EUROPEAN LINGERIE GROUP

EUROPEAN LINGERIE GROUP AB

YEAR BOOK 2019

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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

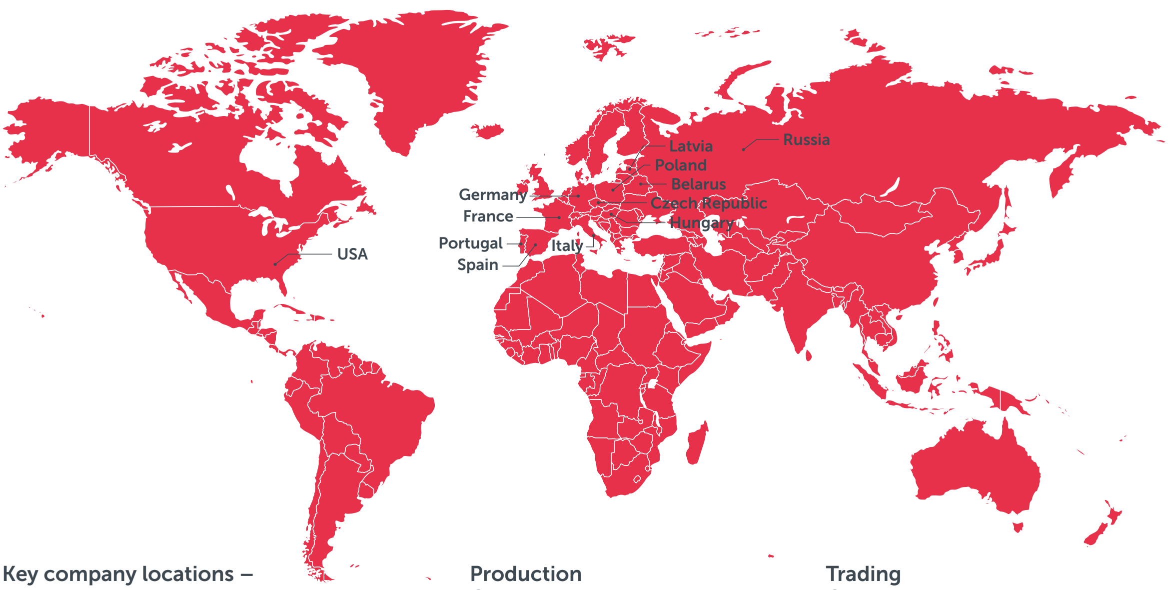
OUR VISION

*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

€78m
sales
12M 2019

1,285
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.

2019 HIGHLIGHTS

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

In January 2019, the Group announced the acquisition of Yustyna OOO (subsequently renamed to Senselle OOO), 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 May 2019, OOO Senselle obtained the Business Social Compliance Initiative A grade certificate, being the first lingerie producer to obtain BSCI A grade certificate in Belarus and also in the region. The Group is certain the certificate will raise the reputation of Senselle as a socially responsible business and offer more value to its customers.

Bonds listing on Nasdaq Stockholm

The bonds issued by the Parent were approved for listing on Nasdaq Stockholm Corporate Bond list in December 2018 and are traded since 2 January 2019.

Omni-channel strategy implementation

In January 2019, European Lingerie Group AB established a new subsidiary Brafetch GmbH and in March 2019 Brafetch GmbH established a new subsidiary SistersOf Production SIA. The companies are involved in the implementation of the omni-channel strategy of the Group. On 14 June 2019, European Lingerie Group AB sold Brafetch GmbH, a wholly owned subsidiary, with the objective to search for separate financing of the project.

Medical business separation

In May 2019, LSEZ Lauma Fabrics SIA established a new subsidiary LSEZ Lauma Medical SIA in order to separate its medical business into it. The separation was done for allowing the business to develop and be led independently as it focuses on a different market, product development process, etc.

Investments into production

During 12 months 2019 the Group invested into property plant and equipment and intangible assets EUR 2 921 thousand. The main investments during this period related to the remaining payment for the spacer molding equipment, the purchase of 2 new knitting machines, lace and racheltronic technology, the remaining payment for the stenter acquired by LSEZ Lauma Fabrics SIA and first instalments for Magento and Open ERP platform migration project in Dessus-Dessous SAS. In addition to this, the Group continues investing in its new sewing plant in Belarus, whereby it increases the number of sewing machines there and develops a new material cutting facility, which is necessary for sewing operations.

Changes in the management team

In October 2019, the major shareholder of European Lingerie Group Mr. Indrek Rahumaa stepped in as an active CEO of the Group to lead the transformation required in order to improve profitability and grow the business. Mr Peter Partma has decided to step down as CEO of the Group and Member of the Board of Directors.

