

INTERIM REPORT SECOND QUARTER 2023




BORÅSTAPETER


Cole & Son®
ESTABLISHED 1829

Wall&decò

pappelina®

ARTSCAPE.
WINDOW FILM DESIGN


BORÅS TAPETFABRIK

embellence
GROUP

Healthy profitability in a challenging market

Second quarter 2023

- Net sales amounted to MSEK 169.9 (189.9), down -10.5% (exchange rate effect +3.2%)
- EBITA amounted to MSEK 15.2 (22.1), down -31.2%
- Adjusted EBITA amounted to MSEK 18.4 (24.4), down -24.5%
- Adjusted EBITA margin amounted to 10.8% (12.9%)
- Net loss for the period amounted to MSEK -2.2 (profit: 2.0) and loss per share for the period before dilution to SEK -0.10 (earnings: 0.09)
- Operating cash flow amounted to MSEK 12.2 (26.5)

Significant events during the quarter

- No significant events during the quarter

“Efficiency improvements, price increases and a sharp focus on costs contributed to a continued healthy profitability”

Olle Svensk
CEO, Embellence Group AB

| MSEK | Apr–Jun 2023 | Apr–Jun 2022 | Jan–Jun 2023 | Jan–Jun 2022 | R12 July 2022– June 2023 | Full-year 2022 |
|---|--------------|--------------|--------------|--------------|--------------------------------|----------------|
| Group | | | | | | |
| Net sales | 169.9 | 189.9 | 367.4 | 374.3 | 713.3 | 720.1 |
| EBITA | 15.2 | 22.1 | 42.3 | 52.8 | 78.0 | 88.5 |
| Adjusted EBITA* | 18.4 | 24.4 | 45.5 | 57.2 | 90.9 | 102.6 |
| Profit/loss before tax | -2.2 | 3.4 | 14.5 | 35.4 | 49.4 | 70.4 |
| Net profit/loss for the period | -2.2 | 2.0 | 10.6 | 26.8 | 41.2 | 57.4 |
| Operating cash flow | 12.2 | 26.5 | 14.4 | 63.7 | 58.6 | 107.9 |
| EBITA margin, % | 8.9% | 11.6% | 11.5% | 14.1% | 10.9% | 12.3% |
| Adjusted EBITA margin, % | 10.8% | 12.9% | 12.4% | 15.3% | 12.7% | 14.3% |
| Net debt | 248.8 | 261.6 | 248.8 | 261.6 | 248.8 | 233.7 |
| Net debt/EBITDA R12 | | | | | 2.4 | 2.1 |
| Net debt/EBITDA R12 excl. IFRS 16 effects | | | | | 2.1 | 1.7 |
| Equity ratio, % | 48.3% | 42.4% | 48.3% | 42.4% | 48.3% | 46.8% |
| Earnings per share for the period before dilution (SEK) | -0.10 | 0.09 | 0.47 | 1.24 | 1.80 | 2.57 |
| Earnings per share for the period after dilution (SEK) | -0.10 | 0.09 | 0.47 | 1.24 | 1.81 | 2.57 |
| No. of employees | 236 | 261 | 236 | 261 | 236 | 247 |

*EBITA excluding acquisition costs and restructuring costs.

Lower sales but continued healthy profitability

The challenges in the business environment continue. Rising interest rates, inflation and lower disposable incomes continue to undermine households' buying power. For Embellence, this was noticeable during the quarter in the form of reduced sales. However, efficiency improvements, price increases and a sharp focus on costs contributed to a continued healthy profitability.

Sales during the second quarter of 2023 amounted to MSEK 169.9, corresponding to a decrease of 11% year-on-year. The trend was negative in most geographic markets, but most tangible in Sweden. The decrease was mainly driven by reduced sales to retailers.

Overall, sales in the Nordics declined by 18.5% compared with the year-earlier quarter. Sales in Europe declined by 1.1% while sales in Rest of World declined by 10.7%. The bright spots included increased sales by Boråstapeter in the US. This increase occurred from a low level but followed a trend that we have now seen over a number of quarters. Behind this upswing is a focused effort that includes collaboration with a new distributor.

The brands' direct-to-consumers sales through online channels continue to increase – both as a share of total sales and in absolute figures.

Adjusted EBITA for the quarter was MSEK 18.4, corresponding to an adjusted EBITA margin of 10.8%. Given the challenges, this must be regarded as a continued stable performance. Underpinning this trend are implemented efficiency improvements and price increases, as well as an overall sharp focus on reducing our fixed costs.

The cost of input materials remains significantly higher than a year ago. However, the levelling off we saw during the first quarter of 2023 continued and for certain materials, prices have even started to decline. We expect the effects of this trend to become apparent in the financial statements as of the fourth quarter of 2023. Nevertheless, the weak SEK remains challenging for production in Sweden.

Focus ahead

The business environment is challenging and for the remainder of 2023, we will be focused on ensuring profitability, a stable

cash flow and a resilient balance sheet. Here and now, we will prioritise earnings and profitability.

Efficiency improvements and cost control

Across the organisation, the Group is working proactively to ensure efficiency improvements and savings, and on reducing the fixed cost base. We can see that the organisational changes we made in Sweden at the end of 2022 generated the anticipated savings. During the first and second quarters, further efficiency improvements were conducted and additional measures cannot be ruled out.

An important part of efforts to ensure profitability is also to minimise the risk of credit losses. Proactive work is now being conducted in this area to monitor the financial position and credit status of customers.

