an increase in finance costs in 6 months 2018 as compared to 6 months 2017 related to incremental costs on borrowings raised for the acquisition of Felina Group and for additional capital needed for future growth and investments that were not present in 6 months 2017.

Financial position

Financial position of the Group at 30 June 2018 was consolidated position as per the consolidated interim financial statements of European Lingerie Group AB for 6 months 2018. Financial position of the Group at 31 December 2017 and 30 June 2017 was calculated on the basis of the pro forma financial information. Refer to page 7 for the description of the pro forma financial information and pro forma assumptions.

At 30 June 2018 consolidated total assets amounted to EUR 66,130 thousand representing a decrease of 4.2% as compared to the pro forma statement of financial position at 30 June 2017 (1.0% increase as compared to the pro forma statement of financial position at 31 December 2017). Decrease as

compared to 30 June 2017 is explained by recognition of the fair value adjustment on inventories of Felina Group at acquisition date in the amount of EUR 2,609 thousand, which was subsequently expensed during second half of 2017 with the sale of these inventories. Increase as compared to 31 December 2017 is explained by recognition of goodwill on acquisition of Dessus-Dessous S.A.S. in the amount of EUR 5,041 thousand. During the second half of 2018, the Group will allocate the purchase price on this acquisition to particular assets and the goodwill amount will be adjusted accordingly.

Decrease in trade and other receivables compared to 30 June 2017 and 31 December 2017 was as a result of release of bank deposits in the amount of EUR 4,500 thousand, which served as collateral for the long-term bank loans outstanding in the Group before they were refinanced.

Loans and borrowings at 30 June 2018 increased compared to 31 December 2017 and 30 June 2017 as new bonds were issued by the Parent in the amount of EUR 40,000 thousand to refinance existing borrowings of the Group and to raise funds for further growth and investments. For more details on loans and borrowings refer to Note 16.

Other payables at 30 June 2018 included EUR 917 thousand payable for the acquisition of AO Avangard and EUR 315 thousand payable for the acquisition of Dessus-Dessous S.A.S (31 December 2017: EUR 1,727 thousand for AO Avangard; 30 June 2017: none).

Sales

Sales structure of the Group was calculated on the basis of the pro forma financial information of European Lingerie Group AB for 6 months 2018, 6 months 2017, Q2 2018 and Q2 2017. Refer to page 7 for the description of the pro forma financial information and pro forma assumptions.

Sales by markets

Core operating markets for European Lingerie Group are Germany, Spain, France, Poland, Benelux countries, Baltic countries and CIS countries (Russia, Belarus and Ukraine). Group's sales in its core markets in 6 months 2018 were 84.0% of its total sales against 83.8% in 6 months 2017 (85.1% in Q2 2018 against 84.9% in Q2 2017).

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

In thousands of EUR	6 months 2018 (Pro forma)	6 months 2017 (Pro forma)	Change, %	6 months 2018, % of sales	6 months 2017, % of sales
Germany	9,266	9,198	0.7%	24.2%	22.3%
Baltic countries ¹²	5,400	5,576	-3.2%	14.1%	13.5%
France	4,078	4,304	-5.3%	10.6%	10.4%
Russia	3,637	4,943	-26.4%	9.5%	12.0%
Benelux countries ¹³	3,001	2,911	3.1%	7.8%	7.1%
Poland	2,318	2,236	3.7%	6.0%	5.4%
Belarus	2,192	2,796	-21.6%	5.7%	6.8%
Spain	1,387	1,432	-3.1%	3.6%	3.5%
Ukraine	950	1,148	-17.2%	2.5%	2.8%
Other markets	6,119	6,667	-8.2%	16.0%	16.2%
Total	38,348	41,211	-6.9%	100.0%	100.0%

In thousands of EUR	Q2 2018 (Pro forma)	Q2 2017 (Pro forma)	Change, %	Q2 2018, % of sales	Q2 2017, % of sales
Germany	4,830	4,733	2.0%	25.4%	23.6%
Baltic countries ¹²	3,105	2,969	4.6%	16.3%	14.8%
France	1,701	1,827	-6.9%	9.0%	9.1%
Russia	2,221	2,590	-14.2%	11.7%	12.9%
Benelux countries ¹³	1,453	1,327	9.5%	7.7%	6.6%
Poland	1,115	1,157	-3.6%	5.9%	5.8%
Belarus	905	1,315	-31.2%	4.8%	6.6%
Spain	335	441	-24.0%	1.8%	2.2%
Ukraine	491	686	-28.4%	2.6%	3.4%
Other markets	2,835	3,027	-6.3%	14.8%	15.0%
Total	18,991	20,072	-5.4%	100.0%	100.0%

¹² Latvia, Estonia and Lithuania

¹³ Belgium, the Netherlands and Luxembourg

The largest growth in sales in 6 months 2018 was in Poland and Benelux countries, where the sales increased by 3.7% and 3.1% respectively. The reversed trends in these countries between Q1 2018 and Q2 2018 was only a shift between months of customer purchases.

Sales in Germany stayed stable in 6 months 2018 and showed an increase by 2.0% in Q2 2018 as a result of the country's stable economy and the Group's strong position in this market.

Sales in Russia, Belarus, Ukraine and the Baltic States dropped by 26.4%, 21.6%, 17.2% and 3.2% respectively in 6 months 2018 (Q2 2018: drop by 14.2% in Russia, 31.2% in Belarus, 28.4% in Ukraine and increase by 4.6% in the Baltic States). In Q2 2018 the trend of sales in Russia and the Baltics States for which Russia is one of the main mar-

kets improved with stabilisation of RUR/EUR exchange rate and the deficit in sales reduced. The main reason for negative sales trend in Ukraine in Q2 2018 was in the textile segment mainly due to large customer payment delays which led to the postponement of shipments to the next quarter by the Group. Sales in Belarus continued to be lower than before due to the change in the strategy of the Group's largest customer in the textile segment which decided to change most of its product range. Although the Group grows with other customers in Belarus in the textile segment, the growth rate is not sufficient in the short term to fully compensate the drop.

Spain and France had a decrease in sales in both 6 months and Q2 2018 due to the overall change in retail concept in the Southern and Central European countries whereby small specialised retail stores slowly disappear and department and online stores take over the market. This also explains a growth trend of the Group with its largest customers in these countries.

Sales by business segments

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

The following summary describes the operations of each reportable segment:

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

The Group's sales results by business segments were as follows (figures are based on pro forma financial information).