Breach of bond covenant and actions taken

The Group reported in the report for nine months and third quarter 2019 and for twelve months and fourth quarter 2019 that the Group's Net Interest Bearing Debt to EBITDA ratio exceeded the maximum 4.25 allowed under the maintenance test of the Original Bond Terms and Conditions issued on 22 February 2018. On 16 January 2020, the Parent completed a written procedure under the Terms and Conditions to waive the maintenance text default for the reference period ending on 30 September 2019 and to adjust the maintenance test for the reference period ending on 31 December 2019. However, it was a condition for the amendments to the Terms and Conditions to come into effect that a capital contribution by way of equity and/or subordinated loans is provided to the Group.

Due to COVID-19 pandemic, the Group has not been able to raise the required amount of equity in full. Therefore, the amendments to the Terms and Conditions as approved in the written procedure, including the adjustments to the maintenance test for the reference period ending on 31 December 2019, have not come into effect, which has resulted in the continuing breach of the maintenance test.

In April 2020, the Group initiated discussions with the bondholders and other investors to find solutions for the Group with regard to the terms and conditions. On 29 July 2020 it reached an agreement on the standstill with the Bondholder Committee (representing approximately 60 per cent of the total nominal amount of the bonds) regardingthe Group's defaults under the Terms and Conditions as well as a cooperation between the Group and the Bondholder Committee to explore and execute a potential restructuring of the Group and the Bonds. The long stop date for the standstill is 30 November 2020 (the "Standstill Period"), however the Standstill Period may be extended or, if certain conditions of the standstill agreement are not met, lapse at any time prior to such date. Refer to the Annual Report 2019 for more information.

Provision of additional information and security to the bondholders

In order to fulfil the conditions precedent of the Amended Bond Terms and Conditions, the Group has provided to Intertrust (Sweden) AB a market valuation dated 30 January 2020 of the Group's facility and real estate property in Liepaja, Latvia, prepared by Latio LLC, and granted additional security over the trademarks Felina and Conturelle and over E|L|B GmbH and Felina Hungaria Kft shares.

Outbreak of COVID-19

In December 2019, an outbreak of coronavirus appeared in Wuhan, China. In the first quarter of 2020, the virus spread to other countries and has affected practically the whole world. With the rapid rise in the number of cases, most countries have declared a state of emergency, during which time a series of restrictive measures have been taken to limit the spread of the virus.

Although the restrictions were temporary and mainly were in place during March-June 2020, these events had a negative impact on the Group's financial position and results of operations in 2020. In order to minimize the extent of the negative impact, the Group has taken various response measures and implemented those in its subsidiaries. Refer to Note 39 of the Annual Report 2019 for the details on the expected impact of the Covid-19 outbreak on the Group's operations in 2020 and taken measures.

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 where ready garments are produced under customer brands under the supervision of professional designers and technologists.

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

Sales and distribution

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

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

Felina

felina

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.

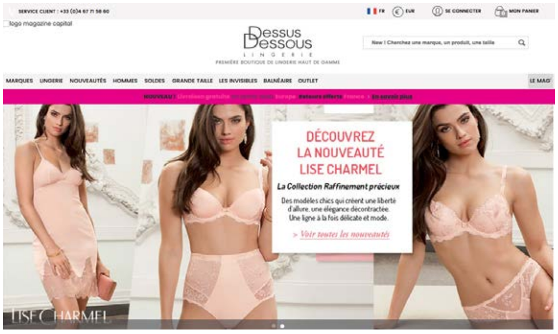
Felina operates sales subsidiaries in most of its international core markets to closely serve its retail and wholesale clients. Felina's products are also sold in numerous third-party online stores worldwide as well as in the Group's owned Dessus-Dessous e-store. In addition to third-party retail partners,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

Dessus-Dessous

Dessus Dessous LINGERIE

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

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



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

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

ELG vertical integration

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

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

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

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

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

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

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

GROUP FINANCIAL REVIEW

Selected financial indicators

Selected financial indicators of the Group were calculated on the basis of the consolidated financial statements of European Lingerie Group AB for the year 2019 and pro forma financial information for the year 2018. As the Group adopted IFRS 16 Leases starting from 1 January 2019 and the impact of the standard is material, 2018 pro forma figures were adjusted as well to include the impact of IFRS 16 for better comparativeness (unless otherwise indicated). IFRS 16 impact on the year 2018 was calculated as if the standard had been adopted from 1 January 2018. The Group also restated 2018 reported figures by reclassifying certain income items to revenue and other operating expenses. Refer to page 23 for the description of the pro forma financial information and pro forma assumptions as well as explanation of 2018 income reclassifications. Summarized selected financial indicators of the Group for 2019 compared to 2018 and 31.12.2019 compared to 31.12.2018 were as follows:

In thousands of EUR	2019 (Actual)	2018 (Pro forma)	Change
Revenue	77,554	77,447	0.1%
Normalised operating profit[1]	4,698	6,322	-25.7%
Normalised EBITDA[2]	8,829	10,487	-15.8%
Normalised net profit[3]	873	152	474.4%
Operating cash flow for the period	1,890	693	172.7%

In thousands of EUR	31.12.2019 (Actual)	31.12.2018 (Pro forma)	Change to 31.12.2018
Total assets	70,386	69,173	1.8%
Total current assets	37,798	35,723	5.8%
Cash and cash equivalents	1,365	1,335	2.2%
Total current liabilities	56,387	14,612	285.9%
Adjusted total current liabilities [4]	17,107	14,612	17.1%
Gross interest-bearing debt [5]	46,996	44,865	4.7%
Net interest-bearing debt [6]	45,631	43,530	4.8%

Marginal analysis, %	2019 (Actual)	2018 (Pro forma)	Change
Normalised operating profit margin	6.1%	8.2%	-2.1 pp
Normalised EBITDA margin	11.4%	13.5%	-2.1 pp
Normalised net profit margin	1.1%	0.2%	0.9 pp

Financial ratios	31.12.2019 (Actual)	31.12.2018 (Pro forma)
ROA (return on assets)[7]	1.3%	0.2%
Adjusted current ratio[8]	2.2	2.4
Adjusted quick ratio[9]	1.0	1.1
12 months rolling normalised EBITDA[10]	8,829	10,487
Net debt/EBITDA[11]	5.17	4.28

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

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

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

[4]Adjusted total current liabilities exclude bond liabilities in the amount of EUR 39,280 thousand classified as short-term as a result of breach of bond covenants as of 31 December 2019 and waiver obtained in 2020.

[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.

Financial performance

Financial performance of the Group was analysed on the basis of the reported financial information of European Lingerie Group AB for the year 2019 and pro forma financial information for the year 2018. As the Group adopted IFRS 16 Leases starting from 1 January 2019 and the impact of the standard is material, 2018 pro forma figures were adjusted as well to include the impact of IFRS 16 for better comparativeness (unless otherwise indicated). IFRS 16 impact on the year 2018 was calculated as if the standard had been adopted from 1 January 2018. The Group also restated 2018 reported figures by reclassifying certain income items to revenue and other operating expenses. Refer to page 23 for the description of the pro forma financial information and pro forma assumptions as well as explanation of 2018 income reclassifications.

The Group's sales amounted to EUR 77,554 thousand in 2019, representing a 0.1% increase as compared to pro forma sales of 2018. In 2019, the increase in sales was mainly a result of the increase in lingerie segment due to growing revenue of new Senselle by Felina brand. Additional positive revenue effect was achieved by renegotiating the stock consignment agreement with the largest customer in Spain, whereby part of the goods, which were previously delivered under the consignment arrangement would be delivered as standard purchases in the future and the goods still held by the customer under the previous arrangement would be bought out by it upon conclusion of the new agreement. The deal resulted in additional revenue in the amount of EUR 437 thousand recognised in December 2019. On the other side, some of the revenue increase has been outweighed by backlog in production of the lingerie ready garments in Hungary which reduced total absolute increase.

Profitability margins excluding net profit margin in 2019 were below previous year which is explained by a change in accounting estimate for write downs of finished goods in Q3 2018, which boosted the performance in 2018 at the expense of other quarters, resulting in a weaker 2019 in comparison. The change in accounting estimate for write downs of finished goods was made in order to be in line with the historical statistics on write downs and net realisable values and resulted in EUR 1,103 thousand increase in EBITDA in Q3 2018 based on recalculated position of write downs as of 30 September 2018. The recalculation included the impact of the reported quarter and all previous periods and was recognised prospectively in the period of the change in accordance with IAS 8. Normalised EBITDA in 2019 amounted to EUR 8,829 thousand and decreased by 15.8% compared to pro forma normalised EBITDA in 2018 Normalised EBITDA margin in 2019 and 2018 was 11.5% and 13.6% respectively.

Normalised net profit in 2019 amounted to EUR 873 thousand, compared to pro forma normalised net profit of EUR 152 thousand in 2018. Improvement in net profit was due to recognition of the deferred tax income in the amount of EUR 288 thousand on Liepaja Special Economic Zone tax incentives to be utilized by LSEZ Lauma Fabrics SIA in future periods equal to 35% of the amount of qualifying investments into property, plant and equipment made in 2019. These tax incentives will offset the tax payable on future dividend distribution by the Latvian subsidiary of the Group. In 2018, the Group recognised deferred tax expense on future dividend distribution by the same Latvian subsidiary in the amount of EUR 691 thousand, being the future income tax at a standard rate of 20% on retained distributable profit. In addition to that, the German subsidiary of the Group Felina GmbH had smaller taxable profit to be offset with carried forward tax losses from previous periods. This didn't influence current income tax payable, but deferred tax expense from utilisation of tax losses was only EUR 378 thousand in 2019 (2018: EUR 832 thousand).