Increased cooperation between the brands

Our business model is largely based on the ability to harness and develop the history, creativity and innovation capability of the individual brands – and combine that with leading key capabilities and competences. This is a decentralised process, based on a model that protects the entrepreneurship, passion and identity of each individual brand. Cooperation and coordination take place in areas including digitalisation, sustainability and geographic expansion. We are now gradually gearing up our efforts in this area. Not least, this applies within digital marketing, SoMe and online sales; areas that are becoming increasingly important as sales directly to consumers, designers and architects continue to increase.

Strategic review of Wall&decò

In Wall&decò, a strategic review of the organisation was initiated during the quarter with the overall purpose of strengthening the offering, increasing international sales and

further optimising the synergies within Embellence Group. As a consequence of this process, a reorganization was carried out and the Managing Director of the brand left his position.

Strengthened offerings

Despite short-term challenges, we are continuing to invest in core capabilities and in the individual brands. In this context, I can name, for example, the investments in Boråstapeter Studio, wallpaper with completely unique motifs and patterns that are customized and printed to order, and the recently

completed update of Artscapes' offering. Other initiatives include Cole & Son's launch of a new Fornasetti collection and a broadening of the range with the launch of fabrics in the popular "The Gardens" collection.

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, rugs, and window film, especially focusing on the premium segment. The gross margins at Group level were strengthened in recent years and are now at nearly 60%, which is the result of a larger share of premium sales.

Market growth in premium is deemed to be between 5 and 8% over a business cycle, and we intend to systematically increase our market share 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

Operating margin

Embellence Group's long-term target is to achieve an EBITA margin of at least 15% over a business cycle.

Net sales growth

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

Indebtedness

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

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.



Group performance

Net sales

Net sales for the quarter amounted to MSEK 169.9 (189.9), corresponding to a decrease of 10.5% year-on-year. Exchange rate effects contributed +3.2%. The decrease was mainly due to weak sales in the Nordics, but sales in Rest of World also declined during the quarter. In Europe, sales were relatively stable.

During the first half of 2023, net sales amounted to MSEK 367.4 (374.3), down 1.8% compared with the year-earlier period. Exchange rate effects contributed +2.5%. The decrease during the six months was mainly due to weak sales in the Nordics. In Europe, the trend was in line with the first six months of 2022, while Rest of World increased by 15.5% – mainly as a consequence of the acquisition of Artscape.

Earnings

Adjusted EBITA for the quarter amounted to MSEK 18.4 (24.4). The decline was primarily due to lower sales, which were partly offset, however, by the implementation of efficiency improvements, price increases and an overall sharp focus on costs and a reduced fixed cost base.

Net loss for the quarter amounted to MSEK -2.2 (profit: 2.0), resulting in a loss per share before dilution of SEK -0.10 (earnings: 0.09).

Adjusted EBITA for the six months amounted to MSEK 45.5 (57.2). The decline was essentially attributable to the same factors as for the quarter.

Net profit for the six months amounted to MSEK 10.6 (26.8), corresponding to earnings per share before dilution of SEK 0.47 (1.24).

Net financial items

Net financial items for the quarter were MSEK -11.9 (-14.0). The negative net financial items were driven by interest expense of MSEK -4.1 (-2.0) and the remeasurement of financial items in foreign currency at MSEK -7.4 (-11.7).

Net financial items for the first six months were MSEK -17.0 (-9.7). The negative net financial items were driven by interest

expense of MSEK -8.0 (-3.2) and the remeasurement of financial items in foreign currency at MSEK -8.2 (-5.9).

Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 12.2 (26.5). The decrease was mainly due to the weak underlying operating profit, larger interest and tax payments, and a change in working capital, which was negative during the quarter.

Cash flow from investing activities for the quarter amounted to MSEK -2.1 (-3.8).

Cash flow from financing activities for the quarter amounted to MSEK -13.7 (-3.8). During the quarter, a dividend of MSEK -18.1 (-18.1) was paid.

Cash flow for the quarter amounted to MSEK -3.6 (18.9).

For the six months, cash flow amounted to MSEK -13.9 (0.1). The decline was primarily attributable to the same factors as for the quarter.

Investments and divestments

The Group's investments in tangible and intangible assets amounted to MSEK -2.1 (-3.8). The vast majority comprised investments in updated e-commerce solutions.

For the first half of 2023, the investments in tangible and intangible assets amounted to MSEK -6.6 (-6.8).

Financial position

The Group's total assets amounted to MSEK 872.4 (842.6) at the end of the quarter. The equity ratio was 48.3% (42.4) and cash and cash equivalents at the end of the quarter amounted to MSEK 56.0 (60.0). The Group's total net debt amounted to MSEK 248.8 (261.6) at the end of the quarter. Net debt/EBITDA was 2.4 times at the end of the quarter (2.2).

