

INTERIM REPORT
QUARTER 3
2021



Cautious demand during warm summer months

Third quarter of 2021

- Net sales amounted to MSEK 135.5 (130.8), up 3.6%
- Adjusted EBITA amounted to MSEK 18.3 (21.4), down 14.2%
- EBITA amounted to MSEK 18.3 (21.2), down 13.4%
- Net profit for the period amounted to MSEK 12.2 (12.7) and earnings per share before dilution for the period were SEK 0.57 (0.59)
- Operating cash flow amounted to MSEK 16.1 (18.9)

Significant events during the quarter

- Robert Shams Smolander appointed Head of Group Change Management & Sustainability

Significant events after the end of the quarter

- Legal and operational change of Boråstapeter AB
- Recruitment of MD for Borås Tapetfabrik AB

“Warm summer weather and increased vacation travel in Europe in the wake of relaxed pandemic restrictions led to a calmer market. Despite this, we succeeded in growing 3.6% while maintaining earnings.”

Olle Svensk
CEO
Embellence Group AB

MSEK	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	R12 Oct 2020-Sept 2021	Full-year 2020
Group						
Net sales	135.5	130.8	472.9	403.8	639.0	569.9
EBITA	18.3	21.2	62.5	50.2	83.5	71.1
Adjusted EBITA ¹⁾	18.3	21.4	69.4	52.5	99.3	82.4
Profit before tax	14.3	16.9	51.3	43.2	65.7	57.6
Net profit for the period	12.2	12.7	40.9	33.1	50.9	43.1
Operating cash flow	16.1	18.9	46.8	47.6	66.3	67.1
EBITA margin, %	13.5%	16.2%	13.2%	12.4%	13.1%	12.5%
Adjusted EBITA margin, %	13.6%	16.4%	14.7%	13.0%	15.6%	14.5%
Net debt	105.6	E/T	105.6	E/T	E/T	101.3
Net debt/EBITDA RTM	E/T	E/T	E/T	E/T	1.0	1.1
Equity ratio, %	45.5%	48.7%	45.5%	48.7%	45.5%	41.3%
Earnings per share for the period before dilution (SEK)	0.57	0.59	1.91	1.55	2.38	2.02
Earnings per share for the period after dilution (SEK)	0.56	0.59	1.87	1.55	E/T	2.02
No. of employees	207	203	207	203	207	200

¹⁾ Excluding listing and restructuring costs.

²⁾ Not meaningful

Continued growth in seasonally weak period

The third quarter brought lower growth than the preceding two. In the period, Embellence Group grew 3.6% and delivered an adjusted EBITA margin of 13.6%. For the nine-month period, the company reported growth of 17.1% and an adjusted EBITA margin of 14.7%. Despite a more subdued market during the quarter, we are confident that we are on the right track in our journey toward doubling sales by 2025.

Notable in Q3 2021

- Increased travel
- Heatwave
- Low comparative costs in Q3 2020

Quarterly comparisons between 2021 and the pandemic year of 2020 are difficult. The first two quarters of 2020 were weak, and heavily impacted by the COVID-19 pandemic. Demand gradually recovered in the second half of the year. As we now enter the second half of 2021, however, we are encountering stronger comparative figures.

During the past quarter, relaxed restrictions, increased travel and warm summer weather brought weaker demand for interior decoration. For us, this was particularly noticeable in several of the company's key markets in Europe, including Sweden, Italy, the UK and France. Another contributory factor to the sales variations between the quarters is goods supply. The situation remains strained, but is in better balance this year compared with parts of 2020, when productions was shut down periodically in countries including Italy and the UK.

Long-term trends and short-term movements

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, internationalising and digitalising our business – through both organic and acquired growth.

During the spread of the pandemic, we noted growing interest in interior decoration and increased demand for premium products. We see no signs of the interest in premium interior design abating, even though minor seasonal variations usually emerge during the year. The driving factors include a continued trend toward increased remote working, and higher investments in offices and office environments to create a warmer and more homelike environment when personnel are on site.

Head of Change Management & Sustainability

During the period, we recruited Robert Shams Smolander to the role of Head of Group Change Management & Sustainability. Robert will join the company at the end of the year and will also be involved in the work on potential add-on acquisitions.

Cautious return of industry trade fairs

In September, the industry returned to physical trade fairs throughout Europe, although in a smaller format than prior to the pandemic. Pleasingly, there was high attendance and we were all able to sense enjoyment and energy in being able to meet again. We have enhanced the efficiency of and digitalised many processes during the

pandemic, but face-to-face meetings remain unbeatable for establishing new contacts, inspiring and letting the creativity flow.

