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EUROPEAN LINGERIE
GROUP

EUROPEAN LINGERIE GROUP AB

QUARTERLY REPORT - SIX MONTHS AND SECOND QUARTER

1 JANUARY 2019 – 30 JUNE 2019

CONTENTS

MANAGEMENT REPORT	3
CONDENSED INTERIM FINANCIAL STATEMENTS	16
Information on the Company	17
Condensed consolidated statement of profit or loss and other comprehensive income	18
Condensed consolidated statement of financial position	19
Condensed consolidated statement of changes in equity	20
Condensed consolidated statement of cash flows	21
Notes to the condensed interim financial statements	24
Parent Company Financial information	40
Condensed Parent Company statement of profit or loss and other comprehensive income	41
Condensed Parent Company statement of financial position	42
Condensed Parent Company statement of changes in equity	43
Condensed Parent Company statement of cash flows	44
Notes to the condensed Parent Company interim financial statements	45
Statement by the Board of Directors	48

MANAGEMENT REPORT

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 30 June 2019 the Group had 20 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 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, Belarus 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) exceeded EUR 77 million and the combined workforce was over 1,200 people.

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

Even though the trend of closure of small specialized retail shops in the Southern and Central Europe still continues and the macroeconomy is slowing down in most European markets, which limits the recovery speed to some extent, the sales results of the second quarter of 2019 for European Lingerie Group were at the level of the previous year.

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.

In May 2019 LSEZ Lauma Fabrics SIA established a new subsidiary SIA Lauma Medical 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.

Financial highlights of the reporting quarter

Selected financial indicators

Selected financial indicators of the Group were calculated on the basis of the consolidated interim financial statements of European Lingerie Group AB for 6 months 2019, Q2 2019 and pro forma financial information for 6 months 2018 and Q2 2018. As the Group adopted IFRS 16 Leases starting from 1 January 2019 (refer to Note 3 for further details) and the impact of the standard is material, 6 months 2018 and Q2 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 6 months 2018 and Q2 2018 was calculated as if the standard had been adopted from 1 January 2018.

Refer to page 9 for the description of the pro forma financial information and pro forma assumptions. Summarized selected financial indicators of the Group for 6 months 2019 compared to 6 months 2018, Q2 2019 compared to Q2 2018, and 30.06.2019 compared to 30.06.2018 and 31.12.2018 were as follows:

In thousands of EUR	6 months 2019 (Actual)	6 months 2018 (Pro forma)	Change
Revenue	39,985	38,348	4.3%
Normalised operating profit[1]	2,761	2,541	8.7%
Normalised EBITDA[2]	4,628	4,604	0.5%
Normalised net profit /(loss)[3]	425	(101)	-518.9%
Operating cash flow for the period	1,016	(315)	-422.5%

In thousands of EUR	Q2 2019 (Actual)	Q2 2018 (Pro forma)	Change
Revenue	18,963	18,991	-0.1%
Normalised operating profit[1]	1,022	1,161	-12.0%
Normalised EBITDA[2]	1,944	2,187	-11.1%
Normalised net profit /(loss)[3]	(28)	(181)	-84.6%
Operating cash flow for the period	1,004	833	20.5%

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

In thousands of EUR	30.06 2019 (Actual)	31.12 2018 (Pro forma)	Change to 31.12. 2018	30.06. 2018 (Pro forma)	Change to 30.06 2018
Total assets	73,223	69,173	5.9%	69,748	5.0%
Total current assets	40,638	35,723	13.8%	35,915	13.2%
Cash and cash equivalents	2,185	1,335	63.7%	2,972	-26.5%
Total current liabilities	18,659	14,612	27.7%	15,810	18.0%
Gross interest-bearing debt[4]	46,156	44,865	2.9%	44,351	4.1%
Net interest-bearing debt[5]	43,971	43,530	1.0%	41,379	6.3%

[4]Gross interest-bearing debt includes non-current and current loans and borrowings.
[5]Net interest-bearing debt is calculated as gross interest-bearing debt less cash and cash equivalents.

Marginal analysis, %	6 months 2019 (Actual)	6 months 2018 (Pro forma)	Change
Normalised operating profit margin	6.9%	6.6%	0.3pp
Normalised EBITDA margin	11.6%	12.0%	-0.4pp
Normalised net profit margin	1.1%	-0.3%	1.4pp

Marginal analysis, %	Q2 2019 (Actual)	Q2 2018 (Pro forma)	Change
Normalised operating profit margin	5.4%	6.1%	-0.7pp
Normalised EBITDA margin	10.3%	11.5%	-1.2pp
Normalised net profit margin	-0.1%	-1.0%	-0.9pp

Financial ratios	30.062019 (Actual)	30.062018 (Pro forma)[6]	31.12.2018 (Pro forma)
ROA (return on assets)[7]	0.9%	Not available	0.2%
Current ratio[8]	2.2	2.3	2.4
Quick ratio[9]	1.0	1.1	1.1
12 months rolling normalised EBITDA[10]	10,511	Not available	10,487
Net debt/EBITDA[11]	4.2	Not available	4.2

[6]Ratios marked as "Not available" cannot be calculated due to the absence of data regarding IFRS 16 impact on the year 2017.
[7]ROA (return on assets) is calculated as the 12 months normalised rolling net profit divided by the average total assets for the relevant period.
[8]Current ratio is calculated as total current assets divided by total current liabilities.
[9]Quick ratio is calculated as total current assets excluding inventories divided by total current liabilities.
[10]12 months rolling normalised EBITDA is EBITDA for the period from 1 July 2018 to 30 June 2019 and from 1 January 2018 to 31 December 2018
[11]Net debt/EBITDA is calculated as net interest-bearing debt divided by 12 months rolling normalised EBITDA

Financial performance

Financial performance of the Group was analysed on the basis of the reported financial information of European Lingerie Group AB for 6 months 2019, Q2 2019 as well as pro forma financial information for 6 months 2018, Q2 2018. As the Group adopted IFRS 16 Leases starting from 1 January 2019 (refer to Note 3 for further details) and the impact of the standard is material, 6 months 2018 and Q2 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 6 months 2018 and Q2 2018 was calculated as if the standard had been adopted from 1 January 2018. Refer to page 9 for the description of the pro forma financial information and pro forma assumptions.

The Group's sales amounted to EUR 39,985 thousand in 6 months 2019 (Q2 2019: EUR 18,963 thousand), representing a 4.3% increase as compared to pro forma sales of 6 months 2018 (0.1% decrease to pro forma sales of Q2 2018). In 6 months 2019, the growth in sales was achieved by sales of new product lines, i.e. Senselle by Felina lingerie and Felina swimwear, as well as the general increase of orders from traditional customers in the textiles segment. Q2 2019 sales demonstrated a slight increase in textiles segment with 2.6% decrease in lingerie segment due to a partial shift of sales to Q3 2019.

Profitability margins in 6 months 2019 are generally comparable to those of 6 months 2018 and some demonstrating a slight improvement. Q2 2019 margins showed a decreasing trend as a result of lost contribution from sales shifted to Q3 2019. The profit improvement effect during 6 months, though, is not significant due to the general cost inflation still faced in important cost categories as well as the effect of additional costs invested in marketing to promote the new products just launched and in product development to deliver further novelties to the market. Normalised EBITDA in 6 months 2019 amounted to EUR 4,628 thousand (Q2 2019: EUR 1,944 thousand) and increased by 0.5% compared to pro forma normalised EBITDA in 6 months 2018 (11.1% decrease to pro forma normalised EBITDA for Q2 2018). Normalised EBITDA margin in 6 months 2019 and 6 months 2018 was 11.6% and 12.0% respectively (Q2 2019 and Q2 2018: 10.3% and 11.5% respectively). Normalised net profit in 6 months 2019 amounted to EUR 425 thousand (Q2 2019: net loss of EUR 28 thousand), compared to pro forma normalised net loss of EUR 101 thousand in 6 months 2018 (Q2 2018: loss EUR 181 thousand). Normalised net profit margin in 6 months 2019 and 6 months 2018 was 1.1% and -0.3% respectively (-0.1% and -1.0% in Q2 2019 and Q2 2018 respectively).

Financial position

Financial position of the Group at 30 June 2019 was consolidated position as per the consolidated interim financial statements of European Lingerie Group AB for 6 months 2019. Financial position of the Group at 30 June 2018 and 31 December 2018 was calculated on the basis of the pro forma financial information. Refer to page 9 for the description of the pro forma financial information and pro forma assumptions.

At 30 June 2019 consolidated total assets amounted to EUR 73,223 thousand representing an increase of 5.0% as compared to the pro forma statement of financial position at 30 June 2018 (5.9% as compared to the pro forma statement of financial position at 31 December 2018). An increase to 31 December 2018 is explained by a seasonal growth in inventories and trade receivables balances due to production and delivery of new season collections. The main reasons of an increase to 30 June 2018 are a launch of new Senselle by Felina lingerie collection the sales of which started in Q4 2018 and sales of a new Felina swimwear line, which was introduced into the market in Q1 2019.

Inventories balance increased by 17.7% compared to the balance at 30 June 2018 (increased by 11.2% compared to the balance at 31 December 2018). The increase mainly relates to the additional product lines introduced into the market, which required additional working capital in inventories. In addition to that, due to the partial shift of sales in the lingerie segment from Q2 2019 to Q3 2019, these goods stayed in the stock as well at 30 June 2019. Current trade and other receivables balance was EUR 16,242 thousand at 30 June 2019 and increased by 14.7% compared to 30 June 2018 (increased by 15.7% compared to 31 December 2018). The increase in receivables was driven by the increase in sales. An additional effect was a result of the change in customer mix and higher sales portion reached with customers, who have longer payment terms, i.e. Russia.

Loans and borrowings at 30 June 2019 increased by EUR 1,291 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 lines.