Net sales trend

| Q2 | MSEK | % |
|-----------------------|--------------|---------------|
| Net sales 2022 | 189.9 | |
| Organic growth | -26.1 | -13.7% |
| Currency | 6.1 | 3.2% |
| Net sales 2023 | 169.9 | -10.5% |

Net sales per segment

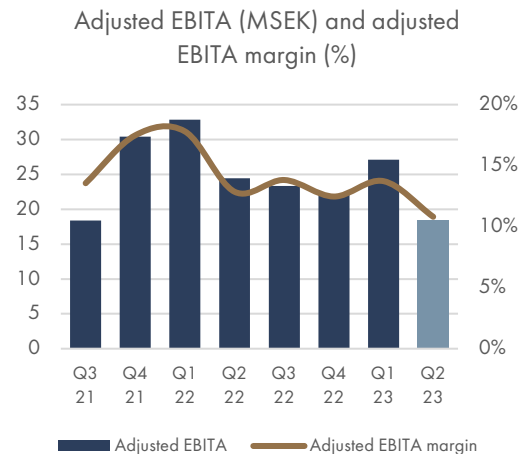
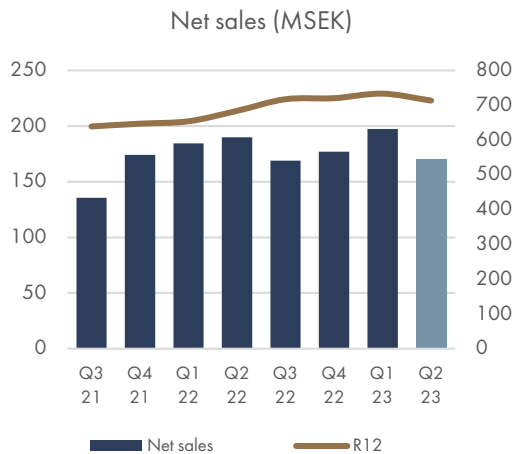
| MSEK | Apr-Jun 2023 | Apr-Jun 2022 | Jan-Jun 2023 | Jan-Jun 2022 | R12 July 2022–June 2023 | Full-year 2022 |
|------------------|--------------|--------------|--------------|--------------|-------------------------|----------------|
| Nordics | 58.9 | 72.3 | 141.3 | 160.8 | 274.5 | 294.0 |
| of which premium | 35% | 27% | 32% | 29% | 31% | 29% |
| Europe | 62.7 | 63.4 | 127.3 | 127.9 | 241.6 | 242.2 |
| of which premium | 83% | 85% | 83% | 83% | 84% | 84% |
| Rest of World | 48.3 | 54.1 | 98.8 | 85.6 | 197.2 | 183.9 |
| of which premium | 94% | 94% | 93% | 93% | 90% | 90% |
| Total | 169.9 | 189.9 | 367.4 | 374.3 | 713.3 | 720.1 |

Adjusted EBITA per segment

| MSEK | Apr-Jun 2023 | Apr-Jun 2022 | Jan-Jun 2023 | Jan-Jun 2022 | R12 July 2022–June 2023 | Full-year 2022 |
|---------------|--------------|--------------|--------------|--------------|-------------------------|----------------|
| Nordics | 3.8 | 6.8 | 14.8 | 21.6 | 28.8 | 35.6 |
| Europe | 10.0 | 9.5 | 20.1 | 23.0 | 37.3 | 40.2 |
| Rest of World | 4.6 | 8.0 | 10.6 | 12.6 | 24.8 | 26.8 |
| Total | 18.4 | 24.4 | 45.5 | 57.2 | 90.9 | 102.6 |

Cash flow

| MSEK | Apr-Jun 2023 | Apr-Jun 2022 | Jan-Jun 2023 | Jan-Jun 2022 | R12 July 2022–June 2023 | Full-year 2022 |
|-------------------------------------|--------------|--------------|--------------|--------------|-------------------------|----------------|
| Cash flow from operating activities | 12.2 | 26.5 | 14.4 | 63.7 | 58.6 | 107.9 |
| Cash flow from investing activities | -2.1 | -3.8 | -6.6 | -149.1 | -13.8 | -156.3 |
| Cash flow from financing activities | -13.7 | -3.7 | -21.7 | 85.5 | -53.0 | 54.2 |
| Cash flow for the period | -3.6 | 18.9 | -13.9 | 0.1 | -8.2 | 5.8 |



NORDICS:

Continued weak consumer demand

Net sales and earnings

Net sales in the Nordics amounted to MSEK 58.9 (72.3), corresponding to a decrease of -18.5% year-on-year. Demand remained cautious in all Nordic countries, which was a consequence of the continued challenging market situation for durable goods, which was, in turn, caused by rising interest rates, generally high inflationary pressure and declining disposable incomes.

Adjusted EBITA amounted to MSEK 3.8 (6.8). The decrease was mainly due to lower sales volumes. The cost-savings programme in Sweden that was implemented last year generated an impact in the form of reduced operational expenses.

The share of premium for the quarter totalled 35%, compared with 27% in the corresponding quarter of 2022.

Net sales Q2

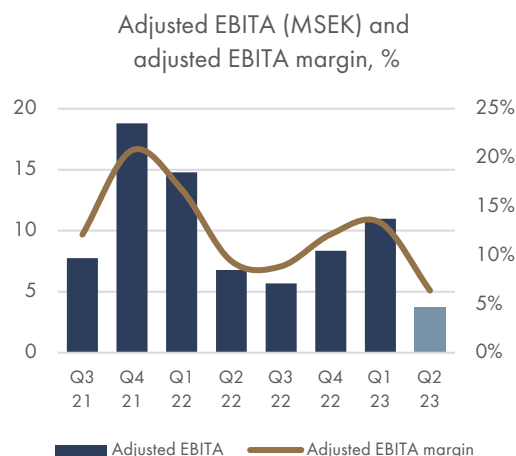
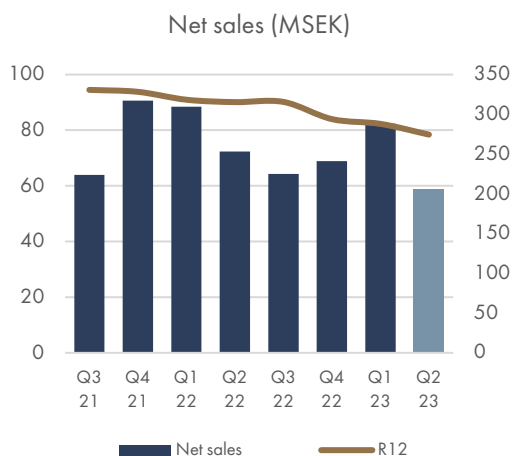
58.9

