

YEAR-END REPORT 2021


BORÅSTAPETER


Cole & Son

Wall & decò

PERSWALL

pappelina®

embellence
GROUP

Solid finish to a strong 2021

Fourth quarter of 2021

- Net sales amounted to MSEK 174.0 (166.1), up 4.8%.
- EBITA amounted to MSEK 25.8 (21.0), up 22.9%
- Adjusted EBITA amounted to MSEK 30.4 (30.0), up 1.3%.
- Net profit for the quarter amounted to MSEK 18.4 (9.9), and earnings per share before dilution to SEK 0.86 (0.46).
- Operating cash flow amounted to MSEK 15.2 (19.5)
- The equity ratio amounted to 47.1% (41.3)

Significant events during the quarter

- Pappelina acquired two production facilities
- Organisational and legal changes at Boråstapeter
- Lotta Samuelson became new CEO of Borås Tapetfabrik AB
- The Board will propose a dividend of SEK 0,80 per share to the 2022 AGM

“Despite challenging comparative figures and strong inflationary pressure, we ended an eventful 2021 with stable growth and strong margins”

Olle Svensk
CEO
Embellence Group AB

Significant events after the end of the quarter

- Embellence Group acquires US company Artscape, Inc. Part of the purchase price will be paid through a directed new issue of 1,105,619 shares, in accordance with the authorization from Embellence Group's Annual General Meeting 25 February 2021
- Cole&Son opens a Flagship Store in Chelsea, London

MSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Group				
Net sales	174.0	166.1	646.9	569.9
EBITA	25.8	21.0	88.3	71.2
Adjusted EBITA ¹⁾	30.4	30.0	99.9	82.5
Profit before tax	23.0	18.9	74.3	62.4
Net profit for the period	18.4	9.9	59.3	43.1
Operating cash flow	15.2	19.5	62.1	67.1
EBITA margin, %	14.8%	12.6%	13.7%	12.5%
Adjusted EBITA margin, %	17.5%	18.1%	15.4%	14.5%
Net debt	125.0	101.3	125.0	101.3
Net debt/EBITDA RTM	1.2	1.1	1.2	1.1
Equity ratio, %	47.1%	41.3%	47.1%	41.3%
Earnings per share for the period before dilution (SEK)	0.86	0.46	2.77	2.02
Earnings per share for the period after dilution (SEK)	0.85	0.46	2.72	2.02
No. of employees	236	200	236	200

¹⁾ Excluding listing and restructuring costs.

On track towards our long-term target

During Embellence Group's first year as a listed company, we delivered sales of SEK 646.9 million, which corresponds to a growth of 13.5%, of which 3.9% was organic, 10.1% acquired and -0.5% from currency effects. This with an adjusted operating margin of 15.4%. We are therefore in line with our financial goals and ambition of reaching sales of SEK 1.2bn by 2025 and an EBITA margin of at least 15%.

In times of major fluctuations, it is important to differentiate between short-term movements and long-term trends. Our long-term strategic focus is on building strong brands with premium positions, and internationalising and digitalising our business – through both organic and acquired growth. We have continued with this during the past quarter.

We reached sales growth of 4.8% during the quarter compared with 2020 and 11% compared with the corresponding period in 2019 – the last unaffected quarter before the pandemic began.

We're proud to end a strong 2021 in such a stable manner. 2020 was a very strong comparative year – especially in our home region of the Nordics – with growth of 32% compared with the fourth quarter of 2019. We matched these levels in the fourth quarter of 2021 despite the lack of major volume launches compared with 2020.

Overall, our hard work and diligence in terms of margins, prices and product mix resulted in a premium share of 54% for the full year 2021 (48).

Asset acquisition of Dalaslöjden

In order to support Pappelina's continued expansion and growth, selected assets were acquired in early December 2021 from asset acquisition of Dalaslöjden AB's carpet weaving. Before the acquisition of assets, Dalaslöjden was the main supplier. In the last few years, Pappelina's growth has been limited by disruptions in the supply chain. By integrating the acquired weaving mill in Falun and Estonia with Pappelina, we will strengthen our margins, increase our delivery capacity and improve service for Pappelina's customers around the world.

Challenges in logistics and goods supply

Like many other companies, Embellence Group was affected by undercapacity in the logistics chain and increased costs for input materials and shipping. These continued to increase during the quarter, and though we are currently seeing a certain amount of stabilisation, we are of the

opinion that the volatility will remain high for most of the year. To protect our margins, we implemented price increases in 2021 and will need to make additional adjustments in the first quarter of 2022.

Increased activity in hospitality

The portion of our business that was affected negatively by the pandemic was hospitality sales, meaning deliveries to hotels, restaurants, and cafés. During the end of the year and the beginning of 2022, however, we saw considerably increased activity in several markets and are confident about a continued future recovery. At the same time, there is some amount of uncertainty when it comes to sales to private customers due to rising interest rates, energy and fuel prices as well as increased travel.

E-commerce launch and continued capitalisation of our archive of patterns

During the year, Boråstapeter and Cole&Son launched e-commerce channels in each brand's home markets – direct to consumer. They were well received, generated excellent growth and provided us new insights and contacts with consumers, architects and designers. Through our own e-commerce channel we can also launch test collections, such as Boråstapeter's interior decoration range that launched in December and included cloth napkins and table runners with some of the brand's most popular and best-selling patterns.