Trade and other payables at 30 June 2019 were EUR 13,305 thousand and increased by EUR 1,459 thousand compared to 30 June 2018 (increased by EUR 2,786 thousand compared to 31 December 2018) as a result of the same additional working capital built for the product novelties.

Sales

Sales structure of the Group was calculated on the basis of the reported financial information of European Lingerie Group AB for 6 months 2019 and Q2 2019, as well as pro forma financial information for 6 months 2018 and Q2 2018. Refer to page 9 for the description of the pro forma financial information and pro forma assumptions.

<u>Sales by markets</u>

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 6 months 2019 were 81.1% of its total sales against 84.0% in 6 months 2018 (83.1% in Q2 2019 against 85.1% in Q2 2018). Decrease in core markets is explained by a diversification of the Group to other markets and growth of its sales there.

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

In thousands of EUR	6 months 2019 (Actual)	6 months 2018 (Pro forma)	Change, %	6 months 2019, % of sales	6 months 2018, % of sales
Germany	8,731	9,266	-5.8%	21.8%	24.2%
Russia	5,267	3,637	44.8%	13.2%	9.5%
Baltic countries[12]	4,777	5,400	-11.5%	11.9%	14.1%
France	3,331	4,078	-18.3%	8.3%	10.6%
Belarus	2,942	2,192	34.2%	7.4%	5.7%
Benelux countries[13]	2,794	3,001	-6.9%	7.0%	7.8%
Poland	2,389	2,318	3.1%	6.0%	6.0%
Spain	1,476	1,387	6.4%	3.7%	3.6%
Ukraine	733	950	-22.8%	1.8%	2.5%
Other markets	7,545	6,119	23.3%	18.9%	16.0%
Total	**39,985**	**38,348**	**4.3%**	**100.0%**	**100.0%**

In thousands of EUR	Q2 2019 (Actual)	Q2 2018 (Pro forma)	Change, %	Q2 2019, % of sales	Q2 2018, % of sales
Germany	4,663	4,830	-3.5%	11.7%	12.6%
Russia	2,471	2,221	11.3%	6.2%	5.8%
Baltic countries[12]	2,517	3,105	-18.9%	6.3%	8.1%
France	1,441	1,701	-15.3%	3.6%	4.4%
Belarus	1,423	905	57.2%	3.6%	2.4%
Benelux countries[13]	1,362	1,453	-6.3%	3.4%	3.8%
Poland	1,130	1,115	1.3%	2.8%	2.9%
Spain	359	335	7.2%	0.9%	0.9%
Ukraine	385	491	-21.6%	1.0%	1.3%
Other markets	3,212	2,835	13.3%	60.5%	57.8%
Total	**18,963**	**18,991**	**-0.1%**	**100.0%**	**100.0%**

[12]Latvia, Estonia and Lithuania

[13]Belgium, the Netherlands and Luxembourg

The largest growth in sales in 6 months 2019 was in Russia and Belarus. These markets grew by 44.8%and 34.2% respectively in 6 months 2019 (11.3% and 57.2% respectively in Q2 2019). Sales in Russia in 6 months 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.

Spain and Poland also delivered sizeable growth both in 6 months and Q2 2019, whereby sales in these countries in 6 months 2019 increased by 6.4% and 3.1% respectively (Q2 2019: 7.2% and 1.3% respectively). This is a result of several activities including development of the omni-channel strategy with the largest customer in Spain as well as expansion of our lingerie products' presence in the retail channels in these countries. Spain is another important market for Felina swimwear, which helped to grow the sales further.

Sales in Germany, France and Benelux decreased by 5.8%, 18.3% and 6.9% respectively in 6 months 2019 due to the slowdown of the European macroeconomy and blocked potential growth (Q2 2019: drop by 3.5% in Germany, 15.3% in France, 6.3% in Benelux). 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 11.5% in 6 months 2019 (Q2 2019: decrease by 18.9%) 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.

Sales in Ukraine dropped by 22.8% in 6 months 2019 (Q2 2019: drop by 21.6%), but there was no particular reason for that. Customers of the Group in this country have number of ordering rounds and the ordering weeks are not exactly the same between the years, thus it influences the sales rusults in particular periods. During the second half of 2019 the Group expects this deficit to reduce.

Sales by business segments

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

The following summary describes the operations of each reportable segment:

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

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

In thousands of EUR	6 months 2019 (Actual)	6 months 2018 (Pro forma)	Change, %	6 months 2019, % of sales	6 months 2018, % of sales
Textiles	17,903	17,032	5.1%	43.3%	42.8%
Lingerie	22,661	21,932	3.3%	56.7%	57.2%
Intercompany eliminations	(579)	(616)			
Total	**39,985**	**38,348**	**4.3%**	**100.0%**	**100.0%**

In thousands of EUR	Q2 2019 (Actual)	Q2 2018 (Pro forma)	Change, %	Q2 2019, % of sales	Q2 2018, % of sales
Textiles	8,985	8,957	0.3%	46.9%	45.6%
Lingerie	10,062	10,330	-2.6%	53.1%	54.4%
Intercompany eliminations	(84)	(296)			
Total	**18,963**	**18,991**	**-0.1%**	**100.0%**	**100.0%**

During 6 months 2019, both - textiles and lingerie segments performed better than in 6 months 2018. This was driven by the improvement of the sales trend in particular markets explained above and start of the sales of new swimwear, activity wear and *Senselle by Felina* lingerie ready garments. While textiles segment had positive trend in both Q1 and Q2, lingerie segment showed a decrease in sales in Q2 due to the partial shift of sales to Q3 2019.

Investments

During 6 months 2019 the Group invested into property plant and equipment and intangible assets EUR 1,400 thousand compared to EUR 317 thousand in 6 months 2018 on a pro forma basis. Q2 2019 investments amounted to EUR 928 thousand compared to EUR 209 thousand in Q2 2018. The main investments during 6 months 2019 related to the remaining payment for the spacer molding equipment for Lauma Fabrics, the down-payment for 2 new knitting machines, lace and racheltronic technology as well as the next instalment for the stenter acquired by LSEZ Lauma Fabrics SIA.

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.

Further development of the Group

The Group has had a difficult last year after the 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 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 good volumes and the contribution of the new products to total sales will continue with increasing pace 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 will gradually convert into the cost savings and profit margin improvement starting from the second half of this year.

Reported financials for the six months 2019 and second quarter 2019 and pro forma financials for comparative periods

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

European Lingerie Group AB was established on 23 November 2017. The Company did not have any operations in 2017. Shortly after its registration, on 3 January 2018 the Company was acquired by Myrtyle Ventures Ltd and on 19 February 2018 it became the Parent company of European Lingerie Group. The shareholder change was accomplished by way of contributing 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 3 for further details) and the impact of the standard is material, 6 months 2018 and Q2 2018 pro forma figures were adjusted as well to include the impact of IFRS 16 for better comparativeness. IFRS 16 impact on 6 months 2018 and Q2 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 6 months 2018 and Q2 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 unaudited IFRS interim financial statements of European Lingerie Group and Dessus-Dessous S.A.S for 6 months 2018 and Q2 2018. 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	6 months 2019 (Actual)	6 months 2018 (Pro forma)	Q2 2019 (Actual)	Q2 2018 (Pro forma)
Revenue	**39,985**	**38,348**	**18,963**	**18,991**
Other operating income	1,435	1,177	781	637
Changes in inventories of finished goods and work in progress	2,370	1,572	615	460
Raw materials and services	(15,916)	(14,259)	(7,089)	(6,959)
Employee benefits expense	(13,526)	(13,087)	(6,692)	(6,463)
Depreciation and amortisation	(1,867)	(2,063)	(922)	(1,026)
Reversal of impairment / (impairment loss) on trade receivables and contract assets	8	(61)	24	41
Other operating expenses	(9,731)	(10,244)	(4,534)	(5,318)
Operating profit	**2,758**	**1,383**	**1,146**	**363**
Finance income	264	284	77	196
Finance costs	(2,277)	(2,479)	(1,115)	(1,353)
Net finance costs	**(2,013)**	**(2,195)**	**(1,038)**	**(1,157)**
Profit/(loss) before income tax	**745**	**(812)**	**108**	**(794)**
Income tax expense	(599)	(614)	(152)	(308)
Profit/(loss) for the period	**146**	**(1,426)**	**(44)**	**(1,102)**
Profit attributable to:				
Owners of the Company	146	(1,426)	(44)	(1,102)
Reported EBITDA	**4,625**	**3,446**	**2,068**	**1,389**
Adjusted by:				
Transaction costs	4	1,039	-	786
Net loss on disposal of intangible assets and property, plant and equipment	90	-	-	-
Gain on disposal of subsidiary	(217)	-	(217)	-
Inventory write-off under purchase price allocation exercises	-	34	-	-
Other	126	85	93	12
Normalised EBITDA	**4,628**	**4,604**	**1,944**	**2,187**
Reported net profit/(loss)	**146**	**(1,426)**	**(44)**	**(1,102)**
Normalisation adjustments	278	1,336	16	925
Tax effect on normalization adjustments	1	(11)	-	(4)
Normalised net profit/(loss)	**425**	**(101)**	**(28)**	**(181)**

Commentary on the calculation of normalised EBITDA

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

- *Transaction costs* in 6 months 2019 related to acquisition of Yustina OOO (renamed to Senselle OOO). Transaction costs in 6 months 2018 and Q2 2018 related to the issue of bonds by European Lingerie Group AB and acquisition of Dessus-Dessous S.A.S.
- *Inventory write-off under purchase price allocation exercises* included gross profit margin distortion effect at consolidated level as a result of sale of AO Avangard inventories that had been acquired in the business combination and sold during 2018. At acquisition date, AO Avangard 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 Q1 2018 amounted to EUR 34 thousand.
- *Gain on disposal of subsidiary* included net amount of profit received (difference between consideration received and net assets disposed) as a result of Brafetch GmbH sale. For further details on the transaction refer to Note 19.
- *Other costs* in 6 months 2018 and Q2 2018 included various consultancy costs related to the planned bond listing and further potential acquisitions. Other costs in 6 months 2019 and Q2 2019 included costs related to the establishment and activities of the new subsidiary in Germany - Brafetch GmbH and various consultancy costs related to potential investment projects.
- *Normalisation adjustments for net profit* included interest expense related to the amortization of transaction costs on bonds issue in amount of EUR 275 thousand and EUR 178 thousand for 6 months 2019 and 6 months 2018 respectively (Q2 2019: EUR 140 thousand and Q2 2018: EUR 127 thousand).