% of total sales

35%

Performance measures

| MSEK | Apr-Jun 2023 | Apr-Jun 2022 | Jan-Jun 2023 | Jan-Jun 2022 | R12 July 2022– June 2023 | Full-year 2022 |
|-----------------------|--------------|--------------|--------------|--------------|--------------------------------|----------------|
| NORDICS | | | | | | |
| Net sales | 58.9 | 72.3 | 141.3 | 160.8 | 274.5 | 294.0 |
| Adjusted EBITA | 3.8 | 6.8 | 14.8 | 21.6 | 28.8 | 35.6 |
| Adjusted EBITA margin | 6% | 9% | 10% | 13% | 10% | 12% |
| Share of premium | 35% | 27% | 32% | 29% | 31% | 29% |



EUROPE:

Stable demand and strengthened earnings

Net sales and earnings

Net sales in Europe totalled MSEK 62.7 (63.4). Sales in Switzerland remained strong. The UK, Italy and Poland also performed well and were in line with the year-earlier quarter. France and Germany had negative growth.

Adjusted EBITA amounted to MSEK 10.0 (9.5). The margin held up well compared with the preceding year due to the sales mix and cost savings implemented.

The share of premium for the quarter totalled 83%, compared with 85% in the year-earlier period.

Net sales Q2

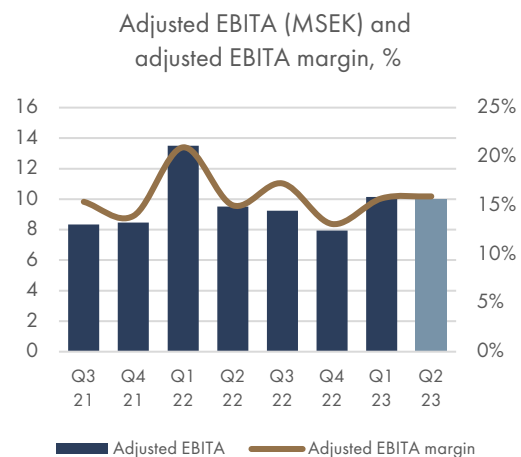
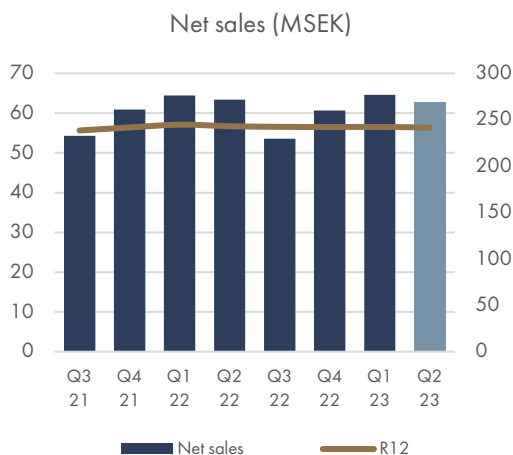
62.7

% of total sales

37%

Performance measures

| MSEK | Apr–Jun 2023 | Apr–Jun 2022 | Jan–Jun 2023 | Jan–Jun 2022 | R12 July 2022– June 2023 | Full-year 2022 |
|-----------------------|--------------|--------------|--------------|--------------|--------------------------------|----------------|
| EUROPE: | | | | | | |
| Net sales | 62.7 | 63.4 | 127.3 | 127.9 | 241.6 | 242.2 |
| Adjusted EBITA | 10.0 | 9.5 | 20.1 | 23.0 | 37.3 | 40.2 |
| Adjusted EBITA margin | 16% | 15% | 16% | 18% | 15% | 17% |
| Share of premium | 83% | 85% | 83% | 83% | 84% | 84% |



REST OF WORLD:

Lower sales, but large differences between the brands

Net sales and earnings

Net sales in Rest of World amounted to MSEK 48.3 (54.1), down 10.7% compared with the year-earlier period. The largest market, the US, performed weakly, but the scenario is different for the various brands. Several countries, such as Mexico, China and New Zealand, as well as the Middle East, performed positively.

Adjusted EBITA amounted to MSEK 4.6 (8.1). The EBITA margin was 10% (15%). The lower margin was due to the lower sales level, combined with increased costs.

The share of premium for the first quarter amounted to 94% (94).

Net sales Q2

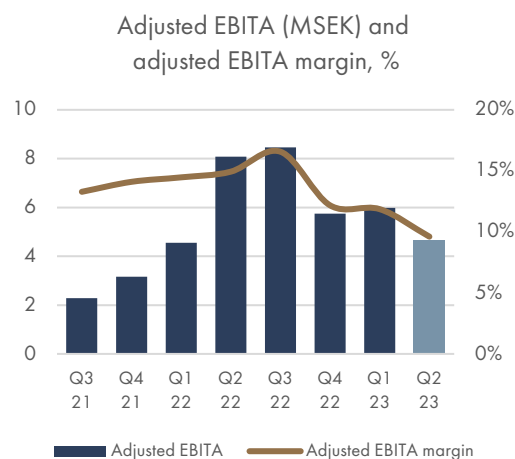
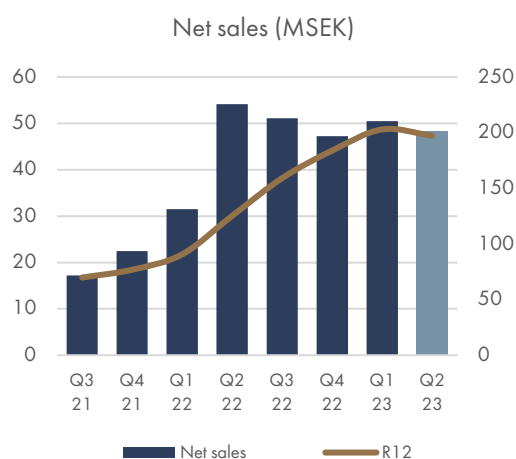
48.3

