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EUROPEAN LINGERIE GROUP

EUROPEAN LINGERIE GROUP AB

ANNUAL REPORT 2018

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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 5000 points of sale in 46 countries worldwide and online.

ONE-STOP-SHOP FOR LINGERIE

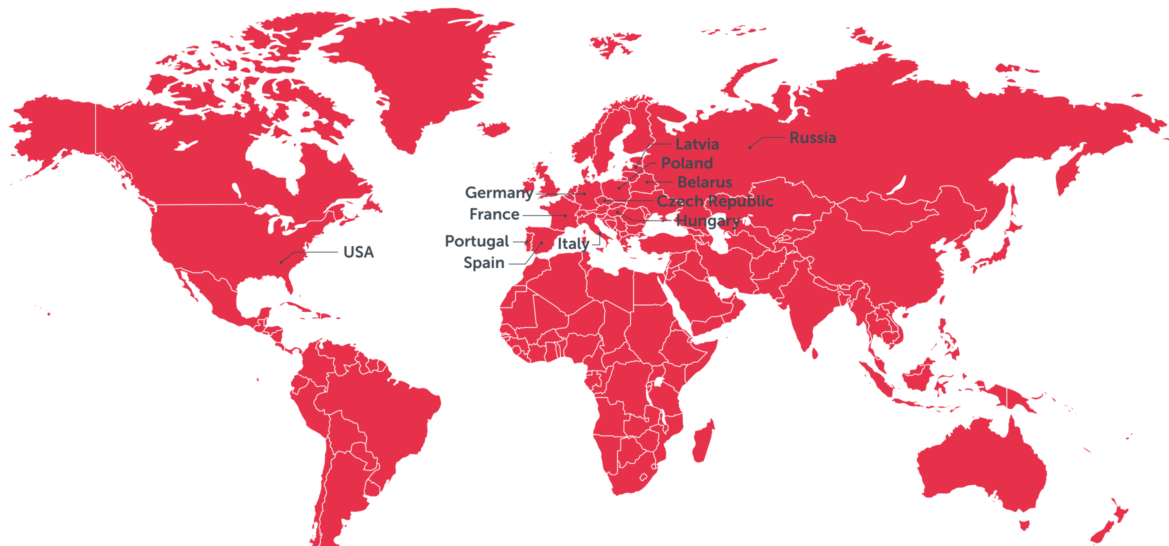
OUR VISION

*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

€77m proforma sales 12M 2018

1,279 employees worldwide

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

46 countries

5,000 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 5,000 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.

2018 HIGHLIGHTS

Establishment of the Group structure with European Lingerie Group AB as the Parent company

European Lingerie Group AB was established in November 2017 and in February 2018 it became the Parent company of SIA European Lingerie Group (previously AS European Lingerie Group) and its 17 subsidiaries. The shareholder change was accomplished by way of contributing SIA European Lingerie Group shares into the equity of European Lingerie Group AB. The ultimate beneficial owners of the Group remained unchanged after the modification of its legal structure.

Successful issue and listing of a 3-year EUR 40 million senior secured bond

In the beginning of 2018, the Group successfully placed a EUR 40 million senior secured bond under a framework of up to EUR 60 million in Sweden with the bonds maturing in February 2021. The transaction was well received by the market, enabling ELG to obtain a more flexible capital structure, well suited for the Group's existing pan-European operations as well as growth plans. Since January 2, 2019 the bonds are listed on Nasdaq Stockholm Corporate Bond list.

Acquisition of Dessus-Dessous S.A.S, French leader in online sales of lingerie

In June 2018, the Group acquired the largest online retailer of lingerie and swimwear in France – Dessus-Dessous S.A.S. The company specializes in online sales of luxury lingerie brands including Lise Charmel, Van De Velde, Simone Pérèle and ELG's own Felina and Conturelle among many others. Dessus-Dessous has been leading the French online lingerie market since 2000, offering a constantly up-to-date selection of 150,000 articles from over 50 brands.

The acquisition marks the Group's expansion to the online retail segment of the lingerie market and reinforces the ELG's strategic commitment to building a truly vertically integrated business.

Launch of new *Move* activity collection by Conturelle and new swimwear collection by *Felina*

In 2018, the Group added two new product lines to its lingerie ready garment collections portfolio: new *Move* activity collection by *Conturelle*, which is in distribution since October 2018, and a swimwear collection by *Felina*, for which sales commenced in the first quarter 2019. The new products are complementary to the current lingerie products sold under the brand names *Felina* and *Conturelle* and will contribute to the Group's revenue.

New Senselle by Felina fusion collection

In Autumn 2018, ELG launched a new brand *Senselle by Felina*, a fusion lingerie collection providing unprecedent fit and comfort of premium lingerie garments at great value. Senselle embodies the heritage and know-how of a benchmark lingerie brand Felina, appraised for its outstanding quality. The first three series of the Senselle classical collection are already in retail and the full range will be available from the second quarter 2019. Senselle's target markets are primarily Eastern European and CIS countries.

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

In January 2019, the Group announced the acquisition of Yustyna Ltd (subsequently renamed to Senselle Ltd), a lingerie ready garment producer in Belarus. The acquisition is part of the Group's strategy to expand operations and add capacity for private label and ELG's newest own brand *Senselle by Felina* production.

With this acquisition the Group gained an additional production platform and added competence for ready-made garment production. Having a production unit in Belarus allows the Group to be close to its main markets, so as to provide short delivery times, react quicker to market demands and have a sustainable cost structure. The target is to produce all of *Senselle by Felina* in the Belarus unit, which is located close to the brand's main markets, Eastern Europe and CIS countries.

In-house production of spacer molded cups

In 2018, ELG bought equipment to start the in-house production of spacer molded cups at Lauma Fabrics' manufacturing plant in Liepaja, Latvia. This step is an important part of the production strategy, reinforcing the full vertical integration of the Group and offering new possibilities for growth. Premium lingerie producer Felina, an ELG company, will be one of the biggest clients for Lauma Fabrics spacer cups. Spacer cups are breathable cups with special chambers to offer maximum comfort, used in the production of fine lingerie.

Development of 50 gauge circular knitting technology

In 2018, ELG invested into a new technology, 50 gauge circular knitting, whereby 2 machines were already acquired in 2018 and further 8-10 machines are planned for the next 1-2 years. The developed fabric is a new type of fabric for ELG and has opened doors for new global customers.

Acquisition of a new stenter for Lauma Fabrics

In summer 2018, the Group committed to a new stenter's acquisition for Lauma Fabrics. The cost of the acquisition is EUR 1.2 million and the stenter will be delivered in spring 2019. The acquisition will allow the Group to improve the quality of its produced fabrics and to be able to offer new solutions of materials to its customers.

Receipt of Medical ISO certification by Lauma Fabrics

Besides manufacturing of materials for lingerie ready garment sector, Lauma Fabrics specializes also in the production of medical textile products, which are distributed under the brand name Lauma Medical. Lauma Medical is well-known for elastic medical bandages, medical belts and compression stockings, currently represented in 12 countries. In autumn 2018, Lauma Fabrics obtained a medical ISO certification for Medical Devices and Quality Management Systems (ISO 13485:2016). This is recognition for the Group of being a trustworthy manufacturer in the medical textile industry and it will definitely help to open doors to new markets.

CEO STATEMENT

2018 was a transition year for European Lingerie Group (ELG) after the acquisition of Felina International Group in 2017 and formation of a vertically integrated structure. To further strengthen the Group's business model, in mid-2018, ELG acquired Dessus-Dessous S.A.S, the French leader in online sales of lingerie. This acquisition proves our strong commitment towards an online sales channel development and offers the possibility to embrace a true omni-channel strategy.

In 2018, we invested in new technology, new people and process changes. Furthermore, the Group started several new strategy and market initiatives to respond faster to changes in the market. Even if the financial result is disappointing, we believe the Group have taken several crucial steps for a sustainable growth in the coming years.

If we look at 2019, the market climate is still tough, the sector is not growing and the digital transition is continuing at an increased speed. Nevertheless, following our last year's initiatives, we see that we are well prepared for these circumstances and will continue to be a strong player in the market due to our financial stability and sustainable future.

Looking forward into 2019, we are confident that the initiatives we have taken already will result in a growth for the Group. Furthermore, the integration of ELG goes well and we start seeing good synergies there. This year:

- we are preparing to launch a Market place in our industry to facilitate the omni-channel strategy implementation as well as to further expand sales and establish a position of Felina brand with high contribution to our profitability;
- we will see that our new backup brand *Senselle by Felina* starts bringing good volumes; and
- on the transparency and compliance side, we will come out with a sustainability report of the Group later in the year.

From a financial point, we still see that there is a pressure on margins on all ends, but together with some investments and focus on innovation the Group's margin will stabilize. Sales will come with a healthy growth, but unfortunately not all of it will transform into the profit due to the implementation of additional innovations and changes. The Management has a clear focus at the moment on strengthening the sustainable business model with a focus on costs and we have a target to bring the Net Debt to EBITDA ratio back to the previous level in the coming 2 years.

Peter Partma
CEO

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 5,000 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 whereby ready garments are produced under customer brands under the supervision of professional de-

signers 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 5,000 wholesale customers worldwide. The Company realizes approximately 75% of sales through specialized shops, fashion boutiques and department stores.

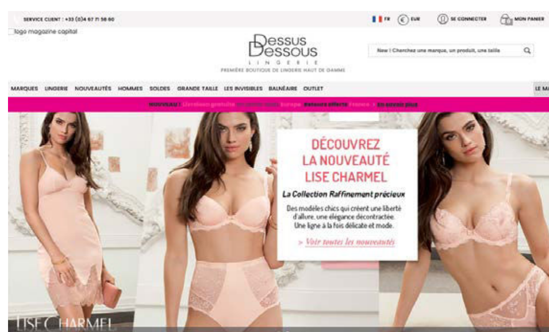
Felina mainly sells lingerie to the European market, which is the world's largest women's lingerie market. Germany, having a prominent market share in the lingerie segment, is the core market for Felina. Russia is another important market, where the underwear segment has considerable potential for growth. 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.

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.

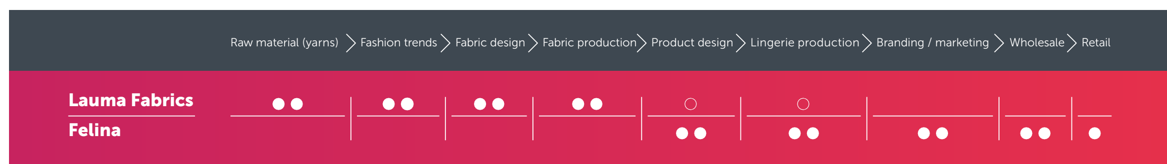
ELG vertical integration

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.



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.

CORPORATE GOVERNANCE

ELG corporate governing bodies are the Board of Directors and the Management team, each having its own responsibilities and authorities. The Management team is responsible for the day-to-day management of the Group's operations, administration of the Group's property, the representation of the Group and for organizing its accounting and reporting. The Management team drafts the annual reports and submits these reports to the Board of Directors for review and to the General Meeting for approval. The Board of Directors represents the interests of the Shareholders and oversees the activities of the Management team.

Management team

Peter Partma
Group CEO (SE)

Since June 2017 the Group's Management team is led by Peter Partma who is responsible for the daily management of the Group with main focus on business development, sales and profitability.

Baiba Birzniece
Head of Strategy, M&A and Investor Relations (LV)

Baiba Birzniece, previously a member of the Group's Supervisory Board, as of April 2018 joined the Management team as the Head of Strategy, M&A and Investor Relations. Baiba has extensive expertise and lead the vertical integration project of Lauma Fabrics, including the acquisition process of Felina International. Before joining the Group, she worked at KPMG Baltics, as well as gained experience working as a corporate development manager at Lattelecom and as senior advisor at Alta Capital Partners to become CFO of Silvano Fashion Group and CFO of Selena Oil & Gas Holding.

Shareholding in European Lingerie Group AB: 1 080 shares indirectly.

Diana Suprunovica
Group CFO (LV)

Diana Suprunovica joined Lauma Fabrics in 2017 and ELG in 2017 to lead the finance function of the Group. She started her career as an auditor with KPMG Baltics in 2000 and later gained international experience working as the Group Financial Controller at SPI Group.

Board of Directors

Indrek Rahumaa
Chairman of the Board (EE)

Indrek Rahumaa is one of the European Lingerie Group's investors and Chairman of the Board since 2018. Having a Master's Degree in Finance (Stockholm School of Economics) together with the extensive industry knowledge and know-how he has helped the Group to develop and gain its current market positions. Previously, Indrek was a founding member and a partner of Baltic Cresco Investment Group AS, a founding member of Tallinn Stock Exchange and served as the CFO for the Estonian national air carrier Estonian Air. He has also served as a member of the Listing Committee of the OMX Tallinn Stock Exchange and has served on the Boards of Mieszko and Silvano Fashion Group.

Shareholding in European Lingerie Group AB: 43 050 shares indirectly.

Peter Partma
Board Member (SE)

Peter Partma is a widely respected manager whose experience includes managing the iconic Tsum department store in Moscow (2008-2015) and overseeing the opening of the first IKEA store in Russia. Peter is responsible for the daily management of the Group with main focus on business development, sales and profitability. Peter has an executive MBA from Lund University. ELG Board Member since 2018.

Dmitry Ditchkovsky
Board Member (BY)

Dmitry Ditchkovsky has obtained broad knowledge and professional experience in the fashion industry in CIS and Baltic countries. Previously Dmitry was a board member of Silvano Fashion Group during its formation and reverse take-over and a long time General Director of SP ZAO Milavitsa, the largest lingerie company in CIS, a core subsidiary of Silvano Fashion Group. Before that he established and ran the first private business school in Belarus, IPM Business School as a co-founder and a President. Dmitry has obtained a Master's degree in Economics at Belarus State Economic University, PhD in Economics from the National Academy of Sciences and MBA from University of New Brunswick (Canada). He has attended numerous executive training and professional development courses in Europe and USA, as well as published more than 20 studies on economics and management topics. Dmitry is ELG Board member since 2018.

Other current commitments of importance: Member of the board of directors of Tsentroenergomontazh, JSC and Chairman of the board of directors of IPM Business School, Minsk.

Fredrik Synnerstad
Board Member (SE)

Fredrik Synnerstad has years of extensive experience in finance as a business analyst, management consultant and as CEO. He served with McKinsey for several years before founding a number of companies active in the finance sector, including Actagon AB, a corporate finance advisor with business in more than 70 countries and Citadel AB, an investment company. As a founder, developer, investor and Board Member Fredrik's been involved with over 16 companies. Fredrik has a Master's degree in finance and international business from Stockholm School of Economics and he has also studied law at Stockholm University. Fredrik is ELG Board member since 2018.

Other current commitments of importance: Board member in United Force Capital LLP; Troserums Förvaltnings AB; Troserum Holding AB; Paydrive AB; Aktiebolaget Citadelab; Delphie LST AB; Nordic Supplier AB; Zipreneur AB; Troserum Skog AB and CEO in Fateh Group Sweden AB.

GROUP FINANCIAL REVIEW

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 the year 2018 and 2017. Refer to page 20 for the description of the pro forma financial information and pro forma assumptions. Summarized selected financial indicators of the Group for 2018 compared to 2017 and 31.12.2018 compared to 31.12.2017 were as follows:

In thousands of EUR	12m 2018 (Pro forma)	12m 2017 (Pro forma)	Change
Revenue	77,233	79,566	-2.9%
Normalised operating profit[1]	6,084	10,082	-39.7%
Normalised EBITDA[2]	9,288	13,061	-28.9%
Normalised net profit[3]	221	6,002	-96.3%
Operating cash flow for the period	(173)	3,127	-105.5%

In thousands of EUR	31.12.2018 (Actual)	31.12.2017 (Pro forma)	Change to 31.12.2017
Total assets	65,469	65,424	0.1%
Total current assets	35,722	38,688	-7.7%
Cash and cash equivalents	1,335	1,944	-31.3%
Total current liabilities	13,634	48,823	-72.1%
Adjusted total current liabilities [4]	13,634	17,853	-23.6%
Gross interest-bearing debt [5]	41,093	33,606	22.3%
Net interest-bearing debt [6]	39,758	31,662	25.6%

Marginal analysis, %	12m 2018 (Pro forma)	12m 2017 (Pro forma)	Change
Normalised operating profit margin	7.9%	12.7%	-4.8 pp
Normalised EBITDA margin	12.0%	16.4%	-4.4 pp
Normalised net profit margin	0.3%	7.5%	-7.2 pp

Financial ratios	31.12.2018 (Pro forma)	31.12.2017 (Pro forma)
ROA (return on assets)[7]	0.6%	9.8%
Adjusted current ratio[8]	2.6	2.2
Adjusted quick ratio[9]	1.2	1.2
12 months rolling normalised EBITDA[10]	9,288	13,061
Net debt/EBITDA[11]	4.3	2.4

Financial performance

Financial performance of the Group was analysed on the basis of the pro forma financial information of European Lingerie Group AB for 12 months 2018 and 12 months 2017. Refer to page 20 for the description of the pro forma financial information and pro forma assumptions.

The Group's sales amounted to EUR 77,233 thousand in 12 months 2018, representing a 2.9% decrease as compared to pro forma sales of 12 months 2017. The sales results were below expectations due to the continuing pace of closure of small specialized retail shops in the Southern and

[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 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.

[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

Central Europe as well as the slow-down of the macroeconomy in the most European markets. Despite that, the ongoing initiatives helped the Group to stop the negative trend of the first three quarters of 2018 and demonstrated the sales pick up in the fourth quarter 2018.

We believe that this improving trend will continue in the coming periods, bringing additional revenue at accelerated speed throughout 2019, as we constantly feed the pipeline with additional novelties, complementary products and other initiatives.

Due to the fact that part of the costs is fixed, decline in revenue caused drop of profitability margins. Normalised EBITDA in 12 months 2018 amounted to EUR 9,288 thousand and decreased by 28.9% compared to pro forma normalised EBITDA in 12 months 2017. Normalised EBITDA margin in 12 months 2018 and 12 months 2017 was 12.0% and 16.4% respectively. EBITDA margin deteriorated mainly due to sales decrease and high impact of marginal sales contribution to EBITDA. Furthermore, although the Group was able to stop the negative trend in sales, it still continues investing its current profit into several initiatives and new projects, which will allow it to sustain the revenue and expand into new sales channels, products and target customer segments in the future, but reduces operating profit margins in the short term.

Normalised net profit in 12 months 2018 amounted to EUR 221 thousand, compared to pro forma normalised net profit of EUR 6,002 thousand in 12 months 2017. Normalised net profit margin in 12 months 2018 and 12 months 2017 was 0.3% and 7.5% respectively. Similarly as for EBITDA, lower profitability was due to sales decrease and costs of new initiatives impact. In addition, there was an increase in finance costs in 12 months 2018 as compared to 12 months 2017 related to incremental costs on borrowings raised for the acquisitions of Felina Group and Dessus-Dessous S.A.S as well as for additional capital needed for future growth and investments that were not present to full extent in 12 months 2017.

Financial position

Financial position of the Group at 31 December 2018 was consolidated position as per the consolidated financial statements of European Lingerie Group AB for 2018. Financial position of the Group at 31 December 2017 was calculated on the basis of the pro forma financial information. Refer to page 20 for the description of the pro forma financial information and pro forma assumptions.

At 31 December 2018 consolidated total assets amounted to EUR 65,469 thousand representing a slight increase of 0.1% as compared to the pro forma statement of financial position at 31 December 2017. Increase is explained by recognition of goodwill, brand names and customer relations on acquisition of Dessus-Dessous S.A.S in the amount of EUR 2,322 thousand, EUR 1,762 thousand and EUR 1,166 thousand respectively. The increase effect is partially outweighed by the amortisation charges of the non-current assets.

Inventories compared to 31 December 2017 increased and the balance moved as planned. The growth in the balance was due to the development of new products, which were in the production pipeline and partially already in finished goods at 31 December 2018. Shipments of these to customers started partially in Q4 2018 and will continue throughout 2019. Decrease in trade and other receivables compared to 31 December 2017 was 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 31 December 2018 increased compared to 31 December 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 26.

Trade and other payables at 31 December 2018 included EUR 315 thousand payable for the acquisition of Dessus-Dessous S.A.S and EUR 11 thousand payable for AO Avangard (31 December 2017: present value of deferred consideration payable for AO Avangard was EUR 1,666 thousand (undiscounted amount was EUR 1,727 thousand)).

Sales

Sales structure of the Group was calculated on the basis of the pro forma financial information of European Lingerie Group AB for 12 months 2018 and 12 months 2017. Refer to page 20 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 12 months 2018 were 83.7% of its

total sales against 83.5% in 12 months 2017.