In thousands of EUR	6 months 2018 (Pro forma)	6 months 2017 (Pro forma)	Change, %	6 months 2018, % of sales	6 months 2017, % of sales
Textiles	17,032	18,409	-7.5%	42.8%	43.6%
Lingerie	21,932	23,243	-5.6%	57.2%	56.4%
Intercompany eliminations	(616)	(441)			
Total	38,348	41,211	-6.9%	100.0%	100.0%

In thousands of EUR	Q2 2018 (Pro forma)	Q2 2017 (Pro forma)	Change, %	Q2 2018, % of sales	Q2 2017, % of sales
Textiles	8,957	9,703	-7.7%	45.6%	47.1%
Lingerie	10,330	10,614	-2.7%	54.4%	52.9%
Intercompany eliminations	(296)	(245)			
Total	18,991	20,072	-5.4%	100.0%	100.0%

In Q2 2018 lingerie segment performed better than in Q1 2018 and the deficit in sales reduced. This was driven by improvement of the shipments to Russia as a result of market and currency stabilisation there. Textile segment performed slightly worse in Q2 2018 than in Q1 2018 mainly due to the change of the Group's largest customer's strategy in Belarus and customer payment delays in Ukraine which led to a shift of shipments to the next quarter.

Investments

During 6 months 2018 the Group invested into property, plant and equipment and intangible assets EUR 317 thousand on a pro forma basis (6 months 2017 on a pro forma basis: EUR 404 thousand). Q2 2018 investments amounted to EUR 209 thousand compared to EUR 187 thousand in Q2 2017. Larger investments into existing operations are planned in the second half of 2018 and part of them are committed.

Further development of the Group

2018 is a transition year for the Group after acquisition of Felina group and Dessus-Dessous SAS. It continues realising its strategy of the vertical integration which takes time and bears costs during transformation phase of the previous processes. The results of this change are not seen yet in the performance of the Group, but it is expected to pay off in the next periods.

Pro forma financials for 6 months 2018, Q2 2018 and comparative periods

Description of pro forma financial information and pro forma assumptions used for comparative periods

European Lingerie Group AB was established on 23 November 2017. The Company did not have any operations in 2017. Shortly after its registration, on 3 January 2018 the Company was acquired by Myrtyle Ventures Ltd and on 19 February 2018 it became the Parent company of European Lingerie Group. The shareholder change was accomplished by way of contributing AS European Lingerie Group shares into the equity of European Lingerie Group AB. The acquisition of AS European Lingerie Group was treated by European Lingerie Group AB as a transaction under common control and was accounted for using the prospective pooling-of-interest method, i.e. earnings of AS European Lingerie Group were included in European Lingerie Group AB consolidated earnings from 3 January 2018.

Until 3 January 2018, the parent company of the Group was AS European Lingerie Group and consolidated financial statements for 2017 were prepared at the level of AS European Lingerie Group. AS European Lingerie Group and AS European Lingerie Brands were established in April 2017. In the same month they became owners of LSEZ Lauma Fabrics SIA, LE Textile GmbH and Textile Dyehouse GmbH by way of contributing shares of LSEZ Lauma Fabrics SIA into the share capital of AS European Lingerie Brands in the first step and by way of contributing shares of AS European Lingerie Brands into the share capital of AS European Lingerie Group in the second step (Transaction 1). The acquisition of Lauma Fabrics group was treated by AS European Lingerie Group as a transaction under common control and was accounted for using the prospective pooling-of-interest method, i.e. earnings of Lauma Fabrics group were included in AS European Lingerie Group consolidated earnings from 28 April 2017.

In 2017 and 2018 the Group had three acquisitions which were business combinations:

- 1) E[L]B GmbH, a subsidiary of AS European Lingerie Brands, acquired 100% of shares in Felina International AG on 12 June 2017 (Transaction 2) and was consolidated into the Group starting from 30 June 2017.
- 2) AS European Lingerie Group acquired 100% of shares in AO Avangard on 29 December 2017 (Transaction 3) and was consolidated into the Group starting from 31 December 2017.
- 3) Felina S.a.r.l., a subsidiary of European Lingerie Group AB, acquired 100% of shares in Dessus-Dessous S.A.S on 14 June 2018 (Transaction 4) and was consolidated into the Group starting from 30 June 2018.

Based on the above, the Group has prepared pro forma financial information presenting a description of how the acquisition transactions (the Transactions) might have affected the consolidated earnings of European Lingerie Group, had the Transactions 1 and 2 been undertaken at the commencement of the year 2014, had the Transaction 3 been undertaken at the commencement of the year 2016 and had the Transaction 4 been undertaken at the commencement of the year 2017.

Said pro forma financial information has been prepared for the purpose of giving the stakeholders of European Lingerie Group a better overview of the financial consequences of the Transactions and ensuring better comparability of the current performance as compared to historical performance. The pro forma financial information has been prepared for illustrative purposes only and because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results.

In preparing the pro forma financial information, ELG Group performed a hypothetical consolidation of the results of European Lingerie Group and Dessus-Dessous S.A.S. for 6 months 2018 and Q2 2018 and a hypothetical consolidation of the results of Lauma Fabrics Group, Felina Group, AO Avangard and Dessus-Dessous S.A.S for 6 months 2017 and Q2 2017 eliminating intercompany transactions between these companies based on individual company performance during these periods. The impact of accounting for the share acquisitions in the Transactions (including, but not limited to the purchase price allocation and goodwill) and related financing of the Transactions (including, but not limited to the financial indebtedness and cost of financing) has not been included in the presented pro forma financial information.

The pro forma financial information has been prepared on the basis of the unaudited IFRS interim financial statements of European Lingerie Group and Dessus-Dessous S.A.S. for 6 months 2018 and on the basis of the unaudited IFRS interim finan-

cial statements of Lauma Fabrics Group, Felina Group, AO Avangard and Dessus-Dessous S.A.S. for 6 months 2017. The compiled pro forma financial statements have not been audited or reviewed by the external auditors.



