

Interim report Q1 2025

JANUARY – MARCH 2025

embellence
GROUP

First quarter 2025

- Net sales amounted to MSEK 202 (214), down 6%, of which exchange rate effects were +1%.
- The gross margin amounted to 62.0% (58.3)
- Operating income (EBITA) amounted to MSEK 32 (34).
- The EBITA margin amounted to 16.0% (15.7).
- Net profit for the period amounted to MSEK 24 (16) and earnings per share before and after dilution to SEK 1.00 (0.72).
- Operating cash flow amounted to MSEK 5 (14).

SIGNIFICANT EVENTS DURING THE QUARTER

- No significant events to report

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

- No significant events to report.

MSEK	Jan–Mar 2025	Jan–Mar 2024	Change	R12	Full-year 2024
Group					
Net sales	202	214	–6%	766	778
Gross profit	126	125	0%	466	466
Gross margin, %	62.0%	58.3%	3.7 p.p.	60.9%	59.9%
EBITA	32	34	–4%	111	112
EBITA margin, %	16.0%	15.7%	0.3 p.p.	14.5%	14.4%
Net profit for the period	24	16	45%	64	57
Operating cash flow	5	14	–62%	103	113
Net debt/EBITDA R12	0.7	1.6		0.7	0.7
Earnings per share before dilution (SEK)	1.00	0.72		2.78	2.50
Earnings per share after dilution (SEK)	1.00	0.72		2.78	2.50

WALL&DECÒ:FAMILY FEATURES

Continued improved profitability margin

Net sales for the first quarter of 2025 amounted to MSEK 202 (214), down 6% compared with the preceding year (of which exchange rate effects +1%). The sales decline was due to exceptional comparative figures for the Artscape brand, as previously communicated, whose sales were 21 MSEK lower year-on-year.

The gross margin for the quarter was 62.0%, up 3.7 percentage points compared with the year-earlier period. The drivers included an improved product mix and efficiency improvements. Despite the fact that the Manufacturing segment, with its generally lower gross margin, continued to increase its share of sales during the year, the gross margin was maintained due to improved efficiency.

EBITA for the quarter was MSEK 32, corresponding to an operating margin of 16.0% (15.7). At the same time as we continue to invest in product development and marketing initiatives to drive future profitable growth, the improved gross margin allows us to continue the positive trend towards our long-term financial goal of an EBITA margin in excess of 15%. On a rolling 12-month basis, we achieved an EBITA margin of 14.5%.

SEGMENT BRANDS – WALLPAPER BRANDS SHOW GROWTH

During the quarter, sales in the Brands segment amounted to MSEK 179 (197).

Our two largest brands, Boråstapeter and Cole & Son, grew in the first quarter following a long period of decline. Retail sales stabilised, while direct-to-customer (DTC) sales continued to grow from relatively low levels.

Boråstapeter's sales for the quarter amounted to MSEK 79 (78). The Swedish retail market stabilised, as well as several major European markets, and DTC sales

continued to grow. Internationally, sales to distributors in the US performed weaker than expected.

Cole & Son's sales amounted to MSEK 39 (36), where the retail market in the UK as well as Rest of Europe performed well. The US also showed a positive trend, much due to the launch of the new Classics collection, with a related inventory accumulation by distributors.

Sales for Wall&decò amounted to MSEK 23 (25). The somewhat weaker trend was mainly attributable to subdued demand in the Italian retailer market. The focus on Hospitality continued and sales in this market segment are growing.

Pappelina's sales amounted to MSEK 11 (12). Sales in Sweden made a strong recovery during the quarter, while the international trend, primarily in the US, was softer. After the quarter, we decided to make a change in Pappelina's commercial management and Sara Nevander has now stepped into the role of Interim Managing Director. Marketing and sales will be relocated to Borås, while design and manufacturing will remain in Leksand.

Sales in Artscape amounted to MSEK 25 (46). The decrease in sales for the quarter was expected as the comparison quarter included exceptional sales with inventory build-up in connection with a new launch of window film at one of Artscape's largest US customers. In addition, a major order was brought forward to the

fourth quarter 2024 by Artscape's largest customer. In general, the ongoing operations continues to develop well, especially DTC sales, albeit with somewhat more cautious order placement from the large US retail customers.