% of total sales

28%

Performance measures

| MSEK | Apr-Jun 2023 | Apr-Jun 2022 | Jan-Jun 2023 | Jan-Jun 2022 | R12 July 2022– June 2023 | Full-year 2022 |
|-----------------------|--------------|--------------|--------------|--------------|--------------------------------|----------------|
| REST OF WORLD: | | | | | | |
| Net sales | 48.3 | 54.1 | 98.8 | 85.6 | 197.2 | 183.9 |
| Adjusted EBITA | 4.6 | 8.1 | 10.6 | 12.6 | 24.8 | 26.8 |
| Adjusted EBITA margin | 10% | 15% | 11% | 15% | 13% | 15% |
| Share of premium | 94% | 94% | 93% | 93% | 90% | 90% |



Other Group

Organisation

The number of FTEs on 30 June 2023 was 236 (261), of whom 119 (143) were women and 117 (118) 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 the 2022 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

- No significant events during the quarter.

Significant events after the end of the quarter

- There were no significant events after the end of the quarter.

Audit

This report has not been audited.

Parent Company

Second quarter 2023

The Parent Company's net sales amounted to MSEK 3.3 (3.4). Net loss for the period after tax amounted to MSEK -8.8 (-13.8).

First six months of 2023

The Parent Company's net sales amounted to MSEK 6.6 (6.4). Net loss for the period after tax amounted to MSEK -15.2 (-12.1).

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, 19 July 2023

Morten Falkenberg
Chairman

Olof Svensk
CEO

Karin Dennford

Anneli Kansbod

Henrik Nyqvist

Christina Ståhl

Condensed consolidated income statement

| MSEK | Apr-Jun | | January-June | | Full-year |
|---|--------------|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2022 |
| Net sales | 169.9 | 189.9 | 367.4 | 374.3 | 720.1 |
| Cost of goods sold | -65.6 | -80.1 | -150.1 | -155.0 | -296.9 |
| Gross profit | 104.3 | 109.8 | 217.3 | 219.3 | 423.2 |
| Selling and administrative expenses | -95.1 | -91.9 | -186.6 | -175.1 | -355.0 |
| Other operating income | 1.7 | 1.4 | 2.8 | 3.7 | 7.2 |
| Other operating expenses | -1.2 | -2.0 | -2.0 | -2.8 | -4.4 |
| Operating profit | 9.7 | 17.4 | 31.5 | 45.1 | 71.0 |
| Net financial items | -11.9 | -14.0 | -17.0 | -9.7 | -0.6 |
| Profit/loss before tax | -2.2 | 3.4 | 14.5 | 35.4 | 70.4 |
| Tax | 0.0 | -1.3 | -3.9 | -8.6 | -13.0 |
| Net profit/loss for the period | -2.2 | 2.0 | 10.6 | 26.8 | 57.4 |
| Earnings per share for the period before dilution¹⁾ (SEK) | -0.10 | 0.09 | 0.47 | 1.24 | 2.57 |
| Earnings per share for the period after dilution¹⁾ (SEK) | -0.10 | 0.09 | 0.47 | 1.24 | 2.57 |
| Other comprehensive income | | | | | |
| Actuarial gains and losses after tax | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 |
| Translation differences | 27.7 | 27.5 | 30.0 | 16.2 | 26.9 |
| Total other comprehensive income | 27.7 | 27.5 | 30.0 | 16.2 | 27.5 |
| Comprehensive income for the period | 25.5 | 29.5 | 40.6 | 43.0 | 84.9 |

¹⁾ Refer to Note 1 on page 21.

Condensed consolidated balance sheet

| MSEK | 30 June | | 31 December | |
|-------------------------------------|--------------|--------------|--------------|------|
| | 2023 | 2022 | 2022 | 2022 |
| ASSETS | | | | |
| Intangible non-current assets | 388.3 | 379.9 | 381.8 | |
| Tangible non-current assets | 73.7 | 69.7 | 72.5 | |
| Right-of-use assets | 64.0 | 68.3 | 67.6 | |
| Deferred tax assets | 2.9 | 0.8 | 1.9 | |
| Financial non-current assets | 3.5 | 1.4 | 2.7 | |
| Total non-current assets | 532.4 | 520.1 | 526.5 | |
| Inventories | 148.6 | 137.6 | 129.5 | |
| Accounts receivable | 93.1 | 98.4 | 98.9 | |
| Current tax assets | 8.6 | 2.6 | 6.4 | |
| Other receivables | 6.0 | 5.5 | 7.5 | |
| Prepaid expenses and accrued income | 27.7 | 18.3 | 18.2 | |
| Cash and cash equivalents | 56.0 | 60.0 | 66.2 | |
| Total current assets | 340.0 | 322.5 | 326.7 | |
| Total assets | 872.4 | 842.6 | 853.2 | |