New Flagship Store in London

We are continuing to strengthen our physical channels in parallel with our investments in e-commerce. For example, in early 2022 Cole&Son signed a lease for a new Flagship Store in London. The new store, in the middle of Chelsea, will be a great storefront and allow us to get closer to our customers.

Wall&decò's new head offices and production facilities in Italy are now fully operational. This is state-of-the-art facility in every aspect that, in

Highlights Q4 2021

- Stable end to a strong year
- In line with financial goals
- Launch of Boråstapeter's interior decoration range
- Strong growth in the US

addition to being more energy-efficient, will provide electricity through solar panels installed on the roof. In the fourth quarter, it produced almost 30% more electricity than the head offices and production collectively used.

Legal and operational change of Boråstapeter

To further clarify and improve focus in operations, Boråstapeter was split into two companies at the end of 2021. Boråstapeter AB is responsible for design, marketing and sales of the Boråstapeter brand. Borås Tapetfabrik AB is responsible for the production of wallpaper. Lotta Samuelson assumed the role of CEO of Borås Tapetfabrik AB.

Acquisition of US company Artscape, Inc.

Yesterday, on February 21, we announced the acquisition of the American company Artscape Inc. Through this acquisition, Embellence Group is expanding its operations to include exclusive pattern-based window film ("artwork for windows"). The purchase consideration on a cash-free and debt-free basis amounts to MUS\$ 20, corresponding to an EV/EBITA multiple of approximately 5.5.

The parties have jointly decided on a transaction structure that enables the share acquisition to be handled for tax purposes as an asset acquisition ("Joint election under Section 338 (h) (10) of the Internal Revenue Code"). After taking this tax relief into account, the effective EBITA valuation multiple amounts to approximately 5.1x. In addition, a potential earnout may be paid, corresponding to an EV/EBITA multiple of approximately 6, based on the increase in earnings for 2022 compared with 2021.

Through the addition of the Artscape premium brand, Embellence Group is strengthening its robust market position and brand portfolio, and taking another step towards its goal of becoming a leading international player in interior design.

Artscape has around 40 employees and annual sales of approximately MUS\$ 14. Production is outsourced to external manufacturers in the US. To date, sales is mainly focused on North America, where the company has a strong position in its niche. The company has displayed profitable growth since it was formed in 1999.

The acquisition will immediately increase the earnings per share in Embellence Group and enhance attractive opportunities for Embellence Group through:

- Continued growth potential for Artscape in the US
- Major potential for the pattern-based window film category in Europe, where Artscape currently has a more limited business.
- Design synergies with Boråstapeter
- Strong cash flow
- Diversification of Embellence Group's product offering

A favourable end to an eventful year

Last but not least, I would like to thank all of the employees at Embellence Group for your commitment, passion and professional work during occasionally uncertain circumstances. Together as a team we made sure 2021 was a great year!

Borås, February 2022
Olle Svensk, CEO

Our business model

We believe in building strong, well-defined premium brands with distinct positions that are recognised by consumers, designers and architects worldwide. Each with their own unique story and offering.

We aim to ensure that each brand is present where its core consumers expect it to be. We achieve this by applying selective distribution strategies per brand that are supplemented with own e-commerce sales.

Focus on Premium

We design, manufacture, market and sell wallpaper, textiles and rugs, especially focusing on the premium segment. Gross margins at Group level are at about 52–56%, while in the premium segment they are 60–70%.

Annual market growth in premium is deemed to be between 5 and 8%, and we intend to systematically increase our market shares through organic growth supplemented with add-on acquisitions.

Decentralised organisation

We believe that a decentralised organisation supplemented with carefully considered synergies offers the best balance between entrepreneurship and agility, as well as cost benefits and capital expenditures.

Our financial goals

Net sales growth

Embellence aims to reach net sales of SEK 1.2bn by 2025. This corresponds to more than double 2020 net sales. This will be reached by organic growth and add-on acquisitions.

Operating margin

Long-term target is to achieve an EBITA margin of at least 15% over a business cycle.

Leverage

The company's interest-bearing net debt should not exceed 2.5 times EBITDA, although a temporary increase may occur in connection with acquisitions.

Dividend policy

Embellence Group's goal is to pay dividends of 30 to 50% of the profit for the period. When deciding on dividends, the company's financial position, cash flow and future prospects must be taken into account.

Net sales 2021,
MSEK

646.9

Adjusted EBITA
margin, 2021

15.4%

Share of
Premium, 2021

54%

Our fantastic brand portfolio



Group performance

Net sales and earnings

Net sales for the quarter amounted to MSEK 174.0 (166.1), up 4.7% compared with the year-earlier period. Excluding income from Pappelina, which was acquired in Q1 2021, growth was -4.7%. Positive exchange rate effects contributed 0.8%.

Net sales for the year amounted to MSEK 646.9 (569.9), up 13.5% compared with the year-earlier period. Excluding income from Pappelina, which was acquired in Q1 2021, growth was 3.9%. Negative exchange rate effects affected with -0.5%.

Adjusted EBITA amounted to MSEK 30.4 (30.0) and 99.9 for the full year.

Despite increased costs for input materials and investments in e-commerce, higher sales led to increased earnings both for the quarter and for full-year 2021.