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

In thousands of EUR	12 months 2018 (Pro forma)	12 months 2017 (Pro forma)	Change, %	12 months 2018, % of sales	12 months 2017, % of sales
Germany	18,257	17,964	1.6%	23.6%	22.6%
Baltic countries[12]	10,732	10,676	0.5%	13.9%	13.4%
Russia	8,625	9,539	-9.6%	11.2%	12.0%
France	7,477	7,832	-4.5%	9.7%	9.8%
Benelux countries[13]	5,704	5,596	1.9%	7.4%	7.0%
Belarus	4,679	5,597	-16.4%	6.1%	7.0%
Poland	4,326	4,175	3.6%	5.6%	5.2%
Spain	3,099	3,145	-1.5%	4.0%	4.0%
Ukraine	1,747	1,925	-9.2%	2.3%	2.4%
Other markets	12,587	13,117	-4.0%	16.2%	16.6%
Total	**77,233**	**79,566**	**-2.9%**	**100.0%**	**100.0%**

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

The largest growth in sales in 12 months 2018 was in Poland and it was mainly achieved through expansion of our lingerie products' presence in the retail channels in this country. Sales in Germany and Benelux increased by 1.6% and 1.9% respectively in 12 months 2018, which is a result of the stable economy and the Group's strong position in these markets.

There was growth of sales in the Baltic countries in 12 months 2018 by 0.5%. Growth is explained by the stabilisation of the market situation in Russia and other CIS countries, which are the major sales markets for the Baltic lingerie sewing companies.

In 12 months 2018, the sales in Spain reduced by 1.5%. The net deficit in Spain is heavily influenced by the overall change of the total retail concept in Southern and Central European countries whereby small specialised retail stores slowly disappear and department and online stores take over the market. The Group actively addresses this issue in order to gradually replace the lost turnover of small specialized retails with other sales channels. One of such activities includes development of the omni-channel sales strategy with the largest customer in Spain.

France had a decrease in sales in 12 months 2018 by 4.5% also due to the same change in retail concept described above, but this deficit started reducing in Q4 2018. The balance of sales growth vs margin, though, will still be the main issue in this market in the coming periods as the Group's main competitors in France continue suffering and try to improve their sales by reducing prices and offering higher discounts to customers not only for previous season collections, but also for novelties. In part of these cases the Group chooses not to follow the general price trend and to better sell less, but at better margin.

Markets in Russia and Ukraine dropped by 9.6% and 9.2% respectively in 12 months 2018, but the trend in Q4 2018 reversed completely compared to the first three quarters, which justified the Group's recovery expectations in these markets and outweighed half of the previous deficit faced in the reporting year. Sales in Belarus dropped by 16.4% in 12 months 2018 and continued to be lower than before due to the change in the strategy of Group's largest customer in the textile segment, which decided to change most of its product range. To compensate this loss, the Group continues growing with other customers in Belarus in the textile segment and expands usage of materials in its own newly introduced brand *Senselle by Felina*.

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 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	12 months 2018 (Pro forma)	12 months 2017 (Pro forma)	Change, %	12 months 2018, % of sales	12 months 2017, % of sales
Textiles	34,107	35,866	-4.9%	42.8%	44.0%
Lingerie	44,149	44,527	-0.8%	57.2%	56.0%
Intercompany eliminations	(1,023)	(827)			
Total	**77,233**	**79,566**	**-2.9%**	**100.0%**	**100.0%**

Investments

During 12 months 2018 the Group invested into property plant and equipment and intangible assets EUR 1,973 thousand on a pro forma basis (12 months 2017 on a pro forma basis: EUR 1,196 thousand). The Group continues investing in its manufacturing base. The largest investments in the reporting year were in:

- 50 gauge circular knitting technology, whereby 2 machines were acquired in 2018 and further 8-10 machines are planned for the next 1-2 years. The developed fabrics is a new type of fabrics for the Group and will open doors for new global customers; and
- A new stenter for LSEZ Lauma Fabrics SIA, the main Group's production plant for the lingerie materials. The cost of acquisition was EUR 1.2 million and will be delivered in Spring 2019. The new equipment will allow the Group to improve the quality of its produced fabrics and to be able to offer new solutions of materials to its customers.

Further development of the Group

2018 was a transition year for the Group after acquisition of Felina group and Dessus-Dessous S.A.S. It continues realising its strategy of the vertical integration which takes time and bears costs during transformation phase of the previous processes. Furthermore, it is doing several strategy investments and market initiatives to respond faster to changes in the market. One of these steps is product range expansion to position itself as a one-stop supplier of all relevant product segments. Another important initiative is developing the online channel as e-commerce is the future of retail. The results of these changes start to gradually convert into sales, but the operating profit is still behind expectations due to investments of today's profit in innovations and changes needed to sustain the business in the future and earn stable margins going forward.

Pro forma financials for 12 months 2018 and comparative periods

Description of pro forma financial information and pro forma assumptions

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

Until 3 January 2018, the parent company of the Group was SIA European Lingerie Group and consolidated financial statements for 2017 were prepared at the level of SIA European Lingerie Group. SIA 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 SIA European Lingerie Group in the second step (Transaction 1). The acquisition of Lauma Fabrics group was treated by SIA 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 SIA 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) SIA 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 12 months 2018 and a hypothetical consolidation of the results of Lauma Fabrics Group, Felina Group, AO Avangard and Dessus-Dessous S.A.S for 12 months 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 audited IFRS financial statements of European Lingerie Group and Dessus-Dessous S.A.S for 2018 and on the basis of the audited IFRS financial statements of Lauma Fabrics Group, Felina Group, AO Avangard and Dessus-Dessous S.A.S for 2017. The compiled pro forma financial statements have not been audited or reviewed by the external auditors.

Statement of Profit or Loss

In thousands of EUR	12m 2018 (Pro forma)	12m 2017 (Pro forma)
Revenue	**77,233**	**79,566**
Other operating income	2,247	2,905
Changes in inventories of finished goods and work in progress	901	(573)
Raw materials and services	(27,562)	(27,549)
Employee benefits expense	(25,637)	(25,680)
Depreciation and amortisation	(3,204)	(2,979)
Impairment loss on trade receivables and contract assets	(84)	(782)
Other operating expenses	(20,300)	(21,952)
Operating profit	**3,594**	**2,956**
Finance income	386	706
Finance costs	(4,404)	(4,387)
Net finance costs	**(4,018)**	**(3,681)**
Loss before income tax	**(424)**	**(725)**
Income tax expense	(1,895)	(1,160)
Loss for the period	**(2,319)**	**(1,885)**
Attributable to:		
Owners of the Company	(2,319)	(1,885)
Reported EBITDA	**6,798**	**5,935**
Adjusted by:		
Shareholder related costs	-	1,975
Restructuring of brands/subsidiaries	172	497
Transaction costs	1,101	1,737
Redundancy costs	-	32
Inventory write-off under purchase price allocation exercises	877	2,609
Net loss on disposal of intangible assets and property, plant and equipment	109	-
Other	231	276
Normalised EBITDA	**9,288**	**13,061**
Reported net profit/(loss)	**(2,319)**	**(1,885)**
Normalisation adjustments	2,935	9,464
Tax effect on normalization adjustments	(395)	(1,577)
Normalised net profit	**221**	**6,002**

Commentary on the calculation of normalized 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 in 2017 related to previous shareholders which do not continue going forward or one-off costs related to different investment projects.
- *Restructuring of brands/subsidiaries* in 2017 related to restructuring costs of LSEZ Lauma Fabrics SIA German subsidiaries (LE Textile GmbH and Textile Dyehouse GmbH) 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 in 2017 and 2018 mainly included 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 12 months 2018 related to the issue of bonds by European Lingerie Group AB and acquisition of Dessus-Dessous S.A.S and Yustyna Ltd (renamed to Senselle Ltd). Transaction costs in 12 months 2017 related to the issue of convertible notes by SIA European Lingerie Group (previously AS European Lingerie Group) and acquisition of Felina Group.
- *Inventory write-off under purchase price allocation exercises* included gross profit margin distortion effect at consolidated level as a result of sale of Felina Group inventories that had been acquired in the business combination and sold during 2017. At acquisition date, Felina Group finished goods were recognised at fair value, which afterwards adversely affected the gross profit margin upon sale of those finished goods. The effect of the impact in 12 months 2017 amounted to EUR 2,609 thousand. In 2018, the normalisation included the same gross margin distortion effect at consolidated level as a result of sale of Dessus-Dessous S.A.S inventories that had been acquired in the business combination and sold during 2018. The effect of the impact in 12 months 2018 amounted to EUR 877 thousand.
- *Other costs* in 12 months 2018 included various consultancy costs related to the planned bond listing and further potential acquisitions as well as development costs of building an omni-channel strategy.

Statement of Financial Position

In thousands of EUR	31.12.2018 (Actual)	31.12.2017 (Pro forma)
Assets		
Property, plant and equipment	11,845	12,557
Intangible assets	15,207	10,660
Deferred tax assets	2,307	3,204
Other receivables	388	315
Total non-current assets	**29,747**	**26,736**
Inventories	19,006	16,716
Current tax assets	384	181
Trade and other receivables	14,032	19,204
Contract assets	26	-
Forward exchange contracts used for hedging	-	43
Prepayments	939	600
Cash and cash equivalents	1,335	1,944
Total current assets	**35,722**	**38,688**
Total assets	**65,469**	**65,424**
Total equity	**4,814**	**8,652**
Liabilities		
Loans and borrowings	38,767	57
Other payables	-	340
Net employee defined benefit liability	3,808	4,490
Deferred income	570	807
Provisions	213	217
Deferred tax liabilities	3,663	2,038
Total non-current liabilities	**47,021**	**7,949**
Loans and borrowings subject to refinancing	-	30,970
Other loans and borrowings	2,326	2,579
Compound derivative liability	-	1,375
Trade and other payables	10,519	12,475
Contract liabilities	292	-
Forward exchange contracts used for hedging	-	23
Current tax liabilities	170	677
Provisions	111	439
Deferred income	216	285
Total current liabilities	**13,634**	**48,823**
Total liabilities	**60,655**	**56,772**
Total equity and liabilities	**65,469**	**65,424**

Statement of Cash Flows

In thousands of EUR	12m 2018 (Pro forma)	12m 2017 (Pro forma)
Cash flows from operating activities		
Reported EBITDA	6,798	5,935
Adjustments for:		
Impairment loss	84	782
(Gain)/loss on sale of property, plant and equipment	109	(130)
Equity-settled share-based payment transactions	364	251
Income from government grants	(308)	(320)
Changes in:		
Inventories	(1,340)	1,388
Trade and other receivables	(541)	(619)
Contract assets	(25)	-
Prepayments	(361)	(20)
Trade and other payables	(331)	(402)
Contract liabilities	249	-
Provisions	(188)	(324)
Net employee defined benefit liability	(291)	(399)
Cash generated from operating activities	**4,219**	**6,142**
Interest paid	(2,949)	(1,680)
Income taxes paid	(1,443)	(1,335)
Net cash from/(used in) operating activities	**(173)**	**3,127**
Cash flows from investing activities		
Interest received	13	176
Proceeds from sale of property, plant and equipment	17	11,656
Proceeds from repayment of loans issued	414	991
Acquisition of subsidiaries net of cash acquired	(7,532)	(20,807)
Cash acquired in common control transactions	1,874	-
Acquisition of property, plant and equipment and intangible assets	(1,973)	(1,196)
Deposits placed in restricted accounts	(5)	(4,500)
Deposits released from restricted accounts	4,500	-
Loans issued	-	(1,844)
Loans issued to shareholders in lieu of future dividends	(77)	(701)
Net cash used in investing activities	**(2,769)**	**(16,225)**
Cash flows from financing activities		
Proceeds from issue of share capital	60	70
Proceeds from issue of convertible notes	-	11,000
Proceeds from bonds issue	40,000	-
Proceeds from loans and borrowings	-	16,928
Change in bank overdraft	(52)	654
Proceeds from grants and donations	13	15
Transaction costs related to loans and borrowings	(1,730)	(496)
Repayment of loans and borrowings	(20,021)	(7,051)
Repayment of convertible notes	(12,375)	-
Payment of finance lease liabilities	(105)	(94)
Dividends paid	(866)	(5,957)
Factoring received/(paid)	(420)	(379)
Net cash from financing activities	**4,504**	**14,690**
Net increase/(decrease) in cash and cash equivalents	**1,562**	**1,592**
Cash and cash equivalents at 1 January	70	2,823
Effect of movement in exchange rates on cash held	(297)	(11)
Cash and cash equivalents at 31 December	**1,335**	**4,404**

EUROPEAN LINGERIE GROUP AB

FINANCIAL STATEMENTS

FOR THE PERIOD FROM
23 NOVEMBER 2017
TO 31 DECEMBER 2018

INFORMATION ON THE COMPANY

Name of the company	*European Lingerie Group AB (from 29 January 2018)* *Goldcup 15769 AB (until 29 January 2018)*
Legal status of the company	*Public Limited Liability Company*
Number, place and date of registration	*559135-0136, Stockholm, 23 November 2017*
Legal and postal address	*Norrlandsgatan 16, 111 43 Stockholm, Sweden*
Corporate website	*www.elg-corporate.com*
Core activities	*Manufacturing, processing, wholesale and retail of textiles and lingerie products*
Members of the Board and their positions	*Indrek Rahumaa, Chairman of the Board* *Fredrik Synnerstad, Board Member* *Dmitry Ditchkovsky, Board Member* *Peter Partma, Board Member*
Managing director	*Peter Partma*
Financial year	*23 November 2017 – 31 December 2018*
Reporting period	*23 November 2017 – 31 December 2018*

Information on shareholders	*From 3 January 2018 until 11 May 2018: Myrtyle Ventures Limited (100.00%)* *From 11 May 2018 until 31 May 2018: Myrtyle Ventures Limited (99.00%) and SIA Silver Invest (1.00%)* *From 31 May 2018 until 31 August 2018: Myrtyle Ventures Limited (98.20%) and SIA Silver Invest (1.80%)* *From 31 August 2018 until 23 November 2018: Helike Holdings OU (73.65%), Bryum Capital Ltd (24.55%) and SIA Silver Invest (1.80%)* *From 23 November 2018 until 31 January 2019: Helike Holdings OU (72.65%), Bryum Capial Ltd (24.55%), SIA Silver Invest (1.80%) and SIA Ievades Nozares (1.00%)* *From 31 January 2019 until 6 March 2019: Helike Holdings OU (72.05%), Bryum Capial Ltd (24.55%), SIA Silver Invest (1.80%) and SIA Ievades Nozares (1.60%)* *From 6 March 2019 until 26 March 2019: Helike Holdings OU (71.75%), Bryum Capial Ltd (24.55%), SIA Silver Invest (1.80%), SIA Ievades Nozares (1.60%) and Amorvero Holding OU (0.30%)* *From 26 March 2019: Helike Holdings OU (71.58%), Bryum Capial Ltd (24.72%), SIA Silver Invest (1.80%), SIA Ievades Nozares (1.60%) and Amorvero Holding OU (0.30%)*
Information on the subsidiaries	*SIA European Lingerie Group (100.0% from 19 February 2018)* *Felina France S.a.r.l. (100.0% from 16 May 2018)* *Brafetch GmbH (100% from 29 January 2019)* *Senselle OOO (100% from 2 January 2019)*
Auditors	*KPMG AB Vasagatan 16 101 27 Stockholm, Sweden*

MANAGEMENT REPORT

General information

European Lingerie Group AB (previously Goldcup 15769 AB) (the "Parent" and together with its subsidiaries the "Group") is a Public Limited Liability Company domiciled in Sweden. At 31 December 2018 the Group had 18 wholly owned subsidiaries, a representative office located in Russia and a joint venture company located in Latvia.

Type of operations

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

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

The combined turnover of Group's entities for 2018 (as if all entities were in the Group from the beginning of the year) exceeds EUR 77 million and the combined workforce is over 1,200 people.

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

European Lingerie Group AB was registered on 23 November 2017. Shortly after its registration, on 19 February 2018 the Company became the Parent company of SIA European Lingerie Group (previously AS European Lingerie Group) and its 17 subsidiaries. The shareholder change was accomplished by way of contributing SIA European Lingerie Group shares into the equity of European Lingerie Group AB by its shareholder Myrtyle Ventures Ltd. The ultimate beneficial owners of the Group remained unchanged after the modification of its legal structure.

On 22 February 2018, the Parent issued bonds in Sweden in the amount of EUR 40,000,000. The issued bonds are senior secured bonds with a maturity of 3 years and since 2 January 2019 are listed on Nasdaq Stockholm. Major part of the proceeds was used for repaying the long-term borrowings of the Group from AS Citadele Bank and AS BlueOrange Bank as well as for redeeming previously issued convertible notes.

In June 2018, the Group acquired Dessus-Dessous S.A.S, the largest online retailer of lingerie and swimwear in France. This acquisition marks the Group's expansion to the online retail segment of the lingerie market and reinforces its strategic commitment to building a truly vertically integrated business. The acquisition was financed by proceeds received from the new bond issue.

In order to expand its product portfolio, the Group added two new product lines to its lingerie ready garment collections portfolio: new Move activity collection by Conturelle, for which sales started in October 2018, and a swimwear collection by Felina, for which sales commenced in the first quarter 2019. The new products are complementary to the current lingerie products sold under the brand names Felina and Conturelle and will contribute to the Group's revenue.

In addition to that, European Lingerie Group has just launched a new Senselle by Felina, a fusion lingerie collection providing unprecedent fit and comfort of premium lingerie garments at great value. First three series of Senselle classical collection are already in retail and the full range will be available in the second quarter 2019. Senselle's target markets are primarily CIS countries and Eastern Europe.

The Group continues investing in its manufacturing base. The largest investments in the reporting year were in:

- 50 gauge circular knitting technology, whereby 2 machines were acquired in 2018 and further 8-10 machines are planned for the next 1-2 years. The developed fabrics is a new type of fabrics for the Group and will open doors for new global customers;

- A new stenter for LSEZ Lauma Fabrics SIA, the main Group's production plant for the lingerie materials. The cost of acquisition was EUR 1.2 million and will be delivered in Spring 2019. The new equipment will allow the Group to improve the quality of its produced fabrics and to be able to offer new solutions of materials to its customers.

To summarize, the Group is doing several strategic investments and market initiatives to respond faster to changes in the market. One of these steps is product range expansion to position itself as a one-stop supplier of all relevant product segments. Another important initiative is developing the online channel as e-commerce is the future of retail. The recent acquisition of Dessus-Dessous S.A.S definitely offers the possibility to embrace a true omni-channel strategy.

Financial result

2018 was a transition year for the Group after the acquisition of Felina International AG Group and Dessus-Dessous S.A.S. It invested in new technology, new people and process changes. Furthermore, the Group started several strategy and market initiatives to respond faster to changes in the market.

The results of these changes will gradually convert into sales in the following years, but the current operating profit is still behind expectations due to investments of today's profit in innovations and changes needed to sustain the business in the future and earn stable margins going forward.

Net sales of the Group amounted to EUR 73,475 thousand in 2018 and its core markets were Germany, Spain, France, Poland, Benelux countries, Baltic countries and CIS countries (Russia, Belarus and Ukraine). The sales results were below expectations due to the continuing pace of closure of small specialized retail shops in the Southern and Central Europe as well as the slow-down of the macroeconomy in the most European markets. Despite that the ongoing initiatives helped the Group to stop the negative trend of the first three quarters of 2018 and demonstrated the sales pick up in the fourth quarter 2018.

The Group believes that this improving trend will continue in the coming periods, bringing additional revenue at accelerated speed throughout 2019, as the Group constantly feeds the pipeline with additional novelties, complementary products and other initiatives.

Reported EBITDA amounted to EUR 6,405 thousand and net result was a loss of EUR 2,527 thousand in 2018. Net loss was a result of:

- incomplete months of operation in the group structure owned by the Parent (6 months ended 31 December 2018 for Dessus-Dessous S.A.S, which resulted in the first six months of the year not being included in the consolidated statement of profit or loss and other comprehensive income as well as in the consolidated statement of cash flows);
- non-recurring acquisition costs related to the acquisitions of Dessus-Dessous S.A.S (EUR 151 thousand), refer to Note 30 for further details;
- gross profit margin distortion at consolidated level as a result of sale of Dessus-Dessous S.A.S inventories that had been acquired in the business combination. At acquisition date, Dessus-Dessous S.A.S finished goods were recognized at fair value which afterwards adversely affected the gross profit margin upon sale of those finished goods. The effect of the impact amounted to EUR 877 thousand;
- finance costs related to incremental costs on borrowings raised for the repayment of long-term borrowings of the newly acquired SIA European Lingerie Group and its subsidiaries, acquisition of Dessus-Dessous S.A.S as well as for additional capital needed for future growth and investments; and
- costs of new projects and several initiatives, which will allow the Group to sustain its revenue and expand into new sales channels, product and target customer segments in the future, but reduce operating profit margins in the short-term.