Normalised net profit margin in 2019 and 2018 was 1.1% and 0.2% respectively.

Financial position

Financial position of the Group at 31 December 2019 was consolidated position as per the consolidated financial statements of European Lingerie Group AB for 12 months 2019. Financial position of the Group at 31 December 2018 was calculated on the basis of the pro forma financial information. Refer to page 23 for the description of the pro forma financial information and pro forma assumptions.

At 31 December 2019 consolidated total assets amounted to EUR 70,386 thousand representing an increase of 1.8% as compared to the pro forma statement of financial position at 31 December 2018. An increase is explained by growth in inventories and trade and other receivables.

Inventories balance increased by 7.7% compared to the balance at 31 December 2018. The increase mainly relates to the newly contracted consignment arrangements with customers in 2019 as well as the production and delivery of new products and collections, in particular Senselle by Felina and Felina 1885 lingerie collections, which required additional working capital in inventories.

Current trade and other receivables are higher than previous year by 5.9% as a result of higher sales in Q4 2019 compared to Q4 2018.

Loans and borrowings at 31 December 2019 increased by EUR 2,131 thousand compared to 31 December 2018, which is explained by the increase in the utilised credit line facilities in order to finance working capital of the new product collections and consignment arrangements as well as a new finance lease for the stenter equipment (refer to Note 29 of the Annual Report of European Lingerie Group AB for the year 2019 for further details).

Current trade and other payables at 31 December 2019 were EUR 11,513 thousand and increased by EUR 994 thousand compared to 31 December 2018.

Sales

Sales structure of the Group was calculated on the basis of the reported financial information of European Lingerie Group AB for 2019, as well as pro forma financial information for 2018. The Group restated 2018 reported figures by reclassifying certain income items to revenue and other operating expenses. Refer to page 23 for the description of the pro forma financial information and pro forma assumptions as well as explanation of 2018 income reclassifications.

Sales by markets

Core operating markets for European Lingerie Group are Germany, Spain, France, Poland, Benelux countries, Baltic countries, Russia, Belarus and Ukraine. Group's sales in its core markets in 2019 were 81.8% of its total sales against 83.7% in 2018. Decrease in core markets is temporary and is explained by the general macroeconomic and retail situation in each particular country. In some countries, the decrease is temporary and caused by the shift of turnover between quarters.

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

In thousands of EUR	2019 (Actual)	2018 (Pro forma)	Change, %	2019, % of sales	2018, % of sales
Germany	17,230	18,365	-6.2%	22.2%	23.7%
Russia	10,888	8,625	26.2%	14.0%	11.1%
Baltic countries[12]	9,023	10,732	-15.9%	11.6%	13.9%
France	6,590	7,477	-11.9%	8.5%	9.7%
Belarus	5,171	4,679	10.5%	6.7%	6.0%
Benelux countries[13]	5,094	5,704	-10.7%	6.6%	7.4%
Poland	4,245	4,326	-1.9%	5.5%	5.6%
Spain	3,619	3,205	12.9%	4.7%	4.1%
Ukraine	1,545	1,747	-11.6%	2.0%	2.3%
Other markets	14,149	12,587	12.4%	18.2%	16.2%
Total	**77,554**	**77,447**	**0.1%**	**100.0%**	**100.0%**

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

The largest growth in sales in 2019 was in Russia, Spain and Belarus. These markets grew by 26.2%, 12.9% and 10.5% respectively in 2019. Sales in Russia in 2018 were very limited due to postponement of orders by two largest Felina and Conturelle distributors in Russia. 2019, in its turn, did not have extraordinary circumstances; thus, the sales were at a normal level with the growing trend. Russia is also one of the main customers for Felina swimwear and Senselle by Felina lingerie ready garments, which pushed the sales up even further. Sales in Belarus grew in the textile segment of the Group and was a result of the growth of medium lingerie sewing companies in the country. The increase in sales in Spain was a result of the renegotiated consignment arrangement agreement with the largest customer in Spain explained above, which brought additional revenue in the amount of EUR 437 thousand recognised in December 2019.

Poland showed a slight decrease by 1.9% in 2019, which is explained by price competition in that market.

Sales in Germany, France and Benelux decreased by 6.2%, 11.9% and 10.7% respectively in 2019 due to the slowdown of the European macroeconomy and blocked potential growth. In addition to that, due to the merger of the two largest German department store chains Galeria Kaufhof and Karstadt, their purchasing in 2019 was significantly slowed down during the transaction process. The balance of sales growth vs margin is still the main issue in France in the current and the coming periods as the Group's main competitors in the region 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.