Statement of Financial Position

In thousands of EUR	30 June 2019 (Actual)	30 June 2018 (Pro forma)	31 December 2018 (Pro forma)
Assets			
Property, plant and equipment	11,914	11,244	11,729
Intangible assets	14,921	15,469	15,207
Right-of-use assets	3,380	3,901	3,793
Deferred tax assets	1,959	2,927	2,333
Trade and other receivables	411	292	388
Total non-current assets	**32,585**	**33,833**	**33,450**
Inventories	21,127	17,944	19,006
Current tax assets	303	105	384
Trade and other receivables	16,242	14,165	14,032
Contract assets	118	169	26
Prepayments	663	560	940
Cash and cash equivalents	2,185	2,972	1,335
Total current assets	**40,638**	**35,915**	**35,723**
Total assets	**73,223**	**69,748**	**69,173**
Total equity	**5,191**	**5,324**	**4,746**
Liabilities			
Loans and borrowings	41,384	41,415	41,561
Net employee defined benefit liability	3,749	4,427	3,808
Deferred income	455	621	570
Provisions	220	245	213
Deferred tax liabilities	3,565	1,906	3,663
Total non-current liabilities	**49,373**	**48,614**	**49,815**
Loans and borrowings	4,772	2,936	3,304
Trade and other payables	13,305	11,846	10,519
Contract liabilities	157	224	292
Current tax liabilities	174	233	170
Provisions	37	277	111
Deferred income	214	294	216
Total current liabilities	**18,659**	**15,810**	**14,612**
Total liabilities	**68,032**	**64,424**	**64,427**
Total equity and liabilities	**73,223**	**69,748**	**69,173**

Statement of Cash Flows

In thousands of EUR	6 months 2019 (Actual)	6 months 2018 (Pro forma)	Q2 2019 (Actual)	Q2 2018 (Pro forma)
Cash flows from operating activities				
Reported EBITDA	4,625	3,446	2,068	1,389
Adjustments for:				
(Reversal of impairment) / impairment loss on trade receivables and contract assets	(8)	61	(24)	(41)
Net loss on sale of property, plant and equipment	90	-	-	-
Equity-settled share-based payment transactions	52	251	-	125
Income from government grants	(122)	(161)	(63)	(81)
Gain on bargain purchase	(22)	-	-	-
Gain on disposal of subsidiary	(217)	-	(217)	-
Changes in:				
Inventories	(2,119)	(1,228)	(230)	(1,088)
Trade and other receivables	(1,922)	(544)	2,329	1,154
Contract assets	(92)	-	(45)	-
Prepayments	276	41	89	122
Trade and other payables	2,860	179	(1,633)	641
Contract liabilities	(135)	-	(134)	-
Provisions	(67)	58	(7)	113
Net employee defined benefit liability	(94)	(97)	(47)	(48)
Cash generated from operating activities	**3,105**	**2,006**	**2,086**	**2,286**
Interest paid	(1,763)	(1,480)	(870)	(903)
Income taxes paid	(326)	(841)	(212)	(550)
Net cash from/(used in) operating activities	**1,016**	**(315)**	**1,004**	**833**
Cash flows from investing activities				
Interest received	10	3	-	2
Proceeds from sale of property, plant and equipment	7	-	-	-
Cash disposed on disposal of subsidiary	(2)	-	(2)	-
Proceeds from repayment of loans issued	-	424	-	296
Acquisition of subsidiaries net of cash acquired	9	(6,809)	-	(6,240)
Cash acquired in common control transactions	-	1,874	-	-
Acquisition of property, plant and equipment and intangible assets	(1,400)	(317)	(928)	(209)
Deposits placed in restricted accounts	-	(5)	-	-
Deposits released from restricted accounts	-	4,500	-	-
Loans issued	-	(9)	-	-
Loans issued to shareholders in lieu of future dividends	-	(77)	-	-
Net cash used in investing activities	**(1,376)**	**(416)**	**(930)**	**(6,151)**

Statement of Cash Flows
(continued)

In thousands of EUR	6 months 2019 (Actual)	6 months 2018 (Pro forma)	Q2 2019 (Actual)	Q2 2018 (Pro forma)
Cash flows from financing activities				
Proceeds from issue of share capital	-	60	-	-
Proceeds from bonds issue	-	40,000	-	-
Change in bank overdraft	1,546	(156)	218	167
Transaction costs related to bonds issue	-	(1,730)	-	-
Repayment of loans and borrowings	-	(20,021)	-	-
Repayment of convertible notes	-	(12,375)	-	-
Payment of finance lease liabilities	(487)	(471)	(246)	(238)
Dividends paid	-	(866)	-	(597)
Factoring (paid)/ received	(58)	(720)	(7)	(775)
Proceeds from grants and donations	-	2	-	2
Net cash from/(used in) financing activities	**1,001**	**3,723**	**(35)**	**(1,441)**
Net increase in cash and cash equivalents	**641**	**2,992**	**39**	**(6,759)**
Cash and cash equivalents at 1 January / 1 April	1,335	70	2,101	9,777
Effect of movement in exchange rates on cash held	209	(90)	45	(46)
Cash and cash equivalents at 30 June	**2,185**	**2,972**	**2,185**	**2,972**

EUROPEAN LINGERIE GROUP AB

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS AND SECOND QUARTER ENDED 30 JUNE 2019 (UNAUDITED)

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	*1 January 2019 – 31 December 2019*
Reporting period	*1 January 2019 – 30 June 2019*
Information on shareholders	*From 23 April 2019:* *Helike Holdings OU (71.18%),* *Bryum Capial Ltd (24.72%),* *SIA Silver Invest (1.80%),* *SIA Ievades Nozares (1.60%),* *Tuida Holding AB (0.40%) 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)* *Senselle OOO (100% from 2 January 2019)*
Auditors	*Ernst & Young AB* *Jakobsbergsgatan 24* *111 44 Stockholm, Sweden*

Condensed consolidated statement of profit or loss and other comprehensive income

For the second quarter ended 30 June

In thousands of EUR	*Note*	6 months 2019	6 months 2018 Restated*	Q2 2019	Q2 2018 Restated*
Revenue	*4,5*	**39,985**	**34,590**	**18,963**	**17,377**
Other operating income		1,435	991	781	549
Changes in inventories of finished goods and work in progress		2,370	1,608	615	449
Raw materials and services		(15,916)	(12,337)	(7,089)	(6,108)
Employee benefits expense	*6*	(13,526)	(12,306)	(6,692)	(6,105)
Reversal of impairment / (impairment loss) on trade receivables and contract assets		8	(61)	24	41
Depreciation and amortisation		(1,867)	(1,506)	(922)	(747)
Other operating expenses	*7*	(9,731)	(9,921)	(4,534)	(5,216)
Operating profit		**2,758**	**1,058**	**1,146**	**240**
Finance income	*8*	264	290	77	202
Finance costs	*9*	(2,277)	(2,311)	(1,115)	(1,271)
Net finance costs		**(2,013)**	**(2,021)**	**(1,038)**	**(1,069)**
Profit/(loss) before income tax		**745**	**(963)**	**108**	**(829)**
Income tax expense	*10*	(599)	(472)	(152)	(206)
Profit/(loss) for the period attributable to the owners of the Parent Company		**146**	**(1,435)**	**(44)**	**(1,035)**
Other comprehensive income					
Items that are or may be reclassified subsequently to profit or loss					
Foreign operations – foreign currency translation differences		179	(324)	34	(275)
Other comprehensive income, net of tax		**179**	**(324)**	**34**	**(275)**
Total comprehensive income		**325**	**(1,759)**	**(10)**	**(1,310)**

* Comparatives for the 6 months and second quarter ended 30 June 2018 were restated to include reclassification of change in write downs of inventories expense from changes in inventories of finished goods and work in progress to change in write downs of inventories within other operating expenses in the amount of EUR 238 thousand (Q2 2018: EUR 7 thousand).

Condensed consolidated statement of financial position

In thousands of EUR	*Note*	30 June 2019	31 December 2018
Assets			
Property, plant and equipment	*11*	11,914	11,845
Intangible assets		14,921	15,207
Right-of-use assets		3,380	-
Deferred tax assets		1,959	2,307
Trade and other receivables	*13*	411	388
Total non-current assets		**32,585**	**29,747**
Inventories	*12*	21,127	19,006
Current tax assets		303	384
Trade and other receivables	*13*	16,242	14,032
Contract assets		118	26
Prepayments		663	939
Cash and cash equivalents		2,185	1,335
Total current assets		**40,638**	**35,722**
Total assets		**73,223**	**65,469**
Equity			
Share capital	*14*	60	60
Reserves	*14*	(153)	(332)
Retained earnings		5,284	5,086
Total equity		**5,191**	**4,814**
Liabilities			
Loans and borrowings	*15*	41,384	38,767
Net employee defined benefit liability		3,749	3,808
Deferred income		455	570
Provisions		220	213
Deferred tax liabilities		3,565	3,663
Total non-current liabilities		**49,373**	**47,021**
Loans and borrowings	*15*	4,772	2,326
Trade and other payables	*16*	13,305	10,519
Contract liabilities		157	292
Current tax liabilities		174	170
Provisions		37	111
Deferred income		214	216
Total current liabilities		**18,659**	**13,634**
Total liabilities		**68,032**	**60,655**
Total equity and liabilities		**73,223**	**65,469**