Financial position

At 31 December 2018, consolidated total assets of the Group amounted to EUR 65,469 thousand. The total assets increased during the reporting year as a result of:

- goodwill, brand names and customer relations recognised in the acquisition of Dessus-Dessous S.A.S. The recognised gross amount amounted to EUR 2,322 thousand, EUR 1,762 thousand and EUR 1,166 thousand respectively, but was later partially outweighed by the amortisation charges of these assets; and

- additional working capital built during the development and introduction of new products.

The Group's equity attributable to the equity holders of the Company was EUR 4,814 thousand. The consolidated equity increased during the reporting year by EUR 6,838 thousand as a result of the acquisition of a subsidiary under common control and recognition of equity acquired thereof.

At 31 December 2018, consolidated total liabilities of the Group amounted to EUR 60,655 thousand, of which EUR 42,093 thousand related to loans and borrowings. The loans and borrowings increased during the reporting year as new bonds were issued by the Parent in the amount of EUR 40,000 thousand to refinance the previous outstanding long-term borrowings of the Group and to raise funds for further growth and investments.

Cash flows

Cash generated by operating activities amounted to EUR 3,547 thousand in 2018 and was used for payment of interest on loans and borrowings and income taxes.

During the reporting period, the Group invested EUR 1,904 thousand into property, plant and equipment and intangible assets with the largest investments made into 50 gauge circular knitting technology equipment and a new stenter by LSEZ Lauma Fabrics SIA (described above).

On 22 February 2018, the Parent issued bonds in Sweden in the amount of EUR 40,000 thousand. Major part of the proceeds was used for repaying the long-term borrowings of the Group from AS Citadele Bank and AS BlueOrange Bank (EUR 20,014 thousand) as well as for redeeming previously issued convertible notes (EUR 12,375 thousand). Proceeds were also used to finance the acquisition of Dessus-Dessous S.A.S (EUR 6,000 thousand).

Further development of the Company

In 2019, the Group will keep focusing on expanding opportunities in existing and new target markets with strong growth potential and accelerating sales. It will keep strong focus on its core brands – Felina, Conturelle, Senselle, Lauma Fabrics and Lauma Medical – investing into international recognition, brand equity and increasing market share. In addition, it will also expand with complementary products.

The Group will continue to invest in its manufacturing base, with a continuous focus on improving efficiency, increasing flexibility and maintaining a low-cost base.

Risks and risk management

The Group works continuously to identify, assess and evaluate risks to which the Group is currently exposed to, and risks that are probable to occur in the foreseeable future. Risks are identified, assessed and managed based on the Group's vision and goals.

Operational risks of the Group are continuously evaluated within the daily operations. Management related risks are continuously reviewed by management and Group management reports to the Board of Directors on potential risk issues. The Board of Directors are responsible to the shareholders for the Group's risk management.

Identified risks are assessed regarding probability of occurrence and impact if occurring. The effectiveness of existing risk responses (such as safeguards, control activities etc.) are regularly assessed.

Risks can be mitigated through proactive actions, such as insurances or legal agreements, and in some cases the Group can influence the likelihood of a risk-related event occurring. Some risks such as those dependent on political decisions, or other macroeconomic factors, may not be possible to eliminate. If a risk is related to events beyond the control of the Group, work is aimed at alleviating the consequences.

Strategic risks

(i) Corporate governance and policy-related risks

The Board of Directors has overall responsibility for managing corporate governance and policy-related risks. All units of the Group work according to a management system that meets the Group's requirements, guidelines and policies. The rapid communication of appropriate information is safeguarded by following the Group's management structures and policies. Management systems are continuously being improved, through day-to-day work and through regular internal review.

(ii) Business development risks

Risks associated with business development and long-term planning are mainly managed through the Group's cross-functional meeting structure, which brings together various departments for decision-making of a strategic and tactical nature. This cross-functional meeting structure is long-established and is evolving all the time. This process of continuous evaluation and adaptation minimises the risks of the Group overlooking threats and opportunities and making wrong decisions that may lead to its operations not meeting the required standard. It also means that the risk of uncertainty and lack of

clarity concerning the Group's strategy and business development can be managed in a precise and efficient way. In addition to this, European Lingerie Group continuously investigates new areas that may be of interest connected to the future development of the Group.

Operational risks

(i) Market risks

Variations in world financial markets can have a large or small impact on real economic cycles and, in turn can impact the demand for the Group's products. Markets may temporarily slow down or stand still, and local currencies may lose some of their value as a result. The extent of fiscal austerity programmes in different countries may have a negative impact on demand for our products as well.

The Group's well-diversified sales in more than 40 countries help to limit the effect of a downturn in any given market. In individual markets, substantial changes may occur in the business environment in respect of the introduction of or increase in customs duties and taxes. In addition, different countries' legal systems may have features that affect the Group's ability to carry out operations and sales. The Group monitors all of its markets continuously for early warning signs, which means the Group can make the necessary changes to its marketing strategy.

(ii) Risks in the sales network

Apart from the risks to sales volumes that are linked to the market risks described above, there are commercial risks in the sales network for various types of contracted relationships. Sales units assume a credit risk in relation to their customers, mainly for the goods sold. However, as the Group's customer base is widespread, the risk is limited in relation to each individual customer.

(iii) Supplier risks

To minimize the impact of production interruptions or financial problems among suppliers, the Group tries wherever possible to work with more than one supplier for critical items.

(iv) People and competence

The technology shift will also require a shift in competence and the Group must act proactively and identify future needs before they occur.

For its future success, the Group is dependent on its ability to attract and recruit employees with the right expertise, and retain, engage and shift the competencies of the workforce to ensure that the Group's operations can deliver the required product and service quality. Some of the important risks from a people management perspective that may affect deliveries are:

- Not enough of the right expertise
- Lack of business critical expertise
- Recruitment errors

The Group closely cooperates with a number of technical schools to create and recruit necessary expertise. The opportunities for professional development and career paths within the Group, along with individual development plans, attract new employees and will reduce the risk of losing expertise due to external employee turnover.

(v) Information risks

For the Group, it is crucial to handle information in a way that enables operations to share and process it efficiently and reliably, within the Group and also when working together with customers, suppliers and other business partners. The main risks that can affect information management are:

- Interruptions in critical information systems, regardless of the cause
- Strategic or other sensitive information is revealed to an unauthorised person or persons
- Strategic or other sensitive information in intentionally or unintentionally changed or corrupted

In their day-to-day operations, managers monitor the risk level in the respective area of responsibility and ensure that all employees are aware of their responsibilities.

(vi) Insurable risks

The Group works continuously with the identification, analysis and administration of insurable risks, both at Group and local level. Insurance policies to protect the Group's goods shipments, assets and obligations are arranged in accordance with the laws and standards in the country in question. Insurance is obtained only from well-reputed insurance companies, whole financial strength is continuously monitored.

Legal risks

The Group concludes numerous commercial and financial contracts, which is normal for a company of Group's scale and type. The Group's operations are not dependent on any single commercial or financial contract. Administration of contracts, essential rights and legal risks occur in the normal course of operations. All Group's entities conduct their busi-

ness in accordance with national and international laws and regulations, in which they operate.

Financial risks

Beyond business risks, the Group's activities expose it to a variety of financial risks, including the credit risk, liquidity risk, risk of changing interest rates and exchange rates. The Group's management seeks to minimize potential adverse effects of financial risks on the financial performance of the Group.

Part of the Group's borrowings have variable interest rates. The management of the Group regularly reviews the significance of this risk and will apply risk hedging instruments in order to minimize the effect of variable interest rates in case the risk becomes high.

The Group is also exposed to the risk of changes in foreign exchange rates related to the operating activities of Felina International AG Group, when sales and purchases of companies are denominated in a different currency from their functional currency. When the Group estimates the currency risk to be high for separate contracts and possible impact to be significant, forward exchange contracts are used to hedge the risk.

The financial assets, which potentially expose the Group to a certain degree of credit risk concentration are primarily cash, trade receivables, receivables from related parties and loans. The Group's policy provides that the goods are sold and services provided to customers with appropriate credit history. For the bank transactions only the local and foreign financial institutions with appropriate ranking are accepted.

The Group pursues a prudent liquidity risk management maintaining sufficient credit resources that allow settling liabilities when they fall due. The management of the Group manages the liquidity and cash flow risk by maintaining adequate cash reserves and securing sufficient financing, by using borrowings, credit lines, financial leases and factoring as well as by monitoring forecasted and actual cash flows and by matching term structure of financial assets and liabilities. The Group's current assets exceeded its current liabilities by EUR 22,088 thousand. The Group has a strong ability to meet its short-term obligations. Current ratio of the Group as at 31 December 2018 was 2.6 and Quick ratio was 1.2.

The financial risk management is further disclosed in Note 29.

Corporate social responsibility

The Group has special responsibility towards society and the environment. Accordingly, in addition to economic growth, its corporate strategy and business operations are also oriented to ecological and social values. For the Group, this responsibility translates into numerous areas of involvement designed to promote the health and professional development of employees as well as activities to protect the environment and the ecosystem.

The Group continually works with its employees and business partners to ensure the sustained success of the Group. For this purpose the business strategy focuses on the long-term enhancement of brand value, without neglecting the short-term requirements of the consumer and capital markets.

The Group acknowledges its responsibility for preserving environment for future generations, aims at improving living standards of both its employees and people living in the area of the Group's operations, seeks to enhance the quality of goods produced and thus commits to the following:

- Observe both national and international legislation on environment protection.
- Produce goods with maximum ecological efficiency, consume materials and energy resources efficiently.
- Reduce the level of environmental impact and waste products by improving current and adopting new resource saving, low waste or non-waste technologies.
- Constantly improve employees' knowledge on environment and ecology.
- Improve current environmental management system through its ongoing development and performance evaluation.

The Group acknowledges its responsibility for life and health of its employees as well as business partners, aims at improving safety and quality of working conditions and thus commits to the following:

- Observe both national and international legislation on labour rights protection.
- Guarantee safe working conditions to its employees: detect and analyse related risks on a regular basis; take all possible actions and allocate necessary funds to minimize negative impact of dangerous and harmful factors in the workplace.
- Constantly improve quality of working conditions and guarantee social support to the employees.
- Use modern equipment and new technolo-

gies to ensure safe working conditions and high level of labour productivity.

- Ensure employees' satisfaction, motivation and dedication by investing in professional training and education.
- Carry out employee performance reviews in all business areas in order to identify and promote personal development and career opportunities for each employee.

Subsequent events

In December 2018, the Parent applied for listing of its bonds on Nasdaq Stockholm Corporate Bond list. The application and the prospectus were approved and the bonds are traded since 2 January 2019.

In January 2019, the Group acquired Yustina OOO (later renamed to Senselle OOO), a lingerie ready garment producer in Belarus. The acquisition is part of European Lingerie Group strategy to expand its operations and add capacity for private label and Senselle brand production. The acquisition was financed by the Group's own resources.

In January 2019, European Lingerie Group AB established a new subsidiary Brafetch GmbH, which will be involved in the implementation of the omni-channel strategy for the Group.

No other significant subsequent events have occurred that would materially impact the presentation of the Consolidated financial statements.

Proposed allocation of earnings

Funds in the Parent Company available for distribution were the following as of 31 December 2018 (in thousands of EUR):

Shareholder contribution received	43,500
Loss for the year	(2,419)
Total	**41,081**

Board of Directors proposes the following distribution (in thousands of EUR):

To be carried forward	41,081
Total	**41,081**

Consolidated statement of profit or loss and other comprehensive income

For the period ended 31 December

In thousands of EUR	Note	2018
Revenue	*6, 7*	**73,475**
Other operating income	*8*	2,061
Changes in inventories of finished goods and work in progress		897
Raw materials and services	*9*	(25,640)
Employee benefits expense	*10*	(24,856)
Depreciation and amortisation		(3,111)
Impairment loss on trade receivables and contract assets	*29 (ii)*	(84)
Other operating expenses	*11*	(19,448)
Operating profit		**3,294**
Finance income	*12*	386
Finance costs	*13*	(4,403)
Net finance costs		**(4,017)**
Loss before income tax		**(723)**
Income tax expense	*14*	(1,804)
Loss for the year attributable to owners of the Parent Company		**(2,527)**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Remeasurements of defined benefit liability (asset)	*24*	461
Related tax		(50)
		411
Items that are or may be reclassified subsequently to profit or loss		
Foreign operations – foreign currency translation differences		(332)
		(332)
Other comprehensive income, net of tax		**79**
Total comprehensive income		**(2,448)**

* The Parent company of the Group was established on 23 November 2017 and acquired by Myrtle Ventures Ltd on 3 January 2018. The Group was formed in February 2018 through contribution of SIA European Lingerie Group (previously AS European Lingerie Group) by Myrtyle Ventures Ltd into the equity of European Lingerie Group AB. The Group's results were consolidated starting from 1 January 2018. For further details on consolidation approach refer to note 3.1 (iv).

The accompanying notes on pages 40 to 85 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 April 2019 and signed by

Indrek Rahumaa *Chairman of the Board*	Fredrik Synnerstad *Board member*	Dmitry Ditchkovsky *Board member*	Peter Partma *Board member, CEO*

Stockholm, 23 April 2019

Consolidated statement of financial position

As at 31 December

In thousands of EUR	*Note*	2018
Assets		
Property, plant and equipment	*15*	11,845
Intangible assets	*16*	15,207
Deferred tax assets	*14*	2,307
Other receivables	*19*	388
Total non-current assets		**29,747**
Inventories	*18*	19,006
Current tax assets		384
Trade and other receivables	*19*	14,032
Contract assets	*7*	26
Prepayments		939
Cash and cash equivalents	*20*	1,335
Total current assets		**35,722**
Total assets		**65,469**
Equity		
Share capital	*21*	60
Reserves	*21*	(332)
Retained earnings		5,086
Total equity		**4,814**
Liabilities		
Loans and borrowings	26	38,767
Net employee defined benefit liability	*24*	3,808
Deferred income	*28*	570
Provisions	*25*	213
Deferred tax liabilities	*14*	3,663
Total non-current liabilities		**47,021**
Loans and borrowings	26	2,326
Trade and other payables	*27*	10,519
Contract liabilities	*7*	292
Current tax liabilities		170
Provisions	*25*	111
Deferred income	*28*	216
Total current liabilities		**13,634**
Total liabilities		**60,655**
Total equity and liabilities		**65,469**

The accompanying notes on pages 40 to 85 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 April 2019 and signed by

Indrek Rahumaa
Chairman of the Board

Fredrik Synnerstad
Board member

Dmitry Ditchkovsky
Board member

Peter Partma
Board member, CEO

Stockholm, 23 April 2019

Consolidated statement of changes in equity

		Attributable to owners of the Parent Company			
In thousands of EUR	*Note*	Share capital	Translation reserve	Retained earnings	Total equity
Balance at 23 November 2017		-	-	-	-
Total comprehensive income					
Loss for the period		-	-	(2,527)	(2,527)
Other comprehensive income		-	(332)	411	79
Total comprehensive income		**-**	**(332)**	**(2,116)**	**(2,448)**
Transactions with owners of the Group					
Contributions and distri-butions					
Issue of ordinary shares	*21*	60	-	-	60
Acquisition of a subsidiary under common control	*30*	-	-	6,838	6,838
Equity-settled share-based payment	*34*	-	-	364	364
Total contributions and distributions		**60**	**-**	**7,202**	**7,262**
Total transactions with owners of the Group		**60**	**-**	**7,202**	**7,262**
Balance at 31 December 2018		**60**	**(332)**	**5,086**	**4,814**

The accompanying notes on pages 40 to 85 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 April 2019 and signed by

Indrek Rahumaa
Chairman of the Board

Fredrik Synnerstad
Board member

Dmitry Ditchkovsky
Board member

Peter Partma
Board member, CEO

Stockholm, 23 April 2019

Consolidated statement of cash flows

For the period ended 31 December

In thousands of EUR	*Note*	2018
Cash flows from operating activities		
Loss for the reporting year		**(2,527)**
Adjustments for:		
Depreciation	*15*	2,369
Amortization	*16*	742
Impairment loss	*29 (ii)*	84
Income from government grants	*8*	(306)
Finance income	*12*	(53)
Finance costs	*13*	3,929
Foreign exchange gains	*12*	(333)
Foreign exchange losses	*13*	474
Net loss on sale of property, plant and equipment and intangible assets	*8, 11*	109
Equity-settled share-based payment transactions	*34*	364
Income tax expense	*14*	1,804
Changes in:		
Inventories		(1,337)
Contract assets		(11)
Trade and other receivables		(772)
Prepayments		(336)
Trade and other payables		(332)
Contract liabilities		92
Provisions		(122)
Net employee defined benefit liability		(291)
Cash generated from operating activities		**3,547**
Interest paid		(2,948)
Income taxes paid		(1,310)
Net cash used in operating activities		**(711)**
Cash flows from investing activities		
Interest received		13
Proceeds from sale of property, plant and equipment and intangible assets		17
Proceeds from repayment of loans issued		68
Acquisition of subsidiary net of cash acquired	*30*	(7,242)
Cash acquired in common control transactions		1,874
Acquisition of property, plant and equipment and intangible assets		(1,904)
Deposits placed in restricted accounts		(5)
Deposits released from restricted accounts		4,500
Loans issued to shareholders in lieu of future dividends		(77)
Net cash used in investing activities		**(2,756)**

The accompanying notes on pages 40 to 85 form an integral part of these financial statements.

Consolidated statement of cash flows
(continued)

For the period ended 31 December

In thousands of EUR	*Note*	2018
Cash flows from financing activities		
Proceeds from issue of share capital		60
Proceeds from bonds issue	*26*	40,000
Change in bank overdraft	*26*	(52)
Transaction costs related to bonds issue	*26*	(1,730)
Repayment of loans and borrowings	*26*	(20,021)
Repayment of convertible notes		(12,375)
Payment of finance lease liabilities	*26*	(105)
Proceeds from grants and donations		11
Factoring paid	*26*	(420)
Dividends paid	*21*	(269)
Net cash from financing activities		**5,099**
Net increase in cash and cash equivalents		**1,632**
Cash and cash equivalents at 23 November 2017	*20*	-
Effect of movement in exchange rates on cash held		(297)
Cash and cash equivalents at 31 December	*20*	**1,335**

The accompanying notes on pages 40 to 85 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 April 2019 and signed by

Indrek Rahumaa *Chairman of the Board*	Fredrik Synnerstad *Board member*	Dmitry Ditchkovsky *Board member*	Peter Partma *Board member, CEO*

Stockholm, 23 April 2019

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting entity

European Lingerie Group AB (Goldcup 15769 AB until 29 January 2018) (the "Parent") is a Public Limited Liability Company domiciled in Sweden, register code 559135-0136. The legal and postal address of the Company is Norrlandsgatan 16, 111 43 Stockholm, Sweden. These consolidated financial statements comprise the Parent and its subsidiaries (together referred to as the "Group"). The subsidiary companies consolidated with the Parent are detailed in Note 3.1 (i).

The Group is primarily involved in manufacturing, processing, wholesale and retail of textiles and lingerie products. At 31 December 2018, 72.65% of the Company's shares were owned by Helike Holdings OU, 24.55% - by Bryum Capital Ltd, 1.80% - by SIA Silver Invest and 1.00% - by SIA Ievades Nozares. The ultimate beneficial owners of the Group are Indrek Rahumaa and John Anthony Bonfield.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and RFR 1 issued by the Swedish Financial Reporting Board. The consolidated financial statements were authorised for issue by the Board of Directors on 23 April 2019. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, and the parent company statement of profit or loss and other comprehensive income and statement of financial position will be subject to approval by the annual general meeting. The owners have the right to reject the consolidated financial statements prepared and issued by management and the right to request that new consolidated financial statements are issued. These are consolidated financial statements prepared for statutory purposes.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. For additional details on the principal sources of estimation uncertainty, refer to Note 4 on Use of judgments and estimates.

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis at the reporting date.

Items	Measurement bases	Note
Net employee defined benefit liability	Fair value of plan assets less the present value of the defined benefit obligation	*24*

2.3 Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Parent's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Absence of comparatives

European Lingerie Group AB was established on 23 November 2017 and did not exist previously (named Goldcup 15769 AB until 29 January 2018). The Group was formed on 19 February 2018 by way of contributing SIA European Lingerie Group (named AS European Lingerie Group until 8 March 2019) shares into the equity of European Lingerie Group AB by its shareholder Myrtyle Ventures Ltd (refer to Notes 3.1 (iv) and 30 for details on how the transaction was accounted for). Therefore, comparatives are not presented in these consolidated financial statements.