Challenges in logistics and goods supply

Like many other companies, Embellence Group was affected by the combination of rapid recovery after the pandemic, Brexit and undercapacity in the logistics chain. As regards goods supply, we continue to be affected by cost increases on certain input materials. To protect our margins, we have implemented price increases during the year and may need to make additional adjustments at the beginning of next year.

Expanded activity in digitalisation

We are continuing our activities in digitalisation and, as in the second quarter, we are in a period in which costs remain somewhat higher. These activities are extremely important for us in strategic terms and a central feature of our work to adjust some of our business and be better able to meet the consumer in new channels.

Legal and operational change of Boråstapeter

To further clarifying and strengthening operations, Boråstapeter will be split into two companies at the end of the year. Boråstapeter AB, which is responsible for design, marketing and sales of the Boråstapeter brand, and Borås Tapetfabrik AB, which is responsible for the production of wallpaper. In October, Lotta Samuelson was recruited as MD of Borås Tapetfabrik AB. Lotta joins the company from the position of MD of Etikettbolaget Boxon Production AB, where she has headed the company for six years.

Fragmented market where we can take a leading position

The global wallpaper market and interior decoration market are fragmented and we see many opportunities for establishing a position as a leading player. Our ambition is to grow in the premium segment, which offers better margins and higher forecast market growth. With a distinct focus on acquisitions, we also want to enable continued geographic expansion and an expanded product range – for example, in fabrics.

For the coming months, we anticipate that the volatility of raw materials prices and challenges in logistics and goods supply will remain, and that demand in some geographies will remain uncertain and possibly cautious. However, we are secure in the knowledge that, strategically, we are on the right path and are continuing our work to deliver our plan to double our sales by 2025.

Olle Svensk
CEO Embellence Group AB

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
9M 2021, MSEK

472.9

Adjusted EBITA
margin, 9M 2021

14.7%

Share of
Premium 9M 2021

56%

Our fantastic brand portfolio



Group performance third quarter 2021

Net sales and earnings

Net sales amounted to MSEK 135.5 (130.8), up 3.6% compared with the year-earlier period. Excluding income from Pappelina, which was acquired in Q1 2021, growth was -6.3%. Positive exchange rate effects contributed 1.2%.

Adjusted EBITA amounted to MSEK 18.3 (21.2). The decrease is mainly attributable to higher cost of sales during

the quarter in the form of trade fair expenses and other marketing activities, as well as costs related to our e-commerce activities.

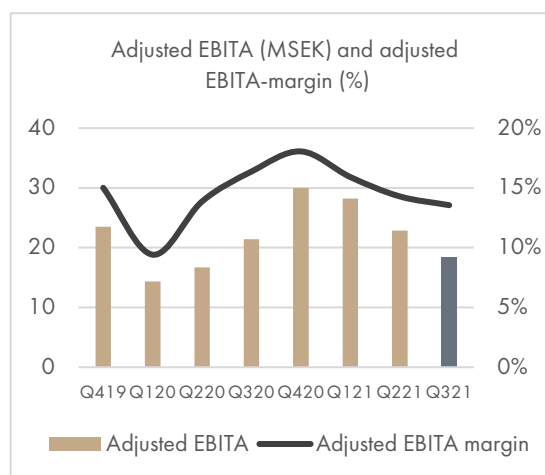
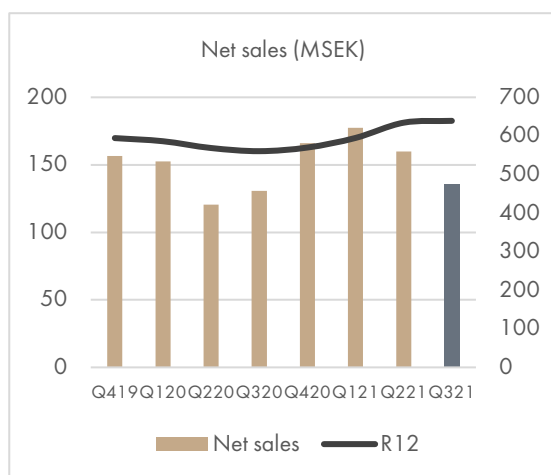
Net profit for the period amounted to MSEK 12.2 (12.7), resulting in earnings per share before dilution of SEK 0.57 (0.59).