Statement of Profit or Loss

<i>In thousands of EUR</i>	6 months 2018 (Pro forma)	6 months 2017 (Pro forma)	Q2 2018 (Pro forma)	Q2 2017 (Pro forma)
Revenue	38,348	41,211	18,991	20,072
Other operating income	1,177	1,190	637	588
Changes in inventories of finished goods and work in progress	1,335	1,001	454	693
Raw materials and services	(14,259)	(14,716)	(6,959)	(7,271)
Employee benefits expense	(13,087)	(13,928)	(6,463)	(7,413)
Depreciation and amortisation	(1,599)	(1,395)	(793)	(669)
Other operating expenses	(10,646)	(11,146)	(5,685)	(5,154)
Operating profit	1,269	2,217	182	846
Finance income	290	306	202	84
Finance costs	(2,318)	(852)	(1,277)	(610)
Net finance costs	(2,028)	(546)	(1,075)	(526)
Profit/(loss) before income tax	(759)	1,671	(893)	320
Income tax expense	(540)	(1,106)	(226)	(855)
Profit/(loss) for the period	(1,299)	565	(1,119)	(535)
Profit attributable to:				
Owners of the Company	(1,299)	565	(1,119)	(535)
Reported EBITDA	2,868	3,612	975	1,515
Adjusted by:				
Shareholder related costs	-	1,617	-	203
Restructuring of brands/subsidiaries	-	131	-	188
Transaction costs	1,039	1,543	786	1,543
Redundancy costs	-	50	-	50
Other	119	1	46	45
Normalised EBITDA	4,026	6,954	1,807	3,544
Reported net profit/(loss)	(1,299)	565	(1,119)	(535)
Normalisation adjustments	1,336	3,382	1,010	2,069
Tax effect on normalization adjustments	(11)	(475)	(11)	(419)
Normalised net profit	26	3,472	(120)	1,115

Commentary on the calculation of normalised EBITDA

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

- *Shareholder costs.* Costs related to previous shareholders which do not continue going forward or one-off costs related to different investment projects.
- *Restructuring of brands/subsidiaries* related to restructuring costs of Lauma Fabrics' German subsidiaries (LE Textile and Textile Dye-house) to bring the companies to break-even operations – these restructuring costs include compensations to dismissed employees, legal costs of lawyers involved in restructuring and other one-off items. In Felina Group, the restructuring mainly includes the profit effect from discontinuation of [un:usual] brand + restructuring/consolidation of some functions/subsidiaries within the group which caused one-off dismissal costs and closure costs.
- *Transaction costs* in 6 months 2018 related to the issue of bonds by European Lingerie Group AB and acquisition of Dessus-Dessous S.A.S. Transaction costs in 6 months 2017 related to the issue of convertible notes by AS European Lingerie Group and acquisition of Felina Group.
- *Other costs* in 6 months 2018 included various consultancy costs related to the planned bond listing and potential acquisitions.

Statement of Financial Position

<i>In thousands of EUR</i>	30 June 2018 (Actual)	30 June 2017 (Pro forma)	31 December 2017 (Pro forma)
Assets			
Property, plant and equipment	11,375	12,996	12,557
Intangible assets	15,469	9,980	10,721
Deferred tax assets	2,912	3,570	3,206
Trade and other receivables	292	720	315
Total non-current assets	30,048	27,266	26,799
Inventories	17,944	19,330	16,716
Current tax assets	274	118	181
Trade and other receivables	14,334	18,969	19,204
Forward exchange contracts used for hedging	-	-	43
Prepayments	558	597	600
Cash and cash equivalents	2,972	2,762	1,944
Total current assets	36,082	41,776	38,688
Total assets	66,130	69,042	65,487
Total equity	5,448	12,251	8,636
Liabilities			
Loans and borrowings	38,522	27,930	57
Trade and other payables	-	-	340
Net defined benefit liability	4,427	4,400	4,490
Deferred income	621	938	807
Provisions	245	201	239
Deferred tax liabilities	1,906	3,195	2,032
Total non-current liabilities	45,721	36,664	7,965
Loans and borrowings subject to refinancing	-	-	30,970
Other loans and borrowings	2,008	3,704	2,579
Compound derivative liability	-	1,528	1,375
Trade and other payables	11,702	12,898	12,536
Forward exchange contracts used for hedging	152	-	23
Current tax liabilities	312	1,221	677
Provisions	493	467	441
Deferred income	294	309	285
Total current liabilities	14,961	20,127	48,886
Total liabilities	60,682	56,791	56,851
Total equity and liabilities	66,130	69,042	65,487

Statement of Cash Flows

<i>In thousands of EUR</i>	6 months 2018 (Pro forma)	6 months 2017 (Pro forma)	Q2 2018 (Pro forma)	Q2 2017 (Pro forma)
Cash flows from operating activities				
Reported EBITDA	2,868	3,612	975	1,515
Adjustments for:				
Impairment loss	61	147	(41)	27
Gain on sale of property, plant and equipment	-	(29)	-	(16)
Equity-settled share-based payment transactions	251	-	251	-
Income from government grants	(161)	(159)	(82)	(80)
Changes in:				
Inventories	(1,228)	(1,260)	(1,088)	(1,219)
Trade and other receivables	(544)	(2,023)	1,154	1,028
Prepayments	41	72	122	(168)
Trade and other payables	179	2,517	641	2,065
Provisions	58	(338)	113	14
Net defined benefit liability	(97)	(99)	(48)	(50)
Cash generated from operating activities	1,428	2,440	1,997	3,116
Interest paid	(1,320)	(238)	(828)	(100)
Income taxes paid	(841)	(195)	(550)	(58)
Net cash from/(used in) operating activities	(733)	2,007	619	2,958
Cash flows from investing activities				
Interest received	9	170	8	107
Proceeds from sale of property, plant and equipment	-	11,537	-	11,521
Proceeds from repayment of loans issued	424	633	296	598
Acquisition of subsidiaries net of cash acquired	(6,519)	(22,875)	(5,950)	(22,875)
Cash acquired in common control transactions	1,874	-	-	-
Acquisition of property, plant and equipment and intangible assets	(317)	(404)	(209)	(187)
Deposits placed in restricted accounts	(5)	(4,500)	-	(4,500)
Deposits released from restricted accounts	4,500	-	-	-
Loans issued	(86)	(1,365)	-	(502)
Net cash from/(used in) investing activities	(120)	(16,804)	(5,855)	(15,838)
Cash flows from financing activities				
Proceeds from issue of share capital	60	70	-	70
Proceeds from issue of convertible notes	-	11,000	-	11,000
Proceeds from loans and borrowings	40,296	16,928	296	16,928
Change in bank overdraft	(156)	(75)	167	(1,307)
Proceeds from grants and donations	2	4	2	-
Transaction costs related to loans and borrowings	(1,730)	(496)	-	(496)
Repayment of loans and borrowings	(32,692)	(6,277)	(296)	(5,825)
Payment of finance lease liabilities	(58)	(37)	(29)	(18)
Dividends paid	(866)	(5,770)	(597)	(5,690)
Factoring received/(paid)	(720)	(605)	(775)	(440)
Net cash from/(used in) financing activities	4,136	14,742	(1,232)	14,222
Net increase/(decrease) in cash and cash equivalents	3,283	(55)	(6,468)	1,342
Cash and cash equivalents at 1 January/1 April	70	2,823	9,777	1,509
Effect of movement in exchange rates on cash held	(91)	(6)	(47)	(89)
Cash and cash equivalents at 30 June	3,262	2,762	3,262	2,762