Sales in the Baltic countries reduced by 15.9% in 2019 and it related to the textile segment of the Group. Most of the Baltic customers of the Group suffered from changes in the importing rules into Russia and as a result, did not have quick enough capital turn to continue ordering raw materials. In addition to that with continuing labour inflation in the Baltics, some customers could not recover the previous level of turnover due to lack of price competitiveness in their sales markets.

Sales in Ukraine dropped by 11.6% in 2019, which was caused by one textile segment customer in that country changing its product strategy and moving purchases to Asia.

Sales by business segments

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

The following summary describes the operations of each reportable segment:

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

The Group's sales results by business segments were as follows:

In thousands of EUR	2019 (Actual)	2018 (Pro forma)	Change, %	2019, % of sales	2018, % of sales
Textiles	34,172	34,107	0.2%	42.5%	42.7%
Lingerie	44,559	44,363	0.4%	57.5%	57.3%
Intercompany eliminations	(1,177)	(1,023)			
Total	**77,554**	**77,447**	**0.1%**	**100.0%**	**100.0%**

During 2019, both textiles and lingerie segment performed slightly better than in 2018. Lingerie segment increased as a result of new Senselle by Felina brand sales and additional revenue recognised in Spain out from the amended consignment arrangement agreement. Textile segment also increased as a result of revenue from materials used in production of Senselle by Felina lingerie ready garments.

Investments

During 2019 the Group invested into property plant and equipment and intangible assets EUR 2,921 thousand compared to EUR 1,973 thousand in 2018 on a pro forma basis. The largest investments were made into the stenter, spacer molding and circular knitting equipment as well as 2 new knitting machines in lace and racheltronic technology in LSEZ Lauma Fabrics SIA. The Group also commenced Magento and Open ERP platform migration project in Dessus-Dessous S.A.S.

In addition to this, the Group continued investing in its new sewing plant in Belarus, whereby it increased the number of sewing machines there and developed a new material cutting facility, which is necessary for sewing operations.

Further development of the Group

The Group has had difficult last 2 years after the acquisition of Felina group and Dessus-Dessous S.A.S. and fluctuations in the various core markets and distribution channels of the lingerie industry in general. It continues realising its strategy of the vertical integration, which takes time and bears costs during the transformation phase of the previous processes. In 2019, the Group's new product lines, i.e. the backup brand Senselle by Felina and Felina swimwear, started bringing volumes and the contribution of the new collections to total sales will continue throughout the whole year.

On the production side, the Group continues investing in its manufacturing base in order to improve the quality of its products as well as to be able to offer better and new materials to its customers. The result of these investments is gradually converting into the cost savings and profit margin improvement.

Due to the dropped profitability, the Group has prepared an action plan with specific measures aimed at recovery of the initial profitability and has a sustainable business model for the medium and long-term. The measures were approved by the bondholders in January 2020 with several amendments made to the Bond Terms and Conditions and preparatory work for their implementation has started already.

While the Group was preparing for execution of the action plan in order to recover its initial profitability, it was hit by the outbreak of Covid-19, which initially appeared in Wuhan, China in December 2019 and in the first quarter of 2020 spread to other countries and affected practically the whole world.

With the rapid rise in the number of cases, most countries have declared a state of emergency, during which time a series of restrictive measures have been taken to limit the spread of the virus.

Although the restrictions are temporary, it is expected that these events will have a negative impact on the Group's financial position and results of operations in 2020. At the date of this report the impact of the Covid-19 outbreak on the four core business areas of the Group and respective measures taken to minimise the negative impact are as follows:

Felina GmbH and other E|L|B GmbH group entities

The sales of Felina GmbH and its group entities started to slow down in mid-March 2020 and it was directly linked to the closing down of stores in the Group's core markets (either mandatory or voluntarily) – initially in Italy, Spain and France, and followed by Germany and other countries. Russia was the last to implement the measures related to the Covid-19 outbreak, therefore this market was still open for trading until April 2020, and the sales in Russia have only started to shrink. Felina sales have lost volume as a result of the close down of stores and channels. The pressure on the sell out and stock turn will become even more significant in short term with only online customers having a consistent demand for goods and being served on a case-by-case basis.

As response measures for Felina GmbH (German core operations) – in Germany support from the government is available in the form of 'Kurzarbeit' financing to the Covid-19 outbreak, whereby 60% (or 67%) of net salaries of the employees in downtime are paid by the state directly to the respective employees, and the employer does not carry any costs (including payroll taxes) for the employees in downtime ('Kurzarbeit'). Felina GmbH has implemented said measures for most of its employees starting from 7 April 2020. Payroll expenses in Germany is one of the largest fixed cost positions of the Group.

With respect to the trading entities – most of the employees are in paid downtime and the entities have applied for the support of the respective states to the extent available.