Net sales per segment

MSEK	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	R12 Oct 2020-Sept 2021	Full-year 2020
Nordics	64.0	64.6	237.7	213.0	330.8	306.1
of which premium	31%	23%	29%	21%	28%	22%
Europe	54.3	51.7	180.8	152.0	238.4	209.6
of which premium	79%	80%	81%	82%	81%	81%
Rest of World	17.2	14.5	54.4	38.7	69.8	54.2
of which premium	90%	75%	87%	77%	86%	78%
Total	135.5	130.8	472.9	403.7	639.0	569.9

Adjusted EBITA per segment

MSEK	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	R12 Oct 2020-Sept 2021	Full-year 2020
Nordics	7.7	7.9	34.0	28.6	52.0	46.6
Europe	8.3	11.0	29.2	18.9	38.2	27.8
Rest of World	2.3	2.4	6.2	5.0	9.2	8.0
Total	18.3	21.3	69.4	52.5	99.4	82.4



Net financial items

Net financial items for the quarter were MSEK -2.0 (-1.5). The increase compared to the year-earlier period was due to exchange rate effects related to short term financial debts.

Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 16.1 (18.9). Operating cash flow was negatively impacted mainly by the poorer operating income for the quarter of MSEK 16.3 (19.9).

Cash flow from investing activities for the quarter totalled MSEK -2.4 (-2.3) and mainly pertained to some smaller investments in the production in Viared and in our digital platforms.

Cash flow from financing activities for the quarter amounted to MSEK -9.8 (1.1), with the change compared with the year-earlier period due to increased repayment of the overdraft facilities.

Cash flow for the period amounted to MSEK 3.9 (17.7).

Financial position

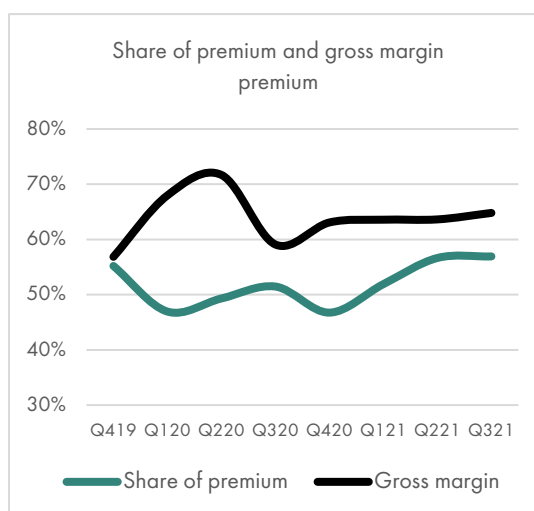
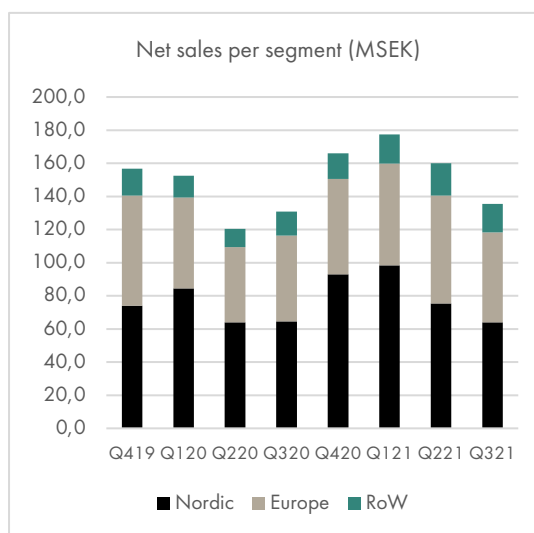
The company's total assets amounted to MSEK 594.7 at the end of the quarter, compared with MSEK 513.1 in the 2020 annual report. The equity ratio amounted to 45.5% (48.3) and cash and cash equivalents at the end of the quarter to MSEK 87.4 (52.8).

The company's net debt amounted to MSEK 105.6 at the end of the quarter, compared with MSEK 101.3 at the end of 2020. The change in net debt is due to increased utilization of the overdraft facility, mainly related to the acquisition of Pappelina AB.

The debt/equity ratio (net debt/EBITDA) amounted to 1.0 times at the end of the quarter. (1.1 at 31 December 2020).

Net sales trend

MSEK	Q3
Net sales 2020	130.8
Acquisitions	13.0
Organic growth	-9.8
Currency	1.5
Net sales 2021	135.5



MSEK	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	R12 Oct 2020-Sept 2021	Full-year 2020
Cash flow from operating activities	16.1	18.9	46.8	47.6	66.2	67.0
Cash flow from investing activities	-2.4	-2.3	-44.5	-12.3	-49.6	-17.4
Cash flow from financing activities	-9.8	1.1	34.7	-16.1	-17.8	-33.0
Cash flow for the period	3.9	17.7	37.0	19.2	34.4	16.6

NORDICS: Stable sales in a volatile market

Net sales and earnings

Net sales in the Nordics amounted to MSEK 64.0 (64.6), down 1% compared with the year-earlier period. It was primarily in Sweden that we saw lower net sales as an effect of the warm summer weather.