Condensed consolidated balance sheet (cont.)

| MSEK | 30 June | | 31 December | |
|---|--------------|--------------|--------------|--|
| | 2023 | 2022 | 2022 | |
| EQUITY AND LIABILITIES | | | | |
| Share capital | 56.5 | 56.5 | 56.5 | |
| Other contributed capital | 84.4 | 84.7 | 84.7 | |
| Reserves | 59.6 | 18.2 | 29.5 | |
| Retained earnings, including net profit for the year | 220.8 | 197.7 | 228.4 | |
| Equity attributable to Parent Company shareholders | 421.3 | 357.1 | 399.1 | |
| Provisions for pensions | 6.6 | 5.5 | 5.9 | |
| Deferred tax liabilities | 15.4 | 11.6 | 15.4 | |
| Other non-current interest-bearing liabilities | 67.7 | 82.0 | 97.0 | |
| Lease liabilities | 49.9 | 55.0 | 53.3 | |
| Other non-current liabilities | - | 21.9 | - | |
| Total non-current liabilities | 139.6 | 176.0 | 171.6 | |
| Other current interest-bearing liabilities | 39.1 | 14.6 | 14.8 | |
| Bank overdraft facility | 129.9 | 133.9 | 117.9 | |
| Lease liabilities | 18.2 | 14.1 | 16.9 | |
| Accounts payable | 54.7 | 51.3 | 48.9 | |
| Other current liabilities | 15.0 | 42.8 | 28.5 | |
| Accrued expenses and deferred income | 54.6 | 52.7 | 55.5 | |
| Total current liabilities | 311.5 | 309.5 | 282.5 | |
| Total liabilities | 451.1 | 485.5 | 454.1 | |
| Total equity and liabilities | 872.4 | 842.6 | 853.2 | |

Indebtedness

| MSEK | 30 June | | 31 December | |
|--|--------------|--------------|--------------|--|
| | 2023 | 2022 | 2022 | |
| Lease liabilities | 68.0 | 69.1 | 70.3 | |
| Bank overdraft facility | 129.9 | 133.9 | 117.9 | |
| Other interest-bearing receivables and liabilities | 106.9 | 118.6 | 111.7 | |
| Gross debt | 304.8 | 321.6 | 299.9 | |
| Cash and cash equivalents | -56.0 | -60.0 | -66.2 | |
| Net debt | 248.8 | 261.6 | 233.7 | |
| EBITDA | 103.6 | 117.8 | 112.3 | |
| Net debt / EBITDA (R12) | 2.4 | 2.2 | 2.1 | |
| Net debt / EBITDA excl. IFRS 16 effects (R12) | 2.1 | 1.8 | 1.7 | |
| Equity ratio | 48.3% | 42.4% | 46.8% | |
| Quota value per share (SEK) | 2.5 | 2.5 | 2.5 | |

Condensed consolidated cash-flow statement

| MSEK | Apr–Jun | | January–June | | Full-year |
|--|--------------|-------------|--------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2022 |
| OPERATING ACTIVITIES | | | | | |
| Operating profit | 9.7 | 17.4 | 31.6 | 45.1 | 71.0 |
| <i>Adjustments for non-cash items</i> | | | | | |
| Depreciation and amortisation | 12.1 | 10.6 | 23.8 | 19.0 | 41.3 |
| Other | 5.4 | 4.8 | 6.0 | -1.7 | 2.3 |
| Total | 27.2 | 32.8 | 61.4 | 62.4 | 114.6 |
| Interest received | 0.9 | 0.6 | 0.2 | 0.8 | 0.2 |
| Interest paid | -4.6 | -2.7 | -9.2 | -5.4 | -12.7 |
| Tax paid | -8.2 | -4.9 | -9.8 | -9.3 | -18.6 |
| Cash flow from operating activities before changes in working capital | 15.3 | 25.8 | 42.6 | 48.5 | 83.5 |
| Cash flow from changes in working capital | -3.1 | 0.7 | -28.2 | 15.2 | 24.4 |
| Cash flow from operating activities | 12.2 | 26.5 | 14.4 | 63.7 | 107.9 |
| INVESTING ACTIVITIES | | | | | |
| Acquisition of tangible and intangible assets | -2.1 | -3.8 | -6.6 | -6.8 | -16.2 |
| Acquisition of companies, less acquired cash and cash equivalents | 0.0 | 0.0 | 0.0 | -142.3 | -140.1 |
| Cash flow from investing activities | -2.1 | -3.8 | -6.6 | -149.1 | -156.3 |
| FINANCING ACTIVITIES | | | | | |
| Change in bank overdraft facilities | 12.4 | 21.0 | 12.0 | 17.9 | 1.9 |
| Repayment of lease liabilities | -4.0 | -3.1 | -7.4 | -5.3 | -12.6 |
| New borrowing | 0.0 | 0.0 | 0.0 | 94.5 | 94.5 |
| Repayment of loans | -4.0 | -3.8 | -7.9 | -3.8 | -11.9 |
| Option premiums received | 0.0 | 0.3 | -0.3 | 0.3 | 0.3 |
| Dividend | -18.1 | -18.1 | -18.1 | -18.1 | -18.0 |
| Cash flow from financing activities | -13.7 | -3.7 | -21.7 | 85.5 | 54.2 |
| Cash flow for the period | -3.6 | 18.9 | -13.9 | 0.1 | 5.8 |
| Cash and cash equivalents at beginning of period | 56.7 | 39.8 | 66.2 | 58.0 | 58.0 |
| Exchange rate differences in cash and cash equivalents | 2.9 | 1.3 | 3.7 | 1.9 | 2.4 |
| Cash and cash equivalents at end of period | 56.0 | 60.0 | 56.0 | 60.0 | 66.2 |