AS EUROPEAN LINGERIE GROUP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS AND SECOND
QUARTER ENDED 30 JUNE 2018
(UNAUDITED)

Information on the Company

Name of the company	<i>European Lingerie Group AB (from 29 January 2018) Goldcup 15769 AB (until 29 January 2018)</i>
Legal status of the company	<i>Public Limited Liability Company</i>
Number, place and date of registration	<i>559135-0136, Stockholm, 23 November 2017</i>
Legal and postal address	<i>Norrandsgatan 16, 111 43 Stockholm, Sweden</i>
Corporate website	<i>www.elg-corporate.com</i>
Core activities	<i>Manufacturing, processing, wholesale and retail of textiles and lingerie products</i>
Members of the Board and their positions	<i>Indrek Rahumaa, Chairman of the Board Fredrik Synnerstad, Board Member Dmitry Ditchkovsky, Board Member Peter Partma, Board Member</i>
Managing director	<i>Peter Partma</i>
Financial year	<i>1 January 2018 – 31 December 2018</i>
Reporting period	<i>1 January 2018 – 30 June 2018</i>
Information on shareholders	<i>From 3 January 2018 until 11 May 2018: Myrtyle Ventures Limited (100.0%) From 11 May 2018 until 31 May 2018: Myrtyle Ventures Limited (99.0%) and SIA Silver Invest (1.0%) From 31 May 2018: Myrtyle Ventures Limited (98.2%) and SIA Silver Invest (1.8%)</i>
Information on the subsidiaries	<i>AS European Lingerie Group (100.0% from 19 February 2018) Felina France s.a.r.l. (100.0% from 16 May 2018)</i>
Auditors	<i>KPMG AB Vasagatan 16 101 27 Stockholm, Sweden</i>

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months and second quarter ended 30 June

<i>In thousands of EUR</i>	<i>Note</i>	6 months 2018	Q2 2018
Revenue	3, 4	34,590	17,377
Other operating income		991	549
Changes in inventories of finished goods and work in progress		1,370	442
Raw materials and services	5	(12,337)	(6,108)
Employee benefits expense	6	(12,306)	(6,105)
Depreciation and amortisation		(1,506)	(747)
Other operating expenses	7	(9,744)	(5,294)
Operating profit		1,058	114
Finance income	8	290	202
Finance costs	9	(2,311)	(1,271)
Net finance costs		(2,021)	(1,069)
Loss before income tax		(963)	(955)
Income tax expense	10	(382)	(116)
Loss for the period		(1,345)	(1,071)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		(324)	(275)
Other comprehensive income, net of tax		(324)	(275)
Total comprehensive income		(1,669)	(1,346)
Profit attributable to:			
Owners of the Company		(1,345)	(1,071)
Other comprehensive income attributable to:			
Owners of the Company		(324)	(275)
Total comprehensive income attributable to:			
Owners of the Company		(1,669)	(1,346)

Condensed consolidated statement of financial position

<i>In thousands of EUR</i>	<i>Note</i>	30 June 2018	31 December 2017
Assets			
Property, plant and equipment	11	11,375	-
Intangible assets	12	15,469	-
Deferred tax assets		2,912	-
Trade and other receivables	14	292	-
Total non-current assets		30,048	-
Inventories	13	17,944	-
Current tax assets		274	-
Trade and other receivables	14	14,334	60
Prepayments		558	-
Cash and cash equivalents		2,972	-
Total current assets		36,082	60
Total assets		66,130	60
Equity			
Share capital	15	60	60
Other equity	19	43,500	-
Restructuring reserve	19	(36,694)	-
Translation reserve		(324)	-
Retained earnings		(1,094)	-
Total equity		5,448	60
Liabilities			
Loans and borrowings	16	38,522	-
Net defined benefit liability		4,427	-
Deferred income		621	-
Provisions		245	-
Deferred tax liabilities		1,906	-
Total non-current liabilities		45,721	-
Loans and borrowings	16	2,008	-
Trade and other payables	17	11,702	-
Forward exchange contracts used for hedging		152	-
Current tax liabilities		312	-
Provisions		493	-
Deferred income		294	-
Total current liabilities		14,961	-
Total liabilities		60,682	-
Total equity and liabilities		66,130	60

Consolidated statement of changes in equity

For the six months ended 30 June

In thousands of EUR	Note	Attributable to owners of the Parent Company					Total equity
		Share capital	Other equity	Restructuring reserve	Translation reserve	Retained earnings	
Balance at 31 December 2017		60	-	-	-	-	60
Total comprehensive income							
Loss for the period		-	-	-	-	(1,345)	(1,345)
Other comprehensive income		-	-	-	(324)	-	(324)
Total comprehensive income		-	-	-	(324)	(1,345)	(1,669)
Transactions with owners of the Group							
Contributions and distributions							
Acquisition of a subsidiary under common control	19	-	43,500	(36,694)	-	-	6,806
Equity-settled share-based payment		-	-	-	-	251	251
Total contributions and distributions		-	43,500	(36,694)	-	251	7,057
Total transactions with owners of the Group		-	43,500	(36,694)	-	251	7,057
Balance at 30 June 2018		60	43,500	(36,694)	(324)	(1,094)	5,448