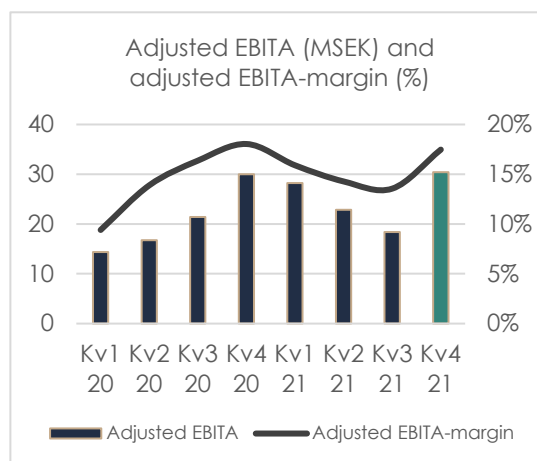
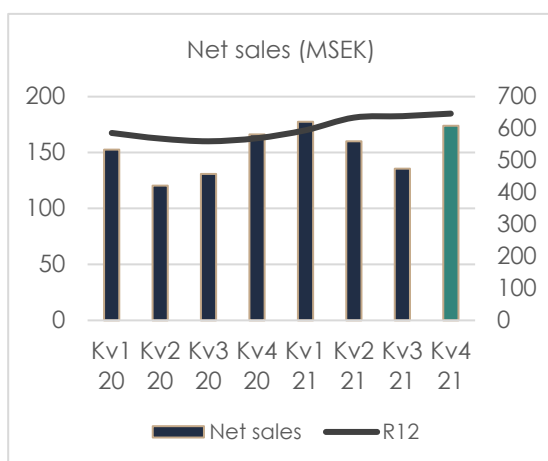
Net profit for the quarter amounted to MSEK 18.4 (9.9), resulting in earnings per share before dilution of SEK 0.86 (0.46). Net profit before tax for the full year amounted to MSEK 74.3 (62.4), resulting in earnings per share before dilution of SEK 2.77 (2.02).

Net sales per segment

MSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Nordics	90.6	93.0	328.3	306.1
of which premium	30%	23%	29%	22%
Europe	60.9	57.6	241.8	209.6
of which premium	75%	80%	80%	81%
Rest of World	22.5	15.5	76.8	54.2
of which premium	79%	80%	85%	78%
Total	174.0	166.1	646.9	569.9

Adjusted EBITA per segment

MSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Nordics	18.8	18.0	52.8	46.6
Europe	8.5	9.0	37.7	27.8
Rest of World	3.1	3.0	9.4	8.0
Total	30.4	30.0	99.9	82.4



Net financial items

Net financial items were MSEK -0.6 (-0.7) for the quarter and MSEK -6.0 (-3.7) for full-year 2021. The annual change is primarily due to higher interest expenses and negative currency effects.

Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 15.2 (19.5).

Operating cash flow was negatively affected by changes in working capital - which in turn is mainly due to increased accounts receivable and repayment of deferred VAT and employer contributions (a consequence of government support measures related to the pandemic).

Cash flow from investing activities for the quarter totalled MSEK -8.7 (-5.1) and mainly pertained to Pappelina AB's acquisition of assets in Dalasløjden AB.

Cash flow from financing activities for the quarter amounted to MSEK -37.0 (-17.1), with the change compared with the year-earlier period due to increased repayment of the overdraft facilities.

Cash flow for the quarter amounted to -30.5 MSEK (-2.7).

Financial position

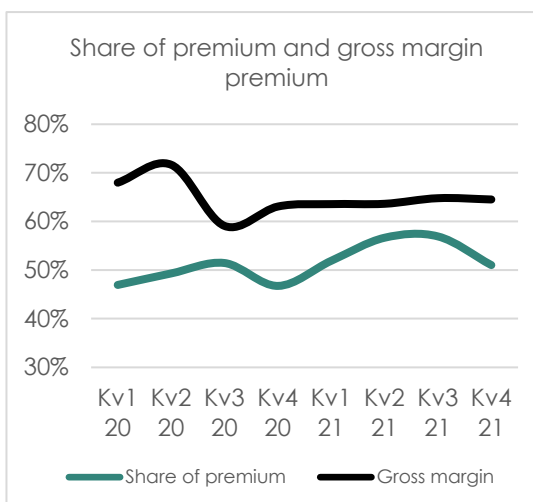
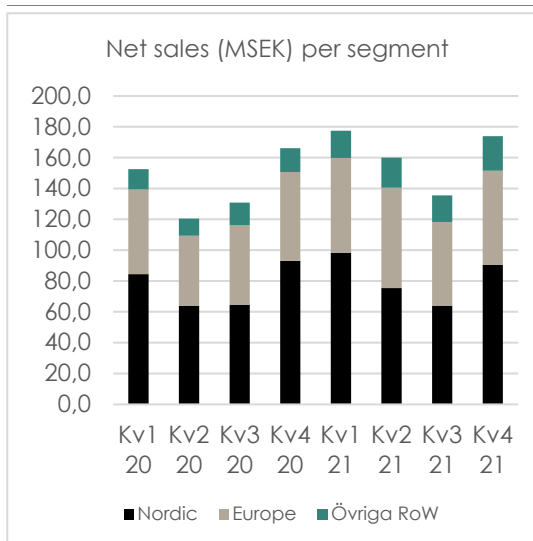
The company's total assets amounted to MSEK 623.5 (513.1) at the end of the year. The equity ratio amounted to 47.1% (41.3) and cash and cash equivalents to MSEK 58.0 (49.0).

The company's net debt amounted to MSEK 125.0 at the end of the year, compared with MSEK 101.3 at the end of 2020. The change in net debt is due to an increase in long-term leases.