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2019

In thousands of EUR	Share capital	Translation reserve	Retained earnings	Total equity
	Attributable to owners of the Parent Company			
Balance at 31 December 2018	**60**	**(332)**	**5,086**	**4,814**
Total comprehensive income				
Profit for the period	-	-	146	146
Other comprehensive income	-	179	-	179
Total comprehensive income	**-**	**179**	**146**	**325**
Transactions with owners of the Group				
Contributions and distributions				
Equity-settled share-based payment	-	-	52	52
Total contributions and distributions	**-**	**-**	**52**	**52**
Total transactions with owners of the Group	**-**	**-**	**52**	**52**
Balance at 30 June 2019	**60**	**(153)**	**5,284**	**5,191**

For the six months ended 30 June 2018

In thousands of EUR	Share capital	Translation reserve	Retained earnings	Total equity
	Attributable to owners of the Parent Company			
Balance at 31 December 2017	**60**	**-**	**-**	**60**
Total comprehensive income				
Loss for the period	-	-	(1,435)	(1,435)
Other comprehensive income	-	(324)	-	(324)
Total comprehensive income	**-**	**(324)**	**(1,435)**	**(1,759)**
Transactions with owners of the Group				
Contributions and distributions				
Acquisition of subsidiary under common control	-	-	6,806	6,806
Equity-settled share-based payment	-	-	251	251
Total contributions and distributions	**-**	**-**	**7,057**	**7,057**
Total transactions with owners of the Group	**-**	**-**	**7,057**	**7,057**
Balance at 30 June 2018	**60**	**(324)**	**5,622**	**5,358**

Condensed consolidated statement of cash flows

For the six months and second quarter ended 30 June

In thousands of EUR	*Note*	6 months 2019	6 months 2018	Q2 2019	Q2 2018
Cash flows from operating activities					
Profit/(loss) for the reporting period		146	(1,435)	(44)	(1,035)
Adjustments for:					
Depreciation		1,493	1,224	736	606
Amortization		374	282	186	141
(Reversal of impairment) / impairment loss on trade receivables and contract assets		(8)	61	(24)	(41)
Income from government grants		(122)	(159)	(63)	(79)
Finance income	*8*	(33)	(33)	(12)	(19)
Finance costs	*9*	2,092	2,092	1,053	1,152
Foreign exchange gains	*8*	(231)	(257)	(65)	(183)
Foreign exchange losses	*9*	185	219	62	119
Net loss on sale of property, plant and equipment		90	-	-	-
Gain on disposal of subsidiary	*19*	(217)	-	(217)	-
Equity-settled share-based payment transactions		52	251	-	125
Gain on bargain purchase	*18*	(22)	-	-	-
Income tax expense	*10*	599	472	152	206
Changes in:					
Inventories		(2,119)	(1,307)	(230)	(1,100)
Trade and other receivables		(1,922)	(642)	2,329	1,171
Contract assets		(92)	-	(45)	-
Prepayments		276	62	89	44
Trade and other payables		2,860	2	(1,633)	448
Contract liabilities		(135)	-	(134)	-
Provisions		(67)	47	(7)	93
Net employee defined benefit liability		(94)	(97)	(47)	(48)
Cash generated from operating activities		**3,105**	**782**	**2,086**	**1,600**
Interest paid		(1,763)	(1,312)	(870)	(820)
Income taxes paid		(326)	(731)	(212)	(501)
Net cash from/(used in) operating activities		**1,016**	**(1,261)**	**1,004**	**279**

Condensed consolidated statement of cash flows (continued)

For the six months and second quarter ended 30 June

In thousands of EUR	*Note*	6 months 2019	6 months 2018	Q2 2019	Q2 2018
Cash flows from investing activities					
Interest received		10	3	-	2
Proceeds from sale of property, plant and equipment		7	-	-	
Proceeds from repayment of loans issued		-	70	-	-
Cash disposed on disposal of subsidiary		(2)	-	(2)	
Acquisition of subsidiary net of cash acquired		9	(6,519)	-	(5,950)
Cash acquired in common control transactions		-	1,874	-	-
Acquisition of property, plant and equipment and intangible assets		(1,400)	(256)	(928)	(159)
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		**(1,376)**	**(410)**	**(930)**	**(6,107)**
Cash flows from financing activities					
Proceeds from issue of share capital		-	60	-	-
Proceeds from bonds issue		-	40,000	-	-
Change in bank overdraft		1,546	(156)	218	167
Transaction costs related to bonds issue		-	(1,730)	-	
Repayment of loans and borrowings		-	(20,021)	-	-
Repayment of convertible notes		-	(12,375)	-	-
Payment of finance lease liabilities		(487)	(58)	(246)	(29)
Payment of dividends		-	(269)	-	-
Receipt/(repayment) of factoring		(58)	(720)	(7)	(775)
Net cash from financing activities		**1,001**	**4,731**	**(35)**	**(637)**
Net increase / (decrease) in cash and cash equivalents		**641**	**3,060**	**39**	**(6,465)**
Cash and cash equivalents at 1 January / 1 April		1,335	-	2,101	9,482
Effect of movement in exchange rates on cash held		209	(88)	45	(45)
Cash and cash equivalents at 30 June		**2,185**	**2,972**	**2,185**	**2,972**

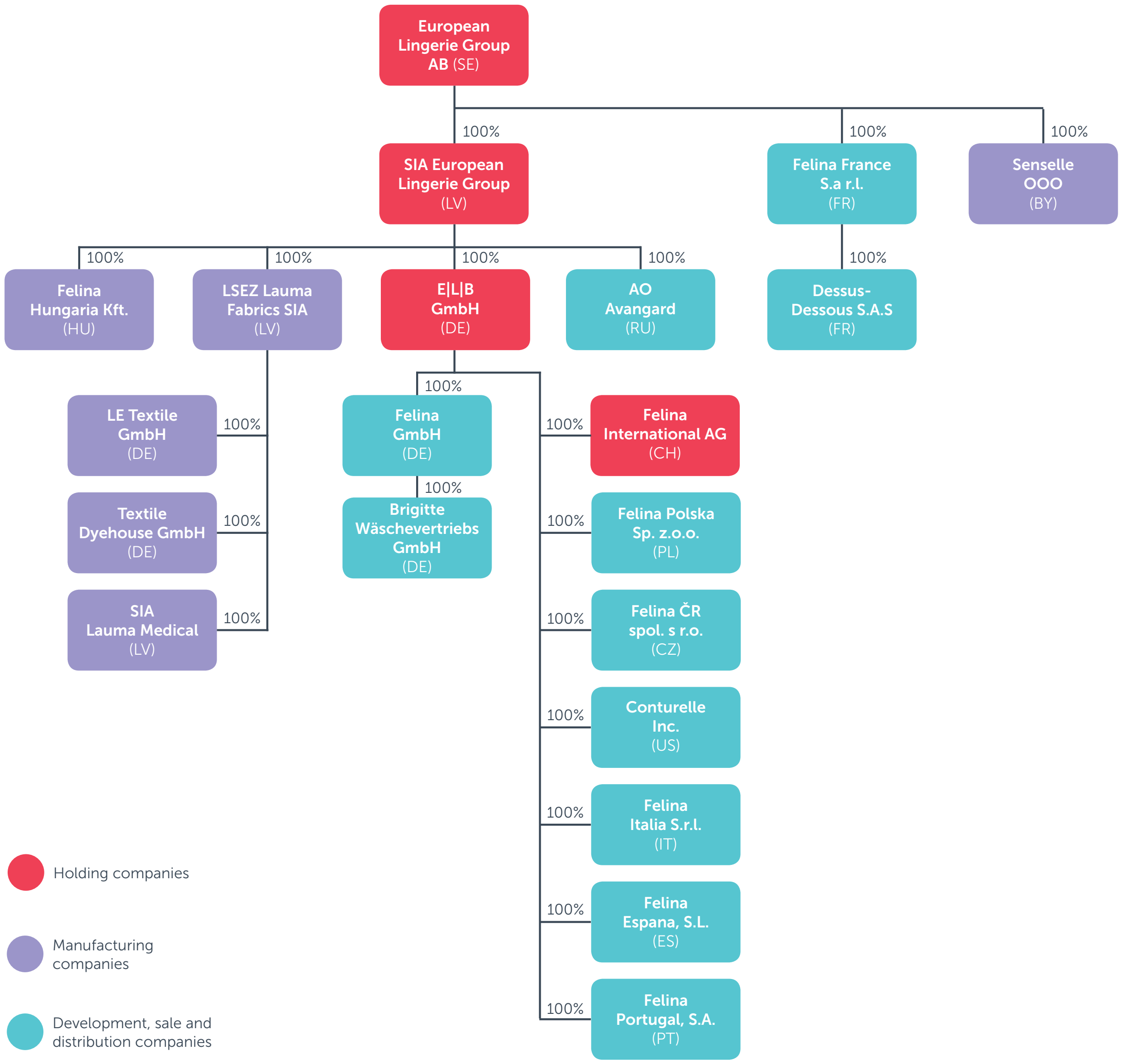
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Reporting entity

European Lingerie Group AB is a company domiciled in Sweden. These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 30 June 2019 comprise the Parent company and its subsidiaries (together referred to as "the Group").

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

At 30 June 2019, the Group structure was as follows:



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

Subsidiary	Place of incorporation and operations	Proportion of ownership interest at 30 June 2019	Principal activity
SIA 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 International AG	Switzerland	100%	Holding Company
Felina Italia S.r.l.	Italy	100%	Wholesale
Felina 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
Senselle OOO	Belarus	100%	Production
SIA Lauma Medical	Latvia	100%	Production and wholesale

Senselle OOO

On 2 January 2019 European Lingerie Group AB acquired Senselle OOO, which was consolidated into the Group starting from 1 January 2019. For more information on acquisition of the subsidiary see Note 18.

Brafetch GmbH

Brafetch GmbH was established by European Lingerie Group AB on 29 January 2019 and was consolidated into the Group starting from that date. The Company is 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. For more information see Note 19.