Condensed consolidated statement of cash flows

For the six months and second quarter ended 30 June

<i>In thousands of EUR</i>	<i>Note</i>	6 months 2018	Q2 2018
Cash flows from operating activities			
Profit/(loss) for the reporting period		(1,345)	(1,071)
Adjustments for:			
Depreciation	11	1,224	606
Amortization	12	282	141
Impairment loss	7	61	(41)
Income from government grants		(159)	(79)
Finance income	8	(33)	(19)
Finance costs	9	2,092	1,152
Foreign exchange gains	8	(257)	(183)
Foreign exchange losses	9	219	119
Equity-settled share-based payment transactions		251	251
Income tax expense	10	382	116
Changes in:			
Inventories		(1,307)	(1,100)
Trade and other receivables		(642)	1,171
Prepayments		62	44
Trade and other payables		2	448
Provisions		47	93
Net defined benefit liability		(97)	(48)
Cash generated from operating activities		782	1,600
Interest paid		(1,319)	(827)
Income taxes paid		(731)	(501)
Net cash from operating activities		(1,268)	272
Cash flows from investing activities			
Interest received		9	8
Proceeds from repayment of loans issued		70	-
Acquisition of subsidiary net of cash acquired		(6,519)	(5,950)
Cash acquired in common control transactions	19	1,874	-
Acquisition of property, plant and equipment and intangible assets		(256)	(159)
Deposits placed in restricted accounts		(5)	-
Deposits released from restricted accounts		4,500	-
Loans issued		(77)	-
Net cash used in investing activities		(404)	(6,101)

Condensed consolidated statement of cash flows (continued)

For the six months and second quarter ended 30 June

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Cash flows from financing activities		
Proceeds from issue of share capital	60	-
Proceeds from loans and borrowings	40,000	-
Change in bank overdraft	(156)	167
Transaction costs related to loans and borrowings	(1,730)	-
Repayment of loans and borrowings	(32,396)	-
Payment of finance lease liabilities	(58)	(29)
Dividends paid	(269)	-
Factoring paid	(720)	(775)
Net cash from/(used in) financing activities	4,731	(637)
Net increase/(decrease) in cash and cash equivalents	3,059	(6,466)
Cash and cash equivalents at 1 January/1 April	-	9,482
Effect of movement in exchange rates on cash held	(87)	(44)
Cash and cash equivalents at 30 June	2,972	2,972

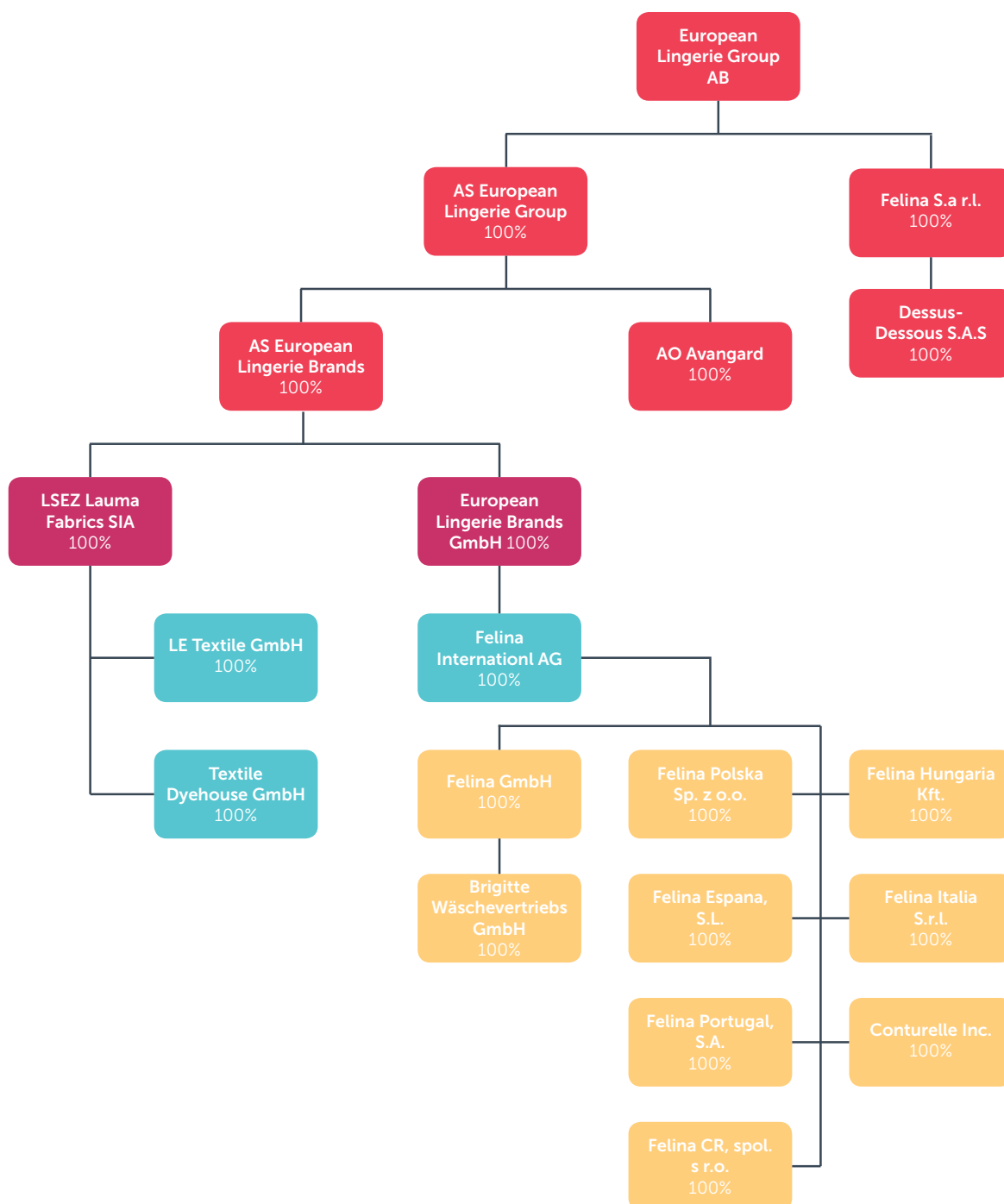
Notes to the condensed consolidated interim financial statements

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 six months ended 30 June 2018 comprise the Parent company and its subsidiaries (together referred to as "the Group").

The Group is primarily involved in manufacturing, processing, wholesale and retail of textiles and lingerie products.