MANUFACTURING SEGMENT – CONTINUED GROWTH

Borås Tapetfabrik recorded yet another strong quarter with sales of MSEK 24 (17) to external customers, up 39% year-on-year. Increased production volumes and production efficiencies had a positive impact on profitability.

MARKET SITUATION AND TRADE BARRIERS

Like all companies, we are monitoring the market situation and global developments with regard to the various tariffs now being introduced. For us, and for other companies with global operations, various forms of restrictions on international trade are never usually a good thing. At present, our sales are only marginally affected by the new tariffs announced by the US. However, there is also a general risk of more difficult-to-assess indirect impacts due to increased costs for consumers and our customers.

NEW FINANCING IN PLACE

In April 2025, we entered into a new financing agreement with a leading Nordic banking partner. The new

agreement will increase our flexibility for future initiatives, lower costs and provide a more efficient cash management solution.

CONTINUED FOCUS ON ACCELERATING PROFITABLE ORGANIC GROWTH

As the new CEO, my main focus will be to build on the strategy presented at the Capital Markets Day in May 2024.

The focus is on driving profitable organic growth through sales and marketing, and on continued product development and innovation. The design expertise and core of our five strong brands are the foundation of that process. Through more coordinated efforts with underlying functions, we will help the brands further strengthen their positions in the growth areas of Hospitality and DTC, expand their product ranges and streamline their production methods.

The retail channel for our industry has been very challenging for a long time, but we are starting to see signs of stabilisation. It is now up to our team to combine our strategic long-term approach with the right commercial decisions in the short term so that we can create profitable growth and gain market share as the interior design markets in which we operate gradually strengthen.

I am looking forward to taking on this opportunity together with all my talented colleagues at Embellence Group.

Johan Andgren,
CEO Embellence Group

Group performance

CONSOLIDATED NET SALES

Net sales for the quarter amounted to MSEK 202 (214), down 6% compared with the year-earlier quarter. Exchange rate effects amounted to +1%. The sales decline was due to the fact that the comparative quarter of last year was positively impacted by the launch of window film from the Artscape brand by one of our largest US customers.

CONSOLIDATED EARNINGS

EBITA for the quarter was MSEK 32 (34), corresponding to an operating margin of 16.0% (15.7). An improved gross margin and effective cost control were the drivers behind the improvement in profitability.

Net profit for the quarter amounted to MSEK 24 (16), resulting in earnings per share before and after dilution of SEK 1.00 (0.72). An improvement in net financial items compared with the year-earlier quarter had a positive impact on earnings.

NET FINANCIAL ITEMS

Net financial items for the quarter were MSEK 1 (-7). Net interest was lower at MSEK -2 (-4), mainly the result of lower indebtedness. Remeasurement of financial items in foreign currency amounted to MSEK 4 (-4).

CASH FLOW

Cash flow from operating activities amounted to MSEK 5 (14). A notable feature of the quarter was other items, which were negative due to major translation differences in equity. Change in working capital was negative due to increased accounts receivable.

Cash flow from investing activities for the quarter amounted to MSEK -5 (-7). During the quarter, the investment in new digital printing capacity was completed. Cash flow from financing activities during the quarter amounted to MSEK -7 (-6).

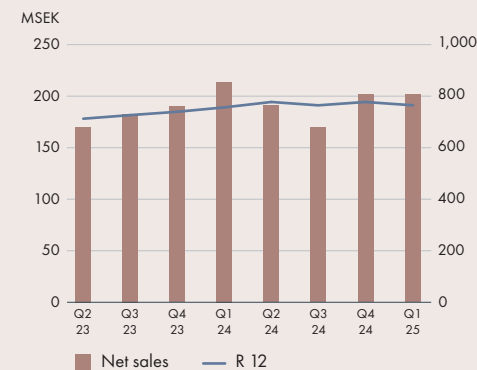
FINANCIAL POSITION

At the end of the quarter, the Group's total assets amounted to MSEK 807 (865). The equity ratio amounted to 65% (53) and cash and cash equivalents at the end of the quarter were MSEK 32 (41). The Group's net debt amounted to MSEK 100 (203) at the end of the quarter. At the end of the quarter, net debt/EBITDA (R12) was 0.7 times (1.6).