The debt/equity ratio (net debt/EBITDA) amounted to 1.2 times at the end of the year. (1.1 at 31 December 2020).

Net sales trend

MSEK	Kv4
Net sales 2020	166.1
Acquisitions	14.3
Organic growth	-7.7
Currency	1.3
Net sales 2021	174.0



MSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Cash flow from operating activities	15.2	19.5	62.1	67.1
Cash flow from investing activities	-8.7	-5.1	-53.2	-17.4
Cash flow from financing activities	-37.0	-17.1	-2.3	-33.0
Cash flow for the period	-30.5	-2.7	6.6	16.7

NORDICS: Improved margins due to increased share of premium

Net sales and earnings

Net sales in the Nordics amounted to MSEK 90.6 (93.0), down 2.6% compared with the year-earlier period. Sales in the fourth quarter of 2020 were high due to the launch of a new volume collection, which generated strong comparative figures. The next volume collection will be launched in autumn 2022.

Adjusted EBITA amounted to MSEK 18.8 (18.0). The increased share of premium sales in the Nordics had a positive impact on EBITA and offset higher prices of input materials.

The share of premium for the quarter totalled 29% (23).

% of total sales

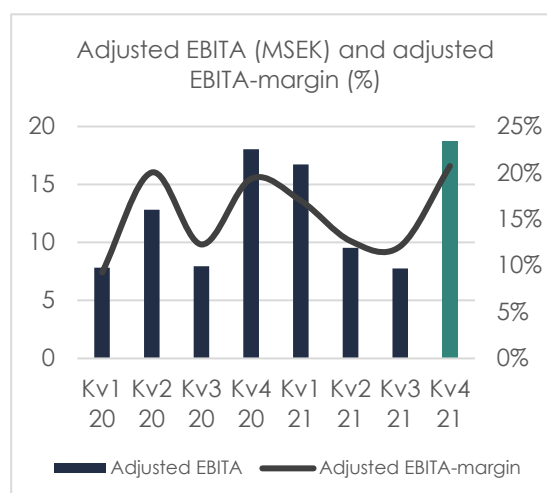
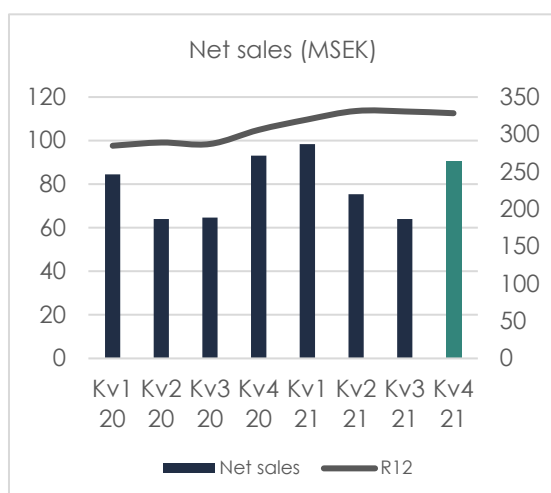
52%

Share of premium

30%

Performance measures

MSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Nordics				
Net sales	90.6	93.0	328.3	306.1
Adjusted EBITA	18.8	18.0	52.8	46.6
Adjusted EBITA margin	21%	19%	16%	15%
Share of premium	30%	23%	29%	22%



EUROPE: Growth despite supply chain disruptions

Net sales and earnings

Net sales in Europe amounted to MSEK 60.9 (57.6), up 5.7% compared with the year-earlier period.

The add-on acquisition Pappelina AB contributed positively to net sales growth. Organic growth in Europe developed slightly negatively, mainly due to lower demand in the UK and France. However, Italy, one of Embellence Group's major markets in Europe, performed strongly during the quarter.

Adjusted EBITA amounted to MSEK 8.5 (9.0). Increased costs for input materials and investments related to digitalisation and e-commerce weakened earnings somewhat.

The share of premium for the quarter totalled 74% (79).

% of total sales

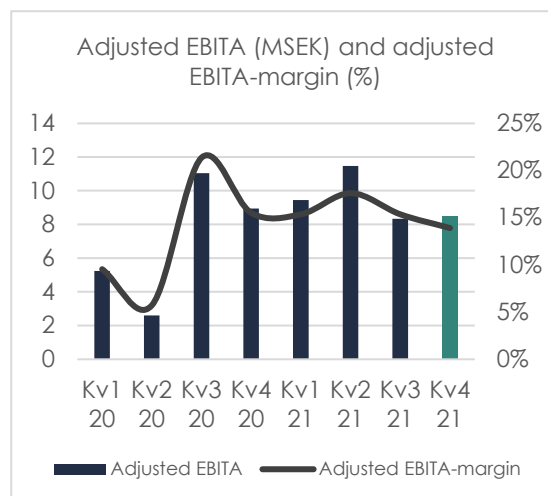
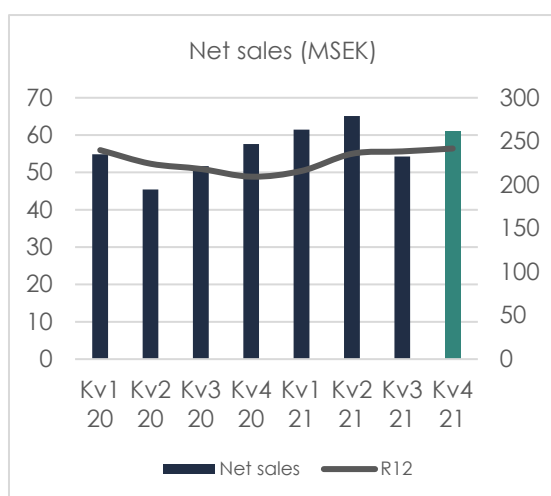
35%