SIA SistersOf Production

SIA SistersOf Production was established by Brafetch GmbH on 26 March 2019 and was consolidated into the Group starting from that date. The Company is involved in photo and video content production for the Group companies and third parties. On 14 June 2019, SIA SistersOf Production was disposed by the European Lingerie Group AB as a result of Brafetch GmbH sale.

SIA Lauma Medical

SIA Lauma Medical was established by LSEZ Lauma Fabrics SIA on 30 May 2019 and was consolidated into the Group starting from that date. The Company will be involved in production and wholesale of medical textiles under Lauma Medical brand name.

2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim financial reporting and should be read in conjunction with the Group's last annual financial statements as at and for the period ended 31 December 2018 ('last annual financial statements'). The accounting and measurement policies, as well as the assessment bases, applied in the last annual financial statements have also been applied in these interim financial statements. The interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.

These interim financial statements were authorised for issue by the Company's Board of Directors on 12 August 2019.

The interim financial statements are presented in euro, which is the Parent's functional and reporting currency. All financial information has been drawn up in thousands of euros and all the figures have been rounded to the nearest thousand, unless indicated otherwise.

Exchange rates used for the conversion of subsidiary financial information were as follows:

	30 June 2019	Average for 6 months 2019	Average for Q12 2019
1 EUR/CHF	1.1105	1.1295	1.1265
1 EUR/PLN	4.2496	4.2920	4.2823
1 EUR/HUF	323.3900	320.4200	322.9700
1 EUR/CZK	25.4470	25.6850	25.6860
1 EUR/USD	1.1380	1.1298	1.1237
1 EUR/RUB	71.5975	73.7444	74.9279
1 EUR/BYN	2.3251	2.3948	2.3510

	31 December 2018	Average for 6 months 2018	Average for Q12 2018
1 EUR/CHF	1.1269	1.1700	1.1742
1 EUR/PLN	4.3014	4.2200	4.2623
1 EUR/HUF	320.9800	314.1100	317.2000
1 EUR/CZK	25.7240	25.5000	25.5990
1 EUR/USD	1.1450	1.2100	1.1915
1 EUR/RUB	79.7153	71.9600	73.9910
1 EUR/BYN	2.4734	2.4076	2.3907

3. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Group's financial statements as at and for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (if any) is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to reassess whether all existing contracts contain a lease as defined under IFRS 16 at the date of initial application.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessee

The Group leases many assets, including properties, machinery, equipment and other assets.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The carrying amounts of right-of-use assets recognised by the Group are as follows:

In thousands of EUR	Land and buildings	Machinery and equipment	Other assets
Balance at 1 January 2019	3,421	150	419
Balance at 30 June 2019	2,949	102	329

The Group presents lease liabilities in 'loans and borrowings' in the statement of financial position.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified property leases as operating leases under IAS 17. These include office, shops and factory premises. These leases typically run for a period of up to 5 years, with some leases of up to 10 years. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

Previously, the Group classified leases of some items of machinery and other assets as operating leases under IAS 17. These include cars, office equipment and some machines. These leases typically run for a period of up to 5 years.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to lease liability.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases which were classified as finance leases under IAS 17 the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

As a lessor

The Group leases out some premises and classifies these leases as operating leases.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Impacts on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities (excluding leases already classified as finance leases under IAS 17 on transition date) in the amount of EUR 3,831 thousand.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rates applied in the lingerie segment are 7.6% and 9.2%; rate applied in the textiles segment is 8.8%.

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised EUR 3,831 thousand of right-of-use assets and lease liabilities (textiles segment: EUR 277 thousand; lingerie segment: EUR 3,554 thousand) as at 30 June 2019.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expenses. During the six months 2019 ended 30 June 2019, the Group derecognised rent expenses in the amount of EUR 638 thousand (textiles segment: EUR 97 thousand, lingerie segment: EUR 541 thousand), the Group recognised EUR 523 thousand of depreciation charges (textiles segment: EUR 91 thousand; lingerie segment: EUR 432 thousand) and EUR 144 thousand of interest costs (textiles segment: EUR 11 thousand; lingerie segment: EUR 133 thousand) from these leases.

4. Segment information

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

The following summary describes the operations of each reportable segment.

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

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

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

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

6 months 2019

In thousands of EUR	Textiles	Lingerie	Total segments	Unallocated	Consolida-tion adjust-ments	Total
External revenues	17,324	22,661	39,985	-	-	39,985
Intersegment revenue	579	-	579	-	(579)	-
Total revenue	**17,903**	**22,661**	**40,564**	**-**	**`(579)**	**39,985**
Other operating income	521	709	1,230	1,114	(909)	1,435
Changes in inventories of finished goods and work in progress	617	1,753	2,370	-	-	2,370
Raw materials and services	(8,032)	(8,475)	(16,507)	-	591	(15,916)
Employee benefits expense	(4,676)	(8,635)	(13,311)	(215)	-	(13,526)
Depreciation and amortisation	(801)	(1,066)	(1,867)	-	-	(1,867)
Reversal of impairment/ (impairment loss) on trade receivables and contract assets	49	(41)	8	-	-	8
Other operating expenses	(3,392)	(6,124)	(9,516)	(469)	254	(9,731)
Operating profit	**2,189**	**782**	**2,971**	**430**	**(643)**	**2,758**
Interest income	23	147	170	212	(349)	33
Other finance income	109	116	225	6	-	231
Interest expense	(93)	(194)	(287)	(1,948)	332	(1,903)
Other finance costs	(77)	(295)	(372)	(2)	-	(374)
Income tax	(71)	(505)	(576)	(23)	-	(599)
Net profit / (loss)	**2,080**	**51**	**2,131**	**(1,325)**	**(660)**	**146**
Operating profit	2,189	782	2,971	430	(643)	2,758
Depreciation and amortisation	801	1,066	1,867	-	-	1,867
EBITDA	**2,990**	**1,848**	**4,838**	**430**	**(643)**	**4,625**
Segment assets	27,004	45,673	72,677	546	-	73,223
Segment liabilities	8,545	19,842	28,387	39,645	-	68,032
Capital expenditure	1,093	305	1,398	2	-	1,400
Number of employees at reporting date	526	804	1,330	7	-	1,337

Q2 2019

In thousands of EUR	Textiles	Lingerie	Total segments	Unallocated	Consolida-tion adjust-ments	Total
External revenues	8,901	10,062	18,963	-	-	18,963
Intersegment revenue	84	-	84	-	(84)	-
Total revenue	**8,985**	**10,062**	**19,047**	**-**	**(84)**	**18,963**
Other operating income	244	350	594	505	(318)	781
Changes in inventories of finished goods and work in progress	(26)	607	581	-	34	615
Raw materials and services	(3,931)	(3,254)	(7,185)	-	96	(7,089)
Employee benefits expense	(2,379)	(4,199)	(6,578)	(114)	-	(6,692)
Depreciation and amortisation	(333)	(589)	(922)	-	-	(922)
Reversal of impairment on trade receivables and contract assets	23	1	24	-	-	24
Other operating expenses	(1,526)	(2,869)	(4,395)	(232)	93	(4,534)
Operating profit	**1,057**	**109**	**1,166**	**159**	**(179)**	**1,146**
Interest income	11	109	120	107	(215)	12
Other finance income	5	59	64	1	-	65
Interest expense	(46)	(107)	(153)	(987)	178	(962)
Other finance costs	(10)	(142)	(152)	(1)	-	(153)
Income tax	(9)	(156)	(165)	13	-	(152)
Net profit / (loss)	**1,008**	**(128)**	**880**	**(708)**	**(216)**	**(44)**
Operating profit	1,057	109	1,166	159	(179)	1,146
Depreciation and amortisation	333	589	922	-	-	922
EBITDA	**1,390**	**698**	**2,088**	**159**	**(179)**	**2,068**
Segment assets	27,004	45,673	72,677	546	-	73,223
Segment liabilities	8,545	19,842	28,387	39,645	-	68,032
Capital expenditure	837	90	927	1	-	928
Number of employees at reporting date	526	804	1,330	7	-	1,337

6 months 2018
Restated*

In thousands of EUR	Textiles	Lingerie	Total segments	Unallocated	Consolida-tion adjust-ments	Total
External revenues	16,416	18,174	34,590	-	-	34,590
Intersegment revenue	616	-	616	-	(616)	-
Total revenue	**17,032**	**18,174**	**35,206**	**-**	**(616)**	**34,590**
Other operating income	682	316	998	2,530	(2,537)	991
Changes in inventories of finished goods and work in progress	432	1,176	1,608	-	-	1,608
Raw materials and services	(7,296)	(5,630)	(12,926)	-	589	(12,337)
Employee benefits expense	(4,518)	(7,525)	(12,043)	(263)	-	(12,306)
Depreciation and amortisation	(919)	(586)	(1,505)	(1)	-	(1,506)
Impairment loss on trade receivables and contract assets	(26)	(35)	(61)	-	-	(61)
Other operating expenses	(3,249)	(5,277)	(8,526)	(1,520)	125	(9,921)
Operating profit	**2,138**	**613**	**2,751**	**746**	**(2,439)**	**1,058**
Interest income	223	61	284	102	(353)	33
Other finance income	42	213	255	2	-	257
Interest expense	(320)	(45)	(365)	(1,851)	339	(1,877)
Other finance costs	(65)	(369)	(434)	-	-	(434)
Income tax	(56)	(416)	(472)	-	-	(472)
Net profit	**1,962**	**57**	**2,019**	**(1,001)**	**(2,453)**	**(1,435)**
Operating profit	2,138	613	2,751	746	(2,439)	1,058
Depreciation and amortisation	919	586	1,505	1	-	1,506
EBITDA	**3,057**	**1,199**	**4,256**	**747**	**(2,439)**	**2,564**
Segment assets	24,520	40,572	65,092	869	-	65,961
Segment liabilities	6,657	10,601	17,258	43,345	-	60,603
Capital expenditure	149	148	297	1	-	298
Number of employees at reporting date	536	717	1,253	8	-	1,261