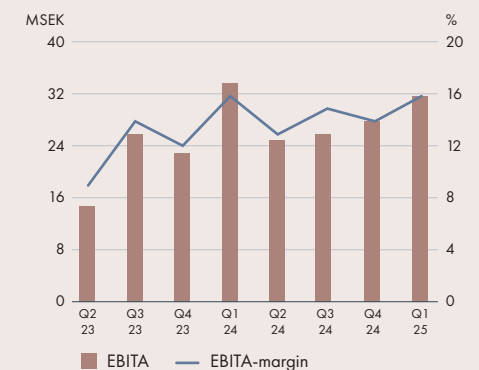


COLE & SON: KAWAKUBO

NET SALES (MSEK)



EBITA (MSEK) AND EBITA MARGIN (%)



Segment performance

BRANDS SEGMENT

Net sales in the Brands segment amounted to MSEK 179 for the quarter, corresponding to a decrease of 9% compared with the year-earlier quarter. As previously mentioned, the deterioration was due to the extraordinary comparative quarter for Artscape. However, the two largest brands, Boråstapeter and Cole & Son, grew in the first quarter following a long period of decline. Their retail sales stabilised, while direct-to-customer (DTC) sales reported continued growth.

BORÅSTAPETER

Boråstapeter's sales for the quarter amounted to MSEK 79, up 2% compared with the year-earlier quarter. Both the Swedish retailer market and several large European markets stabilised during the quarter. Furthermore, DTC sales continued to grow. Internationally, sales in the US were slightly softer than expected.

COLE & SON

Cole & Son's sales for the quarter amounted to MSEK 39, up 7% compared with the year-earlier quarter. The positive trend was mainly driven by an improved performance in the key domestic market of the UK, but also by a steadily improving retail market in other major European markets. The US also performed positively during the quarter.

WALL&DECÒ

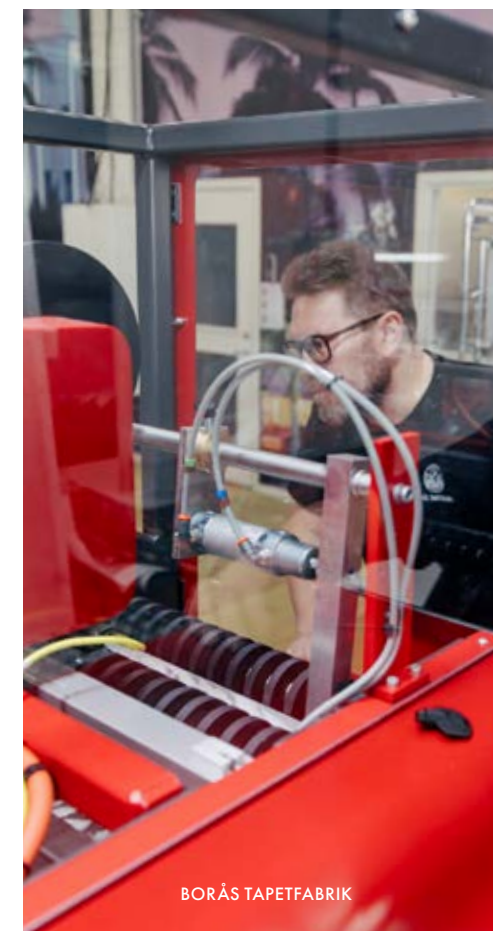
Wall&decò's sales amounted to MSEK 23, down 4% compared with the year-earlier quarter. The somewhat weak sales were mainly due to subdued demand in the Italian retailer market.

PAPPELINA

Pappelina's sales for the quarter amounted to MSEK 11, down 4% compared with the year-earlier quarter. Sales in Sweden continued to show a positive trend, while sales to other geographies, especially the US, were weaker.