Adjusted EBITA amounted to MSEK 7.7 (7.9). EBITA was positively affected by the increasing share of premium sales in the Nordics, but negatively by cost increases for input materials and higher costs from digitalisation and e-commerce activities in the Nordics.

The share of premium for the quarter totalled 31%, compared with 23% in the year-earlier period.

% of total sales

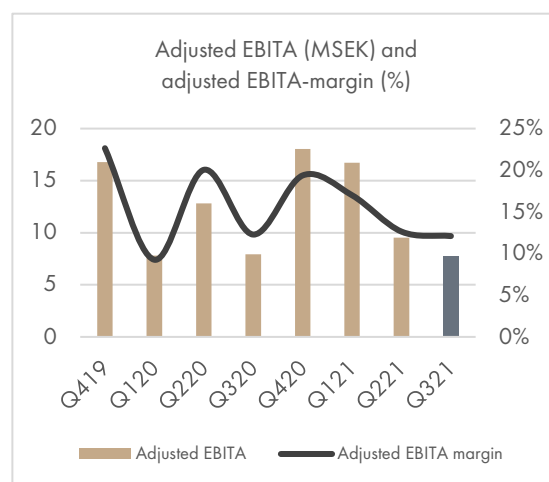
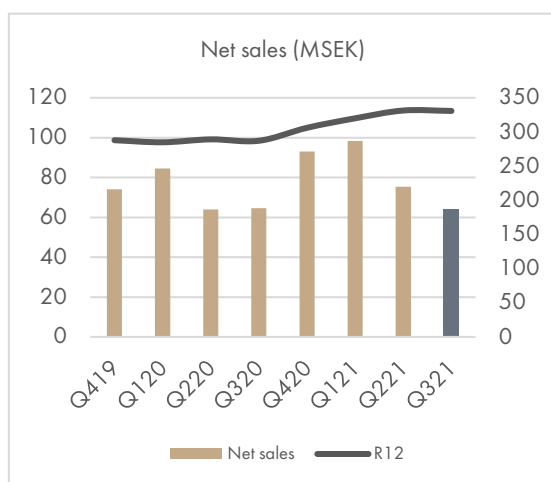
47%

Share of Premium

31%

Performance measures

MSEK	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	R12 Oct 2020-Sept 2021	Full-year 2020
Nordics						
Net sales	64.0	64.6	237.7	213.0	330.8	306.1
Adjusted EBITA	7.7	7.9	34.0	28.6	52.0	46.6
Adjusted EBITA margin	12%	12%	14%	13%	16%	15%
Share of premium	31%	23%	29%	21%	27%	22%



EUROPE:

+5% growth in a soft market and return to trade fairs

Net sales and earnings

Net sales in Europe amounted to MSEK 54.3 (51.7), up 5 per cent compared with the year-earlier period.

Add-on acquisition Pappelina AB contributed positively to net sales during the period. Organic growth in Europe developed slightly negatively, mainly due to lower demand in the UK, Italy and France. However, Germany, one of our major markets in Europe, performed strongly during the quarter.

Adjusted EBITA amounted to MSEK 8.3 (11.0). The somewhat lower result was mainly due to costs related to launches and trade fairs, as well as digitalisation and e-commerce activities.

The share of premium for the quarter totalled 79%, compared with 80% in the year-earlier period.

% of total sales

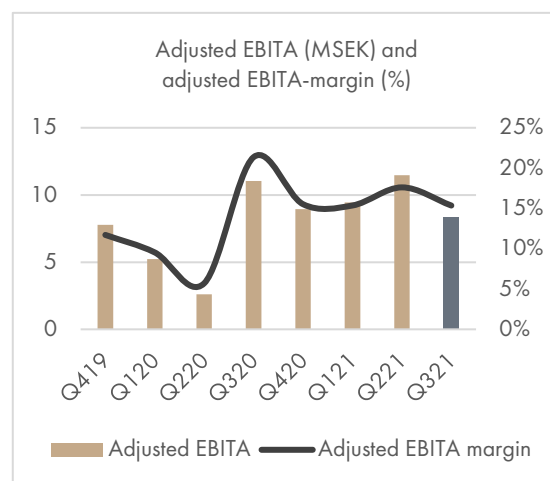
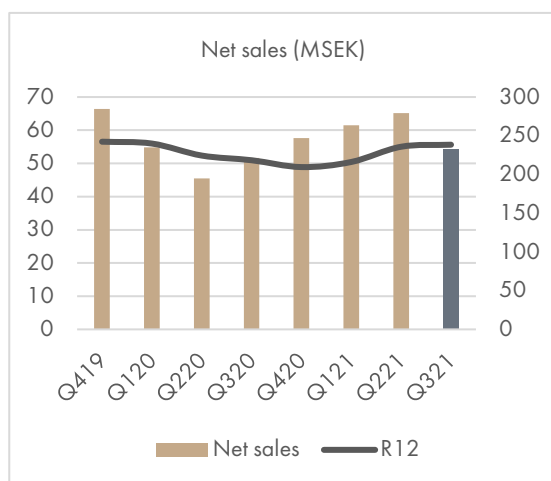
40%