Q2 2018
Restated*

In thousands of EUR	Textiles	Lingerie	Total segments	Unallocated	Consolida-tion adjust-ments	Total
External revenues	8,662	8,715	17,377	-	-	17,377
Intersegment revenue	296	-	296	-	(296)	-
Total revenue	**8,958**	**8,715**	**17,673**	**-**	**(296)**	**17,377**
Other operating income	396	152	548	2,519	(2,518)	549
Changes in inventories of finished goods and work in progress	128	321	449	-	-	449
Raw materials and services	(3,808)	(2,575)	(6,383)	-	275	(6,108)
Employee benefits expense	(2,302)	(3,647)	(5,949)	(156)	-	(6,105)
Depreciation and amortisation	(457)	(289)	(746)	(1)	-	(747)
Reversal of impairment on trade receivables and contract assets	9	32	41	-	-	41
Other operating expenses	(1,646)	(2,660)	(4,306)	(972)	62	(5,216)
Operating profit	**1,278**	**49**	**1,327**	**1,390**	**(2,477)**	**240**
Interest income	13	34	47	82	(110)	19
Other finance income	17	164	181	2	-	183
Interest expense	(110)	(32)	(142)	(950)	112	(980)
Other finance costs	(35)	(256)	(291)	-	-	(291)
Income tax	(79)	(127)	(206)	-	-	(206)
Net profit	**1,084**	**(168)**	**916**	**524**	**(2,475)**	**(1,035)**
Operating profit	1,278	49	1,327	1,390	(2,477)	240
Depreciation and amortisation	457	289	746	1	-	747
EBITDA	**1,735**	**338**	**2,073**	**1,391**	**(2,477)**	**987**
Segment assets	24,520	40,572	65,092	869	-	65,961
Segment liabilities	6,657	10,601	17,258	43,345	-	60,603
Capital expenditure	54	115	169	-	-	169
Number of employees at reporting date	536	717	1,253	8	-	1,261

* Comparatives for the 6 months and second quarter ended 30 June 2018 were restated to include reclassification of change in write downs of inventories expense from changes in inventories of finished goods and work in progress to change in write downs of inventories within other operating expenses in the amount of EUR 238 thousand (Q2 2018: EUR 7 thousand).

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	6 months 2019	6 months 2018
Germany	8,731	9,157
Russia	5,267	3,572
Baltic States	4,777	5,387
France	3,331	1,417
Belarus	2,942	2,191
Poland	2,389	2,309
The Netherlands	2,034	2,127
Spain	1,476	1,363
Morocco	1,348	1,107
Italy	1,119	801
Belgium, Luxemburg	760	677
Ukraine	733	930
Austria	540	464
Swiss, Liechtenstein	534	517
Great Britain	474	242
Sweden	123	82
Other countries	3,407	2,247
Total	**39,985**	**34,590**

In thousands of EUR	Q2 2019	Q2 2018
Germany	4,663	4,779
Russia	2,471	2,192
Baltic States	2,517	3,099
France	1,441	602
Belarus	1,423	904
Poland	1,130	1,110
The Netherlands	1,051	1,089
Spain	359	328
Morocco	697	531
Italy	363	397
Belgium, Luxemburg	311	277
Ukraine	385	482
Austria	148	164
Swiss, Liechtenstein	214	213
Great Britain	194	115
Sweden	83	59
Other countries	1,513	1,036
Total	**18,963**	**17,377**

Non-current non-financial assets

In thousands of EUR	30 June 2019	31 December 2018
Germany	10,896	9,630
Latvia	8,320	8,023
France	6,088	5,415
Hungary	2,731	2,829
Russia	981	980
Other countries	1,199	175
Total	**30,215**	**27,052**

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

5. Revenue

(i) Revenue streams

The Group generates revenue primarily from the sale of textiles and lingerie products (see Note 4). 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	6 months 2019	6 months 2018	Q2 2019	Q2 2018
Sales of goods	39,573	34,175	18,763	17,133
Rendering of services	412	415	200	244
Total	**39,985**	**34,590**	**18,963**	**17,377**

(ii) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographic markets. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 4).

	6 months 2019		
In thousands of EUR	Textiles	Lingerie	Total
Germany	1,431	7,300	8, 731
Russia	2,745	2,522	5,267
Baltic States	4,677	100	4,777
France	478	2,853	3,331
Belarus	2,930	12	2,942
Poland	1,106	1,283	2,389
The Netherlands	44	1,990	2,034
Spain	29	1,447	1,476
Morocco	1,348	-	1,348
Italy	98	1,021	1,119
Belgium, Luxemburg	72	688	760
Ukraine	704	29	733
Austria	225	315	540
Swiss, Liechtenstein	-	534	534
Great Britain	154	320	474
Sweden	57	66	123
Other countries	1,226	2,181	3,407
External revenue as reported in Note 4	**17,324**	**22,661**	**39,985**

		6 months 2018	
In thousands of EUR	**Textiles**	**Lingerie**	**Total**
Germany	1,576	7,581	9,157
Russia	1,804	1,768	3,572
Baltic States	5,379	8	5,387
France	724	693	1,417
Belarus	2,191	-	2,191
Poland	1,323	986	2,309
The Netherlands	114	2,013	2,127
Spain	45	1,318	1,363
Morocco	1,107	-	1,107
Italy	96	705	801
Belgium, Luxemburg	97	580	677
Ukraine	923	7	930
Austria	194	270	464
Swiss, Liechtenstein	1	516	517
Great Britain	80	162	242
Sweden	-	82	82
Other countries	762	1,485	2,247
External revenue as reported in Note 4	**16,416**	**18,174**	**34,590**

		Q2 2018	
In thousands of EUR	**Textiles**	**Lingerie**	**Total**
Germany	758	4,021	4,779
Russia	1,186	1,006	2,192
Baltic States	3,093	6	3,099
France	357	245	602
Belarus	904	-	904
Poland	660	450	1,110
Spain	20	308	328
The Netherlands	12	1,077	1,089
Italy	36	361	397
Morocco	531	-	531
Belgium, Luxemburg	64	213	277
Austria	125	39	164
Ukraine	477	5	482
Swiss, Liechtenstein	-	213	213
Great Britain	27	88	115
Sweden	-	59	59
Other countries	412	624	1,036
External revenue as reported in Note 4	**8,662**	**8,715**	**17,377**

		Q2 2019	
In thousands of EUR	**Textiles**	**Lingerie**	**Total**
Germany	711	3,952	4,663
Russia	1,515	956	2,471
Baltic States	2,456	61	2,517
France	192	1,249	1,441
Belarus	1,423	-	1,423
Poland	572	558	1,130
Spain	16	343	359
The Netherlands	14	1,037	1,051
Italy	52	311	363
Morocco	697	-	697
Belgium, Luxemburg	38	273	311
Austria	100	48	148
Ukraine	374	11	385
Swiss, Liechtenstein	-	214	214
Great Britain	63	131	194
Sweden	45	38	83
Other countries	633	880	1,513
External revenue as reported in Note 4	**8,901**	**10,062**	**18,963**

6. Employee benefits expense

In thousands of EUR	**6 months 2019**	**6 months 2018**	**Q2 2019**	**Q2 2018**
Wages and salaries	10,656	9,838	5,292	4,867
Social security contributions	2,399	2,026	1,192	1,007
Expenses related to post-employment defined benefit plans	4	4	2	2
Other employee benefits	467	438	206	229
Total	**13,526**	**12,306**	**6,692**	**6,105**

7. Other operating expenses

In thousands of EUR	6 months 2019	6 months 2018 Restated*	Q2 2019	Q2 2018 Restated*
Sales and marketing	2,367	1,710	1,130	870
Utilities	1,632	1,643	674	711
Storage, transportation and packaging	996	620	507	331
Change in write downs to net realizable value for obsolete and slow-moving inventories	677	596	310	367
Repair and maintenance	428	400	210	211
Professional services	465	1,592	267	1,017
Travel expenses	411	323	228	174
IT and communication	342	192	167	94
Rents	267	839	122	386
Bank services	177	182	91	85
Expenses related to share-based payment arrangements	52	251	-	125
Real estate tax	33	25	31	13
Other operating expenses	1,884	1,548	797	832
Total	**9,731**	**9,921**	**4,534**	**5,216**

* Comparatives for the 6 months and second quarter ended 30 June 2018 were restated to include reclassification of change in write downs of inventories expense from changes in inventories of finished goods and work in progress to change in write downs of inventories within other operating expenses in the amount of EUR 238 thousand (Q2 2018: EUR 7 thousand).

8. Finance income

In thousands of EUR	6 months 2019	6 months 2018
Interest income under the effective interest method on:		
Trade and other receivables	33	33
Total interest income arising from financial assets measured at amortised cost	**33**	**33**
Foreign exchange gains	231	257
Finance income – other	**231**	**257**
Total	**264**	**290**

In thousands of EUR	Q2 2019	Q2 2018
Interest income under the effective interest method on:		
Trade and other receivables	12	19
Total interest income arising from financial assets measured at amortised cost	**12**	**19**
Foreign exchange gains	65	183
Finance income – other	**65**	**183**
Total	**77**	**202**

9. Finance costs

In thousands of EUR	6 months 2019	6 months 2018
Interest expense on financial liabilities measured at amortised cost	2,047	1,877
Foreign exchange losses	185	219
Interest expense on net employee defined benefit liability	35	34
Fines and penalties	10	2
Net change in fair value of financial assets at fair value through profit and loss	-	179
Total	**2,277**	**2,311**

In thousands of EUR	Q2 2019	Q2 2018
Interest expense on financial liabilities measured at amortised cost	1,028	980
Foreign exchange losses	62	119
Interest expense on nnet employee defined benefit liability	18	17
Fines and penalties	7	1
Net change in fair value of financial assets at fair value through profit and loss	-	154
Total	**1,115**	**1,271**

EUR 2,047 thousand of interest expense in 6 months 2019 (Q2 2019: EUR 1,028 thousand) consist of EUR 1,763 thousand (Q2 2019: EUR 879 thousand) of interest expense on loans and borrowings, EUR 275 thousand (Q2 2019: EUR 140 thousand) of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value and EUR 9 thousand (Q2 2019: EUR 9 thousand) of interest expense on trade and other payables.