At 30 June 2018, 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 30 June 2018	Principal activity
AS European Lingerie Group	Latvia	100%	Holding Company
AS European Lingerie Brands	Latvia	100%	Holding Company
LSEZ Lauma Fabrics SIA	Latvia	100%	Production and wholesale
LE Textile GmbH	Germany	100%	Knitting and design development
Textile Dyehouse GmbH	Germany	100%	Dyeing and finishing services
E L B GmbH	Germany	100%	Holding Company
Felina Internationl AG	Switzerland	100%	Holding Company
Felina Italia S.r.l.	Italy	100%	Retail and wholesale
Felina S.a r.l.	France	100%	Retail
Felina GmbH	Germany	100%	Production and wholesale
Brigitte Wäschevertriebs GmbH	Germany	100%	Wholesale
Felina Espana, S.L.	Spain	100%	Wholesale
Felina Hungaria Kft.	Hungary	100%	Production
Felina Polska Sp. z o.o.	Poland	100%	Retail and wholesale
Felina CR, spol. s r.o.	Czech Republic	100%	Retail
Felina Portugal, S.A.	Portugal	100%	Wholesale
Conturelle Inc.	USA	100%	Wholesale
AO Avangard	Russia	100%	Wholesale
Dessus-Dessous S.A.S	France	100%	Online retail

Dessus-Dessous S.A.S.

Dessus-Dessous S.A.S. was acquired on 14 June 2018 and was consolidated into the Group starting from 30 June 2018. For more information on acquisition of the subsidiary see Note 19.

2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". The accounting and measurement policies, as well as the assessment bases, applied in the 2017 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 August 2018.

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 June 2018	Average for 6 months 2018
1 EUR/CHF	1.16	1.17
1 EUR/PLN	4.37	4.22
1 EUR/HUF	329.77	314.11
1 EUR/CZK	26.02	25.50
1 EUR/USD	1.17	1.21
1 EUR/RUB	73.16	71.96

3. Segment information

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

The following summary describes the operations of each reportable segment.

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

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

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

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

6 months 2018						
In thousands of EUR	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	16,416	18,174	34,590	-	-	34,590
Intersegment revenue	616	-	616	-	(616)	-
Total revenue	17,032	18,174	35,206	-	(616)	34,590
Other operating income	682	316	998	2,530	(2,537)	991
Changes in inventories of finished goods and work in progress	432	938	1,370	-	-	1,370
Raw materials and services	(7,296)	(5,630)	(12,926)	-	589	(12,337)
Employee benefits expense	(4,518)	(7,525)	(12,043)	(263)	-	(12,306)
Depreciation and amortisation	(919)	(586)	(1,505)	(1)	-	(1,506)
Other operating expenses	(3,275)	(5,075)	(8,350)	(1,520)	126	(9,744)
Operating profit	2,138	612	2,750	746	(2,438)	1,058
Interest income	223	61	284	102	(353)	33
Other finance income	42	213	255	2	-	257
Interest expense	(320)	(45)	(365)	(1,851)	339	(1,877)
Other finance costs	(65)	(369)	(434)	-	-	(434)
Income tax	(56)	(326)	(382)	-	-	(382)
Net profit	1,962	146	2,108	(1,001)	(2,452)	(1,345)
Operating profit	2,138	612	2,750	746	(2,438)	1,058
Depreciation and amortisation	919	586	1,505	1	-	1,506
EBITDA	3,057	1,198	4,255	747	(2,438)	2,564
Segment assets	24,520	40,741	65,261	869	-	66,130
Segment liabilities	6,657	10,680	17,337	43,345	-	60,682
Capital expenditure	149	148	297	1	-	298
Number of employees at reporting date	536	719	1,255	8	-	1,263

Q2 2018

<i>In thousands of EUR</i>	Textiles	Lingerie	Total segments	Unallocated	Consolidation adjustments	Total
External revenues	8,661	8,716	17,377	-	-	17,377
Intersegment revenue	296	-	296	-	(296)	-
Total revenue	8,957	8,716	17,673	-	(296)	17,377
Other operating income	396	152	548	2,525	(2,524)	549
Changes in inventories of finished goods and work in progress	128	314	442	-	-	442
Raw materials and services	(3,808)	(2,575)	(6,383)	-	275	(6,108)
Employee benefits expense	(2,302)	(3,647)	(5,949)	(156)	-	(6,105)
Depreciation and amortisation	(457)	(289)	(746)	(1)	-	(747)
Other operating expenses	(1,637)	(2,622)	(4,259)	(1,098)	63	(5,294)
Operating profit	1,277	49	1,326	1,270	(2,482)	114
Interest income	13	34	47	82	(110)	19
Other finance income	17	164	181	2	-	183
Interest expense	(110)	(32)	(142)	(950)	112	(980)
Other finance costs	(35)	(256)	(291)	-	-	(291)
Income tax	(79)	(37)	(116)	-	-	(116)
Net profit	1,083	(78)	1,005	404	(2,480)	(1,071)
Operating profit	1,277	49	1,326	1,270	(2,482)	114
Depreciation and amortisation	457	289	746	1	-	747
EBITDA	1,734	338	2,072	1,271	(2,482)	861
Segment assets	24,520	40,741	65,261	869	-	66,130
Segment liabilities	6,657	10,680	17,337	43,345	-	60,682
Capital expenditure	54	115	169	-	-	169
Number of employees at reporting date	536	719	1,255	8	-	1,263

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

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

Revenue

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Germany	9,157	4,779
Baltic states	5,387	3,099
Russia	3,572	2,192
Belarus	2,191	904
Poland	2,309	1,110
The Netherlands	2,127	1,089
Spain	1,363	328
France	1,417	602
Morocco	1,107	531
Ukraine	930	482
Italy	801	397
Belgium, Luxemburg	677	277
Switzerland, Liechtenstein	517	213
Austria	464	164
Other countries	2,571	1,210
Total	34,590	17,377

Non-current non-financial assets

<i>In thousands of EUR</i>	30 June 2018
Germany	10,041
Latvia	7,611
France	5,241
Hungary	2,691
Russia	1,040
Other countries	125
Total	26,749

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

4. Revenue

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Sales of goods	34,175	17,133
Rendering of services	415	244
Total	34,590	17,377

The Group has a diversified clientele and none of the customers have a share exceeding 10% of total revenue.