Share of Premium

79%

Performance measures

MSEK	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	R12 Oct 2020- Sept 2021	Full-year 2020
EUROPE:						
Net sales	54.3	51.7	180.8	152.0	238.4	209.6
Adjusted EBITA	8.3	11.0	29.2	18.9	38.2	27.8
Adjusted EBITA margin	15%	21%	16%	12%	16%	13%
Share of premium	79%	80%	81%	81%	81%	81%



REST OF WORLD:

Continued strong sales in US

Net sales and earnings

Net sales in the Rest of World amounted to MSEK 17.2 (14.5), up 19% compared with the year-earlier period. This development is the result of positive organic growth and positive effects due to the add-on acquisition of Pappelina AB.

The US, which is our largest market in the region, continues to perform well.

Adjusted EBITA amounted to MSEK 2.3 (2.4). Earnings were positively affected by higher net sales, but also negatively by launches and activities in e-commerce.

The share of premium was 90% as against 74% in the preceding year. The increased share of premium sales was driven primarily by the add-on acquisition.

% of total sales

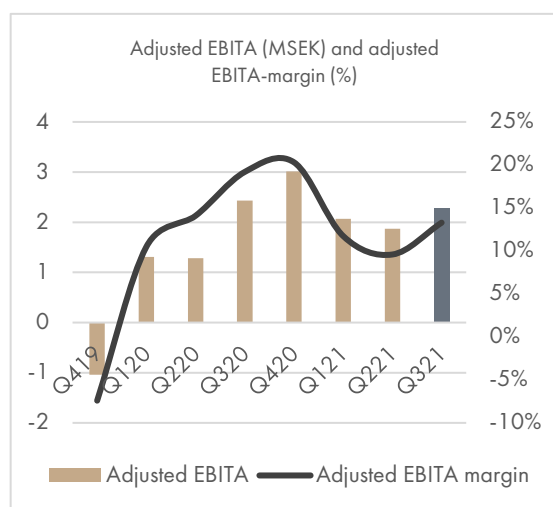
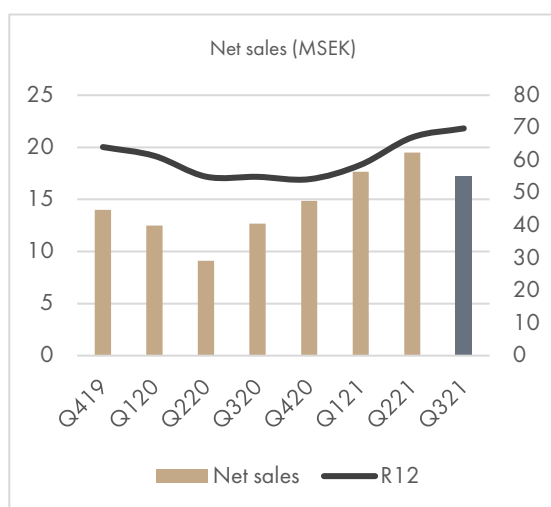
13%

Share of Premium

90%

Performance measures

MSEK	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	R12 Oct 2020-Sept 2021	Full-year 2020
REST OF WORLD:						
Net sales	17.2	14.5	54.4	38.7	69.8	54.2
Adjusted EBITA	2.3	2.4	6.2	5.0	9.2	8.0
Adjusted EBITA margin	13%	17%	11%	13%	13%	15%
Share of premium	90%	74%	87%	77%	86%	77%



Other Group

Organisation

The number of FTEs on 30 September 2021 was 207 (203), of whom 106 (96) were women and 101 (107) men.

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

- Robert Shams Smolander appointed Head of Group Change Management & Sustainability

Significant events after the end of the quarter

- Legal and operational change of Boråstapeter
- Recruitment of MD for Borås Tapetfabrik AB

Review report

This report was subject to review by the company's auditor.

Parent Company

Third quarter of 2021

The Parent Company's net sales amounted to MSEK 2.9 (2.0). Net profit for the period amounted to MSEK 25.1 (-4.4). Earnings were positively impacted by dividends from subsidiaries. During the quarter, the overdraft facility that previously existed in the subsidiary Boråstapeter AB was transferred to the parent company.