Share of premium

75%

Performance measures

MSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
EUROPE:				
Net sales	60.9	57.6	241.8	209.6
Adjusted EBITA	8.5	9.0	37.7	27.8
Adjusted EBITA margin	14%	16%	16%	13%
Share of premium	75%	80%	80%	81%



REST OF WORLD: Strong growth

Net sales and earnings

Net sales in the Rest of World amounted to MSEK 22.5 (15.5), up 45.2% compared with the year-earlier period. This development is the result of stable organic growth and positive effects due to the add-on acquisition of Pappelina AB.

Our single largest market in the region, the US, continues to perform well.

Adjusted EBITA amounted to MSEK 3.1 (3.0). Earnings were positively affected by higher net sales, but also negatively by activities in e-commerce.

The share of premium for the quarter totalled 79% (79).

% of total sales

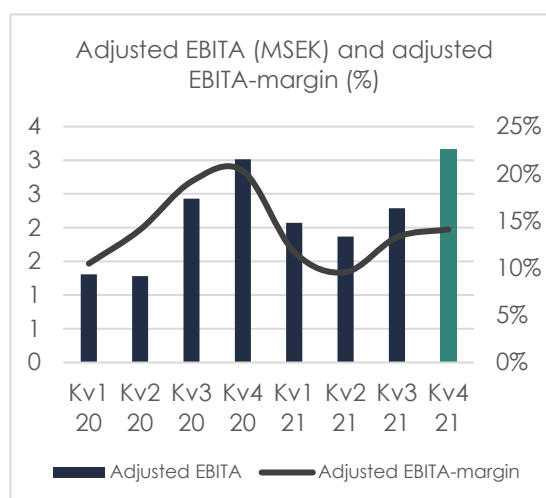
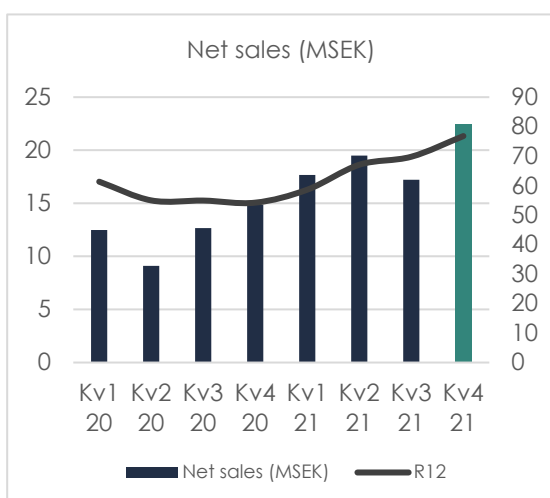
13%

Share of Premium

79%

Performance measures

MSEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
REST OF WORLD:				
Net sales	22.5	15.5	76.8	54.2
Adjusted EBITA	3.1	3.0	9.4	8.0
Adjusted EBITA margin	14%	20%	12%	15%
Share of premium	79%	80%	85%	78%



Other Group

Organisation

The number of FTEs on 31 December 2021 was 236 (200), of whom 127 (96) were women and 109 (104) men. The increase is due to the asset acquisition of Dalasløjden AB.

Related-party transactions

No related-party transactions took place.

Risks and uncertainties

Embellence Group works continuously to identify and manage the risks associated with the Group's operations. The company has a well-functioning risk-management process in place whereby risks are consolidated, reported and monitored by Group management. For a complete description of the risks impacting the company, refer to Note 1 of the 2020 Annual Report.

Seasonal variations

Some seasonal variations arise, with the first and fourth quarters normally tending to be slightly stronger.

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. For the Parent Company, recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board was applied to the preparation of this interim report.

Accounting policies and the basis of calculations are the same as the policies applied in the company's most recent annual report. The carrying amount is a good approximation of fair value for financial assets and liabilities.

Significant events during the quarter

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- Organisational and legal changes at Boråstapeter
- Lotta Samuelsson became new CEO of Borås Tapetfabrik AB
- The Board will propose a dividend of SEK 0,80 per share to the 2022 AGM

Significant events after the end of the quarter

- Embellence Group acquires US company Artscape, Inc. Part of the purchase price will be paid through a directed new of 1,105,619 shares, in accordance with the authorization from Embellence Group's Annual General Meeting 25 February 2021
- Cole&Son opens a Flagship Store in Chelsea, London

Review report

This report was not subject to review by the company's auditor.

Parent Company

Fourth quarter of 2021

The Parent Company's net sales amounted to MSEK 3.2 (1.8). Net profit for the period amounted to 34.0 MSEK (-51.2). Earnings were positively impacted by Group contributions received.

Full-year 2021

The Parent Company's net sales amounted to MSEK 11.9 (7.5). Net profit for the period amounted to 49.1 MSEK (-61.3). Earnings were positively impacted by Group contributions received.

Shares and owners

Embellence Group's share capital amounted to MSEK 53.5, distributed among 21,400,000 shares, each with a quota value of SEK 2.5. All shares carry the same voting rights and equal rights to dividends. The largest owner on the same date was Litorina Coinvest 1 AB, which holds 22.8% of the number of shares and votes in Embellence Group.