5. Raw materials and services

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Raw materials and consumables	11,833	5,896
External services	330	168
Purchases of lingerie garments from third parties	174	44
Total	12,337	6,108

6. Employee benefits expense

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Wages and salaries	9,838	4,867
Social security contributions	2,026	1,007
Expenses related to post-employment defined benefit plans	4	2
Other employee benefits	438	229
Total	12,306	6,105

7. Other operating expenses

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Utilities	1,643	711
Rents	839	386
Sales and marketing	1,710	870
Professional services	1,592	1,017
Storage, transportation and packaging	620	331
Repair and maintenance	400	211
Travel expenses	323	174
IT and communication	192	94
Expenses related to share-based payment arrangements	251	251
Bank services	182	85
Real estate tax	25	13
Change in allowance for impairment of trade and other receivables	61	(41)
Change in write downs to net realizable value for obsolete and slow-moving inventories	358	360
Other operating expenses	1,548	832
Total	9,744	5,294

8. Finance income

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Interest income on loans	24	11
Interest income on trade and other receivables	9	8
Foreign exchange gains	257	183
Total	290	202

9. Finance costs

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Interest expense on financial liabilities measured at amortised cost	1,877	980
Foreign exchange losses	219	119
Interest expense on net defined benefit liability	34	17
Fines and penalties	2	1
Net loss from the revaluation of forward exchange contracts	179	154
Total	2,311	1,271

EUR 1,877 thousand of interest expense in 6 months 2018 (Q2 2018: EUR 980 thousand) consists of EUR 1,587 thousand (Q2 2018: EUR 853 thousand) of interest expense on loans and borrowings; EUR 178 thousand (Q2 2018: EUR 127 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value; EUR 112 thousand (Q2 2018: none) of interest expense related to the amortisation of convertible notes to nominal value after revision of estimated cash flows due to early repayment.

10. Income tax expense

The income tax rate applied to the Parent in 2018 was 22.0%.

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

<i>In thousands of EUR</i>	6 months 2018	Q2 2018
Current tax expense		
Current period	119	22
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	263	94
Income tax expense reported in profit or loss	382	116

11. Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment under construction	Total
Cost					
At 31 December 2017	-	-	-	-	-
Acquisitions from common control transactions	9,602	20,385	4,877	2	34,866
Additions from business combinations	-	-	149	-	149
Additions	-	144	99	49	292
Transfers	60	(15)	(45)	-	-
Disposals	-	(84)	(2)	-	(86)
Effect of movements in exchange rates	(131)	(114)	(25)	(1)	(271)
At 30 June 2018	9,531	20,316	5,053	50	34,950
Accumulated depreciation					
At 31 December 2017	-	-	-	-	-
Acquisitions from common control transactions	2,040	17,236	3,200	-	22,476
Depreciation	199	750	275	-	1,224
Accumulated depreciation of transfers	60	(15)	(45)	-	-
Disposals	-	(84)	(2)	-	(86)
Effect of movements in exchange rates	(1)	(20)	(18)	-	(39)
At 30 June 2018	2,298	17,867	3,410	-	23,575
Carrying amounts					
At 31 December 2017	-	-	-	-	-
At 30 June 2018	7,233	2,449	1,643	50	11,375

12. Intangible assets

<i>In thousands of EUR</i>	Goodwill	Brand names	Customer base	Software	Order backlog	Total
Cost						
At 31 December 2017	-	-	-	-	-	-
Acquisitions from common control transactions	4,675	4,225	949	927	219	10,995
Additions from business combinations	5,041	-	-	147	-	5,188
Additions	-	-	-	6	-	6
Effect of movements in exchange rates	-	-	-	(57)	-	(57)
At 30 June 2018	9,716	4,225	949	1,023	219	16,132
Accumulated amortisation						
At 31 December 2017	-	-	-	-	-	-
Acquisitions from common control transactions	-	-	95	267	73	435
Amortisation	-	-	95	114	73	282
Effect of movements in exchange rates	-	-	-	(54)	-	(54)
At 30 June 2018	-	-	190	327	146	663
Carrying amounts						
At 31 December 2017	-	-	-	-	-	-
At 30 June 2018	9,716	4,225	759	696	73	15,469

13. Inventories

<i>In thousands of EUR</i>	30 June 2018	31 December 2017
Raw materials and consumables	5,781	-
Work in progress	1,994	-
Finished goods	10,169	-
Inventories	17,944	-

14. Trade and other receivables

<i>In thousands of EUR</i>	30 June 2018	31 December 2017
Financial trade and other receivables		
Trade receivables	14,057	-
Loans to related parties (note 18)	841	-
Trade receivables due from related parties (note 18)	838	-
Other receivables	543	60
Allowance for trade and other receivables	(668)	-
Allowance for trade and other receivables due from related parties (note 18)	(1,158)	-
	14,453	60
Non-financial trade and other receivables		
VAT receivable	88	-
Social contributions receivable	5	-
Other taxes receivable	19	-
Deferred expenses	61	-
	173	-
Total	14,626	60
Non-current	292	-
Current	14,334	60
Total	14,626	60

Trade receivables at 30 June 2018 in the gross amount of EUR 14,057 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 June 2018	31 December 2017
Carrying amount of trade receivables transferred to a factoring company	597	-
Carrying amount of associated liabilities	527	-

15. Capital and reserves

Share capital

<i>Number of shares</i>	2018
In issue at 1 January - fully paid	60,000
In issue at 30 June – fully paid	60,000
Nominal value of one share, EUR	1

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

Nature and purpose of other equity and reserves

Other equity

Other equity was formed as a result of unconditional shareholder contribution whereby Myrtyle Ventures Ltd contributed AS European Lingerie Group shares into the equity of the Company. For more details refer to Note 19.

Restructuring reserve

Restructuring reserve was formed as a result of acquisition of AS European Lingerie Group. The reserve is non-distributable. For more details refer to Note 19.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16. Loans and borrowings

<i>In thousands of EUR</i>	30 June 2018	31 December 2017
Non-current liabilities		
Bonds	38,448	-
Finance lease liabilities	74	-
Total	38,522	-
Current liabilities		
Short-term secured bank loans	1,076	-
Secured other loans	527	-
Bonds	336	-
Current portion of finance lease liabilities	69	-
Total	2,008	-

On 22 February 2018 European Lingerie Group AB issued bonds in Sweden for the amount of EUR 40,000,000. The issued bonds are senior secured bonds with a maturity of 3 years. The bonds bear a floating rate coupon of 3-months Euribor +7.75%, with interest paid quarterly. Transaction costs related to the issue of bonds amounted to EUR 1,730 thousand and were deducted from the nominal value of bonds upon initial recognition. Subsequent to initial recognition bonds are measured at amortised cost using effective interest method. Interest expenses related to amortisation of bonds to nominal value amounted to EUR 178 thousand for the 6 months ended 30 June 2018 (Q2 2018: EUR 127 thousand), see Note 9.