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 33.3% of the number of shares and votes in Embellence Group.

The largest owners on 30 September 2021

	No. of shares	Share of capital and votes, %
Litorina Coinvest 1 AB	7,122,227	33.3%
WA Wallvision AB	980,909	4.6%
Nordnet Pensionsförsäkring AB	974,639	4.6%
T-Konsortiet AB	792,216	3.7%
FE Småbolag Sverige	641,247	3.0%
NQ Förvaltning AB	591,377	2.8%
Jerker Adeberg Holding AB	572,647	2.7%
Strand Småbolagsfond	567,000	2.7%
Taaleri Nordic Micro	500,000	2.3%
Novobis AB	490,239	2.3%
Total, ten largest owners	13,232,501	62.0%
Other shareholders	8,167,499	38.0%
Total	21,400,000	100%

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, 25 October 2021

Morten Falkenberg
Chairman

Olle Svensk
CEO

Mattias Letmark

Henrik Nyqvist

Paul Steene

Christina Ståhl

Review report

Embellence Group AB (publ), Corp. Reg. No. 556006-0625

Introduction

We have reviewed the condensed interim financial information (interim report) for Embellence Group AB (publ) as of September 30, 2021 and the nine-month period which ended on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion expressed on a review therefore does not have the certainty of a conclusion expressed on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Gothenburg, 25 October 2021

PricewaterhouseCoopers AB

Patrik Resebo
Authorised Public Accountant

Condensed consolidated income statement

MSEK	July-September		January-September		Full-year
	2021	2020	2021	2020	2020
Net sales	135.5	130.8	472.9	403.8	569.9
Cost of goods sold	-59.1	-56.7	-211.2	-180.5	-257.9
Gross profit	76.4	74.1	261.7	223.3	312.0
Selling and administrative expenses	-59.8	-54.2	-205.3	-180.7	-248.1
Other operating income	0.7	0.1	2.4	4.5	4.0
Other operating expenses	-1.0	-0.2	-2.1	-0.7	-1.9
Operating profit	16.3	19.8	56.7	46.4	66.0
Financial income	0.0	0.0	0.8	1.1	2.4
Financial expenses	-2.0	-1.5	-6.2	-4.1	-6.1
Profit before tax	14.3	18.3	51.3	43.4	62.3
Tax	-2.1	-4.2	-10.4	-10.0	-14.4
Profit from continuing operations	12.2	14.1	40.9	33.4	47.9
Profit from discontinued operations	0.0	-1.4	0.0	-0.3	-4.8
Net profit for the period	12.2	12.7	40.9	33.1	43.1
Earnings per share for the period before dilution¹⁾ (SEK)	0.57	0.59	1.91	1.55	2.02
Earnings per share for the period after dilution¹⁾ (SEK)	0.56	0.59	1.87	1.55	2.02
Other comprehensive income					
Actuarial gains and losses after tax	0.0	0.0	0.0	0.0	-0.1
Translation differences	1.1	5.2	8.6	-2.4	-14.6
Total other comprehensive income	1.1	5.2	8.6	-2.4	-14.7
Comprehensive income for the period	13.3	17.9	49.5	30.7	28.4

¹⁾ Refer to Note 1 on page 22.

Condensed consolidated balance sheet

MSEK	30 September		31 December
	2021	2020	2020
ASSETS			
Intangible non-current assets	206.7	173.7	167.9
Tangible non-current assets	65.9	62.2	65.4
Right-of-use assets	42.7	38.1	33.1
Deferred tax assets	4.4	0.3	4.7
Financial non-current assets	1.0	0.4	0.5
Total non-current assets	320.7	274.6	271.6
Inventories	84.5	92.1	85.2
Accounts receivable	77.9	75.2	83.9
Receivables from controlling companies	0.0	48.1	0.0
Current tax assets	5.3	1.8	3.6
Other receivables	6.5	7.9	5.2
Prepaid expenses and accrued income	12.4	9.1	14.5
Cash and cash equivalents	87.4	52.8	49.0
Total current assets	274.0	287.1	241.4
Assets held for sale	0.0	17.7	0.1
Total assets	594.7	579.4	513.1

Condensed consolidated balance sheet (cont.)