2.5 Going concern basis of accounting

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue as a going concern, including to pay its debts as and when they fall due. For more details on going concern considerations refer to Note 22.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the period presented in these consolidated financial statements.

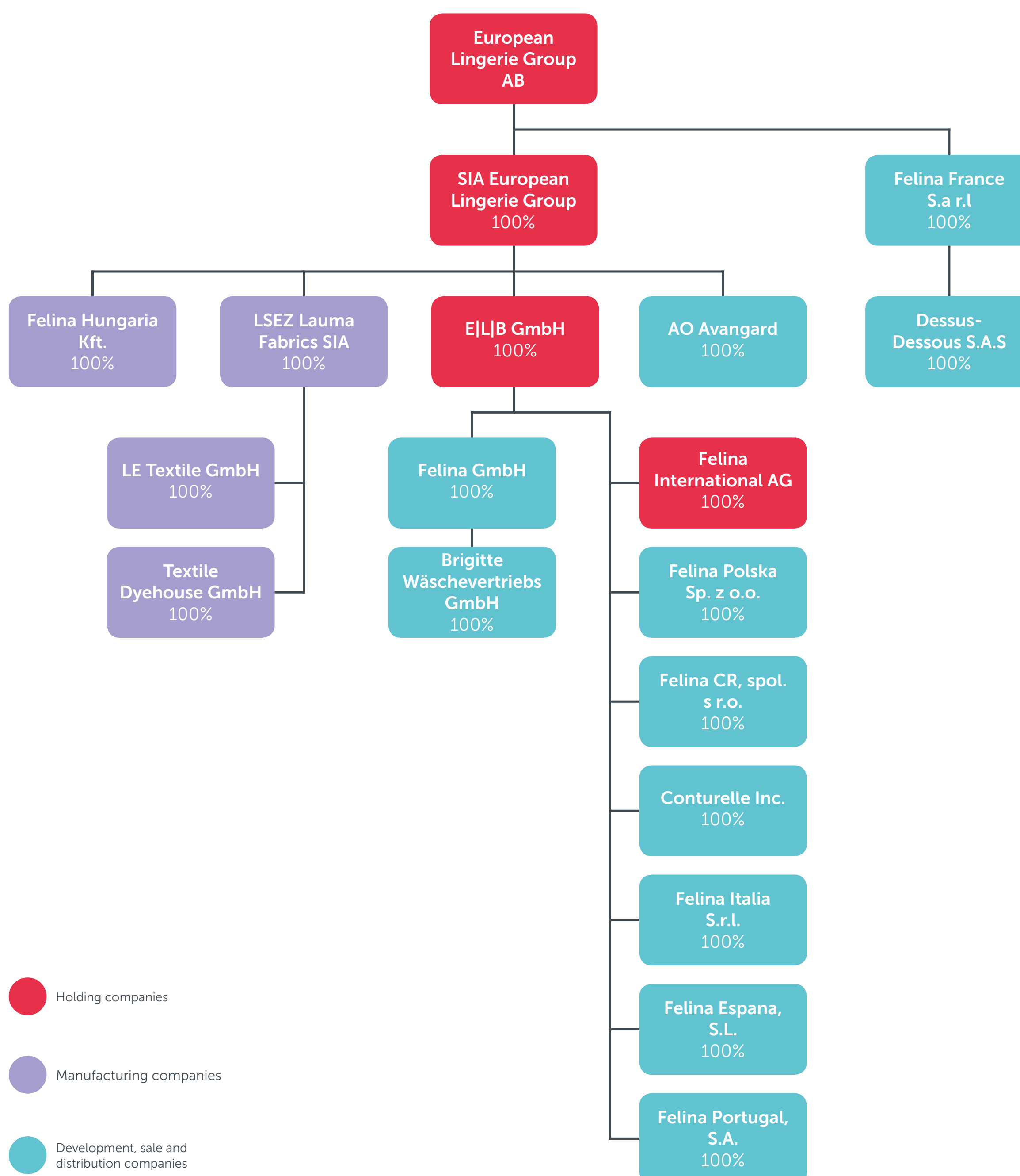
The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the parent takes into consideration the potential voting rights that are currently exercisable. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The reporting periods and dates of the financial statements of the Parent and the subsidiaries correspond to the reporting period and date of the consolidated financial statements. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The structure of the Group at 31 December 2018 is presented below:



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

Subsidiary	Place of incorporation and operations	Proportion of ownership interest at 31 December 2018	Principal activity
SIA European Lingerie Group (previously AS European Lingerie Group)	Latvia	100%	Holding Company
LSEZ Lauma Fabrics SIA	Latvia	100%	Production and wholesale
LE Textile GmbH	Germany	100%	Knitting and design development
Textile Dyehouse GmbH	Germany	100%	Dyeing and finishing services
E|L|B GmbH	Germany	100%	Holding Company
Felina Internationl AG	Switzerland	100%	Holding Company
Felina Italia S.r.l.	Italy	100%	Retail and wholesale
Felina France S.a r.l.	France	100%	Wholesale
Felina GmbH	Germany	100%	Production and wholesale
Brigitte Wäschevertriebs GmbH	Germany	100%	Retail
Felina Espana S.L.	Spain	100%	Wholesale
Felina Hungaria Kft.	Hungary	100%	Production
Felina Polska Sp. z o.o.	Poland	100%	Retail and wholesale
Felina ČR spol. s.r.o.	Czech Republic	100%	Wholesale
Felina Portugal S.A.	Portugal	100%	Wholesale
Conturelle Inc.	USA	100%	Wholesale
AO Avangard	Russia	100%	Wholesale
Dessus-Dessous S.A.S	France	100%	Online retail

European Lingerie Group AB

European Lingerie Group AB was established on 23 November 2017 and did not have any subsidiaries and operations up until 2018. On 3 January 2018 the Company was acquired by Myrtyle Ventures Ltd.

SIA European Lingerie Group

SIA European Lingerie Group (previously AS European Lingerie Group) was acquired by European Lingerie Group AB in a common control transaction through the contribution of SIA European Lingerie Group shares into the equity of European Lingerie Group AB. For more information on acquisition of the subsidiary and how it was accounted for, see Notes 3.1 (iv) and 30.

Simplification of the Group's legal structure

In July 2018, the Group finalised the first step of the legal structure simplification process, during which AS European Lingerie Brands was merged into SIA European Lingerie Group. The change had no impact on the operations or ultimate shareholders of the Group.

In July-October 2018 the Group fulfilled the second step of the above mentioned Group structure simplification, during which the shareholding in Felina Hungaria Kft was transferred from Felina International AG to SIA European Lingerie Group, the shareholding in Felina France S.a.r.l., was transferred from Felina International AG to European Lingerie Group AB and the shareholdings in Felina GmbH, Felina Polska Sp. z o.o., Felina ČR spol.S.r.o,

Conturelle Inc., Felina Italia S.r.l., Felina Espana S.L. and Felina Portugal S.A. were transferred from Felina International AG to E|L|B GmbH. The changes had no impact on the operations or ultimate shareholders of the Group.

In August 2018 the Group also completed the shareholder structure simplification, during which Myrtyle Ventures Ltd transferred its ownership in European Lingerie Group AB to shareholders, Helike Holding OU and Bryum Capital Ltd. The change had no impact on the operations or ultimate shareholders of the Group.

Dessus-Dessous S.A.S

On 14 June 2018 Felina France S.a.r.l. acquired Dessus-Dessous S.A.S. For more information on acquisition of the subsidiary see Note 30.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

Any goodwill that arises is tested annually for impairment and carried at cost less accumulated impairment losses. Any gain on a bargain purchase is recognised in profit or loss immediately.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration, that meets the definition of a financial instrument, is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(iv) Transactions under common control

The Group accounts for transactions under common control using predecessor accounting method. The Parent Company of the Group, European Lingerie Group AB, was acquired by Myrtyle Ventures Ltd on 3 January 2018. At the same time Myrtyle Ventures Ltd was the owner of SIA European Lingerie Group, which was subsequently contributed into the equity of European Lingerie Group AB on 19 February 2018. SIA European Lingerie Group and its subsidiaries were consolidated into European Lingerie Group AB starting from 1 January 2018. Assets and liabilities of SIA European Lingerie Group were recorded at their carrying values at the acquisition date.

(v) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlled interest and other components of equity. Any resulting gain or loss is recognised in profit or loss.

(vi) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint ventures. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which joint control ceases. If the equity-accounted investee's net assets are negative, the investee reports net loss and the Group has no commitment to make additional contributions into the capital of the investee, the Group's share of profit or loss and other comprehensive income equals zero.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Management and Supervisory Boards of the Parent company. Further details on operating segments are disclosed in Note 6.

3.3 Foreign currency

(i) Presentation currency

The Group consolidated financial statements are presented in euro, the functional currency of the Parent.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss and presented within finance income and finance costs.

Exchange rates published by the European Central Bank were as follows:

	31 December 2018	Average for 2018
1 EUR/CHF	1.1269	1.1550
1 EUR/PLN	4.3014	4.2615
1 EUR/HUF	320.9800	318.8900
1 EUR/CZK	25.7240	25.6470
1 EUR/USD	1.1450	1.1810
1 EUR/RUB	79.7153	74.0416

(iii) Foreign operations

The assets and liabilities of foreign operations, are translated to euro at the exchange rates at the reporting date. Income and expenses of foreign operations, are translated to euro at average exchange rates for the reporting period.

Foreign currency differences are recognised in other comprehensive income and presented in the translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

3.4 Revenue from contracts with customers

(i) Types of revenue

Sale of goods – wholesale

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group controls the goods before transferring them to the customer, which generally occurs when the goods are collected from the seller's premises by the customer.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, and consideration payable to the customer (if any).

Sale of goods – retail

The Group operates a chain of retail stores and an online store selling lingerie ready garments.

Revenue from the sale of goods is recognised when the Group sells a product to the customer and customer takes delivery of the product, which occurs at the same time. Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery.

Rendering of services

The Group is involved in provision of cutting and garment sewing services as well as in provision of fabrics dyeing and finishing services. Revenue from services rendered is recognised in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

Commission sales

When the Group sells goods or services as an agent, revenue and payments to suppliers are recognised net under other operating income and represent

the margin/commission earned by the Group. The Group is liable for any value added tax on the total value of items sold to end consumers. Whether the Group is considered as principal or agent in a transaction is based on an analysis of both the legal form and the content of the agreement between the Group and its business partner, these assessments affect the amount of recognised net sales, operating income and operating expenses, but not profit/loss for the year or cash flows.

Gift cards

Upon the sale of gift cards, the entire amount is recognised as a contract liability and is recognised as revenue when the gift card is used, or when its validity expires.

Expected breakage (the customer's unexercised right under gift card) should be estimated and recognized as revenue in proportion to the pattern of rights exercised by the customer. If the Group is unable to estimate the breakage amount, revenue for the unused portion of the gift card is recognized when the likelihood of the customer exercising its remaining rights becomes remote.

Rental income

Income from rent of premises is accounted for on a straight-line basis over the lease terms and is recognised as other income in the statement of profit or loss. The Group is renting out part of production and office premises which are not used. These premises do not constitute investment property.

(ii) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the most likely amount method based on historic experience to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right to recover returned goods (and a corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

(iii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iv) Non-cash consideration

The fair value of non-cash consideration received from the customer is included in the transaction price. The Group applies the requirements of IFRS 13 Fair Value Measurement in measuring the fair value of the non-cash consideration. If the Group cannot reasonably estimate the fair value of non-cash consideration, it measures the non-cash consideration indirectly by reference to the stand-alone selling price of the promised goods or services.

(v) Consideration payable to customer

Consideration payable to a customer includes cash amounts that an entity pays, or expects to pay, to the customer. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

(vi) Contract balances

Contracts assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in Note 3.14 Financial instruments for more details.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(vii) Assets and liabilities arising from right of return

Right of return assets

Right to recover returned goods asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products. The right to recover returned goods is included in inventory (see Note 18).

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration. The refund liability is included in trade and other payables (see Note 27).

3.5 Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest),

are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset), taking into account any changes in the defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss within finance income/costs.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3.6 Share-based payment arrangements

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The grant-date fair value of equity-settled share-based payment arrangements is generally recognised as an expense, with a corresponding increase in equity, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

3.7 Government grants

The Group recognises government grants at fair value as income if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Government grants are reported gross under liabilities in the statement of financial position.

3.8 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- fines and penalties received in relation to trade receivables late payment;
- fines and penalties paid in relation to trade payables late payment;
- gain or loss from the revaluation of forward exchange contracts.

Interest income or expense is recognised using effective interest rate method.

3.9 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset only if

certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

3.11 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Raw materials cost is measured according to the first-in, first-out method for raw materials used in the production of textiles, and weighted average method for raw materials used in the production of lingerie products. Work in progress and finished goods are carried at cost. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Write downs to net realizable value for obsolete and slow-moving inventories are recognized by the Group at the end of each reporting period.

3.12 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment are as follows:

- Buildings 10-50 years
- Machinery and equipment 5-10 years
- Other fixed assets 3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.13 Intangible assets

(i) Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
Intangible assets with indefinite useful life	Intangible assets with indefinite useful life include brand names and are measured at cost less accumulated impairment losses. Brand names were determined as having indefinite lives, as there is no foreseeable limit to the cash flows generated by these assets.
Other intangible assets	Other intangible assets, including customer relations, order backlog and software, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill and brand names are not amortised.

The estimated useful lives of intangible assets are as follows:

- Customer relations 5 years
- Order backlog 1.5 years
- Software 3-5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.14 Financial instruments

(i) Non-derivative financial assets and financial liabilities – Recognition and derecognition

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies financial assets into financial assets at fair value through profit or loss (FVTPL) and financial assets at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group classifies financial liabilities into financial liabilities as measured at amortised cost.

(ii) Financial assets - Measurement

Financial assets at amortised cost	A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: a) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets (excluding trade receivables) are initially measured at fair value plus transaction costs that are directly attributable to their acquisition. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see Note 3.16 (i)). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Trade receivables are measured at the transaction price determined under IFRS 15 (refer to the accounting policies in Note 3.4).
Financial assets at FVTPL	All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, these assets are measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

(iii) Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

(iv) Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(v) Financial liabilities – Measurement

Financial liabilities are recognised initially at fair value and, in case of financial liabilities as measured at amortised cost, net of directly attributable transaction costs. Financial liabilities as measured at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(vi) Financial assets and liabilities – Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(vii) Financial assets and liabilities – Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(viii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. Derivative financial instruments are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group does not apply hedge accounting.

(ix) Hybrid (combined) financial instruments

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in the profit or loss. Derivatives embedded in financial liabilities at fair value through profit or loss are not separated. Derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

During 2018, hybrid (combined) financial instruments of the Group comprised convertible notes issued by SIA European Lingerie Group in 2017. Convertible notes were acquired by the Group as a result of SIA European Lingerie Group acquisition in a transaction under common control. Convertible notes were denominated in EUR and could be converted to ordinary shares at the option of the holder for a certain period starting from an IPO date with a discount to IPO price or redeemed by the issuer at any time after 6 months period from the notes issue date at a specified redemption fee in which case the IPO participation option terminates without further compensation. Based on analysis of the economic characteristics of the embedded derivatives consisting of IPO participation option and early redemption options, the em-

bedded derivatives were separated as a compound derivative from the host debt contract.

On initial recognition by SIA European Lingerie Group in 2017, the carrying amount of the host debt contract was measured as the difference between the carrying amount of the hybrid instrument (consideration received) and the fair value of the embedded derivatives, plus any directly attributable transaction costs. Subsequent to initial recognition the host debt contract was measured at amortised cost calculated under the effective interest rate method, and the compound derivative consisting of holder IPO participation option and issuer early redemption option was measured at fair value through profit or loss. Convertible notes were fully repaid by the Group in February 2018.

3.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

3.16 Impairment

(i) Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for expected credit losses (ECLs) for financial assets measured at amortised cost and contract assets and debt investments at FVTOCI.

The impairment model is based on the premise of providing for expected losses. Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For trade and other receivables, including contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established and applies a provision matrix separate for textiles segment and lingerie segment, that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets (i.e. loans and debt securities at FVTOCI) the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

Debt securities that are determined to have low credit risk are measured on 12-month ECLs basis. The Group considers credit risk low if there is a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers that the globally understood definition of 'investment grade' rating might be an indicator for a low credit risk. The Group considers this to be Baa3 or higher per Moody's Rating Agency or BBB- or higher per Fitch Rating Agency.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at the asset's original effective interest rate.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are

credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. It includes observable data that has come to the attention of the Group about the following events:

- significant financial difficulty of the issuer or borrower;
- breach of contract, such as a default or past-due event;
- the Group for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented as a separate line item in the statement of profit or loss.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(ii) Equity-accounted investee

At each reporting date, the Group determines whether there is objective evidence that investment into equity-accounted investee is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value. The loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(iii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with indefinite useful life are tested for impairment annually.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. The Group has four cash generating units: Felina International AG Group, representing lingerie products segment; Dessus-Dessous S.A.S, representing lingerie products segment; LSEZ Lauma Fabrics Group, representing textiles segment; and AO Avangard, representing textiles segment. Goodwill arising from business combinations is allocated to the respective cash-generating unit that has been acquired in the business combination (Felina International AG Group, AO Avangard and Dessus-Dessous S.A.S).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.17 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future

cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Jubilee provision

Jubilee provision is recognised by Felina GmbH based on the estimated future payments to employees reaching 25 and 40 years of staff membership discounted at a high-quality bond rate.

Retirement reward provision

Retirement reward provision is recognized by Dessus-Dessous S.A.S based on the estimated future payments to employees reaching 8, 10, 15, 20, 25 and 30 years of staff membership on their retirement discounted at a high-quality bond rate.

Other provisions

Other provisions include provisions for payments to customers for advertising and promotion, provisions for legal cases and other minor provisions.

3.18 Related parties

According to the policy followed by the Group, related parties represent both legal entities and private individuals related to the Group in accordance with the following rules:

a) A person or a close member of that person's family is related to a reporting entity if that person:
   - i) Has control or joint control over the reporting entity;
   - ii) Has significant influence over the reporting entity; or
   - iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   - iii) Both entities are joint ventures of the same third party;
   - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   - vi) The entity is controlled, or jointly controlled by a person identified in a);
   - vii) A person identified in a) i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
   - viii) The entity, or any member of the group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3.19 Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(ii) The Group as a lessee

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognised in other operating income on a straight-line basis over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

3.20 Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

3.21 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument, if available. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account when pricing a transaction.

If an asset or liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

4. Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is described below.

4.1 Deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. In respect of the tax losses on which deferred tax assets are recognised, management continues to consider it probable that future taxable profits will be available against which the tax losses can be recovered and, therefore, the related deferred tax asset can be realised. The respective

assumption is based on the fact that these companies are profitable currently and no conditions exist at the moment to doubt their future revenue, cost and profitability levels. Further details on taxes are disclosed in Note 14.

4.2 Measurement of ECL allowance for trade receivables and contract assets

The Group developed a provision matrix to measure ECLs of trade and other receivables and contract assets. Loss rates in the matrix were developed based on historic credit loss experience, economic conditions in the period over which historic data was collected, current economic conditions and managements view of economic conditions over the expected lives of the receivables. Further details are disclosed in Note 29 (ii).

4.3 Measurement of inventory

In accordance with the Group's accounting policies, inventories are measured at the lower of cost and net realizable value. Accordingly, the management has to estimate the value of inventories whenever there are indications that the carrying amount of inventories may have decreased below their cost. If this has occurred, inventories are written down to their net realizable value, i.e., the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Further details are disclosed in Note 18.

4.4 Recognition and measurement of provisions

The Group uses several key assumptions about the likelihood and magnitude of an outflow of resources in recognition and measurement of provisions and contingencies. Further details on provisions are disclosed in Note 25 and on guarantees - in Note 32.

4.5 Impairment test of intangible assets and goodwill

In assessing the intangible assets and goodwill of the CGU assumptions are made in relation to the recoverable amounts. Further details are disclosed in Note 16.

4.6 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Financial assets at amortised cost

The fair value of financial assets at amortised cost is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest for similar liabilities at the measurement date.

(iii) Acquisition of subsidiary

For valuation techniques used for measuring the fair value of assets acquired and consideration transferred refer to Note 30.

5. Standards and amendments issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

(i) IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of vehicles, machines, office equipment and real estate facilities (see Note 31). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Group's finance leases.

Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach with no restatement of comparative information. The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the date of initial application.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

Based on the information currently available, the Group expects the impact of IFRS 16 adoption to be as follows:

Impact on the statement of financial position

In thousands of EUR	**1 January 2019**
Assets	
Property, plant and equipment (right-of-use assets)	3,639
Liabilities	
Lease liabilities	3,639
Net impact on equity	-

Impact on the statement of profit or loss

In thousands of EUR	**2019**
Depreciation	(998)
Rents included into other operating expenses	1,260
Operating profit	**262**
Interest expense included into finance costs	(330)
Income tax expense	17
Profit for the year	**(51)**

Impact on the statement of cash flows

In thousands of EUR	2019
Cash flows from operating activities	
Profit for the year	(51)
Adjustments for:	
Depreciation	998
Finance costs	330
Income tax expense	(17)
Cash generated from operating activities	**1,260**
Interest paid	(330)
Net cash from operating activities	**930**
Cash flows from financing activities	
Payment of finance lease liabilities	(930)
Net cash used in financing activities	**(930)**
Net change in cash and cash equivalents	-

Due to the adoption of IFRS 16, the Group's operating profit and EBITDA will improve, while its interest expense will increase and net profit will decrease. The Group will generate more cash flows from operating activities while using more cash in financing activities.

The adoption of IFRS 16 will not impact the Group's ability to comply with the bond covenants.

(ii) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 *Uncertainty over Tax Treatments.*
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9).*
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).*
- *Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.*
- *Amendments to References to Conceptual Framework in IFRS Standards.*
- IFRS 17 *Insurance Contracts.*

6. Operating 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 Management and Supervisory Boards review the internal management reports of each division at least quarterly.

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

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

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

2018 *In thousands of EUR*	**Textiles**	**Lingerie**	**Total segments**	**Unallocated**	**Consolida-tion adjust-ments**	**Total**
External revenues	33,084	40,391	73,475	-	-	73,475
Intersegment revenue	1,023	-	1,023	-	(1,023)	-
Total revenue	**34,107**	**40,391**	**74,498**	**-**	**(1,023)**	**73,475**
Other operating income	1,074	1,106	2,180	3,005	(3,124)	2,061
Changes in inventories of finished goods and work in progress	477	420	897	-	-	897
Raw materials and services	(14,443)	(12,190)	(26,633)	-	993	(25,640)
Employee benefits expense	(8,995)	(15,349)	(24,344)	(512)	-	(24,856)
Depreciation and amortisation	(1,755)	(1,355)	(3,110)	(1)	-	(3,111)
Impairment loss on trade receivables and contract assets	(48)	(36)	(84)	-	-	(84)
Other operating expenses	(5,820)	(11,492)	(17,312)	(2,508)	372	(19,448)
Operating profit	**4,597**	**1,495**	**6,092**	**(16)**	**(2,782)**	**3,294**
Interest income	251	110	361	327	(636)	52
Other finance income	144	187	331	3	-	334
Interest expense	(422)	(229)	(651)	(3,822)	642	(3,831)
Other finance costs	(195)	(375)	(570)	(2)	-	(572)
Income tax	(862)	(941)	(1,803)	(1)	-	(1,804)
Net profit	**3,513**	**247**	**3,760**	**(3,511)**	**(2,776)**	**(2,527)**
Operating profit	4,597	1,495	6,092	(16)	(2,782)	3,294
Depreciation and amortisation	1,755	1,355	3,110	1	-	3,111
EBITDA	**6,352**	**2,850**	**9,202**	**(15)**	**(2,782)**	**6,405**
Segment assets	25,577	39,480	65,057	412	-	65,469
Segment liabilities	7,833	13,517	21,350	39,305	-	60,655
Capital expenditure	1,502	442	1,944	3	-	1,947
Number of employees at reporting date	539	732	1,271	8	-	1,279

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

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

Revenue

In thousands of EUR	**2018**
Germany	18,148
Baltic states	10,718
Russia	8,560
France	4,846
Belarus	4,678
Poland	4,318
The Netherlands	4,028
Spain	3,075
Morocco	2,118
Ukraine	1,727
Italy	1,634
Belgium, Luxemburg	1,479
Switzerland, Liechtenstein	1,068
Austria	1,005
Sweden	182
Other countries	5,891
Total	**73,475**

Non-current non-financial assets

In thousands of EUR	2018
Germany	9,630
Latvia	8,023
France	5,415
Hungary	2,829
Russia	980
Other countries	175
Total	**27,052**

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

7. Revenue

(i) Revenue streams

The Group generates revenue primarily from the sale of textiles and lingerie products (see Note 6). The Group is also involved in provision of cutting and garment sewing services as well as in provision of fabrics dyeing and finishing services.

In thousands of EUR	2018
Sales of goods	72,655
Rendering of services	820
Total revenue from contracts with customers	**73,475**

(ii) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 6).

	2018		
In thousands of EUR	Textiles	Lingerie	Total
Germany	2,933	15,215	18,148
Baltic states	10,693	25	10,718
Russia	4,473	4,087	8,560
France	1,192	3,654	4,846
Belarus	4,678	-	4,678
Poland	2,342	1,976	4,318
The Netherlands	131	3,897	4,028
Spain	119	2,956	3,075
Morocco	2,118	-	2,118
Ukraine	1,692	35	1,727
Italy	134	1,500	1,634
Belgium, Luxemburg	239	1,240	1,479
Switzerland, Liechtenstein	1	1,067	1,068
Austria	431	574	1,005
Sweden	69	113	182
Other countries	1,839	4,052	5,891
External revenue as reported in Note 6	**33,084**	**40,391**	**73,475**

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

(iii) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

In thousands of EUR	Note	31 December 2018
Receivables which are included in "trade and other receivables"	19	13,745
Contract assets		26
Contract liabilities		292

The contract assets primarily relate to the Group's rights to consideration for services provided but not billed at the reporting date. The Group acquired contract assets for the amount of EUR 14 thousand in a business combination and EUR 1 thousand in a transaction under common control during the year (see Note 30). The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities relate to unused gift cards and advance payments received from customers. As at 31 December 2018, the amount of unused gift cards was EUR 133 thousand. This will be recognised as revenue when gift cards are used by customers but not later than validity of those cards expires (which is one year). Advance payments will be recognised as revenue during 2019 when respective customer orders are fulfilled.

8. Other operating income

In thousands of EUR	2018
Rental income from property leases	625
Transportation income	307
Government grants	306
Gain on settlement of pension plan	118
License income	108
Income from sales commissions	106
Proceeds from bad debts previously written off	75
Income from sale of non-core materials	40
Gain on sale of property, plant and equipment	7
Other income from non-core activities	369
Total	**2,061**

9. Raw materials and services

In thousands of EUR	2018
Raw materials and consumables	22,761
Purchases of lingerie garments from third parties	2,186
External services	693
Total	**25,640**

10. Employee benefits expense

In thousands of EUR	2018
Wages and salaries	19,817
Social security contributions	4,025
Expenses related to post-employment defined benefit plans	155
Other employee benefits	859
Total	**24,856**

As of 31 December 2018, the Group employed 1,279 employees, including 958 women. The Board of Directors consisted of 4 board members, all of whom are men. The Group's executive management consisted of 3 people, including 2 women. Average number of employees was 1,253 during the reporting period.

Remuneration and other benefits for the reporting period of the Board of Directors was as follows:

In thousands of EUR	Remu-neration	Social security costs	Total
Indrek Rahumaa, Chairman of the Board	65	21	86
Dmitry Ditchkovsky, Board Member	29	-	29
Fredrik Synnerstad, Board Member	8	3	11
Peter Partma, Board Member, CEO	173	15	188
Total	**275**	**39**	**314**

Amount of expenses related to executive management remuneration excluding CEO was EUR 147 thousand including social security costs of EUR 28 thousand.

11. Other operating expenses

In thousands of EUR	Note	2018
Sales and marketing		3,564
Utilities		3,126
Professional services		2,238
Rents		1,717
Storage, transportation and packaging		1,640
Repair and maintenance		883
Change in write downs to net realizable value for obsolete and slow-moving inventories		835
Travel expenses		695
IT and communication		485
Bank services		377
Expenses related to share-based payment arrangements	34	364
Insurance		193
Car park related costs		128
Loss on disposal of property, plant and equipment and intangible assets		116
Real estate tax		49
Other taxes		204
Other operating expenses		2,834
Total		**19,448**

12. Finance income

In thousands of EUR	2018
Interest income under the effective interest method on:	
Trade and other receivables	52
Total interest income arising from financial assets measured at amortised cost	**52**
Foreign exchange gains	333
Other finance income	1
Finance income – other	**334**
Total	**386**

13. Finance costs

In thousands of EUR	2018
Interest expense on financial liabilities measured at amortised cost	3,831
Foreign exchange losses	474
Interest expense on net defined benefit liability	70
Net change in fair value of financial assets mandatorily measured at FVTPL	18
Fines and penalties	10
Total	**4,403**

EUR 3,831 thousand of interest expense in the reporting period consist of EUR 3,216 thousand of interest expense on loans and borrowings, EUR 443 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 of interest expense related to the amortisation of convertible notes to nominal value after revision of estimated cash flows due to early repayment and EUR 60 thousand of interest expense related to unwinding of discount on deferred consideration of AO Avangard.

14. Income tax expense

The major components of income tax expense for the period ended 31 December are:

In thousands of EUR	2018
Current tax expense	**565**
Current year	445
Changes in estimates related to prior years	120
Deferred tax expense	**1,239**
Origination and reversal of temporary differences	1,239
Income tax expense reported in profit or loss	**1,804**

Amounts recognised in OCI during reporting period are as follows:

In thousands of EUR	Before tax	Tax expense	Net of tax
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit liability	461	(50)	411
	461	**(50)**	**411**

Reconciliation between tax expense and the product of accounting profit multiplied by the Parent's domestic tax rate of 22.0% for the period ended 31 December is as follows:

In thousands of EUR	2018
Loss before tax	**(723)**
Tax using the Parent's domestic tax rate of 22.0%	(159)
Tax effect of:	
Non-deductible expenses	625
Net loss of Latvian subsidiaries which may not be utilised in future periods and for which no deferred tax is recognised	317
Changes in estimates related to prior years	120
Tax-exempt income	(12)
Effect of tax rates in foreign jurisdictions	(32)
Net profit of Latvian subsidiaries not taxed in the reporting period	(40)
Tax incentives	(2)
Other differences	(38)
Change in unrecognised deferred tax	1,025
Income tax expense reported in profit or loss	**1,804**

According to the new Latvian Law on Corporate Income Tax effective from 1 January 2018 taxable base includes distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and conditionally or theoretically distributed profit (non-operating expenses, doubtful debts, excessive interest payments, loans to related parties, etc). According to the new law net loss generated by Latvian subsidiaries in the reporting period may not be utilised in future periods to decrease taxable profit and deferred tax asset is not recognised by the Group as a result. Net profit of Latvian subsidiaries not taxed in the reporting period represents income tax of Latvian subsidiaries that will arise on future distributions of profit earned.

Effect of tax rates in foreign jurisdictions was mainly a result of higher corporate income tax rate of German subsidiaries (29.125%-30.88%) compared to the Parent's domestic tax rate of 22%.

Movements in deferred tax balances are as follows:

2018							Balance at 31 December		
In thousands of EUR	Net balance at 23 November 2017	Recognised in profit or loss	Recognised in OCI	Effect of movements in exchange rates	Acquired in business combination	Acquired in transaction under common contro	Net	Deferred tax assets	Deferred tax liabilities
Property, plant and equipment	-	58	-	5	14	(243)	(166)	16	(182)
Intangible assets	-	496	-	-	(1,267)	(1,739)	(2,510)	-	(2,510)
Inventories	-	(211)	-	-	(13)	193	(31)	248	(279)
Loans and other receivables, including contract assets	-	(30)	-	(3)	(4)	109	72	83	(11)
Employee benefits	-	(13)	(50)	-	-	526	463	463	-
Provisions	-	3	-	-	29	6	38	38	-
Loans and other payables	-	(62)	-	-	(6)	23	(45)	14	(59)
Deferred income	-	17	-	-	-	(17)	-	-	-
Tax losses carried forward	-	219	-	-	-	3,913	4,132	4,132	-
Unrecognised tax losses	-	(1,025)	-	-	-	(1,593)	(2,618)	(2,618)	-
Latvian subsidiaries profit for distribution	-	(691)	-	-	-	-	(691)	-	(691)
Tax assets (liabilities) before set-off	**-**	**(1,239)**	**(50)**	**2**	**(1,247)**	**1,178**	**(1,356)**	**2,376**	**(3,732)**
Set-off of tax							**-**	**(69)**	**69**
Net tax assets (liabilities)							**(1,356)**	**2,307**	**(3,663)**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

Tax losses for which deferred tax asset was recognised expire as follows:

Corporate tax

In thousands of EUR	31 December 2018	Expiry period
Expire	230	2023-2028
Never expire	5,036	-
Total	**5,266**	

Trade tax

In thousands of EUR	31 December 2018	Expiry period
Expire	-	-
Never expire	4,589	-
Total	**4,589**	

The income tax in Germany is made up of corporation tax and trade tax, which is a local municipal income tax in Germany. Corporation tax (included into corporate tax) and trade tax are presented separately in the financial statements as they are applied to different tax bases and calculated at different rates.

No deferred tax asset was recognised by loss-making companies, as it was not probable that future taxable profit will be available against which they can use the benefits therefrom. Deferred tax assets have not been recognised in respect of the following items:

Corporate tax

In thousands of EUR	Gross amount	Tax effect
Tax losses	10,607	2,151

Under current tax legislation tax losses for which no deferred tax asset was recognised expire as follows:

In thousands of EUR	31 December 2018	Expiry period
Expire	725	2022
Never expire	9,882	-
Total	**10,607**	

Trade tax

In thousands of EUR	Gross amount	Tax effect
Tax losses	3,145	467

Tax losses for which no deferred tax asset was recognised expire as follows:

In thousands of EUR	31 December 2018	Expiry period
Expire	-	-
Never expire	3,145	-
Total	**3,145**	

Tax losses for which no deferred tax was recognised have arisen in companies that have been loss making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

15. Property, plant and equipment

In thousands of EUR	*Note*	Land and buildings	Machinery and equipment	Other property, plant and equipment	Property, plant and equipment under construction	Total
Cost						
Opening balance at 23 November 2017		-	-	-	-	-
Acquisitions from common control transactions	*30*	9,666	20,381	4,830	2	34,879
Additions from business combinations	*30*	-	-	149	-	149
Additions		214	669	336	623	1,842
Transfers		-	2	-	(2)	-
Disposals		-	(182)	(114)	(10)	(306)
Effect of movements in exchange rates		(76)	(24)	(6)	-	(106)
At 31 December 2018		**9,804**	**20,846**	**5,195**	**613**	**36,458**
Accumulated depreciation						
Opening balance at 23 November 2017		-	-	-	-	-
Acquisitions from common control transactions	*30*	2,104	17,232	3,154	-	22,490
Depreciation		402	1,409	558	-	2,369
Disposals		-	(173)	(66)	-	(239)
Effect of movements in exchange rates		(2)	(4)	(1)	-	(7)
At 31 December 2018		**2,504**	**18,464**	**3,645**	**-**	**24,613**
Carrying amounts						
At 23 November 2017		-	-	-	-	-
At 31 December 2018		**7,300**	**2,382**	**1,550**	**613**	**11,845**

Property, plant and equipment acquired through business combinations were recorded at fair value by the Group at the time of acquisition, while assets acquired under common control transactions were recorded at their carrying amounts made up by cost and accumulated depreciation at acquisition date.

Leased plant and equipment

The Group leases production equipment under a number of finance leases. The leased equipment secures lease obligations. The carrying amount of the equipment was EUR 116 thousand at 31 December 2018.

During the reporting period the Group acquired equipment in the amount of EUR 43 thousand under a finance lease.

Pledged assets

The carrying amount of property, plant and equipment pledged as collateral under bonds and bank loan agreements amounted to EUR 8,096 thousand at 31 December 2018. For more details on pledged property, plant and equipment refer to Note 26 of these financial statements.

16. Intangible assets

In thousands of EUR	*Note*	Goodwill	Brand names	Customer relations	Software	Order backlog	Total
Cost							
Opening balance at 23 November 2017		-	-	-	-	-	-
Acquisitions from common control transactions	*30*	4,615	4,225	949	929	219	10,937
Additions from business combinations		2,322	1,762	1,166	155	-	5,405
Additions		-	-	-	105	-	105
Disposals		-	-	-	(101)	-	(101)
Effect of movements in exchange rates		-	-	-	(2)	-	(2)
At 31 December 2018		**6,937**	**5,987**	**2,115**	**1,086**	**219**	**16,344**
Accumulated amortization							
Opening balance at 23 November 2017		-	-	-	-	-	-
Acquisitions from common control transactions	*30*	-	-	95	270	73	438
Amortisation		-	-	306	290	146	742
Disposals		-	-	-	(42)	-	(42)
Effect of movements in exchange rates		-	-	-	(1)	-	(1)
At 31 December 2018		**-**	**-**	**401**	**517**	**219**	**1,137**
Carrying amounts							
At 23 November 2017		-	-	-	-	-	-
At 31 December 2018		**6,937**	**5,987**	**1,714**	**569**	**-**	**15,207**

Intangible assets acquired through business combinations were recorded at fair value by the Group at the time of acquisition, while assets acquired under common control transactions were recorded at their carrying amounts made up by cost and accumulated depreciation at acquisition date.

Pledged assets

The carrying amount of intangible assets pledged as collateral under bank loan agreements amounted to EUR 4,349 thousand at 31 December 2018. For more details on pledged intangible assets refer to Note 26 of these financial statements.

Impairment test

Goodwill and brand names were tested for impairment as at 31 December 2018. For the purpose of impairment testing, goodwill has been allocated to the Group's CGUs (operating divisions) as follows:

In thousands of EUR	2018
Felina International AG Group (lingerie segment)	3,636
Dessus-Dessous S.A.S (lingerie segment)	2,322
AO Avangard (textiles segment)	979
Total goodwill	**6,937**

Brand names in the amount of EUR 4,225 thousand have been allocated to Felina International AG Group CGU and brand names in the amount of EUR 1,762 thousand have been allocated to Dessus-Dessous S.A.S CGU.

The recoverable amount of all three CGUs was based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs.

The key assumptions used in the estimation of values in use were as follows:

	Felina International AG Group	AO Avangard	Dessus-Dessous S.A.S
Discount rate	9.8%	15.2%	11.2%
Terminal value growth rate	1.5%	2.0%	1.5%
Revenue growth rate (average of next four years)	4.8%	4.5%	12.7%
EBIT margin (average of next four years)	7.8%	23.0%	10.5%

The discount rate calculation was determined on the basis of the weighted average cost of capital (WACC). WACC takes into consideration both debt and equity. The cost of debt is a required rate of return on debt. The cost of equity derives from the expected return to investors. The discount rate was determined after taxes.

Cash flows were based on management's forecast of the development of the CGUs' business over the next four years. Cash flows after the forecast period approved by management were extrapolated using a steady 1.5% growth factor for Felina International AG Group and Dessus-Dessous S.A.S and 2.0% for AO Avangard.

Forecasted EBIT of Felina International AG Group was estimated based on past trends and experience, adjusted as follows:

- Revenue growth was projected taking into account the estimated sales volume and price growth for the next four years. It was assumed that the sales volume would increase by 4.8% on average in the next four years while the sales price would almost remain at the same level.
- EBIT margin was projected to remain at the level of recent years adjusted for one-off income/expenses.

Forecasted EBIT of AO Avangard was estimated based on past trends and experience, adjusted as follows:

- Revenue growth was projected taking into account the estimated sales volume and price growth for the next four years. It was assumed that the sales volume would increase by 4.5% on average in the next four years while the sales price would remain at the same level.
- EBIT margin was projected to remain at the level of recent years with operating expenses adjusted for the forecasted inflation over the next four years.

Forecasted EBIT of Dessus-Dessous S.A.S was estimated based on past trends and experience, adjusted as follows:

- Revenue growth was projected taking into account the estimated sales volume and price growth for the next four years. It was assumed that the sales volume would increase by 12.7% on average in the next four years while the sales price would remain at the same level.
- EBIT margin was projected to remain at the level of recent years with operating expenses adjusted for the forecasted inflation over the next four years.

As the result of the impairment test carried out, the estimated recoverable amount for both CGUs significantly exceeded their carrying amount. Management has identified that no possible change in key variables used in the calculation would lead to the need to recognise impairment. For the estimated recoverable amount of Felina International AG, AO Avangard and Dessus-Dessous S.A.S to be equal to their carrying amount, each key assumption individually should reach the following values (assuming other assumptions remain unchanged):

	Felina International AG Group	AO Avangard	Dessus-Dessous S.A.S
Discount rate	12.2%	24.3%	13.8%
Revenue growth/(decline) rate (average of next four years)	(1.5%)	(9.5%)	5.7%
EBIT margin (average of next four years)	6.6%	14.2%	10.2%

17. Equity accounted investees

The group held a 50% share in Tele Textile Latvia SIA at 31 December 2018, which was acquired in common control transaction as part of SIA European Lingerie Group acquisition. Tele Textile Latvia SIA does not qualify to be a subsidiary as none of the shareholders have majority votes in the Company and the control is shared equally.