The largest owners on 31 December 2021

	No. of shares	Share of capital and votes, %
Litorina Coinvest 1 AB	4,875,227	22.78%
JCE Asset Management	2,247,000	10.50%
Nordnet Pensionsförsäkring AB	2,245,149	10.49%
T-KONSORTIET AB	792,216	3.70%
FE Småbolags Sverige	713,247	3.33%
Försäkringsaktiefbolaget Avanza Pension	640,409	2.99%
NQ Förvaltnings AB	591,377	2.76%
Jerker Aderberg Holding Ab	572,647	2.68%
STRAND SMÅBOLAGSFOND	567,000	2.65%
Other shareholders	8,155,728	38.11%
Total	21,400,000	100.0%

Incentive programme

Embellence Group has an incentive programme in the form of a warrants programme for the Board of Directors and senior executives. Additional information about the programme can be found in Note 29 of the company's 2020 Annual Report.

Information about Nasdaq First North Premier Growth Market

Nasdaq First North Premier Growth Market ("First North") is an alternative marketplace operated by Nasdaq Stockholm. It does not have the same legal status as a regulated market. Companies on Nasdaq First are governed by First North's Premier Growth Market's Rulebook and not by the legal requirements placed on trading on a regulated market. An investment in a company traded on First North is riskier than a corresponding investment in a company in a regulated market. Companies must apply to the exchange and be approved before trading on First North can commence. A certified advisor guides the company through the listing process and oversees the company's continuous compliance with First North's standards.

FNCA Sweden AB is Embellence Group's certified advisor that can be contacted on: info@fnca.se or +46 8 52 80 03 99.

SIGNATURES

Signatures and assurance

The undersigned assure that the interim report provides a fair review of the Parent Company and the Group's operations, financial position

and earnings and describes the material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Borås, February 21, 2022

Morten Falkenberg
Chairman

Olle Svensk
CEO

Mattias Letmark

Henrik Nyqvist

Paul Steene

Christina Ståhl

Condensed consolidated income statement

MSEK	October-December		January-December	
	2021	2020	2021	2020
Net sales	174.0	166.1	646.9	569.9
Cost of goods sold	-76.6	-77.4	-287.8	-257.9
Gross profit	97.4	88.7	359.1	312.0
Selling and administrative expenses	-76.9	-67.5	-282.1	-248.2
Other operating income	3.1	0.0	5.1	4.0
Other operating expenses	0.0	-1.6	-1.8	-1.7
Operating profit	23.6	19.6	80.3	66.1
Financial income	1.3	1.3	2.1	2.4
Financial expenses	-1.9	-2.0	-8.1	-6.1
Profit before tax	23.0	18.9	74.4	62.4
Tax	-4.6	-4.4	-15.0	-14.4
Profit from continuing operations	18.4	14.5	59.3	48.0
Profit from discontinued operations	0.0	-4.6	0.0	-4.8
Net profit for the period	18.4	9.9	59.3	43.2
Earnings per share for the period before dilution¹⁾ (SEK)	0.86	0.46	2.77	2.02
Earnings per share for the period after dilution¹⁾ (SEK)	0.85	0.46	2.72	2.02
Other comprehensive income				
Actuarial gains and losses after tax	0.2	-0.1	0.2	-0.1
Translation differences	4.1	-12.0	12.7	-14.6
Total other comprehensive income	4.3	-12.1	12.9	-14.7
Comprehensive income for the period	22.7	-2.2	72.2	28.5

¹⁾ Refer to Note 1 on page 23.

Condensed consolidated balance sheet

MSEK	31 December	
	2021	2020
ASSETS		
Intangible non-current assets	208.8	167.9
Tangible non-current assets	69.8	65.4
Right-of-use assets	67.2	33.1
Deferred tax assets	0.6	4.7
Financial non-current assets	1.1	0.5
Total non-current assets	347.5	271.6
Inventories	86.9	85.2
Accounts receivable	104.8	83.9
Current tax assets	4.8	3.6
Other receivables	6.3	5.2
Prepaid expenses and accrued income	15.2	14.5
Cash and cash equivalents	58.0	49.0
Total current assets	276.0	241.4
Assets held for sale	0.0	0.1
Total assets	623.5	513.1

Condensed consolidated balance sheet (cont.)

MSEK	31 December	
	2021	2020
EQUITY AND LIABILITIES		
Share capital	53.5	53.5
Other contributed capital	4.8	4.8
Reserves	2.0	-10.8
Retained earnings, including net profit for the year	233.0	164.3
Equity attributable to Parent Company shareholders	293.4	211.8
Provisions for pensions	4.6	3.5
Deferred tax liabilities	14.4	8.4
Lease liabilities	55.0	26.3
Total non-current liabilities	74.0	38.2
Lease liabilities	12.0	6.5
Bank overdraft facility	116.0	107.9
Accounts payable	47.9	52.1
Other current liabilities	29.9	34.4
Accrued expenses and deferred income	50.3	62.1
Total current liabilities	256.2	263.0
Total liabilities	330.1	301.2
Liabilities directly associated with assets held for sale	0.0	0.1
Total equity and liabilities	623.5	513.1

Indebtedness

MSEK	31 December	
	2021	2020
Lease liabilities	67.0	32.8
Bank overdraft facility	116.0	107.9
Other interest-bearing receivables and liabilities	0.0	9.6
Gross debt	183.0	150.3
Cash and cash equivalents	-58.0	-49.0
Net debt	125.0	101.3
EBITDA RTM	107.4	92.8
Net debt / EBITDA RTM	1.2	1.1
Equity ratio	47.1%	41.3%
Quota value per share (SEK)	2.5	2.5