Consolidated statement of changes in equity

| MSEK | 2023 |
|------------------------------------|--------------|
| Opening equity 1 Jan 2023 | 399.1 |
| Net profit for the period | 10.6 |
| Other comprehensive income | 30.0 |
| Dividend | -18.1 |
| Option premiums repaid | -0.3 |
| Closing balance 30 Jun 2023 | 421.3 |

| MSEK | 2022 |
|------------------------------------|--------------|
| Opening balance 1 Jan 2022 | 293.4 |
| Net profit/loss for the period | 57.4 |
| Other comprehensive income | 27.6 |
| Issue in kind | 38.5 |
| Dividend | -18.1 |
| Option premiums received | 0.3 |
| Closing balance 31 Dec 2022 | 399.1 |

Condensed Parent Company income statement

| MSEK | Apr–Jun | | January–June | | Full-year |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 | 2022 |
| Net sales | 3.3 | 3.4 | 6.6 | 6.4 | 13.4 |
| Administrative expenses | -7.6 | -6.0 | -13.1 | -11.4 | -25.4 |
| Operating loss | -4.3 | -2.6 | -6.5 | -5.0 | -12.0 |
| Net financial items | -8.0 | -14.8 | -14.0 | -10.3 | -18.2 |
| Loss after financial items | -12.3 | -17.4 | -20.5 | -15.3 | -30.2 |
| Group contributions | 0.0 | 0.0 | 0.0 | 0.0 | 45.6 |
| Other appropriations | 0.0 | 0.0 | 0.0 | 0.0 | -5.1 |
| Profit/loss before tax | -12.3 | -17.4 | -20.5 | -15.3 | 10.3 |
| Tax | 3.5 | 3.6 | 5.3 | 3.2 | -3.3 |
| Net profit/loss for the period | -8.8 | -13.8 | -15.2 | -12.1 | 7.0 |

Condensed Parent Company balance sheet

| MSEK | 30 June | | 31 December | |
|-------------------------------------|--------------|--------------|--------------|--|
| | 2023 | 2022 | 2022 | |
| ASSETS | | | | |
| Intangible non-current assets | 1.2 | 1.6 | 1.4 | |
| Deferred tax assets | 0.3 | 3.4 | 0.3 | |
| Financial non-current assets | 617.2 | 635.4 | 617.0 | |
| Total non-current assets | 618.7 | 640.4 | 618.7 | |
| Current tax assets | 6.8 | 0.2 | 0.0 | |
| Other receivables | 0.2 | 0.2 | 0.2 | |
| Prepaid expenses and accrued income | 2.7 | 2.2 | 1.4 | |
| Cash and cash equivalents | - | - | - | |
| Total current assets | 9.7 | 2.6 | 1.6 | |
| Total assets | 628.4 | 643.0 | 620.3 | |

| MSEK | 30 June | | 31 December | |
|---|--------------|--------------|--------------|--|
| | 2023 | 2022 | 2022 | |
| EQUITY AND LIABILITIES | | | | |
| Share capital | 56.5 | 56.5 | 56.5 | |
| Statutory reserve | 10.0 | 10.0 | 10.0 | |
| Share premium reserve | 101.9 | 101.9 | 102.2 | |
| Retained earnings, including net profit for the year | 3.0 | 17.5 | 36.3 | |
| Equity attributable to Parent Company shareholders | 171.4 | 185.9 | 205.0 | |
| Untaxed reserves | 8.1 | 3.0 | 8.1 | |
| Provisions for pensions | 1.3 | 1.0 | 1.1 | |
| Other non-current interest-bearing liabilities | 67.7 | 103.9 | 97.0 | |
| Other non-current liabilities | - | - | - | |
| Total non-current liabilities | 69.0 | 104.9 | 98.1 | |
| Other current interest-bearing liabilities | 39.1 | 14.6 | 14.8 | |
| Bank overdraft facility | 129.9 | 133.9 | 117.9 | |
| Accounts payable | 1.3 | 0.9 | 0.5 | |
| Liabilities to Group companies | 203.6 | 169.6 | 162.6 | |
| Other current liabilities | 0.7 | 24.4 | 5.6 | |
| Accrued expenses and deferred income | 5.3 | 5.7 | 7.7 | |
| Total current liabilities | 379.9 | 349.2 | 309.1 | |
| Total liabilities | 448.9 | 454.1 | 407.2 | |
| Total equity and liabilities | 628.4 | 643.0 | 620.3 | |

Quarterly overview

| MSEK | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 |
|--------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net sales | 135.5 | 174.0 | 184.4 | 189.9 | 169.0 | 176.9 | 197.5 | 169.9 |
| Adjusted EBITA | 18.4 | 30.4 | 32.8 | 24.4 | 23.4 | 22.0 | 27.1 | 18.4 |
| Adjusted EBITA margin, % | 13.6% | 17.5% | 17.8% | 12.8% | 13.8% | 12.5% | 13.7% | 10.8% |
| Share of premium, % | 57% | 51% | 57% | 65% | 67% | 62% | 63% | 69% |