With regard to the production unit Felina Hungaria Kft., the entity has decreased the number of employees by around 7% – mainly the elderly employees, who have the right to receive a pension. Paid vacation for most of the Felina Hungaria Kft. staff was initiated on 7 April 2020, and following that downtime, paid by Felina Hungaria Kft, is expected to commence. Support programs by the government were delayed in Hungary as compared to other countries, and said programs have only been indicatively announced on 7 April 2020, and those are currently being evaluated by the Group. The negative effect of Felina Hungary is partially offset by orders for the production of textile masks, which allows the Group to use the capacity of the factory at approximately 15-20% in April 2020.

Felina GmbH produces and sources goods in Europe, whereas most of its competitors rely on Asia for sourcing and production, which leads to a short-term competitive advantage for the Group. In the long run, the reliability and local sourcing might become a relevant factor in the customer sourcing preferences. The Group also sees the possibility of medium-term sewing capacity sale. Felina GmbH is well-positioned to service customer demand from its readily available stock as soon as demand picks up.

LSEZ Lauma Fabrics SIA and its group entities

Up until the last week of March 2020, cancellations and postponements of orders were only observed for clients from Western markets, but not for clients from Eastern markets. However, in the last week of March 2020 the Group saw postponements of orders and a major slow-down of incoming payments by customers from Eastern markets as well. Furthermore, Russia announced a 'public holiday' lockdown, which was recently prolonged until the end of April 2020. Most of the customers of LSEZ Lauma Fabrics SIA have currently suspended their orders and closed their production.

As response measures for LSEZ Lauma Fabrics SIA, the management has initiated downtime for the employees of LSEZ Lauma Fabrics SIA, which commenced on April, 6 and will last until end of April 2020. Said downtime is fully financed by the government of Latvia. Part of the sales department will continue to service and arrange for shipments for the customers, that have placed/will place orders. Purchase of supplies has been postponed, but the entity maintains a close cooperation with its suppliers.

The German production units of LSEZ Lauma Fabrics SIA have applied for downtime and have implemented 'Kurzarbeit' on the same terms as for Felina GmbH.

In the textile segment the management expects, that some competitors might not overcome this period. To-date LSEZ Lauma Fabrics SIA has received, and expects to keep receiving, counter sample requests from European lingerie brands with the intent to potentially switch their purchase of materials to LSEZ Lauma Fabrics SIA; this has also the purpose of sourcing in Europe instead of their current sourcing in Asia. The management also expects a trend by European brands to diversify their sourcing and believes that sourcing in Europe will increase. Furthermore, LSEZ Lauma Fabrics SIA is well positioned-for the pick-up of operations, once the restrictions are lifted, and its finished-goods stock is sufficient to provide fast deliveries to the customers, and the reserves of material stock will allow to promptly restart the production process as soon as customer demand revives.

Currently the medical units of the Group (LSEZ Lauma Medical SIA and AO Avangard) continue to work, and merely a minor decrease in sales and incoming payments is observed. The main products traded by the entities are elastic belts/supports and bandages. The largest market is Russia. LSEZ Lauma Medical SIA is a branded and highly priced product, and it is mainly distributed through pharmacies, which remain open. However, risk factors for continued trading are: open border for Russia, cancellation of planned surgeries that partially initiates the demand, availability of materials for production and RUB/EUR exchange rate stabilization. Nevertheless, the management expects, that the operations will remain running with only a minor decrease.

Dessus-Dessous S.A.S.

Dessus-Dessous S.A.S. is a premium online store for the sale of high-end lingerie, with its key market being France. After a weak 2019, the entity has had a healthy, stable business growth rate. The management expects for the business to remain up and running as long as people are allowed to go to work in France. The impact of the Covid-19 outbreak in Dessus-Dessous S.A.S. mainly stems from employee absence, a lower supply of garments (brands continue to ship, but less frequently) and mailing/post overload. However, customers continue to shop online and in the long-term the management observes, that the business is well-positioned to capture the general trend of online-shopping.

Concluding remarks

As the management looks forward, and the Group adapts itself and its operations to various restrictions imposed by local governments to contain the further spread of Covid-19, the Group appreciates the patience and cooperation of its customers, suppliers, employees and financiers. The management also has initiated discussions with the bond investors to amend the terms of bond financing. All implemented measures, as well as the general approach by the Group and its companies, are targeted at a long-term sustainability of the business as well as its positioning for the period of revived demand. The Group's business model is based on providing high-quality products in relatively short lead times, sourced locally. This is the fundament that is stable as many short-term disruptions come and go. The Group has been taking a number of practical actions designed to reduce the risk of Covid-19 having a material long-term impact on the Group's operations, and we will continue to do so.