Consolidated statement of changes in equity

MSEK	2021
Opening equity 1 Jan 2021	211.8
Net profit for the period	59.3
Other comprehensive income	12.9
Shareholder contributions received	9.4
Closing balance 31 Dec 2021	293.4

MSEK	2020
Opening balance 1 Jan 2020	248.8
Net profit for the period	43.1
Other comprehensive income	-14.7
Shareholder contributions received	34.6
Option premiums received	4.0
Group contributions paid	-116.8
Tax on Group contributions paid	12.8
Closing balance 31 Dec 2020	211.8

Condensed consolidated cash-flow statement

MSEK	October-December		January-December	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Operating profit	23.6	19.6	80.3	66.0
<i>Adjustments for non-cash items</i>				
Depreciation and amortisation	6.9	8.1	27.2	26.7
Other	0.8	0.5	7.7	0.2
Total	31.3	28.2	115.2	92.9
Interest received	0.4	0.7	1.0	1.0
Interest paid	-1.9	-1.1	-8.0	-5.2
Tax paid	-0.5	-1.7	-9.4	-6.8
Cash flow from operating activities before changes in working capital	29.3	26.1	98.8	81.9
Cash flow from changes in working capital	-14.1	-6.6	-36.7	-14.8
Cash flow from operating activities	15.2	19.5	62.1	67.1
INVESTING ACTIVITIES				
Acquisition of non-current assets	-8.7	-4.0	-18.8	-17.4
Acquisition of companies, less acquired cash and cash equivalents	—	—	-34.4	—
Cash flow from investing activities from discontinued operations	—	-1.1	—	0.0
Cash flow from investing activities	-8.7	-5.1	-53.2	-17.4
FINANCING ACTIVITIES				
Change in bank overdraft facilities	-35.2	-16.9	8.1	-22.4
Repayment of lease liabilities	-1.8	-3.8	-10.4	-10.8
Option premiums received	—	0.2	—	0.2
Cash flow from financing activities from discontinued operations	—	3.4	—	0.0
Cash flow from financing activities	-37.0	-17.1	-2.3	-33.0
Cash flow for the period	-30.5	-2.7	6.6	16.7
Cash and cash equivalents at beginning of period	87.4	52.8	49.0	34.2
Exchange rate differences in cash and cash equivalents	1.1	-1.1	2.4	-1.9
Cash and cash equivalents at end of period	58.0	49.0	58.0	49.0

Condensed Parent Company income statement

MSEK	October-December		January-December	
	2021	2020	2021	2020
Net sales	3.2	1.8	11.9	7.5
Administrative expenses	-4.9	-5.3	-26.6	-18.1
Operating loss	-1.7	-3.5	-14.7	-10.6
Financial income	0.8	21.8	28.0	18.9
Financial expenses	-1.3	-1.0	-3.4	-1.1
Profit/loss after financial items	-2.2	17.3	9.9	7.2
Group contributions	48.2	-72.8	48.2	-72.8
Other appropriations	-3.0	0.0	-3.0	0.0
Profit/loss before tax	43.0	-55.4	55.1	-65.6
Tax	-9.0	4.3	-6.0	4.3
Net profit/loss for the period	34.0	-51.2	49.1	-61.3

Condensed Parent Company balance sheet

MSEK	31 December	
	2021	2020
ASSETS		
Intangible non-current assets	1.6	0.8
Deferred tax assets	0.2	4.3
Financial non-current assets	409.5	353.7
Total non-current assets	411.3	358.8
Other receivables	0.3	0.2
Prepaid expenses and accrued income	1.4	0.2
Cash and cash equivalents	0.0	9.4
Total current assets	1.7	9.8
Total assets	413.0	368.7

MSEK	31 December	
	2021	2020
EQUITY AND LIABILITIES		
Share capital	53.5	53.5
Statutory reserve	10.0	10.0
Share premium reserve	18.3	18.3
Retained earnings, including net profit for the year	95.5	36.9
Equity attributable to Parent Company shareholders	177.3	118.7
Untaxed reserves	3.0	0.0
Provisions for pensions	0.9	0.4
Total non-current liabilities	0.9	0.4
Bank overdraft facility	116.0	0.0
Accounts payable	0.5	1.1
Liabilities to Group companies	105.5	244.5
Other current liabilities	2.7	0.3
Accrued expenses and deferred income	7.1	3.6
Total current liabilities	231.8	249.5
Total liabilities	232.7	249.9
Total equity and liabilities	413.0	368.6

Quarterly overview

MSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Net sales	152.5	120.4	130.8	166.1	177.5	160.0	135.5	174.0
Adjusted EBITA	14.4	16.7	21.4	30.0	28.2	22.9	18.3	30.4
Adjusted EBITA margin	9.4%	13.9%	16.4%	18.1%	15.9%	14.3%	13.5%	17.5%
Share of premium, %	47%	49%	51%	47%	52%	57%	57%	51%

Quarterly data per segment

MSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Net sales								
Nordics	84.5	63.9	64.6	93.0	98.3	75.4	64.0	90.6
Europe	54.9	45.4	51.7	57.6	61.5	65.1	54.3	60.9
Rest of World	13.2	11.1	14.5	15.5	17.7	19.5	17.2	22.5
TOTAL	152.6	120.4	130.8	166.1	177.5	160.0	135.5	174.0

