



European Lingerie Group AB publishes First Quarter Report for 2019

European Lingerie Group AB (ELG or the “Group”) publishes unaudited First Quarter Report for 2019 (January 1 – March 31, 2019), including pro forma and condensed interim financial statements.

“In 2019, the Group’s new product lines, including our new brand Senselle by Felina and also Felina swimwear, have started bringing good volumes. The sales results of the first quarter of 2019 were satisfactory and for the second quarter in a row the Group demonstrated the sales growth. The contribution of these new products to total sales will continue with increasing pace throughout the whole year,” commented CEO of ELG, Mr. Peter Partma.

“Unfortunately, the continuing trend of the overall change of retail concept in Southern and Central Europe and slowdown of macroeconomy in most European markets will limit our potential growth to some extent,” added Mr. Partma.

“On the production side, we continue investing in our manufacturing base in order to improve the quality of our products as well as to be able to offer better and new materials to our 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,” noted Mr. Partma.

In January 2019, the Group acquired Yustina OOO (later renamed to Senselle OOO), a lingerie ready garment producer in Belarus. This acquisition is part of ELG strategy to expand its operations and add capacity for private label and *Senselle by Felina* brand production.

In January 2019, the Group also established a new subsidiary Brafetch GmbH and in March 2019 Brafetch GmbH established a new subsidiary SistersOf Production SIA. Both companies will be involved in the implementation of the omni-channel strategy of the Group and launching of a new lingerie Marketplace.

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

On the profitability side, the Group’s Management is fully focused that ELG complies with the bond covenant’s requirements and several improvement steps are in the implementation process.

Financial performance of the Group was analysed on the basis of the reported financial information of European Lingerie Group AB for Q1 2019 as well as pro forma financial information for Q1 2018.

The Group’s sales amounted to EUR 21,022 thousand in Q1 2019 (Q1 2018: EUR 19,357 thousand), representing an 8.6% increase as compared to pro forma sales of Q1 2018. In Q1 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 textile segment.

Profitability margins in Q1 2019 are generally comparable to those of Q1 2018 while starting to demonstrate an increasing trend. The slight improvement in margins is a result of contribution earned on additional sales. The profit improvement effect, though, is not significant due to the general cost inflation still faced in important cost categories and 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 Q1 2019 amounted to EUR 2,684 thousand (Q1 2018: EUR 2,417 thousand) and increased by 11.0% compared to pro forma normalised EBITDA in Q1 2018. Normalised EBITDA margin in Q1 2019 and Q1 2018 were 12.8% and 12.5% respectively.

Normalised net profit in Q1 2019 amounted to EUR 318 thousand, compared to pro forma normalised net profit of EUR 29 thousand in Q1 2018. Normalised net profit margin in Q1 2019 and Q1 2018 were 1.5% and 0.1%.

Core operating markets for European Lingerie Group are Germany, Spain, France, Poland, Benelux countries, Baltic countries, Russia, Belarus and Ukraine. The Group’s sales in its core markets in Q1 2019 were 79.5% of its total sales against 83.0% in Q1 2018. Decrease in core markets is explained by a diversification of the Group to other markets and growth of its sales there. Q1 2019 demonstrated a growth in Morocco, Italy, Austria and other EU countries.

The largest growth in sales in Q1 2019 was in Russia and Belarus. These markets grew by 97.5% and 18.0% respectively in Q1 2019. Sales in Russia in Q1 2018 were very limited due to postponement of orders by two largest *Felina* and *Conturelle* distributors in Russia. 2019, in 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 were a result of the growth of medium size lingerie sewing companies in the country.

Spain and Poland also delivered sizeable growth in the first quarter, whereby sales in these countries in Q1 2019 increased by 6.2% and 4.7% respectively. This is a result of several activities including development of the omni-channel strategy with the largest customer in Spain as well as the expansion of ELG lingerie products’ presence in the retail channels in these countries. Spain is another important market for Felina swimwear, which helped to grow sales further.

Sales in Germany, France and Benelux decreased by 8.3%, 20.5% and 7.5% respectively due to the slowdown of the European macroeconomy and blocked potential growth. The balance of sales growth vs margin is still the main issue in France in the current and the coming periods. ELG’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 does not follow the general price trend and chooses to better sell less, but at better margin.

Sales in the Baltic countries reduced by 1.5% in Q1 2019 and it related to the textile segment of the Group. Most of the Baltic customers of the Group suffered from changes in the importing rules into Russia and as a result, did not have quick enough capital turn to continue ordering raw materials.

Sales in Ukraine dropped by 24.2% in Q1 2019, but there was no particular reason for that. One of the largest customers of the Group in the textile segment in Ukraine orders its raw materials only 4 times a year and Q1 2019 was inside the low order period. The Group expects the sales deficit to reduce throughout the year.

European Lingerie Group AB First Quarter Report of 2018 is available [here](#) and the presentation of the report [here](#).

European Lingerie Group AB investor's phone conference on Q1 2019 results is held on May 17, 2019 at 14.00 CET. Dial-in details have been distributed by Pareto Securities.

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European Lingerie Group AB (ELG) is a fully vertically integrated intimate apparel and lingerie group with main production located in the Baltics, Hungary and Germany and with sales worldwide in 5000 points of sale in 46 countries and online. The Group produces fabrics for lingerie garments under the brand Lauma Fabrics and supplies leading lingerie manufacturers in Europe and rest of the world. The Group designs, manufactures and sells branded its own premium lingerie under the brands Conturelle, Felina and Senselle. ELG also owns Dessus-Dessous, the largest online retailer of lingerie and swimwear in France. The Group is headquartered in Stockholm, Sweden. More information available at www.elg-corporate.com.