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

10. Income tax expense

The income tax rate applied to the Parent in 2019 was 21.4% (22.0% in 2018).

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

In thousands of EUR	6 months 2019	6 months 2018	Q2 2019	Q2 2018
Current tax expense				
Current period	378	209	84	112
Deferred tax expense				
Origination and reversal of temporary differences	221	263	68	94
Income tax expense reported in profit or loss	**599**	**472**	**152**	**206**

11. Property, plant and equipment

During the six months and the second quarter ended 30 June 2019, the Group acquired assets with a cost of EUR 1,246 thousand and EUR 876 thousand respectively, excluding property, plant and equipment acquired through a business combination (see Note 18).

Assets with a net book value of EUR 97 thousand were disposed by the Group during the six months ended 30 June 2019 (6 months 2018: none), resulting in a net loss on disposal of EUR 90 thousand (6 months 2018: none). There were no disposals in Q2 2019 and Q2 2018.

12. Inventories

In thousands of EUR	30 June 2019	31 December 2018
Finished goods	12,389	10,505
Raw materials and consumables	6,522	6,530
Work in progress	2,111	1,878
Goods in transit	11	-
Right to recover returned goods	94	93
Total	**21,127**	**19,006**

13. Trade and other receivables

In thousands of EUR	30 June 2019	31 December 2018
Financial trade and other receivables		
Trade receivables	16,319	14,390
Loans to related parties (Note 17)	871	848
Trade receivables due from related parties (Note 17)	703	669
Other receivables due from related parties (Note 17)	369	-
Other receivables	238	386
Allowance for trade and other receivables	(1,015)	(1,055)
Allowance for trade and other receivables due from related parties (Note 17)	(617)	(645)
Allowance for loans to related parties (Note 17)	(460)	(460)
	16,408	**14,133**
Non-financial trade and other receivables		
VAT receivable	175	202
Social contributions receivable	13	2
Other taxes receivable	21	17
Deferred expenses	36	66
	245	**287**
Total	**16,653**	**14,420**
Non-current	411	388
Current	16,242	14,032
Total	**16,653**	**14,420**

Trade receivables at 30 June 2019 in the gross amount of EUR 16,319 thousand mostly comprise receivables for goods sold.

The Group sold with recourse trade receivables to a factoring company with cash proceeds. These trade receivables were not derecognised from the statement of financial position, because the Group retains substantially all of the risks and rewards – primarily credit risk. The amount received on transfer was recognised as secured other loans (see Note 15).

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

In thousands of EUR	30 June 2019	31 December 2018
Carrying amount of trade receivables transferred to a factoring company	851	1,011
Carrying amount of associated liabilities	723	770

14. Capital and reserves

Share capital

Number of shares	2019
In issue at 1 January	60,000
Issued for cash	-
In issue at 30 June – fully paid	**60,000**
Nominal value of one share, EUR	1

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

Nature and purpose of reserves

Reserves include translation reserve in the amount of EUR -153 thousand which comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

15. Loans and borrowings

In thousands of EUR	30 June 2019	31 December 2018
Non-current liabilities		
Bonds	38,988	38,713
Lease liabilities	2,355	54
Long-term secured bank loans	41	-
Total	**41,384**	**38,767**
Current liabilities		
Short-term secured bank loans	2,685	1,147
Short-term unsecured bank loans	-	33
Secured other loans	723	770
Bonds	336	336
Current portion of lease liabilities	1,028	40
Total	**4,772**	**2,326**

Lease liabilities increased compared to 31 December 2018 as a result of adoption of IFRS 16 by the Group on 1 January 2019. EUR 3,308 thousand out of total amount of lease liabilities outstanding at 30 June 2019 refer to new leases recognised under IFRS 16. Secured other loans represent amounts received from factoring companies, see Note 13.

16. Trade and other payables

In thousands of EUR	30 June 2019	31 December 2018
Financial trade and other payables		
Trade payables	8,002	5,671
Accrued expenses	2,321	2,184
Other payables to related parties (Note 17)	74	12
Payables to personnel	831	735
Other payables	630	811
	11,858	**9,413**
Non-financial trade and other payables		
Refund liabilities	270	186
VAT payable	355	140
Personal income tax payable	301	259
Social contributions payable	474	475
Other taxes payable	47	46
	1,447	**1,106**
Total	**13,305**	**10,519**
Non-current	-	-
Current	13,305	10,519
Total	**13,305**	**10,519**

17. Related parties

Transactions with key management personnel

Key management personnel compensation for the 6 months and second quarter ended 30 June 2019 amounted to EUR 413 thousand and EUR 229 thousand respectively (6 months and Q2 2018: EUR 474 thousand and EUR 261 thousand respectively) 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 6 months 2019	Transaction values for 6 months 2018	Transaction values for Q2 2019	Transaction values for Q2 2018	Balance outstanding at 30 June 2019	Balance outstanding at 31 December 2018
Sales of goods and services						
Joint ventures	24	27	9	9	-	-
Other related parties	1	89	1	1	-	-
Purchases of goods and services						
Shareholders	9	-	-	-	-	-
Other related parties	220	1,674	159	968	-	-
Gain on disposal of subsidiary						
Shareholders	217	-	217	-	-	-
Interest income accrued during the year						
Joint ventures	21	21	11	11	-	-
Shareholders	2	3	1	1	-	-
Loans granted	**-**		**-**			
Shareholders	-	77	-	-	-	-
Trade and other receivables						
Joint ventures	-	-	-	-	82	52
Other related parties	-	-	-	-	990	617
Allowance for trade and other receivables						
Joint ventures	-	-	-	-	-	(28)
Other related parties	-	-	-	-	(617)	(617)
Other payables						
Shareholders	-	-	-	-	5	10
Other related parties	-	-	-	-	69	2
Loans receivable, gross amount						
Joint ventures	-	-	-	-	607	607
Shareholders	-	-	-	-	134	134
Allowance for loans receivable						
Joint ventures	-	-	-	-	(460)	(460)
Interest receivable						
Joint ventures	-	-	-	-	120	99
Shareholders	-	-	-	-	10	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.

18. Acquisition of subsidiary

Senselle OOO

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 by Felina brand production. The acquisition was financed by the Group's own resources.

Cash consideration transferred for the Company was EUR 19 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	4
Right of use asset	18
Inventories	2
Trade and other receivables	25
Cash and cash equivalents	28
Loans and borrowings	(18)
Trade and other payables	(18)
Total	**41**

The Group recognised bargain purchase as a result of acquisition as follows:

In thousands of EUR	
Consideration transferred	(19)
Book value of identifiable net assets	41
Income from bargain purchase	**22**

The Group recognised income on bargain purchase within other operating income.

19. Disposal of subsidiary

In January 2019 European Lingerie Group AB established a new subsidiary Brafetch GmbH which is involved in the implementation of the omni-channel strategy of the Group. In March 2019, Brafetch GmbH established its subsidiary SistersOf Production SIA.

On 14 June 2019, European Lingerie Group AB sold Brafetch GmbH to its shareholder – Helike Holdings OU.

Effect of Brafetch GmbH disposal on the financial statements of the Group was as follows:

In thousands of EUR	
Intangible assets	(76)
Current tax assets	(54)
Cash and cash equivalents	(2)
Current tax liabilities	47
Short-term other payables	277
Net assets and liabilities disposed	**192**
Consideration received	25
Gain on disposal	**217**

The Group recognised gain on disposal of subsidiary within other operating income.

Short-term other payables disposed comprised other payables to European Lingerie Group AB in the amount of EUR 270 thousand.

During 5 months 2019, Brafetch GmbH reported net loss in the amount of EUR 44 thousand excluding the effect of intragroup transactions.

The Group did not have any tax expenses as a result of Brafetch GmH disposal.

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. The assets of the Parent Company consist of shares in SIA European Lingerie Group, Felina France S.a.r.l, and Senselle OOO as of 30 June 2019. Net loss of European Lingerie Group AB for the six months and the second quarter ended 30 June 2019 totalled EUR 804 thousand and EUR 444 thousand respectively (6 months 2018: loss of EUR 1,445 thousand, Q2 2018: loss of EUR 1,037 thousand).

Accounting Principles

The interim 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.