MSEK	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Adjusted EBITA per segment								
Nordics	7.9	12.8	8.0	18.0	16.7	9.5	7.7	18.8
Europe	5.2	2.6	11.0	8.9	9.4	11.5	8.3	8.5
Rest of World	1.3	1.3	2.4	3.0	2.1	1.9	2.3	3.1
Total adjusted EBITA	14.4	16.7	21.4	30.0	28.2	22.9	18.3	30.4
Items affecting comparability					-5.3	-1.7	0.0	-4.6
EBITA					23.0	21.2	18.3	25.8
Impairment of intangible assets					-1.8	-1.9	-2.0	-2.2
Total EBIT					21.1	19.3	16.3	23.6

Notes

Note 1 Earnings per share

SEK	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Continuing operations				
Earnings per share before dilution	0.86	0.68	2.77	2.24
Earnings per share after dilution	0.85	0.68	2.72	2.24
Net profit for the period				
Earnings per share before dilution (SEK)	0.86	0.46	2.77	2.02
Earnings per share after dilution (SEK)	0.85	0.46	2.72	2.02
Performance measures used in the calculation of earnings per share before and after dilution (MSEK)				
Profit from continuing operations	18.4	14.5	59.3	48.0
Net profit for the period	18.4	9.9	59.3	43.2
<i>Profit above is attributable to Parent Company shareholders in its entirety.</i>				
Weighted average number of shares before and after dilution				
<i>Before dilution</i>				
Weighted average number of ordinary shares for calculation of earnings per share before dilution	21,400,000	21,400,000	21,400,000	21,400,000
<i>Warrants</i>				
Adjustment for calculation of earnings per share after dilution attributable to warrants	246,139	—	381,785	—
<i>After dilution</i>				
Weighted average number of ordinary shares and potential ordinary shares used as denominator for calculation of earnings per share after dilution	21,646,139	21,400,000	21,781,785	21,400,000

Note 2 Acquisition of Pappelina AB

The Group acquired Pappelina AB on 7 January 2021. The acquisition proceeds amounted to MSEK 55.2. On acquisition, the company had net cash/cash and cash equivalents of MSEK 20.8. The cash flow effect of the acquisition was MSEK 34.4. Since the acquisition, the company has contributed MSEK 57.6 in sales and MSEK 8.9 in profit after tax. The promissory note of MSEK 8.2 was settled on 4 April 2021.

Purchase consideration

MSEK	
Cash and cash equivalents	47.0
Promissory note	8.2
Total payment for shares	55.2

Recognised amounts of identifiable acquired assets and assumed liabilities in Pappelina:

MSEK	Preliminary
Cash and cash equivalents	20.8
Tangible non-current assets	0.2
Intangible non-current assets: Brands	15.0
Inventories	4.1
Accounts receivable and other receivables	4.9
Other receivables	0.7
Accounts payable	-2.8
Deferred tax liabilities	-4.8
Other liabilities	-1.8
Total identifiable net assets	36.3
Goodwill	18.9
Total identifiable net assets	55.2

The acquisition-related costs totalled MSEK 0.9.

Definitions

Share of premium

Net sales of premium products divided by total net sales.

Number of employees

Total number of employees included on Embellence Group's payroll at the end of the period.

Gross margin premium

Gross profit from premium products divided by net sales of premium products.

Gross profit premium

Net sales less costs of goods sold for premium products.

EBITA

(Earnings before interest, taxes and amortisation). Operating profit/loss before impairment of intangible assets.

EBITA margin

EBITA divided by net sales.

EBITDA

(Earnings before interest, taxes, depreciation and amortisation). Operating profit/loss before depreciation and amortisation.

Adjusted EBITA

EBITA adjusted for items affecting comparability.

Adjusted EBITA margin

Adjusted EBITA divided by net sales.

Items affecting comparability

Material costs that impact comparability of accounting periods. These items include, but are not limited to, restructuring costs, listing costs, acquisition costs and losses in connection with divestments of operations.

Net debt

The sum of non-current interest-bearing liabilities, non-current lease liabilities, current interest-bearing liabilities, current leasing liabilities, liabilities and receivables against Group companies and bank overdraft minus cash and cash equivalents.

Net debt/EBITDA

Net debt divided by EBITDA, rolling 12 months.

Net sales currency effect

Translation effects based on current exchange rates compared with exchange rates for the same period last year.

Net sales – organic growth

Change in net sales after adjustments for net sales that have arisen from acquired or divested operations, in constant currencies.

Premium sales

Wallpaper for which the end-consumer pays more than SEK 700 per roll. Comprising all of Pappelina's products.

Earnings per share in SEK

Profit after tax divided by the normal number of shares.

Earnings per share in SEK after dilution

Earnings after tax divided by the average number of shares outstanding during the period plus the number of shares that would have been issued as an effect of the ongoing incentive plans.

Equity ratio

Equity attributable to Parent Company shareholders as a percentage of total assets.

Contact

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About Embellence Group AB

Embellence Group acquires, owns and develops strong brands in wallpaper, textiles, rugs and other interior decoration.

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Financial calendar

2022 Annual General Meeting 3 May 2022

Interim reports for:

First quarter 2022	29 April 2022
Second quarter 2022	19 July 2022
Third quarter 2022	25 October 2022
Fourth quarter 2022	21 February 2023