Reported financials for 2019 and pro forma financials for 2018

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

European Lingerie Group AB was established on 23 November 2017. The Company did not have any operations in 2017. Shortly after its registration, on 3 January 2018 the Company was acquired by Myrtyle Ventures Ltd and on 19 February 2018 it became the Parent company of European Lingerie Group. The shareholder change was accomplished by way of contributing 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.

In 2018 the Group had one acquisition, which was a business combination. Felina France 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, which was consolidated into the Group starting from 30 June 2018 (the Transaction).

Based on the above, the Group has prepared pro forma financial information presenting a description of how the acquisition transaction might have affected the consolidated earnings of European Lingerie Group, had the Transaction been undertaken at the commencement of the year 2017.

As the Group adopted IFRS 16 Leases starting from 1 January 2019 (refer to Note 6 of 2019 Annual Report for further details) and the impact of the standard is material, 2018 pro forma figures were adjusted as well to include the impact of IFRS 16 for better comparativeness. IFRS 16 impact on 2018 was calculated as if the standard had been adopted from 1 January 2018.

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 Transaction 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 Dessus-Dessous S.A.S for 12 months 2018 eliminating intercompany transactions between this company and the Group based on individual company performance during this period. The impact of accounting for the share acquisition in the Transaction (including, but not limited to the purchase price allocation and goodwill) and related financing of the Transaction (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 consolidated financial statements of European Lingerie Group and Dessus-Dessous S.A.S for 2018. The compiled pro forma financial statements have not been audited or reviewed by the external auditors.

Description of restatements made to 2018 figures

The Group restated 2018 figures reported in the Annual Report of European Lingerie Group AB for the year 2018. The Group made the following restatements:

- Commission income in the amount of EUR 106 thousand and license income in the amount of EUR 108 thousand were reclassified from 'other operating income' line item in the statement of profit or loss and OCI to 'revenue' line item.

- Transportation income in the amount of EUR 307 thousand was reclassified from 'other operating income' line item in the statement of profit or loss and OCI to 'other operating expenses' line item and offset there against related transportation expenses.

Refer to Note 7 of the Annual Report of European Lingerie Group AB for the year 2019 for further details on restatements made to 2018 figures.

Statement of Profit or Loss

In thousands of EUR	2019 (Actual)	2018 (Pro forma)
Revenue	**77,554**	**77,447**
Other operating income	2,431	1,726
Changes in inventories of finished goods and work in progress	1,819	901
Raw materials and services	(29,615)	(27,562)
Employee benefits expense	(26,089)	(25,637)
Depreciation and amortisation	(4,131)	(4,165)
(Impairment loss)/reversal of impairment loss on trade and other receivables	194	(84)
Other operating expenses	(18,110)	(18,794)
Operating profit	**4,053**	**3,832**
Finance income	455	386
Finance costs	(4,607)	(4,737)
Net finance costs	**(4,152)**	**(4,351)**
Loss before income tax	**(99)**	**(519)**
Income tax expense	(121)	(1,869)
Loss for the period	**(220)**	**(2,388)**
Attributable to:		
Owners of the Company	(220)	(2,388)
Reported EBITDA	**8,184**	**7,997**
Adjusted by:		
Restructuring of brands, subsidiaries	93	172
Management contract termination costs	310	-
Transaction costs	141	1,101
Net loss on disposal of intangible assets and property, plant and equipment	70	109
Gain on disposal of subsidiary	(217)	-
Effect of fair value adjustment to inventories	-	877
Other	248	231
Normalised EBITDA	**8,829**	**10,487**
Reported net loss	**(220)**	**(2,388)**
Normalisation adjustments	1,212	2,935
Tax effect on normalization adjustments	(119)	(395)
Normalised net profit	**873**	**152**

Commentary on the calculation of normalized EBITDA

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

- *Management contract termination costs* in 2019 related to contract terminations with Mr Peter Partma, Mr Christian Stolba and Ms Brigitte Hardt.
- *Transaction costs* in 2019 related to acquisition of Yustina OOO (renamed to Senselle OOO) and costs related to renegotiation of the Bond Terms and Conditions. Transaction costs in 2018 related to the issue of bonds by European Lingerie Group AB and acquisition of Dessus-Dessous S.A.S.
- *Restructuring of brands/subsidiaries* in 2019 and 2018 related to restructuring/consolidation of some functions within Felina Group which caused one-off dismissal costs and closure costs as well as consulting and legal expenses related to further restructuring measures plan preparation for the Group.
- *Effect of fair value adjustment to inventories* included elimination of the effect of fair value adjustments made by the Group to inventories of Dessus-Dessous S.A.S and AO Avangard at the moment of business combinatio- Those inventories were subsequently sold by the Group during 2018.
- *Gain on disposal of subsidiary* included net amount of profit recognised (difference between consideration received and net assets disposed) as a result of Brafetch GmbH disposal. For further details on the transaction refer to Note 34 of the Annual Report of European Lingerie Group AB for the year 2019.
- *Other costs* in 2019 related to the establishment and activities of the new subsidiary in Germany - Brafetch GmbH, various consultancy costs related to potential investment projects and costs of renaming and relabelling of two new Felina lingerie garment series. The initially proposed names were objected by another swimwear company, which had these registered as trademarks for their products. The objection was amicably settled with the claimant and a respective compensation was paid. Other costs in 2018 included various consultancy costs related to the planned bond listing and further potential acquisitions.
- *Normalisation adjustments for net profit* included interest expense related to the amortization of transaction costs on bonds issue in the amount of EUR 567 thousand and EUR 443 thousand for 2019 and 2018 respectively.