Condensed Parent Company statement of profit or loss and other comprehensive income

For the six months and second quarter ended 30 June

In thousands of EUR	*Note*	6 months 2019	6 months 2018	Q2 2019	Q2 2018
Other operating income		160	-	129	-
Employee benefits expense	*20*	(61)	(50)	(35)	(37)
Other operating expenses		(283)	(944)	(218)	(684)
Operating loss		**(184)**	**(994)**	**(124)**	**(721)**
Finance income	*21*	1,217	830	606	604
Finance costs	*22*	(1,837)	(1,281)	(926)	(920)
Net finance costs		**(620)**	**(451)**	**(320)**	**(316)**
Loss before income tax		**(804)**	**(1,445)**	**(444)**	**(1,037)**
Income tax expense		-	-	-	-
Loss for the period		**(804)**	**(1,445)**	**(444)**	**(1,037)**
Total comprehensive income		**(804)**	**(1,445)**	**(444)**	**(1,037)**

Condensed Parent Company statement of financial position

In thousands of EUR	*Note*	30 June 2019	31 December 2018
Assets			
Shares in subsidiaries		46,328	46,309
Receivables from Group companies	*23*	33,630	33,795
Total non-current assets		**79,958**	**80,104**
Receivables from Group companies	*23*	179	172
Other receivables	*23*	242	23
Prepaid expenses and accrued income		31	127
Cash and cash equivalents		2	40
Total current assets		**454**	**362**
Total assets		**80,412**	**80,466**
Equity			
Restricted equity			
Share capital		60	60
Non-restricted equity			
Shareholder contribution		43,500	43,500
Net income		(3,223)	(2,419)
Total equity		**40,337**	**41,141**
Liabilities			
Loans and borrowings	*24*	39,413	38,713
Total non-current liabilities		**39,413**	**38,713**
Liabilities to Group companies	*25*	131	58
Other liabilities	*25*	190	109
Accrued expenses and deferred income	*25*	341	445
Total current liabilities		**662**	**612**
Total liabilities		**40,075**	**39,325**
Total equity and liabilities		**80,412**	**80,466**

Condensed Parent Company statement of changes in equity

For the six months ended 30 June 2019

	Restricted equity	Non-restricted equity		
In thousands of EUR	Share capital	Shareholder contribution	Net income	Total equity
Balance at 31 December 2018	**60**	**43,500**	**(2,419)**	**41,141**
Total comprehensive income				
Loss for the period	-	-	(804)	(804)
Total comprehensive income	**-**	**-**	**(804)**	**(804)**
Balance at 30 June 2019	**60**	**43,500**	**(3,223)**	**40,337**

For the six months ended 30 June 2018

	Restricted equity	Non-restricted equity		
In thousands of EUR	Share capital	Shareholder contribution	Net income	Total equity
Balance at 31 December 2017	**60**	**-**	**-**	**60**
Total comprehensive income				
Loss for the period	-	-	(1,445)	(1,445)
Total comprehensive income	**-**	**-**	**(1,445)**	**(1,445)**
Transactions with owners of the Company				
Contributions and distributions				
Shareholder contribution received	-	43,500	-	43,500
Total contributions and distributions	**-**	**43,500**	**-**	**43,500**
Total transactions with owners of the Company	**-**	**43,500**	**-**	**43,500**
Balance at 30 June 2018	**60**	**43,500**	**(1,445)**	**42,115**

Condensed Parent Company statement of cash flows

For the six months and second quarter ended 30 June

In thousands of EUR	*Note*	6 months 2019	6 months 2018	Q2 2019	Q2 2018
Cash flows from operating activities					
Loss for the reporting period		(804)	(1,445)	(444)	(1,037)
Adjustments for:					
Finance income	*21*	(1,215)	(830)	(605)	(604)
Finance costs	*22*	1,835	1,280	925	919
Foreign exchange gains	*21*	(2)	-	(1)	-
Foreign exchange losses	*22*	2	1	1	1
Changes in:					
Trade and other receivables		(164)	(5)	(90)	(3)
Prepayments		101	-	92	-
Trade and other payables		46	107	95	(793)
Cash used in operating activities		**(201)**	**(892)**	**(27)**	**(1,517)**
Interest paid		(1,559)	(766)	(767)	(766)
Net cash used in operating activities		**(1,760)**	**(1,658)**	**(794)**	**(2,283)**
Cash flows from investing activities					
Interest received		119	-	102	-
Acquisition of subsidiary		(44)	(2,809)	(3)	(2,809)
Deposits placed in restricted accounts		-	(5)	-	-
Loans issued		(373)	(37,872)	(293)	(1,050)
Proceeds from repayment of loans issued		1,594	4,389	522	-
Net cash from/(used in) investing activities		**1,296**	**(36,297)**	**328**	**(3,859)**
Cash flows from financing activities					
Proceeds from issue of share capital		-	60	-	-
Proceeds from bonds issue		-	40,000	-	-
Transaction costs related to bonds issue		-	(1,730)	-	-
Proceeds from loans and borrowings		426	-	426	-
Net cash from financing activities		**426**	**38,330**	**426**	**-**
Net (decrease) / increase in cash and cash equivalents		**(38)**	**375**	**(40)**	**(6,142)**
Cash and cash equivalents at 1 January / 1 April		40	-	42	6,517
Cash and cash equivalents at 30 June		**2**	**375**	**2**	**375**

NOTES TO THE CONDENSED PARENT COMPANY INTERIM FINANCIAL STATEMENTS

20. Employee benefits expense

In thousands of EUR	6 months 2019	6 months 2018	Q2 2019	Q2 2018
Wages and salaries	50	38	28	28
Social security contributions	11	12	7	9
Total	**61**	**50**	**35**	**37**

As of 30 June 2019, 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 26.

21. Finance income

In thousands of EUR	6 months 2019	6 months 2018
Interest income under the effective interest method on:		
Receivables from Group companies	1,215	830
Total interest income arising from financial assets measured at amortised cost	**1,215**	**830**
Foreign exchange gains	2	-
Finance income – other	**1,217**	**830**

In thousands of EUR	Q2 2019	Q2 2018
Interest income under the effective interest method on:		
Receivables from Group companies	605	604
Total interest income arising from financial assets measured at amortised cost	**605**	**604**
Foreign exchange gains	1	-
Finance income – other	**606**	**604**

21. Finance costs

In thousands of EUR	6 months 2019	6 months 2018
Interest expense on financial liabilities measured at amortised cost	1,835	1,280
Foreign exchange losses	2	1
Total	**1,837**	**1,281**

In thousands of EUR	Q2 2019	Q2 2018
Interest expense on financial liabilities measured at amortised cost	925	919
Foreign exchange losses	1	1
Total	**926**	**920**

EUR 1,835 thousand of interest expense in the six months 2019 consist of EUR 1,558 thousand of interest expense on bonds, EUR 275 thousand of interest expense related to the amortisation of transaction costs on bonds issue which were deducted from the bond nominal value and EUR 2 thousand on loans from Group companies (Q2 2019: interest expense in the amount of EUR 925 thousand consist of EUR 783 thousand of interest expense on bonds, EUR 140 thousand of interest expense related to the amortisation of transaction costs on bonds issue and EUR 2 thousand on loans from Group companies).

EUR 1,280 thousand of interest expense in the six months 2018 consist of EUR 1,102 thousand of interest expense on bonds and EUR 178 thousand of interest expense related to the amortisation of transaction costs on bonds issue (Q2 2018: interest expense in the amount of EUR 919 thousand consist of EUR 792 thousand of interest expense on bonds and EUR 127 thousand of interest expense related to the amortisation of transaction costs on bonds issue).

23. Trade and other receivables

In thousands of EUR	30 June 2019	31 December 2018
Financial trade and other receivables		
Loans to Group companies (Note 26)	33,630	33,795
Other receivables from Group Companies (Note 26)	179	172
Other receivables due from related parties (Note 26)	195	-
Other receivables	5	5
	34,009	**33,972**
Non-financial trade and other receivables		
VAT receivable	42	18
	42	18
Total	**34,051**	**33,990**
Non-current	33,630	33,795
Current	421	195
Total	**34,051**	**33,990**

24. Loans and borrowings

Loans and borrowings for the six months ended 30 June 2019 comprise secured bonds in the amount of EUR 38,988 thousand (31 December 2018: EUR 38,713 thousand) and loans from Group Companies in the amount of EUR 425 thousand.

25. Other liabilities

In thousands of EUR	30 June 2019	31 December 2018
Financial trade and other payables		
Accrued interest on bonds	336	336
Accrued interest on loans from Group companies (Note 26)	2	-
Other accrued expenses	3	109
Other payables to Group companies (Note 26)	131	58
Other payables to related parties (Note 26)	55	12
Payables to personnel	72	29
Other payables	40	62
	639	**606**
Non-financial trade and other payables		
Personal income tax payable	12	3
Social contributions payable	11	3
	23	**6**
Total	**662**	**612**
Non-current	-	-
Current	662	612
Total	**662**	**612**

26. Related parties

Transactions with key management personnel

Key management personnel compensation for the six months and second quarter ended 30 June 2019 amounted to EUR 61 thousand and EUR 35 thousand respectively (6 months 2018: EUR 50 thousand; Q2 2018: EUR 13 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 6 months 2019	Transaction values for 6 months 2018	Transaction values for Q2 2019	Transaction values for Q2 2018	Balance outstanding at 30 June 2019	Balance outstanding at 31 December 2018
Sales of goods and services						
Subsidiaries	58	-	27	-	-	-
Purchases of goods and services						
Shareholders	9	-	-	-	-	-
Subsidiaries	31	237	18	4	-	-
Other related parties	77	1,320	64	665	-	-
Interest income accrued during the period						
Subsidiaries	1,215	830	605	604	-	-
Interest expense accrued during the period						
Subsidiaries	2	-	2	-	-	-
Loans granted						
Subsidiaries	373	37,872	293	1,050	-	-
Loans received						
Subsidiaries	425	-	425	-	-	-
Other receivables						
Subsidiaries	-	-	-	-	179	172
Other related parties	-	-	-	-	195	-
Loans receivable						
Subsidiaries	-	-	-	-	29,536	30,798
Interest receivable						
Subsidiaries	-	-	-	-	4,094	2,997
Loans payable						
Subsidiaries	-	-	-	-	425	-
Interest payable						
Subsidiaries	-	-	-	-	2	-
Other payables						
Subsidiaries	-	-	-	-	131	58
Shareholders	-	-	-	-	5	-
Other related parties	-	-	-	-	50	12

As the Parent Company carries out holding operations through investing in and managing assets, all loans issued and outstanding as of 30 June 2019 are intra-group loans.

All related party transactions of the Group have been made on market terms in all material aspects.

STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of European Lingerie Group AB has reviewed and approved condensed consolidated and Parent Company interim financial statements for the six months and second quarter ended 30 June 2019.

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act and give a true and fair view of the consolidated and Parent Company financial position, financial performance and cash flows.

Stockholm, 12 August 2019

Indrek Rahumaa
Chairman of the Board

Fredrik Synnerstad
Board member

Dmitry Ditchkovsky
Board member

Peter Partma
Board member, CEO

E | L | G

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