MSEK	30 September		31 December
	2021	2020	2020
EQUITY AND LIABILITIES			
Share capital	53.5	53.5	53.5
Other contributed capital	4.8	4.8	4.8
Reserves	-2.3	1.4	-10.8
Retained earnings, including net profit for the year	214.7	219.9	164.3
Equity attributable to Parent Company shareholders	270.7	279.6	211.8
Provisions for pensions	4.4	2.6	3.5
Deferred tax liabilities	13.1	8.7	8.4
Lease liabilities	31.8	23.4	26.3
Total non-current liabilities	49.3	34.7	38.2
Lease liabilities	9.8	7.1	6.5
Bank overdraft facility	151.3	124.7	107.9
Accounts payable	42.4	43.6	52.1
Other current liabilities	28.5	37.1	34.4
Accrued expenses and deferred income	42.7	39.6	62.1
Total current liabilities	274.7	252.2	263.0
Total liabilities	324.0	286.8	301.2
Liabilities directly associated with assets held for sale	0.0	13.0	0.1
Total equity and liabilities	594.7	579.4	513.1

Net debt

MSEK	30 September		31 December
	2021	2020	2020
Lease liabilities	41.7	30.5	32.8
Bank overdraft facility	151.3	124.7	107.9
Other interest-bearing receivables and liabilities	0.0	-49.0	9.6
Gross debt	193.0	106.2	150.3
Cash and cash equivalents	-87.4	-52.8	-49.0
Net debt	105.6	53.4	101.3
EBITDA RTM	104.7	90.1	92.7
Net debt / EBITDA RTM	1.0	0.6	1.1
Equity ratio	45.5%	48.3%	41.3%
Quota value per share (SEK)	2.5	2.5	2.5

*The fact that the level of net debt for the period January–September 2021 was significantly higher than for the year-earlier period is due to the transactions between the former owner company and Embellence Group being settled only on an annual basis.

Condensed consolidated cash-flow statement

MSEK	July-September		January-September		Full-year
	2021	2020	2021	2020	2020
OPERATING ACTIVITIES					
Operating profit	16.3	19.9	56.7	46.4	66.0
<i>Adjustments for non-cash items</i>					
Depreciation and amortisation	6.9	6.2	20.3	18.6	26.7
Other	2.3	3.1	6.9	-0.4	0.2
Total	25.5	29.2	83.9	64.6	92.9
Interest received	0.2	1.0	0.6	0.3	1.0
Interest paid	-2.1	-1.4	-6.2	-4.0	-5.2
Tax paid	-3.3	-2.9	-8.9	-5.1	-6.8
Cash flow from operating activities before changes in working capital	20.3	25.9	69.4	55.8	81.9
Cash flow from changes in working capital	-4.2	-7.0	-22.6	-8.2	-14.8
Cash flow from operating activities	16.1	18.9	46.8	47.6	67.1
INVESTING ACTIVITIES					
Acquisition of non-current assets	-2.4	-3.0	-10.1	-13.4	-17.4
Acquisition of companies, less acquired cash and cash equivalents	—	—	-34.4	—	—
Cash flow from investing activities from discontinued operations	—	0.7	—	1.1	—
Cash flow from investing activities	-2.4	-2.3	-44.5	-12.3	-17.4
FINANCING ACTIVITIES					
Change in bank overdraft facilities	-6.8	4.4	43.4	-5.6	-22.4
Repayment of lease liabilities	-3.0	-2.2	-8.7	-7.1	-10.8
Option premiums received	—	—	—	—	0.2
Cash flow from financing activities from discontinued operations	—	-1.1	—	-3.4	—
Cash flow from financing activities	-9.8	1.1	34.7	-16.1	-33.0
Cash flow for the period	3.9	17.7	37.0	19.2	16.7
Cash and cash equivalents at beginning of period	83.4	35.3	49.0	34.4	34.4
Exchange rate differences in cash and cash equivalents	0.2	-0.2	1.4	-0.8	-1.9
Cash and cash equivalents at end of period	87.4	52.8	87.4	52.8	49.0

Consolidated statement of changes in equity

MSEK	2021
Opening equity 1 Jan 2021	211.8
Net profit for the period	40.9
Other comprehensive income	8.6
Shareholder contributions received	9.4
Closing balance 30 Sept 2021	270.7

MSEK	2020
Opening equity 1 Jan 2020	248.8
Net profit for the period	33.1
Other comprehensive income	-2.4
Closing balance 30 Sept 2020	279.6

Condensed Parent Company cash-flow statement

MSEK	July-September		January-September		Full-year
	2021	2020	2021	2020	2020
Net sales	2.9	2.0	8.7	5.7	7.5
Administrative expenses	-4.2	-3.4	-21.6	-12.8	-18.1
Operating loss	-1.3	-1.4	-12.9	-7.1	-10.6
Financial income	27.0	-3.0	27.0	-3.0	18.8
Financial expenses	-0.9	0.0	-2.1	0.0	-1.1
Profit/loss after financial items	24.8	-4.4	12.0	-10.1	7.1
Group contributions	0.0	0.0	0.0	0.0	-72.8
Profit/loss before tax	24.8	-4.4	12.0	-10.1	-65.7
Tax	0.3	0.0	3.1	0.0	4.4
Net profit/loss for the period	25.1	-4.4	15.1	-10.1	-61.3