Quarterly data per segment

| MSEK | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------|
| Net sales per segment | | | | | | | | |
| Nordics | 64.0 | 90.6 | 88.4 | 72.4 | 64.3 | 69.0 | 82.4 | 58.9 |
| Europe | 54.3 | 60.9 | 64.5 | 63.4 | 53.6 | 60.7 | 64.6 | 62.7 |
| Rest of World | 17.2 | 22.5 | 31.5 | 54.1 | 51.1 | 47.2 | 50.5 | 48.3 |
| TOTAL | 135.5 | 174.0 | 184.4 | 189.9 | 169.0 | 176.9 | 197.5 | 169.9 |

| MSEK | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Adjusted EBITA per segment | | | | | | | | |
| Nordics | 7.7 | 18.8 | 14.8 | 6.7 | 5.7 | 8.4 | 11.0 | 3.8 |
| Europe | 8.3 | 8.5 | 13.5 | 9.6 | 9.2 | 7.9 | 10.1 | 10.0 |
| Rest of World | 2.3 | 3.1 | 4.6 | 8.1 | 8.5 | 5.7 | 6.0 | 4.6 |
| Total adjusted EBITA | 18.3 | 30.4 | 32.9 | 24.4 | 23.4 | 22.0 | 27.1 | 18.4 |
| Items affecting comparability | 0.0 | -4.6 | -2.1 | -2.4 | -2.4 | -7.3 | 0.0 | -3.2 |
| EBITA | 18.3 | 25.8 | 30.7 | 22.0 | 21.0 | 14.7 | 27.1 | 15.2 |
| Impairment of intangible assets | -2.0 | -2.2 | -2.9 | -4.7 | -4.9 | -5.0 | -5.2 | -5.5 |
| Total EBIT | 16.3 | 23.6 | 27.8 | 17.3 | 16.1 | 9.7 | 21.9 | 9.7 |

Notes

Note 1 Earnings per share

| SEK | Apr–Jun 2023 | Apr–Jun 2022 | Jan–Jun 2023 | Jan–Jun 2022 | Full-year 2022 |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|
| Net profit for the period | | | | | |
| Earnings per share before dilution | -0.10 | 0.09 | 0.47 | 1.24 | 2.57 |
| Earnings per share after dilution | -0.10 | 0.09 | 0.47 | 1.24 | 2.57 |
| Performance measures used in the calculation of earnings per share before and after dilution (MSEK) | | | | | |
| Net profit/loss for the period | -2.2 | 2.0 | 10.6 | 26.8 | 57.4 |
| <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 | 22,583,877 | 21,518,388 | 22,583,877 | 21,518,388 | 22,321,154 |
| <i>Warrants</i> | | | | | |
| Adjustment for calculation of earnings per share after dilution attributable to warrants | 0 | 96,975 | 0 | 141,481 | 0 |
| <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 | 22,583,877 | 21,615,363 | 22,583,877 | 21,659,869 | 22,321,154 |

Note 2 Acquisition of Artscape Inc.

The US company Artscape Inc. was acquired on 4 March 2022. The acquisition proceeds amounted to MSEK 220.4. The cash flow effect of the acquisition for 2022 was MSEK 140.1. On acquisition, the company had net cash/cash and cash equivalents of MSEK 3.9. During 2022, the company contributed MSEK 104.1 in net sales and MSEK 6.1 in profit after tax. If the acquisition had been completed on 1 January 2022, the company would have contributed MSEK 126.8 in net sales and MSEK 7.5 in profit after tax in 2022.

Purchase consideration Artscape Inc., MSEK:

| | |
|---------------------------------|--------------|
| Cash and cash equivalents | 144.1 |
| Promissory note | 20.9 |
| Embellence shares | 38.5 |
| Earnout* | 16.9 |
| Total payment for shares | 220.4 |

* In the third quarter of 2022, the estimated earnout of MSEK 16.9 was written off since Artscape's earnings for 2022 were deemed not to reach the criteria stipulated for payment to be paid.

Recognised amounts of identifiable acquired assets and assumed liabilities in Artscape Inc., MSEK:

| | |
|---|--------------|
| MSEK | |
| Cash and cash equivalents | 3.2 |
| Tangible non-current assets | 6.5 |
| Intangible non-current assets: Brands | 52.8 |
| Intangible non-current assets: Customer relationships | 45.5 |
| Intangible non-current assets: Other | 0.5 |
| Inventories | 39.0 |
| Accounts receivable and other receivables | 21.5 |
| Other receivables | 1.2 |
| Accounts payable | -5.0 |
| Deferred tax liabilities | - |
| Other liabilities | -12.8 |
| Total identifiable net assets | 152.4 |
| Goodwill | 68.0 |
| Total identifiable net assets | 220.4 |

The acquisition-related costs amounted to a total of MSEK 3.9 for 2022. The fair value of the agreed-upon conditional purchase price, MSEK 16.9, was estimated by applying the income approach. Fair value is estimated based on an assumed EBITDA for Artscape Inc. The nominal value was estimated according to the fair value of the liability, since the discount effect was not significant. The earnout was based on a multiple of 6x the EBITDA for 2022 compared with the adjusted EBITDA for 2021. Based on the forecast for 2022, the earnout is estimated at MSEK 16.9. The fair value of accounts receivable amounted to MSEK 21.1, of which MSEK 0.5 was deemed uncertain.

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 lease 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 debt/EBITDA excl. IFRS 16

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

Net sales currency effect

Translation effects based on current exchange rates compared with exchange rates for the year-earlier period.

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.

Artscape's products and the majority of Pappelina's product range.

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 programmes.

Equity ratio

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

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

Q4 2023 – 21 February

Q1 2024 – 7 May

Q2 2024 – 18 July

Q3 2024 – 24 October

Q4 2024 – 20 February 2025