Statement of Financial Position

In thousands of EUR	31.12.2019 (Actual)	31.12.2018 (Pro forma)
Assets		
Property, plant and equipment	11,066	11,729
Intangible assets	14,573	15,207
Right-of-use assets	4,306	3,793
Deferred tax assets	1,926	2,333
Other receivables	717	388
Total non-current assets	**32,588**	**33,450**
Inventories	20,471	19,006
Current tax assets	280	384
Trade and other receivables	14,854	14,032
Contract assets	29	26
Prepayments	799	940
Cash and cash equivalents	1,365	1,335
Total current assets	**37,798**	**35,723**
Total assets	**70,386**	**69,173**
Total equity	**4,252**	**4,746**
Liabilities		
Loans and borrowings	2,666	41,561
Net employee defined benefit liability	3,336	3,808
Deferred income	449	570
Provisions	221	213
Other payables	92	-
Deferred tax liabilities	2,983	3,663
Total non-current liabilities	**9,747**	**49,815**
Loans and borrowings	44,330	3,304
Trade and other payables	11,513	10,519
Contract liabilities	192	292
Current tax liabilities	191	170
Provisions	46	111
Deferred income	115	216
Total current liabilities	**56,387**	**14,612**
Total liabilities	**66,134**	**64,427**
Total equity and liabilities	**70,386**	**69,173**

Statement of Cash Flows

In thousands of EUR	2019 (Actual)	2018 (Pro forma)
Cash flows from operating activities		
Reported EBITDA	8,184	7,997
Adjustments for:		
(Reversal of) impairment losses on trade and other receivables	(194)	84
Net loss on disposal of property, plant and equipment	71	109
Equity-settled share-based payment transactions	(615)	364
Income from government grants	(226)	(308)
Gain on bargain purchase	(22)	-
Gain on termination of lease agreement	(1)	-
Gain on disposal of subsidiary	(217)	-
Changes in:		
Inventories	(1,463)	(1,340)
Trade and other receivables	(745)	(541)
Contract assets	(3)	(25)
Prepayments	140	(361)
Trade and other payables	1,411	(331)
Contract liabilities	(100)	249
Provisions	(57)	(188)
Net employee defined benefit liability	(302)	(291)
Cash generated from operating activities	**5,861**	**5,418**
Interest paid	(3,585)	(3,282)
Income taxes paid	(386)	(1,443)
Net cash from operating activities	**1,890**	**693**
Cash flows from investing activities		
Interest received	6	13
Proceeds from sale of property, plant and equipment	56	17
Cash disposed on disposal of subsidiary	(2)	-
Proceeds from repayment of loans issued	74	414
Acquisition of subsidiaries net of cash acquired	(228)	(7,532)
Cash acquired in common control transactions	-	1,874
Acquisition of property, plant and equipment and intangible assets	(2,921)	(1,973)
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	**(3,015)**	**(2,769)**

Statement of Cash Flows (continued)

In thousands of EUR	2019 (Actual)	2018 (Pro forma)
Cash flows from financing activities		
Proceeds from issue of share capital	-	60
Proceeds from bonds issue	-	40,000
Proceeds from loans and borrowings	166	-
Change in bank overdraft	1,573	(52)
Transaction costs related to bonds issue	-	(1,730)
Repayment of loans and borrowings	-	(20,021)
Repayment of convertible notes	-	(12,375)
Payment of lease liabilities	(1,299)	(971)
Dividends paid	-	(866)
Factoring paid	(77)	(420)
Proceeds from sale and leaseback transaction	595	-
Proceeds from grants and donations	13	13
Net cash from financing activities	**971**	**3,638**
Net increase/(decrease) in cash and cash equivalents	**(154)**	**1,562**
Cash and cash equivalents at 1 January	1,335	70
Effect of movement in exchange rates on cash held	184	(297)
Cash and cash equivalents at 31 December	**1,365**	**1,335**

ANNUAL REPORT

Annual report of European Lingerie Group AB for the year ended 31 December 2019 has been approved on August 17, 2020 and can be found at the Group's website: www.elg-corporate.com