Major part of the proceeds from the bonds was used to repay the long-term borrowings of LSEZ Lauma Fabrics SIA from AS Citadele Bank and AS BlueOrange Bank (EUR 19.8 million) as well as to redeem convertible notes issued by AS European Lingerie Group in 2017 (EUR 12.6 million). The remaining proceeds from bonds were used for the acquisition of Dessus-Dessous S.A.S. shares. The bonds are secured by the pledges over the shares of AS European Lingerie Group, AS European Lingerie Brands, LSEZ Lauma Fabrics SIA and Felina GmbH as well as the mortgage over the real estate owned by LSEZ Lauma Fabrics SIA. Intertrust (Sweden AB) is a collateral agent for the pledged security. European Lingerie Group AB has undertaken to list the bonds on a regulated market within 12 months from the issue date.

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

17. Trade and other payables

<i>In thousands of EUR</i>	30 June 2018	31 December 2017
Financial trade and other payables		
Trade payables	5,990	-
Accrued expenses	2,303	-
Other payables to related parties	18	-
Payables to personnel	614	-
Other payables	1,489	-
	10,414	-
Non-financial trade and other payables		
Advances received	224	-
VAT payable	367	-
Personal income tax payable	247	-
Social contributions payable	418	-
Other taxes payable	32	-
	1,288	-
Total	11,702	-
Non-current	-	-
Current	11,702	-
Total	11,702	-

Other current payables include payable for acquisition of AO Avangard and deferred payment for acquisition of Dessus-Dessous S.A.S.

18. Related parties

Transactions with key management personnel

Key management personnel compensation for the 6 months ended 30 June 2018 amounted to EUR 474 thousand (Q2 2018: EUR 261 thousand) and comprised only short-term employee benefits in the form of salaries and social contributions.

<i>In thousands of EUR</i>	Transaction values for 6 months 2018	Transaction values for Q2 2018	Balance outstanding at 30 June 2018
Sales of goods and services			
Joint ventures	27	9	-
Other related parties	89	1	-
Purchases of goods and services			
Other related parties	1,674	968	-
Interest income accrued during the year			
Joint ventures	21	11	-
Shareholders	3	1	-
Loans granted			
Shareholders	77	-	-
Trade receivables			
Joint ventures	-	-	134
Other related parties	-	-	704
Other payables			
Other related parties	-	-	15
Loans receivable			
Joint ventures	-	-	607
Shareholders	-	-	134
Other related parties	-	-	8
Interest receivable			
Joint ventures	-	-	86
Shareholders	-	-	6
Allowance for trade and other receivables			
Joint ventures	-	-	(541)
Other related parties	-	-	(617)

19. Acquisition of subsidiary

Common control transactions

AS European Lingerie Group

On 19 February 2018, Myrtyle Ventures Ltd, being the direct Parent Company of AS European Lingerie Group, contributed AS European Lingerie Group shares into the equity of European Lingerie Group AB. As a result, the direct Parent Company of AS European Lingerie Group changed from Myrtyle Ventures Ltd to European Lingerie Group AB. The contribution was made at the fair value of the equity of AS European Lingerie Group in the amount of EUR 43,500 thousand.

The contribution of AS European Lingerie Group shares, made at the fair value of the equity of AS European Lingerie Group, created a revaluation reserve in the consolidated financial statements of European Lingerie Group AB, which is equal to

the difference between the fair and the book value of the contributed equity. The following table summarises the book value of assets and liabilities of AS European Lingerie Group:

<i>In thousands of EUR</i>	<i>Note</i>	
Property, plant and equipment	11	12,390
Intangible assets	12	10,560
Deferred tax assets		3,204
Inventories		15,089
Trade and other receivables		19,113
Prepayments		585
Cash and cash equivalents		1,874
Loans and borrowings		(33,606)
Net employee benefit liability		(4,490)
Deferred tax liabilities		(2,032)
Trade and other payables		(14,286)
Provisions		(503)
Deferred income		(1,092)
Total		6,806

Restructuring reserve recognised as a result of the transaction is as follows:

<i>In thousands of EUR</i>	
Fair value of contributed equity	43,500
Book value of contributed equity	(6,806)
Restructuring reserve	36,694

Business combinations

Dessus-Dessous S.A.S

On 14 June 2018 the Group acquired 100% of shares and voting rights in Dessus-Dessous S.A.S, the largest online retailer of lingerie and swimwear in France. With the acquisition of Dessus-Dessous S.A.S. the Group will expand to the online retail segment of the lingerie market which reinforces its strategic commitment to building a truly vertically integrated business.

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

<i>In thousands of EUR</i>	<i>Note</i>	
Cash		6,000
Deferred consideration payable in March 2019	17	315
Contingent consideration		-
Total		6,315

The Group has agreed to pay the selling shareholder additional consideration of up to EUR 1,333

thousand if the acquiree's EBITDA for the financial year 2018 exceeds the reference level as per sale and purchase agreement. The Group has estimated the fair value of contingent consideration at the date of acquisition to be zero.

The Group incurred acquisition related costs of EUR 151 thousand on legal fees and due diligence costs. These costs have been included in other operating expenses.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:

<i>In thousands of EUR</i>	<i>Note</i>	
Property, plant and equipment	11	149
Intangible assets	12	147
Deferred tax assets		44
Inventories		1,548
Trade and other receivables		161
Prepayments		35
Cash and cash equivalents		290
Trade and other payables		(912)
Provisions		(188)
Total		1,274

Goodwill arising from the acquisition has been recognised as follows:

<i>In thousands of EUR</i>	<i>Note</i>	
Consideration transferred		6,315
Book value of identifiable net assets		(1,274)
Goodwill	12	5,041

The purchase price has not been allocated yet and all difference between the consideration transferred and the identifiable net assets were recorded as goodwill at the date of acquisition. During the second half of 2018, the Group will allocate the purchase price on this acquisition to particular assets and the goodwill amount will be adjusted accordingly.

Statement by the Board of Directors

The Board of Directors of European Lingerie Group AB has reviewed and approved condensed consolidated interim financial statements for the 6 months ended 30 June 2018.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and give a true and fair view of the financial position, financial performance and cash flows of European Lingerie Group AB.

Stockholm, 30 August 2018

Indrek Rahumaa
Chairman of the Board

Fredrik Synnerstad
Board member

Dmitry Ditchkovsky
Board member

Peter Partma
Board member, CEO

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