Tele Textile Latvia SIA does not qualify for joint operation as it is structured as a separate vehicle and the Group has joint control of the arrangement and a residual interest in the net assets of Tele Textile Latvia SIA. The Group is liable to Tele Textile Latvia SIA and its liabilities only to the extent of its investment in Tele Textile Latvia SIA. Shareholders have not taken on any additional commitments to compensate any losses or to make any additional contributions to the joint venture. Accordingly, the Group has classified its interest in Tele Textile Latvia SIA as a joint venture. The following table summarises statement of financial position and profit or loss information of Tele Textile Latvia SIA as included in its own financial statements prepared in accordance with Latvian accounting standards.

In thousands of EUR	31 December 2018
Percentage ownership interest	50%
Non-current assets	815
Current assets	756
Non-current liabilities	-
Current liabilities	(2,171)
Net assets	(600)
Group's share of net assets	**(300)**
Carrying amount of interest in joint venture	**-**

	2018
Revenue	1,414
Loss for the year	(214)
Total comprehensive income	(214)
Group's share of loss	**(107)**

The Group did not recognise its share of profit or loss of Tele Textile Latvia SIA during the reporting period since the Company reported a loss while the carrying amount of interest was zero.

The Group did not receive dividends from the equity accounted investee during the reported period.

18. Inventories

In thousands of EUR	2018
Raw materials and consumables	6,530
Work in progress	1,878
Finished goods	10,505
Right to recover returned goods	93
Total	**19,006**

EUR 24,947 thousand was recognised as an expense during the reporting period and included in 'raw materials and services'.

Movement in write downs of inventories:

In thousands of EUR	2018
Cumulative write downs at 23 November 2017	**-**
Acquired in transaction under common control	662
Write downs recognised	88
Write downs released	(71)
Cumulative write downs at 31 December 2018	**679**

The release of write-downs was mainly caused by the decrease in the stock of inventories, for which write downs had been previously recognised.

The carrying amount of inventories pledged as collateral under bank loan agreements amounted to EUR 6,817 thousand at 31 December 2018. For more details on pledged inventories refer to Note 26 of these financial statements.

19. Trade and other receivables

See accounting policies in Notes 3.14 (i) - (ii) and 3.16 (i).

In thousands of EUR	2018
Financial trade and other receivables	
Trade receivables	14,390
Loans to related parties	848
Trade receivables due from related parties	669
Other receivables	386
Allowance for trade and other receivables	(1,055)
Allowance for trade and other receivables due from related parties	(645)
Allowance for loans to related parties	(460)
	14,133
Non-financial trade and other receivables	
VAT receivable	202
Social contributions receivable	2
Other taxes receivable	17
Other assets	66
	287
Total	**14,420**
Non-current	388
Current	14,032
Total	**14,420**

Trade receivables in the gross amount of EUR 14,390 mostly comprise receivables for goods sold. For more details on the composition of trade receivables refer to Note 29.

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 26).

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

In thousands of EUR	2018
Carrying amount of trade receivables transferred to a factoring company	1,011
Carrying amount of associated liabilities	770

Trade and other receivables for the amount of EUR 7,113 were pledged as collateral under bank loan agreements as at 31 December 2018. For more details on pledged trade and other receivables refer to Note 26 of these financial statements.

For terms and conditions relating to related party receivables, refer to Note 33.

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 29.

20. Cash and cash equivalents

In thousands of EUR	2018
Cash on hand	123
Bank balances	1,173
Cash in transit	39
Cash and cash equivalents	**1,335**

Cash and cash equivalents reported in the statement of cash flows are the same as in the statement of financial position.

The carrying amount of cash and cash equivalents pledged as collateral under bank loan agreements amounted to EUR 23 thousand as at 31 December 2018 (refer to Note 26).

21. Capital and reserves

Share capital

Number of shares	2018
Opening balance	-
Issued for cash	60,000
In issue at 31 December – fully paid	**60,000**
Nominal value of one share, EUR	1

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

Nature and purpose of reserves

Reserves include translation reserve in the amount of EUR -332 thousand which comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Dividends

Dividends in the amount of EUR 269 thousand were paid by the Group during the year and related to dividends declared by LSEZ Lauma Fabrics SIA back in 2017 for the year 2016.

No dividends were proposed by the Board of Directors after the reporting date.

22. Going concern

As at 31 December 2018 net loss of the Group for the period ended 31 December 2018 amounted to EUR 2,527 thousand.

Management is confident that the newly established Group is a going concern. According to the business plan, the Group is expected to be profit making.

Net loss was a result of:

- incomplete months of operation in the group structure owned by the Parent (6 months ended 31 December 2018 for Dessus-Dessous S.A.S, which resulted in the first six months of the year not being included in the Consolidated statement of profit or loss and other comprehensive income as well as in the Consolidated statement of cash flows);
- non-recurring acquisition costs related to the acquisitions of Dessus-Dessous S.A.S (EUR 151 thousand), refer to Note 30 for further details;
- gross profit margin distortion at consolidated level as a result of sale of Dessus-Dessous S.A.S inventories that had been acquired in the business combination. At acquisition date, Dessus-Dessous S.A.S finished goods were recognized at fair value which afterwards adversely affected the gross profit margin upon sale of those finished goods. The effect of the impact amounted to EUR 877 thousand.
- finance costs related to incremental costs on borrowings raised for the repayment of long-term borrowings of the newly acquired SIA European Lingerie Group and its subsidiaries, acquisition of Dessus-Dessous S.A.S as well as for additional capital needed for future growth and investments.

23. Capital management

Capital includes total equity.

The aim of the Group's capital management is to support business operations with an optimal capital structure by ensuring normal resources for operations and increasing shareholder value with the goal of generating the best possible return.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The Group monitors the ratio of net interest-bearing debt to adjusted EBITDA. For this purpose, net interest-bearing debt is defined as total interest-bearing debt less cash and cash equivalents. Adjusted EBITDA comprises reported EBITDA before taking into account extraordinary items, which are not in line with the ordinary course of business, and EBITDA of Dessus-Dessous S.A.S from the beginning of the reporting period till its acquisition by the Group.

The Group's policy is to keep the ratio below 4.50. The Group's net interest-bearing debt to adjusted EBITDA ratio at 31 December 2018 was as follows:

In thousands of EUR	**2018**
Interest-bearing debt	41,093
Less: cash and cash equivalents	(1,335)
Net interest-bearing debt	**39,758**
Reported EBITDA	6,405
Extraordinary items	2,490
Dessus-Dessous S.A.S EBITDA from 1 January 2018 to acquisition date	393
Adjusted EBITDA	**9,288**
Net interest-bearing debt to adjusted EBITDA	**4.28**

Extraordinary items include the following:

In thousands of EUR	**2018**
Restructuring of brands/subsidiaries	172
Transaction costs	1,101
Inventory write-off under purchase price allocation exercise	877
Net loss on sale of property, plant and equipment and intangible assets	109
Other	231
Total	**2,490**

Restructuring costs include compensations to dismissed employees and legal costs of lawyers involved in restructuring.

Transaction costs relate to the issue of bonds by European Lingerie Group AB and acquisition of Dessus-Dessous S.A.S and Yustyna OOO.

Inventory write-off under purchase price allocation exercise included gross profit margin distortion effect at consolidated level as a result of sale of Dessus-Dessous S.A.S inventories that had been acquired in the business combination and sold during 2018 after Dessus-Dessous S.A.S acquisition date.

Other costs include various consultancy costs related to the planned bond listing and further potential acquisitions as well as development costs of building an omni-channel strategy.

The Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to accelerate loans

and borrowings. The Group complied with loan covenants during the reporting period.

No changes were made in the objectives, policies or processes for managing capital during the reported period.

24. Net employee defined benefit liability

Net employee defined benefit liability was acquired by the Group as a result of SIA European Lingerie Group acquisition. Felina GmbH contributes to the post-employment defined benefit plan in Germany. The plan was established on 31 December 1984 and entitled each member of staff, who was employed as of that date and who had joined the Company before 5 March 1982, to the right for the Company pension benefits. The following types of pension benefits are granted:

- Retirement pension
- Early retirement pension
- Occupational or permanent disability pension
- Widow's, widower's and orphan's pension.

Pension benefits are only granted if the pension beneficiary has completed an eligible service period of at least 10 years. The age limit is the completed 65th year of life. The eligible service period is viewed to be the time the employee has spent in the company without interruption since joining the company. Years of service are no longer credited once the employee reaches his or her 65th birthday. The pension scheme was closed to new hires starting from 1 March 1996. At 31 December 2018, the weighted-average duration of the defined benefit obligation of Felina GmbH was 9.64 years.

Furthermore, a minor plan was established by Felina International AG in Switzerland. However, there was a settlement of the plan in June 2018 which was a result of the simplification of the Group structure and closure of Felina International AG office. As a result of settlement, all benefits provided under the defined benefit plan were eliminated.

The defined benefit plans are administered by pension funds that are legally separated from the Group. The boards of the pension funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies (investment, contribution and indexation policies) of the fund.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

Funding

The Group has determined that, in accordance with the terms and conditions of the defined benefit plans, and in accordance with statutory requirements (including minimum funding requirements) for the plans of the respective jurisdictions, the present value of refunds or reductions in future contributions is not lower than the balance of the total fair value of the plan assets less the total present value of obligations. This determination has been made on a pan-by-plan basis. As such, no decrease in the defined benefit asset was necessary at 31 December 2018.

The Group expects to pay EUR 316 thousand in contributions to its defined benefit plan in Germany in 2019.

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balance for the net defined benefit liability and its components.

In thousands of EUR	Note	Defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Balance at 23 November 2017		-	-	-
Acquired in transaction under common control		6,203	(1,713)	4,490
Included in profit or loss				
Current service cost	10	15	-	15
Derecognition of the plan asset	10	-	140	140
Interest cost (income)	13	64	6	70
Settlement of the plan	8	(1,489)	1,371	(118)
		(1,410)	**1,517**	**107**
Included in other comprehensive income				
Remeasurement loss (gain):				
- Actuarial loss (gain) arising from financial assumptions		(38)	-	(38)
- Actuarial loss (gain) arising from demographic assumptions		51	-	51
- Actuarial loss (gain) arising from experience adjustment		(215)	-	(215)
- Return on plan assets excluding interest income		-	(264)	(264)
Effect of movements in exchange rates		24	(19)	5
		(178)	**(283)**	**(461)**
Other				
Contributions paid by the employer		(317)	(11)	(328)
Benefits paid		(346)	346	-
		(663)	**335**	**(328)**
Balance at 31 December 2018		**3,952**	**(144)**	**3,808**

Plan assets

Plan assets in the amount of EUR 144 thousand include pension insurance.

Defined benefit obligation

Actuarial assumptions

The following were the principal actuarial assumptions at the pension plan settlement date (expressed as weighted averages) for the pension plan in Switzerland:

	2018
Discount rate	0.60%
Future salary growth	1.00%
Future pension growth	0.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows:

	2018
Longevity at age 65 for current pensioners	
Males	22.50
Females	24.50
Longevity at age 65 for current members aged 45	
Males	24.30
Females	26.40

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages) for the pension plan in Germany:

	2018
Discount rate	1.50%
Future salary growth	0.00%
Future pension growth	1.40%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

In thousands of EUR	2018 Increase	2018 Decrease
Discount rate (1% movement)	(395)	470
Future salary growth (1% movement)	-	-
Future pension growth (1% movement)	420	363
Future mortality (1% movement)	40	(40)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

25. Provisions

In thousands of EUR	Note	Provisions for employee benefits	Other provisions	Total
Balance at 23 November 2017		**-**	**-**	**-**
Assumed in the business combination	30	87	-	87
Assumed in the transaction under common control	30	139	220	359
Provisions made during the year		15	-	15
Provisions used during the year		(23)	-	(23)
Provisions reversed during the year		-	(114)	(114)
Balance at 31 December 2018		**218**	**106**	**324**
Non-current		213	-	213
Current		5	106	111
		218	**106**	**324**

Provisions for employee benefits

Provisions for employee benefits include jubilee provision (EUR 121 thousand) and retirement reward provision (EUR 97 thousand) as of 31 December 2018.

Jubilee provision relates to Felina GmbH. When an employee of the Company reaches the jubilee of 25 or 40 years of staff membership, the Company grants a payment of 100% and 150% of the gross salary for 25 and 40 years of the jubilee membership respectively. Jubilee provision is recognised based on the estimated future payments to employees discounted at a high-quality bond rate.

Retirement reward provision is recognized by Dessus-Dessous S.A.S. When non-executive employee of the Company reaches 10, 15, 20, 25 and 30 years of staff membership on their retirement date, the Company grants a payment of 1 month salary, 1.5 months salary, 2 months salary, 2.5 months salary and 3 months salary for each period of the jubilee membership respectively. For executive employees 8, 10, 15, 20, 25 years of staff membership correspond to 1, 1.5, 2.5, 3.5, 5 months salary respectively. The provision is recognised based on the estimated future payments to employees discounted at a high-quality bond rate.

Other provisions

Other provisions include advertising subsidies and payments to customers compensating certain rebates which they grant to their further clients and other minor provisions.

26. Loans and borrowings

In thousands of EUR	2018
Non-current liabilities	
Bonds	38,713
Finance lease liabilities	54
Total	**38,767**
Current liabilities	
Short-term secured bank loans	1,147
Short-term unsecured bank loans	33
Secured other loans	770
Bonds	336
Current portion of finance lease liabilities	40
Total	**2,326**

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 re-

lated 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 443 thousand for the reporting period, see Note 13.

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 SIA 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 SIA European Lingerie Group, LSEZ Lauma Fabrics SIA and Felina GmbH as well as the mortgage over the real estate owned by LSEZ Lauma Fabrics SIA (EUR 4,743 thousand). Intertrust (Sweden AB) is a collateral agent for the pledged security. The bonds were listed by European Lingerie Group AB on a regulated market in January 2019.

Short-term secured and unsecured bank loans represent bank overdrafts.

Secured other loans represent amounts received from factoring companies, see Note 19.

Information about the Group's exposure to interest rate, foreign currency and liquidity risks is included in Note 29.

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

				31 December 2018	
In thousands of EUR	Currency	Nominal interest rate	Year of maturity	Nominal value	Carrying amount
Secured bank loan	EUR	6m Euribor + 3.5%	2019	441	441
Secured bank loan	EUR	3m Euribor + 4.0%	2019	706	706
Unsecured bank loan	EUR	15.0%	2019	33	33
Secured other loans	EUR	6m Euribor + 4.5%	2019	715	715
Secured other loans	RUB	14.6%	-	55	55
Finance lease liabilities	EUR	6m Euribor + 2.3%	2021	15	14
Finance lease liabilities	EUR	6m Euribor + 3.2%	2020	43	43
Finance lease liabilities	EUR	3m Euribor + 1.99%	2023	24	23
Finance lease liabilities	EUR	3.44%	2021	14	14
Secured bonds	EUR	3m Euribor + 7.75%	2021	40,000	39,049
Total interest-bearing liabilities				**42,046**	**41,093**

In 2018, Felina GmbH signed an agreement with Commerzbank AG concerning credit lines for the amount of EUR 4,350 thousand. The agreement matures in 2019, and the annual interest rate is 3m Euribor + 4.0%. The amount of credit line utilized as at 31 December 2018 was EUR 706 thousand. The loan is secured with "Felina" and "Conturelle" brand names with the carrying amount of EUR 4,225 thousand.

In 2018, LSEZ Lauma Fabrics SIA signed a credit line agreement with AS Citadele Bank concerning a credit line of EUR 1,000 thousand. The agreement matures in 2019, and the annual interest rate is 6m Euribor + 3.5%. The amount of credit line utilized as at 31 December 2018 was EUR 441 thousand. The loan is secured with commercial pledge over all assets of LSEZ Lauma Fabrics SIA (total assets value was EUR 23,456 thousand as of 31 December 2018), financial pledge over cash balances at the bank accounts of LSEZ Lauma Fabrics SIA (EUR 23 thousand as of 31 December 2018) and AS "Attīstības finanšu institūcija "ALTUM" guarantee in the amount of EUR 800 thousand.

Secured other loans represent amounts received from factoring companies, see Note 19.

Reconciliation of movements of loans and borrowings to cash flows arising from financing activities

In thousands of EUR	Loans and borrowings	Bonds	Convertible notes	Finance lease liabil-ities	Compound derivative liability	Total
Balance at 23 November 2017	**-**	**-**	**-**	**-**	**-**	**-**
Changes arising from obtaining control of subsidiaries in transactions under common control	**22,568**	**-**	**10,888**	**150**	**1,375**	**34,981**
Changes from financing cash flows						
Proceeds from bonds issue	-	40,000	-	-	-	40,000
Transaction costs related to bonds issue	-	(1,730)	-	-	-	(1,730)
Repayment of convertible notes	-	-	(11,000)	-	(1,375)	(12,375)
Repayment of loans and borrowings	(20,021)	-	-	-	-	(20,021)
Change in bank overdrafts	(52)	-	-	-	-	(52)
Payment of finance lease liabilities	-	-	-	(105)	-	(105)
Repayment of factoring	(420)	-	-	-	-	(420)
Total changes from financing cash flows	**2,075**	**38,270**	**(112)**	**45**	**-**	**40,278**
Other changes						
Liability-related						
New finance leases	-	-	-	49	-	49
Interest expense	323	2,687	202	4	-	3,216
Interest expense (amortisation of transaction costs)	-	443	112	-	-	555
Interest paid	(391)	(2,351)	(202)	(4)	-	(2,948)
Effect of movements in exchange rates	(57)	-	-	-	-	(57)
Total liability-related other changes	**(125)**	**779**	**112**	**49**	**-**	**815**
Balance at 31 December 2018	**1,950**	**39,049**	**-**	**94**	**-**	**41,093**

Finance lease liabilities

Finance lease liabilities were payable as follows at 31 December 2018:

In thousands of EUR	Future minimum lease payments	Interest	Present value of future minimum lease payments
Less than one year	42	2	40
Between one and five years	56	2	54
Total	**98**	**4**	**94**

Certain leases provide for additional payments that are contingent on changes in future price indices.

27. Trade and other payables

In thousands of EUR	2018
Financial trade and other payables	
Trade payables	5,671
Accrued expenses	2,184
Payables to personnel	735
Other payables	811
Other payables due to related parties	12
	9,413
Non-financial trade and other payables	
Refund liabilities	186
VAT payable	140
Personal income tax payable	259
Social contributions payable	475
Other taxes payable	46
	1,106
Total	**10,519**
Non-current	-
Current	10,519
Total	**10,519**

Other payables include EUR 315 thousand payable for acquisition of Dessus-Dessous S.A.S, which is payable during first quarter of 2019. More details on acquisition have been disclosed in Note 30.

Information about the Group's exposure to currency and liquidity risks is included in Note 29.

For terms and conditions relating to related party payables, refer to Note 33.

28. Deferred income

In thousands of EUR	2018
Long-term government grants	255
Short-term government grants	31
Long-term LIDA financing	315
Short-term LIDA financing	185
Deferred income	**786**

Deferred income includes grants received by Felina Hungaria kft from the National Development Agency, Hungarian Development Bank and National Employment Office in Hungary in relation to the acquisition of property, plant and equipment. The grants were provided during 2000-2015 in the total amount of approximately EUR 1,462 thousand. The financing was initially recognized as part of deferred income and is to be charged to the other operating income over the useful life of the relevant property, plant and equipment – 7 to 50 years.

Deferred income also includes a grant from the Investment and Development Agency of Latvia in relation to the reconstruction of the finishing and dyeing departments of LSEZ Lauma Fabrics SIA. The total value of the projects is EUR 4,857 thousand. This grant was initially recognized as part of deferred income and is to be charged to the other operating income over the useful life of the relevant property, plant and equipment - 5 to 20 years.

29. Financial instruments – Fair values and risk management

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, at 31 December 2018. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

In thousands of EUR	*Note*	Carrying amount	Fair value	Fair value level
Financial assets not measured at fair value				
Financial assets at amortised cost				
Non-current trade and other receivables	*19*	388	343	Level 3
		388	**343**	
Financial liabilities not measured at fair value				
Other financial liabilities				
Bonds	*26*	39,049	40,580	Level 3
		39,049	**40,580**	

Measurement of fair values

The fair value of trade and other receivables was estimated as the present value of future cash flows, discounted at a discount rate of 7.75%.