ARTSCAPE

Artscape's sales for the quarter amounted to MSEK 25, down 45% compared with the year-earlier quarter. As previously mentioned, this development was mainly due to a strong comparative quarter with extraordinary sales.



BORÅS TAPETFABRIK

NET SALES

MSEK	Jan–Mar 2025	Jan–Mar 2024	Change	R12	Full-year 2024
Brands	179	197	–9%	674	693
Boråstapeter	79	78	2%	274	273
Cole & Son	39	36	7%	144	141
Wall&decò	23	25	–4%	93	94
Pappelina	11	12	–4%	46	46
Artscape	25	46	–45%	118	139
Manufacturing (external)	24	17	39%	91	85
EMBELLENCE GROUP	202	214	–6%	766	778

MANUFACTURING SEGMENT

The segment recorded yet another strong quarter with sales of MSEK 24 (17) to external customers, up 39% year-on-year. Growth for the quarter was primarily driven by increased income from existing customers in both digital and traditional printing.

Other Group

ORGANISATION

The number of FTEs on 31 March 2025 was 228 (225).

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 the 2024 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. New standards and interpretations that have come into effect after 31 December 2024 have not had a significant impact on the Group's financial statements for the current or future periods, nor on future transactions.

SIGNIFICANT EVENTS DURING THE QUARTER

No significant events to report.

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

No significant events to report.

AUDIT

This report was not subject to review by the Group's auditors.

Parent Company

The Parent Company's net sales amounted to MSEK 4 (3) in the first quarter. Net loss amounted to MSEK -2 (-10).



ARTSCAPE: ELEMENTS

Signatures and assurance

The undersigned assure that the interim report provides a true and fair view 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, 6 MAY 2025

MAGNUS WELANDER
Chairman

JOHAN ANDGREN
CEO

KARIN DENNFORD

MARIA VEERASAMY

HENRIK NYQVIST

CHRISTINA STÅHL

Condensed consolidated income statement

MSEK	Jan–Mar 2025	Jan–Mar 2024	Full-year 2024
Net sales	202	214	778
Cost of goods sold	–77	–89	–312
Gross profit	126	125	466
Selling and administrative expenses	–99	–96	–375
Other operating income	2	1	5
Other operating expenses	–1	–2	–3
Operating profit	28	29	93
Net financial items	1	–7	–22
Profit before tax	29	22	72
Tax	–6	–5	–14
Net profit for the period	24	16	57
Earnings per share for the period before dilution (SEK)	1.00	0.72	2.50
Earnings per share for the period after dilution (SEK)	1.00	0.72	2.50
Other comprehensive income			
Translation differences	–38	25	36
Total other comprehensive income	–38	25	36
Comprehensive income for the period	–14	41	93

Condensed consolidated balance sheet

MSEK	31 March 2025	31 March 2024	31 Dec 2024
Assets			
Intangible non-current assets	336	370	362
Tangible non-current assets	81	79	80
Right-of-use assets	54	55	59
Deferred tax assets	4	8	5
Financial non-current assets	3	3	3
Total non-current assets	478	514	509
Inventories	150	131	147
Accounts receivable	112	136	98
Current tax assets	3	13	6
Other receivables	9	5	9
Prepaid expenses and accrued income	23	25	20
Cash and cash equivalents	32	41	41
Total current assets	329	351	321
Total assets	807	865	830
Equity and liabilities			
Share capital	59	56	59
Other contributed capital	111	84	111
Reserves	23	49	61
Retained earnings, including net profit for the year	330	266	307
Equity attributable to Parent Company shareholders	523	456	538
Provisions for pensions	6	7	7
Deferred tax liabilities	17	16	17
Other non-current interest-bearing liabilities	27	55	27
Lease liabilities	43	43	48
Other non-current liabilities	0	0	0
Total non-current liabilities	93	121	99
Other current interest-bearing liabilities	0	16	0
Bank overdraft facility	46	115	49
Lease liabilities	16	15	16
Accounts payable	58	58	59
Other current liabilities	22	31	20
Accrued expenses and deferred income	49	53	49
Total current liabilities	191	288	193
Total liabilities	284	409	292
Total equity and liabilities	807	865	830