Condensed Parent Company balance sheet

MSEK	30 September		31 December
	2021	2020	2020
ASSETS			
Intangible non-current assets	0.8	0.8	0.8
Deferred tax assets	7.4	0.1	4.3
Financial non-current assets	409.5	319.3	353.7
Total non-current assets	417.7	320.2	358.8
Receivables from controlling companies	0.0	16.7	0.0
Other receivables	0.0	0.0	0.2
Prepaid expenses and accrued income	0.9	0.1	0.2
Cash and cash equivalents	0.0	0.5	9.4
Total current assets	0.9	17.3	9.8
Total assets	418.6	337.5	368.6

MSEK	30 September		31 December
	2021	2020	2020
EQUITY AND LIABILITIES			
Share capital	53.5	53.5	53.5
Statutory reserve	10.0	10.0	10.0
Share premium reserve	18.3	18.3	18.3
Retained earnings, including net profit for the year	61.5	53.5	36.9
Equity attributable to Parent Company shareholders	143.3	135.3	118.7
Provisions for pensions	0.8	0.4	0.4
Total non-current liabilities	0.8	0.4	0.4
Bank overdraft facility	151.3	0.0	0.0
Accounts payable	0.8	0.3	1.1
Liabilities to Group companies	118.6	198.4	244.4
Other current liabilities	0.5	0.4	0.4
Accrued expenses and deferred income	3.3	2.7	3.6
Total current liabilities	274.5	201.8	249.5
Total liabilities	275.3	202.2	249.9
Total equity and liabilities	418.6	337.5	368.6

Quarterly overview

MSEK	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Net sales	156.7	152.5	120.4	130.8	166.1	177.5	160.0	135.5
Adjusted EBITA	23.5	14.4	16.7	21.4	30.0	28.2	22.9	18.3
Adjusted EBITA margin	15.0%	9.4%	13.9%	16.4%	18.1%	15.9%	14.3%	13.5%
Share of premium, %	54%	47%	49%	51%	47%	52%	57%	57%

Quarterly data per segment

MSEK	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Net sales								
Nordics	74.1	84.5	63.9	64.6	93.0	98.3	75.4	64.0
Europe	66.4	54.9	45.4	51.7	57.6	61.5	65.1	54.3
Rest of World	16.2	13.2	11.1	14.5	15.5	17.7	19.5	17.2
TOTAL	156.7	152.6	120.4	130.8	166.1	177.5	160.0	135.5

MSEK	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Adjusted EBITA per segment								
Nordics	16.8	7.9	12.8	8.0	18.0	16.7	9.5	7.7
Europe	7.8	5.2	2.6	11.0	8.9	9.4	11.5	8.3
Rest of World	-1.0	1.3	1.3	2.4	3.0	2.1	1.9	2.3
Total adjusted EBITA	23.6	14.4	16.7	21.4	30.0	28.2	22.9	18.3
Items affecting comparability						-5.3	-1.7	0.0
EBITA						23.0	21.2	18.3
Impairment of intangible assets						-1.8	-1.9	-2.0
Total EBIT						21.1	19.3	16.3

Notes

Note 1 Earnings per share

SEK	July-Sept 2021	July-Sept 2020	Jan-Sept 2021	Jan-Sept 2020	Full-year 2020
Continuing operations					
Earnings per share before dilution	0.57	0.66	1.91	1.56	2.24
Earnings per share after dilution	0.56	0.66	1.87	1.56	2.24
Net profit for the period					
Earnings per share before dilution (SEK)	0.57	0.59	1.91	1.55	2.02
Earnings per share after dilution (SEK)	0.56	0.59	1.87	1.55	2.02
Performance measures used in the calculation of earnings per share before and after dilution (MSEK)					
Profit from continuing operations	12.2	14.1	40.9	33.4	47.9
Net profit for the period	12.2	12.7	40.9	33.1	43.1
<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	21,400,000
<i>Warrants</i>					
Adjustment for calculation of earnings per share after dilution attributable to warrants	439,368	—	434,174	—	—
<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	21,839,368	21,400,000	21,834,174	21,400,000	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 43.3 in sales and MSEK 8.3 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.

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Financial calendar

Year-end Report 2021

3 March 2022

About Embellence Group AB

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

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