The fair value of bonds was estimated as present value of expected cash flows, discounted at a discount rate of 7.75%.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values:

In thousands of EUR	Forward exchange contracts used for hedging (asset)	Forward exchange contracts used for hedging (liability)	Compound derivative liability
Balance at 23 November 2017	-	-	-
Acquired in the common control transaction	43	(23)	(1,375)
Loss included in 'finance costs'			
- Net loss from the revaluation of forward exchange contracts	(41)	23	-
- Effect of movements in exchange rates	(2)	-	-
Derivative liabilities repaid	-	-	1,375
Balance at 31 December 2018	**-**	**-**	**-**

Financial risk management

The Group has exposure to the following risks arising from financial instruments:

a) credit risk
b) liquidity risk
c) currency risk
d) interest rate risk

(i) Risk management framework

The general principles of the Group's risk management are approved by the Board of Directors, and their practical implementation is the responsibility of the Group's management. The aim of the Group's risk management is to minimize the adverse effects of financial market fluctuations on the Group's result.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The carrying amount of financial assets and contract assets represent the maximum credit exposure.

Trade and other receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the segment and country in which customers operate. Details of concentration of revenue are included in Note 7 (ii).

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, financial statements and industry information. Sale limits are established for each customer and reviewed on necessity. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group does not have significant credit risk concentrations in its receivables because it has a diversified clientele. Significant concentrations for individual counterparties and related counterparty groups, as defined by management of the Group, are those exceeding 10% of total exposure.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 10 to 180 days. The Group does not require collateral in respect of trade and other receivables. The group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including the segment in which they are trading and their geographic location.

The Group is monitoring the economic environment in Russia, Belarus and Ukraine and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility. In

2018, certain purchase limits have been reduced, particularly for customers operating in Russia, because the Group's experience is that the recent economic volatility has had a greater impact for customers in those countries than for customers in other countries.

At 31 December, the exposure to credit risk for trade and other receivables and contract assets by geographic regions was as follows:

In thousands of EUR	*Note*	2018
Baltic States		3,229
Russia		2,742
Germany		1,255
Belarus		1,214
Poland		884
Spain		698
Italy		634
Morocco		533
Ukraine		494
Other counties		2,088
Total		**13,771**
Off-balance sheet guarantees issued	*32*	1,403

At 31 December, the exposure to credit risk for trade and other receivables and contract assets by segments was as follows:

In thousands of EUR	*Note*	2018
Textiles products		8,125
Lingerie products		5,641
Not-allocated		5
Total		**13,771**
Off-balance sheet guarantees issued	*32*	1,403

A summary of the Group's exposure to credit risk for trade and other receivables and contract assets is as follows:

	2018	
In thousands of EUR	Not-credit impaired	Credit impaired
Textiles segment customers	7,882	1,380
Lingerie segment customers	5,434	770
Non-allocated customers	5	-
Total gross carrying amount	**13,321**	**2,150**
Loss allowance	(186)	(1,514)
	13,135	**636**

Expected credit loss assessment for collectively assessed debtors as at 31 December 2018

The Group uses an allowance matrix to measure the ECLs of trade and other receivables from debtors, excluding those debtors who are assessed on an individual basis. Individually assessed debtors include individually significant customers and material bad customers, from whom debt is not expected to be collected.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in each product segment based on the common credit risk characteristics which is a geographic region.

The following table provides information about the exposure to credit risk and ECLs for trade and other receivables and contract assets from debtors assessed collectively as at 31 December 2018.

31 December 2018 *In thousands of EUR*	Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Current (not past due)	0.14%	4,905	(7)	No
Past due 1-30 days	0.42%	1,179	(5)	No
Past due 31-60 days	1.88%	638	(12)	No
Past due 61-90 days	5.85%	188	(11)	No
Past due 91-180 days	25.68%	366	(94)	Yes
Past due more than 180 days	100.00%	595	(595)	Yes
Total		**7,871**	**(724)**	

Loss rates are based on actual credit loss experience during past five years for textiles segment and during one year for lingerie segment. Loss rates to be applied are taken for one of the years during which economic conditions in the geographic region were most close to current economic conditions and the Group's view of economic conditions over the expected lives of the receivables. When evaluating economic conditions, the Group considers GDP growth rates in each geographic region.

Expected credit loss for individually assessed customers as at 31 December 2018

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from Moody's rating agency.

ECL rate is calculated for each counterparty based on probability of default (PD), loss given default rates (LGD) and exposure at default. PD parameters are based on historical data supplied by Moody's rating agency for each credit rating. LGD parameters are based on historic data of unsecured bonds recovery rates published by Moody's rating agency for each credit rating.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets for individually assessed customers as at 31 December 2018.

31 December 2018 *In thousands of EUR*	Equivalent to external Moody's credit rating	Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
Grades 1-4: Low risk	Baa3-Aaa	-	-	-	No
Grades 5-6: Fair risk	B3-Ba1	2.13%	6,152	(131)	No
Grade 7-8: Substandard	Caa2-Caa1	5.19%	636	(33)	No
Grade 9: Doubtful	Ca-Caa3	-	-	-	Yes
Grade 10: Loss	C	100.00%	812	(812)	Yes
			7,600	**(976)**	

Movements in the allowance for impairment in respect of trade and other receivables and contract assets

The movement in the allowance for impairment in respect of trade and other receivables and contract assets during the reporting period was as follows:

In thousands of EUR	**2018**
Balance at 23 November 2017	**-**
Acquired in transaction under common control	1,798
Amounts written off	(166)
Net remeasurement of loss allowance	84
Effect of movements in exchange rates	(16)
Balance at 31 December 2018	**1,700**

None of trade receivables written off during the reporting period are still subject to enforcement activity.

The following significant changes in the gross carrying amounts of trade and other receivables contributed to the changes in the impairment loss allowance during the reporting period:

- Acquisition of SIA European Lingerie Group through common control transaction;
- The growth of trade receivables due from third parties in Lauma Fabrics Group (textiles segment) by EUR 443 thousand in 2018 resulted in increase of impairment allowance by EUR 40 thousand;
- The growth of trade receivables due from third parties in E|L|B Group and Felina France S.a.r.l (lingerie segment) by EUR 626 thousand in 2018 resulted in increase of impairment allowance by EUR 39 thousand.

Loans issued

Loans issued by the Group include only loans issued to related parties (refer to Note 33 for more details).

The Group monitors changes in credit risk by regularly reviewing financial statements of debtors, external ratings if they are available.

The exposure to credit risk for loans issued and measured at amortised cost at the reporting date by geographic region was as follows:

In thousands of EUR	**2018**
Baltic States	353
Great Britain	35
Total	**388**

The following table presents an analysis of the credit quality of loans at amortised cost. It indicates whether assets measured at amortised cost were subject to a 12-month ECL or lifetime ECL allowance and, in the latter case, whether they were credit-impaired.

Credit rating	2018	
In thousands of EUR	12-month ECL	Lifetime ECL – credit-impaired
Non-rated	141	247
Gross carrying amounts	141	707
Loss allowance	-	(460)
Amortised cost	141	247
Carrying amount	**141**	**247**

The Group holds no collateral in respect of loans issued.

The movement in the allowance for impairment in respect of loans at amortised cost during the reporting period was as follows:

In thousands of EUR	2018
Balance at 23 November 2017	-
Acquired in transaction under common control	460
Balance at 31 December 2018	**460**

Cash and cash equivalents

The Group held cash and cash equivalents of EUR 1,335 thousand as at 31 December 2018. Main banks used by each company of the Group are approved by the Board of Directors. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated not lower than Ba3, based on Moody's ratings.

Impairment on cash and cash equivalents is measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated Baa2 to Ba1, based on Moody's ratings.

Guarantees

The Group's policy is to provide financial guarantees only for subsidiaries' and joint venture's liabilities. LSEZ Lauma Fabrics SIA has issued a guarantee to a bank in respect of credit facilities granted to its joint venture (liability outstanding as of 31 December 2018 was EUR 487 thousand). Refer to Note 32 for more details.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

In 2013, LSEZ Lauma Fabrics SIA signed a credit line agreement with AS Citadele Bank concerning a credit line of EUR 1,000 thousand. The agreement matured on 31 August 2018, and the annual interest rate was 6m Euribor +3.5%. In 2018, LSEZ Lauma Fabrics SIA signed a new credit line agreement with AS Citadele Bank concerning a credit line of EUR 1,000 thousand. The agreement matures in 2019, and the annual interest rate is 6m Euribor +3.5%. The amount of credit line utilized was EUR 441 thousand as at 31 December 2018.

In 2016, Felina GmbH signed an agreement with Commerzbank AG and Deutsche Bank AG concerning credit lines for the amount of EUR 4,350 thousand and EUR 1,400 respectively. The agreements matured in 2018, and the annual interest rate was 3m Euribor + 4.0% and 2.5% respectively. In 2018, Felina GmbH signed an agreement with Commerzbank AG concerning credit line for the amount of EUR 4,350 thousand. The agreement matures in 2019, and the annual interest rate is 3m Euribor + 4.0%. The amount of credit line utilized was EUR 706 thousand as at 31 December 2018.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

In thousands of EUR	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	Total
Non-derivative financial liabilities						
Secured bank loans	1,147	1,147	-	-	-	1,147
Unsecured bank loans	33	33	-	-	-	33
Secured bonds	39,049	1,559	1,584	3,143	40,792	47,078
Secured other loans	770	770	-	-	-	770
Finance lease liabilities	94	21	21	40	16	98
Trade and other payables	9,413	9,413	-	-	-	9,413
	50,506	**12,943**	**1,605**	**3,183**	**40,808**	**58,539**
Off-balance sheet guarantees issued	1,403	1,403	-	-	-	**1,403**

The interest payments on variable interest rate loans in the table above are based on rates which were valid at the end of the reported periods. These amounts may change as market interest rates change.

For further details on off-balance sheet guarantees issued refer to Note 32.

(iv) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates to the operating activities of Felina International AG Group and AO Avangard, when sales and purchases of companies are denominated in a different currency from their functional currency.

When the Group estimates the currency risk to be high for separate contracts and possible impact to be significant, forward exchange contracts are used to hedge the risk.

The Group is most exposed to currency risks arising from fluctuations in the exchange rates of functional currencies of Group companies against EUR (when functional currency is CHF, HUF and RUB) and USD (when functional currency is EUR).

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

In thousands of EUR	HUF	CHF	RUB	USD	Other currencies	EUR	Total
Cash and cash equivalents	61	56	64	60	109	985	1,335
Trade and other receivables	105	37	1,695	14	799	11,509	14,159
Loans and borrowings		-	(55)	-	-	(41,038)	(41,093)
Trade and other payables	(288)	(37)	(103)	(277)	(82)	(8,626)	(9,413)
Net statement of financial position exposure	**(122)**	**56**	**1,601**	**(203)**	**826**	**(37,170)**	**(35,012)**

A 5% strengthening (weakening) of CHF, HUF, RUB, USD against EUR at 31 December would have affected the measurement of financial instruments denominated in foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss		Equity, net of tax	
In thousands of EUR	Strengthening	Weakening	Strengthening	Weakening
HUF	(54)	54	(4)	4
CHF	(394)	394	(1)	1
RUB	26	(26)	2	(2)
USD	14	(14)	10	(10)

(v) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term assets with fixed interest rates. The Group does not hedge the interest rate risk, but the management of the Group regularly reviews the significance of the risk and will apply risk hedging instruments in case the risk becomes high.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

In thousands of EUR	2018
Fixed-rate instruments	
Financial assets	389
Financial liabilities	(101)
Net position	**288**
Variable-rate instruments	
Financial assets	-
Financial liabilities	(40,992)
Net position	**(40,992)**

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Group does not use derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting dates would not affect profit or loss. A change of 100 basis points in interest rates would have increased or decreased equity by EUR 3 thousand after tax as at 31 December 2018. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow sensitivity analysis for variable-rate instruments

The Group monitors the sensitivity of its interest-bearing loans and borrowings to changes in interest rates and the effect of such changes on the Group's profit or loss and equity. A reasonably possible change of 100 basis points in interest rates at the reporting dates would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss	
Effect In thousands of EUR	**100 bp increase**	**100 bp decrease**
Variable rate instruments		
31 December 2018	(322)	322

30. Acquisition of subsidiary

Common control transactions

SIA European Lingerie Group

On 19 February 2018, Myrtyle Ventures Ltd, being the direct Parent Company of SIA European Lingerie Group, contributed SIA European Lingerie Group shares into the equity of European Lingerie Group AB. As a result, the direct Parent Company of SIA European Lingerie Group changed from Myrtyle Ventures Ltd to European Lingerie Group AB.

The following table summarises the book value of assets and liabilities of SIA European Lingerie Group as per 1 January 2018:

In thousands of EUR	*Note*	
Property, plant and equipment	*15*	12,389
Intangible assets	*16*	10,499
Deferred tax assets		3,210
Inventories		15,162
Trade and other receivables		19,066
Contract assets		1
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		(14,369)
Provisions		(359)
Deferred income		(1,092)
Total		**6,838**

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:

In thousands of EUR	Note	
Cash		6,000
Deferred consideration payable in 1st quarter of 2019	27	315
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:

In thousands of EUR	Note	
Property, plant and equipment	15	149
Intangible assets	16	3,083
Deferred tax assets		20
Inventories		2,507
Trade and other receivables		69
Contract assets		14
Prepayments		39
Cash and cash equivalents		290
Trade and other payables		(824)
Provisions		(87)
Deferred tax liabilities		(1,267)
Total		**3,993**

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.
Customer relations	Residual value method: The valuation Multi-period-excess-earnings-method: The valuation method considers the present value of net cash flows expected to be generated by repeated customer relationships. The following key assumptions were used: discount rate of 12.7%; cash flows forecast period of 5 years; share of revenue generated by repeat customers ranging from 64.6% in 2018 to 45.2% in 2021; turnover growth rates of 4.6%, 9.1%, 19.2%, 10.0% and 10.0% in 2018, 2019, 2020, 2021 and 2022 respectively.
Brands	Relief-from-royalty-method: The valuation method considers the discounted estimated royalty payments that are expected to be avoided as a result of the trademark being owned. The following key assumptions were used: discount rate of 12.2%; royalty rate of 2.2% of net revenue generated; turnover growth rates same as for customer relations valuation and 1.5% turnover growth rate from the year 2023 and onward.

Goodwill arising from the acquisition has been recognised as follows:

In thousands of EUR	Note	
Consideration transferred		6,315
Book value of identifiable net assets		(3,993)
Goodwill	16	**2,322**

For the six months ended 31 December 2018, Dessus-Dessous S.A.S contributed revenue of EUR 3,478 thousand, net profit of EUR 34 thousand to the Group's results. The Company would have contributed revenue of EUR 7,248 thousand and net profit of EUR 241 thousand to the Group's results had the acquisition occurred on 1 January 2018.

AO Avangard

The Group paid EUR 1,532 thousand for AO Avangard during the reporting period. AO Avangard was acquired in common control transaction as part of AS European Linegrie Group and deferred consideration for AO Avangard was outstanding at the date of acquisition.

31. Operating leases

Leases as lessee

The Group leases some of its properties, cars and office equipment under operating leases. The leases run for different periods of time, with a maximum period of 9 years, with an option to renew the lease after that date. Lease payments stay fixed during the valid lease term. When the lease term is renewed, the lease terms are renegotiated. The Group does not have an interest in the residual value of the leased property. As a result, it was determined, that substantially all of the risks and rewards of the land and buildings are with the landlord.

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows:

In thousands of EUR	**2018**
Less than one year	870
Between one and five years	926
Over 5 years	167
Total	**1,963**

Operating lease expenses recognised in profit or loss amounted to EUR 1,717 thousand in the reported period.

Leases as lessor

The Group leases out some properties in Liepaja, Latvia and Budapest, Hungary.

At 31 December, the future minimum lease payments under non-cancellable leases were receivable as follows:

In thousands of EUR	**2018**
Less than one year	53
Between one and five years	-
Total	**53**

32. Guarantees issued

LSEZ Lauma Fabrics SIA issued the following guarantees by which it guarantees the repayment of the payables by its joint venture – Tele Textile Latvia SIA:

- a guarantee on trade payables of Tele Textile Latvia SIA to Fiber International BV up to the limit of EUR 300 thousand. The amount of actual Tele Textile Latvia SIA payables outstanding in favour of the creditor at 31 December 2018 was EUR 13 thousand;
- a guarantee on factoring liabilities of Tele Textile Latvia SIA to SIA Citadele lizings un faktorings up to the limit of EUR 500 thousand. The amount of actual Tele Textile Latvia SIA payables outstanding in favour of the creditor at 31 December 2018 was EUR 144 thousand;
- a guarantee on finance lease liabilities of Tele Textile Latvia SIA to SIA Citadele lizings un faktorings up to the limit of EUR 103 thousand. The amount of actual Tele Textile Latvia SIA payables outstanding in favour of the creditor at 31 December 2018 was EUR 103 thousand;
- a guarantee on line of letters of credit of Tele Textile Latvia SIA to AS Citadele Banka up to the limit of EUR 500 thousand. The amount of actual Tele Textile Latvia SIA letters of credit outstanding at 31 December 2018 was EUR 227 thousand.

The Group regularly assesses the necessity to recognise provisions in respect of the issued guarantee. At 31 December 2018 no provisions were recognised for the issued guarantees as the management estimates the likelihood and magnitude of an outflow of resources as low.

33. Related parties

Transactions with key management personnel

Key management personnel compensation for the reporting period amounted to EUR 1,012 thousand and comprised only short-term employee benefits in the form of salaries and social contributions.

Other related party transactions

In thousands of EUR	Transaction values for the period ended 31 December 2018	Balance outstanding at 31 December 2018
Sales of goods and services		
Joint ventures	48	-
Other related parties	89	-
Purchases of goods and services		
Shareholders	56	-
Other related parties	1,980	-
Interest income accrued during the year		
Joint ventures	42	-
Shareholders	5	-
Interest expense accrued during the year		
Shareholders	20	-
Key management personnel	6	-
Loans granted		
Shareholders	77	-
Trade receivables, gross amount		
Joint ventures	-	52
Other related parties	-	617
Allowance for trade and other receivables		
Joint ventures	-	(28)
Other related parties	-	(617)
Prepayments		
Other related parties	-	41
Other payables		
Shareholders	-	10
Other related parties	-	2
Loans receivable, gross amount		
Joint ventures	-	607
Shareholders	-	134
Allowance for loans receiv-able		
Joint ventures	-	(460)
Interest receivable		
Joint ventures	-	99
Shareholders	-	8

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

EUR 77 thousand loan was issued to the shareholder during the reporting period. According to the loan agreement the loan carries the interest rate of 3% per annum and matures on 31 December 2021. The remaining part of loan receivable from shareholder was issued back in 2017 and was acquired by the Group in the transaction under common control.

EUR 607 thousand of loan receivable from joint venture relates to the loan agreement signed back in 2015 between LSEZ Lauma Fabrics SIA and Tele Textile Latvia SIA. The loan balance was acquired by the Group in the common control transaction. According to the loan agreement the total amount of loan matures on 31 May 2021 and carries the interest rate of 7% per annum. Impairment loss in the amount of EUR 460 thousand was estimated by the Group at 31 December 2018.

34. Share-based payment arrange-ments

In June 2017 Felina International AG (assigned to Felina Group GmbH in September 2018) concluded management and consulting service agreement with Xiberia Capital Investments AB that entitles Xiberia Capital Investments AB to receive shares in SIA European Lingerie Group corresponding to 0.33% of its share capital per each year of services for years one, two and three, and 0.5% for year four, i.e. 1.49% in total. This entitlement vests on the first day of the next month following the first, second, third and fourth anniversary of the starting date of the agreement, i.e. on 1 July 2018, 1 July 2019, 1 July 2020 and 1 July 2021. In the event of termination of the agreement at any time before the next vesting date, the entitlement to shares for the respective running year terminates and is not re-calculated proportionally to the time during which the agreement was in force. During the reporting period, the Group recognised EUR 364 thousand of expenses related to the arrangement in profit or loss within other operating expenses and a corresponding increase in equity. The fair value of services received was estimated based on the number of days that passed from grant date in relation to vesting period days multiplied by the fair value of shares at grant date less fair value of services received and recorded in previous reporting periods. Fair value of shares at grant date was calculated as an average between fair value assessed by Group management and sum of fair values of LSEZ Lauma Fabrics SIA shares and Felina International AG shares purchase price. Fair value at grant date was estimated at EUR 65,687 thousand.

35. Subsequent events

Bonds listing

In December 2018, the Parent applied for listing of its bonds on Nasdaq Stockholm Corporate Bond list. The application and the prospectus were approved and the bonds are traded since 2 January 2019.

Acquisition of subsidiary

In January 2019, the Group acquired Yustina OOO (later renamed to Senselle OOO), a lingerie ready garment producer in Belarus. The acquisition is part of European Lingerie Group strategy to expand its operations and add capacity for private label and Senselle brand production. The acquisition was financed by the Group's own resources.