Indebtedness

MSEK	31 March 2025	31 March 2024	31 Dec 2024
Lease liabilities	59	58	64
Bank overdraft facility	46	115	49
Other interest-bearing receivables and liabilities	27	71	27
Gross debt	132	244	140
Cash and cash equivalents	-32	-41	-41
Net debt	100	203	99
EBITDA (R12)	136	125	138
Net debt/EBITDA (R12)	0.7	1.6	0.7
Net debt/EBITDA excl. IFRS 16 effects (R12)	0.5	1.4	0.4
Equity ratio	65%	53%	65%
Quota value per share (SEK)	2.5	2.5	2.5

Condensed consolidated cash flow statement

MSEK	Jan–Mar 2025	Jan–Mar 2024	Full-year 2024
OPERATING ACTIVITIES			
Operating profit	28	29	93
Adjustments for non-cash items			
Depreciation and amortisation	11	11	44
Other	-12	8	8
Total	27	49	145
Interest received	–	–	2
Interest paid	-2	-4	-16
Tax paid	-3	-4	-10
Cash flow from operating activities before changes in working capital	22	41	121
Cash flow from changes in working capital	-16	-26	-9
Cash flow from operating activities	5	14	113
INVESTING ACTIVITIES			
Acquisition of non-current assets	-5	-7	-14
Cash flow from investing activities	-5	-7	-14

MSEK	Jan–Mar 2025	Jan–Mar 2024	Full-year 2024
FINANCING ACTIVITIES			
Change in bank overdraft facilities	-3	25	-42
Repayment of lease liabilities	-4	-4	-15
Repayment of loans	–	-27	-71
Option premiums received	–	–	3
Redemption of warrants	–	–	26
Cash flow from financing activities	-7	-6	-98
Cash flow for the period	-7	2	1
Cash and cash equivalents at beginning of period	41	38	38
Exchange rate differences in cash and cash equivalents	-2	1	2
Cash and cash equivalents at end of period	32	41	41

Condensed consolidated statement of changes in equity

MSEK	2025
Opening balance 1 Jan 2025	538
Net profit for the period	24
Other comprehensive income	-38
Closing balance 31 Mar 2025	523

MSEK	2024
Opening balance 1 Jan 2024	415
Option premiums received	3
Redemption of warrants	26
Net profit for the period	57
Other comprehensive income	37
Closing balance 31 Dec 2024	538



PAPPELINA: MONO HAZE

Condensed Parent Company income statement

MSEK	Jan–Mar 2025	Jan–Mar 2024	Full-year 2024
Net sales	4	3	13
Administrative expenses	-8	-8	-30
Operating loss	-4	-4	-17
Net financial items	2	-9	-25
Loss after financial items	-2	-13	-42
Group contributions	–	–	66
Other appropriations	–	–	-8
Profit/loss before tax	-2	-13	17
Tax	–	3	-5
Net profit/loss for the period	-2	-10	12

Condensed Parent Company balance sheet

MSEK	31 March 2025	31 March 2024	31 Dec 2024
Assets			
Intangible non-current assets	—	1	1
Deferred tax assets	—	3	—
Financial non-current assets	618	618	618
Total non-current assets	619	621	619
Current tax assets	2	1	—
Prepaid expenses and accrued income	3	3	1
Total current assets	5	4	1

MSEK	31 March 2025	31 March 2024	31 Dec 2024
Total assets	623	625	620
Equity and liabilities			
Share capital	59	56	59
Statutory reserve	10	10	10
Share premium reserve	129	102	129
Retained earnings, including net profit for the year	171	151	173
Equity attributable to Parent Company shareholders	368	319	370
Untaxed reserves	25	18	25
Provisions for pensions	2	2	2
Other non-current interest-bearing liabilities	27	55	27
Total non-current liabilities	29	57	29
Other current interest-bearing liabilities	—	16	—
Bank overdraft facility	46	115	49
Accounts payable	1	1	2
Liabilities to Group companies	147	94	137
Other current liabilities	1	—	1
Accrued expenses and deferred income	5	5	6
Total current liabilities	200	231	195
Total liabilities	230	288	224
Total equity and liabilities	623	625	620