Cash consideration transferred for the Company was EUR 15 thousand.

The Group incurred acquisition related costs of EUR 10 thousand on legal fees and due diligence costs. These costs have been included in other operating expenses.

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

In thousands of EUR	
Property, plant and equipment	21
Inventories	3
Trade and other receivables	25
Cash and cash equivalents	29
Loans and borrowings	(18)
Trade and other payables	(19)
Total	**41**

Net assets acquired by the Group exceed consideration paid by EUR 26 thousand which results in a bargain purchase.

Registration of new subsidiary

In January 2019 European Lingerie Group AB established a new subsidiary Brafetch GmbH, which will be involved in the implementation of the omni-channel strategy for the Group.

No other significant subsequent events have occurred that would materially impact the presentation of the consolidated financial statements.

Parent Company financial information

General information

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

Type of operations

The Company carries out holding operations through investing in and managing assets involved in manufacturing, processing, wholesale and retail of textiles and lingerie products.

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

European Lingerie Group AB was registered on 23 November 2017. Shortly after its registration, on 19 February 2018 the Company became the Parent company of SIA European Lingerie Group and its 17 subsidiaries. The shareholder change was accomplished by way of contributing SIA European Lingerie Group shares into the equity of European Lingerie Group AB by its shareholder Myrtyle Ventures Ltd.

On 22 February 2018, the Parent issued new bonds in Sweden in the amount of EUR 40,000,000. The issued bonds are senior secured bonds with a maturity of 3 years and since 2 January 2019 are listed on Nasdaq Stockholm. Major parts of the proceeds were used for repaying the long-term borrowings by its subsidiary LSEZ Lauma Fabrics SIA from AS Citadele Bank and AS BlueOrange Bank as well as for redeeming convertible notes previously issued by its subsidiary SIA European Lingerie Group.

In May 2018 the Company purchased the shareholding in Felina France S.a.r.l. from Felina International AG during the process of the Group structure simplification. Subsequently in June 2018, Felina France S.a.r.l. acquired Dessus-Dessous S.A.S.

Accounting Principles

The financial statements of the Parent Company are prepared in accordance with accounting principles generally accepted in Sweden, applying RFR 2 issued by the Swedish Financial Reporting Board and the Annual Accounts Act (1995: 1554). RFR 2 requires the Parent Company to use similar accounting principles as for the Group, i.e. IFRS to the extent allowed by RFR 2. The Parent Company's accounting principles do not in any material respect deviate from the Group accounting principles described in Note 3.

Parent Company statement of profit or loss and other comprehensive income

In thousands of EUR	*Note*	23 November 2017 - 31 December 2018
Other operating income	*36*	59
Employee benefits expense	*37*	(126)
Other operating expenses	*38*	(1,331)
Operating loss		**(1,398)**
Finance income	*39*	2,111
Finance costs	*40*	(3,132)
Net finance costs		**(1,021)**
Loss before income tax		**(2,419)**
Income tax expense	*41*	-
Loss for the year		**(2,419)**
Total comprehensive income		**(2,419)**

The accompanying notes on pages 92 to 97 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 April 2019 and signed by

Indrek Rahumaa
Chairman of the Board

Fredrik Synnerstad
Board member

Dmitry Ditchkovsky
Board member

Peter Partma
Board member, CEO

Stockholm, 23 April 2019

Parent Company statement of financial position

As at 31 December

In thousands of EUR	*Note*	2018
Assets		
Shares in subsidiaries	*42*	46,309
Receivables from Group companies	*43*	33,795
Total non-current assets		**80,104**
Receivables from Group companies	*43*	172
Other receivables	*43*	23
Prepaid expenses and accrued income	*43*	127
Cash and cash equivalents	*44*	40
Total current assets		**362**
Total assets		**80,466**
Equity		
Restricted equity		
Share capital	*45*	60
Non-restricted equity		
Shareholder contribution	*45*	43,500
Net income		(2,419)
Total equity		**41,141**
Liabilities		
Loans and borrowings	*47*	38,713
Total non-current liabilities		**38,713**
Liabilities to Group companies	*48*	58
Other liabilities	*48*	109
Accrued expenses and deferred income	*48*	445
Total current liabilities		**612**
Total liabilities		**39,325**
Total equity and liabilities		**80,466**

The accompanying notes on pages 92 to 97 form an integral part of these financial statements.

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Board member

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Board member

Peter Partma
Board member, CEO

Stockholm, 23 April 2019

Parent Company statement of changes in equity

In thousands of EUR	Note	Restricted equity	Non-restricted equity		
		Share capital	Shareholder contribution	Net income	Total equity
Balance at 23 November 2017		**-**	**-**	**-**	**-**
Total comprehensive income					
Loss for the period		-	-	(2,419)	(2,419)
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**(2,419)**	**(2,419)**
Transactions with owners of the Company					
Contributions and distributions					
Issue of ordinary shares	*45*	60	-	-	60
Shareholder contribution received	*30*	-	43,500	-	43,500
Total contributions and distributions		**60**	**43,500**	**-**	**43,560**
Total transactions with owners of the Company		**60**	**43,500**	**-**	**43,560**
Balance at 31 December 2018		**60**	**43,500**	**(2,419)**	**41,141**

The accompanying notes on pages 92 to 97 form an integral part of these financial statements.

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Board member

Peter Partma
Board member, CEO

Stockholm, 23 April 2019

Parent Company statement of cash flows

In thousands of EUR	*Note*	23 November 2017 - 31 December 2018
Cash flows from operating activities		
Loss for the reporting period		**(2,419)**
Adjustments for:		
Finance income	*39*	(2,110)
Finance costs	*40*	3,130
Foreign exchange gains	*39*	(1)
Foreign exchange losses	*40*	2
Changes in:		
Trade and other receivables		(65)
Prepayments		(127)
Trade and other payables		281
Cash generated from operating activities		**(1,309)**
Interest paid		(2,351)
Net cash used in operating activities		**(3,660)**
Cash flows from investing activities		
Interest received		21
Proceeds from repayment of loans issued		8,535
Acquisition of subsidiary	*42*	(2,809)
Deposits placed in restricted accounts		(5)
Loans issued		(40,372)
Net cash used in investing activities		**(34,630)**
Cash flows from financing activities		
Proceeds from issue of share capital		60
Proceeds from bonds issue	*47*	40,000
Transaction costs related to bonds issue	*47*	(1,730)
Net cash from financing activities		**38,330**
Net increase in cash and cash equivalents		**40**
Cash and cash equivalents at 23 November	*44*	-
Cash and cash equivalents at 31 December	*44*	**40**

The accompanying notes on pages 92 to 97 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 23 April 2019 and signed by

Indrek Rahumaa
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Board member

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Board member

Peter Partma
Board member, CEO

Stockholm, 23 April 2019

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

36. Other operating income

In thousands of EUR	23 November 2017 - 31 December 2018
Management fee income from Group companies	49
Other income from Group companies	10
Total	**59**

37. Employee benefits expense

In thousands of EUR	23 November 2017 - 31 December 2018
Wages and salaries	102
Social security contributions	24
Total	**126**

As of 31 December 2018, the Parent Company employed 3 people, all of whom are members of the Board of Directors. For details on Board remuneration and related social security costs in the reporting period refer to Note 10 of the consolidated financial statements.

38. Other operating expenses

In thousands of EUR	23 November 2017 - 31 December 2018
Professional services	831
Professional services from Group companies	300
Travel expenses recharged by Group companies	62
Bank services	21
IT and communication	1
Other operating expenses	100
Other operating expenses to Group companies	16
Total	**1,331**

39. Finance income

In thousands of EUR	23 November 2017 - 31 December 2018
Interest income under the effective interest method from Group companies on:	
Receivables from Group companies	2,110
Total interest income arising from financial assets measured at amortised cost	**2,110**
Foreign exchange gains	1
Finance income – other	**1**
Total	**2,111**

40. Finance costs

In thousands of EUR	23 November 2017 - 31 December 2018
Interest expense on financial liabilities measured at amortised cost	3,130
Foreign exchange losses	2
Total	**3,132**

EUR 3,130 thousand of interest expense in the reporting period consist of EUR 2,687 thousand of interest expense on loans and borrowings, EUR 443 thousand of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value.

41. Income tax expense

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

The Parent did not have any income tax expense in the reporting period.

Reconciliation between tax expense and the product of accounting profit multiplied by the Parent's domestic tax rate of 22.0% for the period ended 31 December is as follows:

In thousands of EUR	23 November 2017 - 31 December 2018
Loss before tax	**(2,419)**
Tax using the Parent's domestic tax rate of 22.0%	532
Tax effect of:	
Tax-exempt income	11
Tax-loss carry forward not recognized	(543)
Income tax expense reported in profit or loss	**-**

No deferred tax asset was recognised by the Parent company, as it was not probable that future taxable profit will be available against which the Company can use the benefits therefrom. Deferred tax assets haven't been recognised in respect of the following items:

Corporate tax

In thousands of EUR	Gross amount	Tax effect
Tax losses	2,419	543

Under current tax legislation tax losses for which no deferred tax asset was recognised expire as follows:

In thousands of EUR	31 December 2018	Expiry period
Expire	-	-
Never expire	2,419	-
Total	**2,419**	**-**

42. Shares in subsidiaries

In thousands of EUR	Registration number	Registered address
SIA European Lingerie Group	40203062787	Ziemelu iela 19, Liepaja, LV-3405
Felina France S.a.r.l.	31756441700051	21 Avenue de L'europe 67300 Schiltigheim
Total		

In thousands of EUR	Share	31.12.2018
SIA European Lingerie Group	100%	43,500
Felina France S.a.r.l.	100%	2,809
Total		**46,309**

On 19 February 2018, shares of SIA European Lingerie Group were contributed into the equity of European Lingerie Group AB by Myrtyle Ventures Ltd (the direct Parent Company of SIA European Lingerie Group). The contribution was made at the fair value of the equity of SIA European Lingerie Group in the amount of EUR 43,500 thousand. For more details refer to Note 30 of the consolidated financial statements.

In May 2018, as part of the Group structure simplification European Lingerie Group AB purchased the shareholding in Felina France S.a.r.l. in the amount of EUR 209 thousand from Felina International AG. Subsequent to the purchase the Parent made an additional contribution into the capital of the subsidiary in the amount of EUR 2,600 thousand.

43. Other receivables

In thousands of EUR	2018
Financial other receivables	
Loans to related parties	33,795
Other receivables	5
Other receivables due from related parties	172
	33,972
Non-financial other receivables	
VAT receivable	18
	18
Total	**33,990**
Non-current	33,795
Current	195
Total	**33,990**

For terms and conditions relating to related party receivables, refer to Note 50.

Information about the Company's exposure to credit and market risks, and impairment losses for trade and other receivables is included in Note 49.

44. Cash and cash equivalents

In thousands of EUR	2018
Bank balances	40
Total	**40**

Cash and cash equivalents reported in the statement of cash flows are the same as in the statement of financial position.

45. Capital and reserves

Restricted equity

Restricted equity may not be reduced through dividends. Restricted equity includes share capital.

Share capital

Number of shares	2018
Opening balance	-
Issued for cash	60,000
In issue at 31 December – fully paid	**60,000**
Nominal value of one share, EUR	1

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

Non-restricted equity

The following items comprise non-restricted equity – the amount that is available for shareholder dividends.

Shareholder contribution

Shareholder contribution in the amount of EUR 43,500 thousand was formed as a result of the received unconditional shareholder contribution whereby Myrtyle Ventures Ltd, the previous shareholder of the Parent, contributed SIA European Lingerie Group shares into the equity of the Company. For more details refer to Note 30.

Net income

Net income includes net loss for the reporting period of EUR 2,419 thousand.

Dividends

No dividends were proposed by the Board of Directors after the reporting date.

46. Going concern

As at 31 December 2018 net loss of the Company for the period ended 31 December 2018 amounted to EUR 2,419 thousand.

Management is confident that the Company is a going concern and net loss incurred in the reporting period was caused by interest expense on bonds and professional services related to potential acquisitions and bonds issue.

47. Loans and borrowings

Loans and borrowings comprise secured bonds in the amount of EUR 38,713 thousand. For details on bonds issue refer to Note 26 of the consolidated financial statements.

Information about the Company's exposure to interest rate, foreign currency and liquidity risks is included in Note 49.

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

In thousands of EUR	Currency	Nominal interest rate	Year of maturity
Secured bonds	EUR	3m Euribor + 7.75%	2021
Total interest-bearing liabilities			

	31 December 2018	
In thousands of EUR	Nominal value	Carrying amount
Secured bonds	40,000	39,049
Total interest-bearing liabilities	**40,000**	**39,049**

Reconciliation of movements of loans and borrowings to cash flows arising from financing activities

In thousands of EUR	Bonds
Balance at 23 November 2017	-
Changes from financing cash flows	
Proceeds from bonds issue	40,000
Transaction costs related to bonds issue	(1,730)
Total changes from financing cash flows	**38,270**
Other changes	
Liability-related	
Interest expense	2,687
Interest expense (amortisation of transaction costs)	443
Interest paid	(2,351)
Total liability-related other changes	**779**
Balance at 31 December 2018	**39,049**

48. Other liabilities

In thousands of EUR	2018
Financial other payables	
Accrued interest on bonds	336
Other accrued expenses	109
Other payables to Group companies	58
Other payables to related parties	12
Payables to personnel	29
Other payables	62
	606
Non-financial other payables	
Personal income tax payable	3
Social contributions payable	3
	6
Total	**612**
Non-current	-
Current	612
Total	**612**

For terms and conditions relating to related party receivables, refer to Note 50.

Information about the Company's exposure to liquidity risk is included in Note 49.

49. Financial instruments – Fair values and risk management

Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy, at 31 December 2018. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

In thousands of EUR	*Note*	Carrying amount	Fair value	Fair value level
Financial assets not measured at fair value				
Financial assets at amortised cost				
Receivables from Group companies	*43*	33,795	31,725	Level 3
		33,795	**31,725**	
Financial liabilities not measured at fair value				
Other financial liabilities				
Bonds	*47*	39,049	40,580	Level 3
		39,049	**40,580**	

Measurement of fair values

The fair value of financial investments was estimated as the present value of future cash flows, discounted at a discount rate of 7.75%.

The fair value of bonds was estimated as present value of expected cash flows, discounted at a discount rate of 7.75%.

Financial risk management

The Company has exposure to the following risks arising from financial instruments:

e) credit risk
f) liquidity risk
g) interest rate risk

(vi) Risk management framework

For general principles of the Group's risk management refer to Note 29 of the consolidated financial statements.

(vii) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's loans and other receivables from its subsidiaries.

The carrying amount of financial assets represent the maximum credit exposure.

The Company did not have any impairment losses recognised in profit or loss in the reporting period.

Loans issued to Group companies

Loans issued by the Company include only loans issued to its subsidiaries (refer to Note 50 for more details).

The Company monitors changes in credit risk by regularly reviewing financial statements of debtors.

The exposure to credit risk for loans issued and measured at amortised cost at the reporting date by geographic region was as follows:

In thousands of EUR	2018
Germany	18,678
Baltic States	11,478
France	3,639
Total	**33,795**

Assets measured at amortised cost comprising loans were subject to a 12-month ECL allowance. No loss allowance was recognised for loans issued as of 31 December 2018.

The Company holds no collateral in respect of loans issued.

At 31 December, the exposure to credit risk for other receivables and contract assets by geographic regions was as follows:

In thousands of EUR	2018
Germany	135
Baltic States	29
Other counties	13
Total	**177**

Total amount of other receivables was not credit impaired as of 31 December 2018 and no allowance was recognised thereof.

Cash and cash equivalents

The Company held cash and cash equivalents of EUR 40 thousand as at 31 December 2018. Main banks used by the Company are approved by the Board of Directors. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A2 to Baa3, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

(viii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

In thousands of EUR	Carrying amount	6 months or less	6-12 months	1-2 years	2-5 years	Total
Non-derivative financial liabilities						
Secured bonds	39,049	1,559	1,584	3,143	40,792	47,078
Other payables	270	270	-	-	-	270
	39,319	**1,829**	**1,584**	**3,143**	**40,792**	**47,348**

(ix) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term assets with fixed interest rates. The Company does not hedge the interest rate risk, but the management of the Company regularly reviews the significance of the risk and will apply risk hedging instruments in case the risk becomes high.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Group is as follows:

In thousands of EUR	2018
Fixed-rate instruments	
Financial assets	3,654
Financial liabilities	-
Net position	**3,654**
Variable-rate instruments	
Financial assets	30,141
Financial liabilities	(39,049)
Net position	**(8,908)**

Fair value sensitivity analysis for fixed-rate instruments

The Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss, and the Company does not use derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting dates would not affect profit or loss. A change of 100 basis points in interest rates would have increased or decreased equity by EUR 29 thousand after tax as at 31 December 2018. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Cash flow sensitivity analysis for variable-rate instruments

The Company monitors the sensitivity of its interest-bearing loans and borrowings to changes in interest rates and the effect of such changes on the

Company's profit or loss and equity. A reasonably possible change of 100 basis points in interest rates at the reporting dates would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Effect in thousands of EUR	100 bp increase	100 bp decrease
Variable rate instruments		
31 December 2018	(69)	69

50. Related parties

Transactions with key management personnel

Key management personnel compensation for the reporting period amounted to EUR 126 thousand and comprised only short-term employee benefits in the form of salaries and social contributions.

Other related party transactions

In thousands of EUR	Transaction values for the period 23 November 2017 - 31 December 2018	Balance outstanding at 31 December 2018
Sales of goods and services		
Subsidiaries	58	-
Purchases of goods and services		
Subsidiaries	378	-
Shareholders	56	-
Other related parties	1,321	-
Interest income accrued during the year		
Subsidiaries	2,110	-
Loans granted		
Subsidiaries	40,372	-
Other receivables		
Subsidiaries	-	172
Loans receivable		
Subsidiaries	-	30,798
Interest receivable		
Subsidiaries	-	2,997
Trade and other payables		
Subsidiaries	-	58
Shareholders	-	10
Other related parties	-	2

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

During 2018, EUR 19,799 thousand loan was issued to LSEZ Lauma Fabrics SIA. According to the loan agreement the loan carries the interest rate of EURIBOR + 8.25% per annum and matures in 2021. Part of the loan was subsequently assigned to E|L|B GmbH, so the loan carrying amount along with accrued interest was EUR 1,965 thousand as of 31 December 2018.

During 2018, EUR 12,577 thousand loan was issued to SIA European Lingerie Group. According to the loan agreement the loan carries the interest rate of EURIBOR + 8.25% per annum and major part of it matures in 2021, with the rest in 2025. The loan carrying amount along with accrued interest was EUR 9,514 thousand as of 31 December 2018.

During 2018, EUR 4,446 thousand loan was issued to E|L|B GmbH and another loan was assigned to E|L|B GmbH from LSEZ Lauma Fabrics SIA. According to the loan agreements the interest rates range from EURIBOR + 7.5% to EURIBOR + 8.25% per annum, and major part of loans matures in 2021 with the rest - in 2025. The loan carrying amount along with accrued interest was EUR 18,662 thousand as of 31 December 2018.

During 2018, EUR 3,400 thousand loan was issued to Felina France S.a.r.l. According to the loan agreement the loan carries the interest rate of 8% per annum and matures in 2033. The loan carrying amount along with accrued interest was EUR 3,488 thousand as of 31 December 2018.

During 2018, EUR 150 thousand loan was issued to Dessus-Dessous S.A.S. According to the loan agreement the loan carries the interest rate of 2.9% per annum and matures in 2019. The loan carrying amount along with accrued interest was EUR 150 thousand as of 31 December 2018.

51. Audit remuneration

Audit remuneration amounted to EUR 40 thousand in the reporting period and comprised audit fees only. There were no other services provided to the Company by KPMG AB.

52. Subsequent events

Refer to Note 35 of the consolidated financial statements for subsequent events.

Signatures to the Financial Statements

Stockholm, 23 April 2019

Indrek Rahumaa	Fredrik Synnerstad	Dmitry Ditchkovsky	Peter Partma
Chairman of the Board	*Board member*	*Board member*	*Board member, CEO*

AUDITOR'S REPORT

To the general meeting of the shareholders of
European Lingerie Group AB, corp. id 559135-0136

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of European Lingerie Group AB for the financial year 2017-11-23—2018-12-31.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for this other information. The other information consist of information in the document "European Lingerie Group Annual report 2018" in English on pages 1-25 in which a copy of the formal annual accounts and consolidated accounts can be found.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a

going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of European Lingerie Group AB for the financial year 2017-11-23—2018-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 30 April 2019

KPMG AB

Petra Lindström
Authorized Public Accountant

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