Quarterly overview

GROUP

MSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Net sales	170	183	190	214	191	170	202	202
Gross profit	104	106	110	125	115	103	123	126
Gross margin, %	61.4%	57.7%	57.7%	58.3%	60.1%	60.7%	60.7%	62.0%
EBITA	15	26	23	34	25	26	28	32
EBITA margin, %	8.9%	14.4%	12.2%	15.7%	13.0%	15.1%	13.9%	16.0%
Adjusted EBITA	18	26	23	34	25	26	28	32
Adjusted EBITA margin, %	10.8%	14.4%	12.2%	15.7%	13.0%	15.1%	13.9%	16.0%

NET SALES PER BRAND AND SEGMENT

MSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Boråstapeter	57	66	78	78	61	61	72	79
Cole & Son	37	40	37	36	36	33	36	39
Wall&decò	26	23	27	25	26	20	24	23
Pappelina	12	12	10	12	13	11	10	11
Artscape	26	32	24	46	31	27	36	25
Net sales Brands	158	174	175	197	167	151	178	179
Net sales Manufacturing (external)	12	10	15	17	24	19	24	24
Total	170	183	190	214	191	170	202	202

NET SALES BY LARGEST MARKETS

MSEK	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025
Sweden	49	56	70	70	62	56	73	80
US	36	46	33	60	45	37	48	39
UK	18	18	20	19	16	21	19	21
Rest of World	66	62	68	65	68	57	62	63
Total	170	183	190	214	191	170	202	202

Notes

NOTE 1 Earnings per share

MSEK	Jan–Mar 2025	Jan–Mar 2024	Full-year 2024
Net profit for the period (SEK)			
Earnings per share before dilution	1.00	0.72	2.50
Earnings per share after dilution	1.00	0.72	2.50
Performance measures used in the calculation of earnings per share before and after dilution (MSEK)			
Net profit for the period	24	16	57
Profit above is attributable to Parent Company shareholders in its entirety			
Weighted average number of shares before and after dilution			
Before dilution			
Weighted average number of ordinary shares for calculation of earnings per share before dilution	23,538,721	22,583,877	22,860,417
Warrants			
Adjustment for calculation of earnings per share after dilution attributable to warrants	0	0	0
After dilution			
Weighted average number of ordinary shares and potential ordinary shares used as denominator for calculation of earnings per share after dilution	23,538,721	22,583,877	22,860,417

Definitions

NUMBER OF EMPLOYEES

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

GROSS MARGIN

Gross profit divided by net sales.

GROSS PROFIT

Net sales less cost of goods sold.

EBITA

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

EBITA MARGIN

EBITA divided by net sales.

EBITDA

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

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 lease liabilities, liabilities and receivables against Group companies and bank overdraft facilities minus cash and cash equivalents.

NET DEBT/EBITDA

Net debt divided by EBITDA, rolling 12 months.

NET DEBT/EBITDA EXCL. IFRS 16

Net debt divided by EBITDA, rolling 12 months, excluding lease liabilities, interest and impairments under IFRS 16.

NET SALES – ORGANIC GROWTH

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

EARNINGS PER SHARE IN SEK

Profit after tax divided by the average number of outstanding shares during the period.

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 programmes.

SEGMENT

Embellence Group reports two segment, Brands and Manufacturing.

The Brands segment consists of Boråstapeter, Cole & Son, Wall&decò, Pappelina and Artscape.

The Manufacturing segment consists of Borås Tapetfabrik.

EQUITY RATIO

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

PUBLICATION

This information is information that Embellence Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out below, on 6 May 2025 at 08:00 a.m. CEST.

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FINANCIAL CALENDAR

2025 Annual General Meeting – 8 May 2025
Q2 2025 – 17 July 2025
Q3 2025 – 4 November 2025
Q4 2025 – 18 February 2026

ABOUT EMBELLENCER GROUP AB

Embellence Group, founded in 1905, is a leading European company in interior decoration with a focus on premium brands in the wallpaper segment, complemented by other colour and pattern-driven interior decoration such as textiles and rugs. Our products are sold in more than 100 markets around the world.

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