

INTERIM REPORT QUARTER 2 2021




BORÅSTAPETER


Cole & Son

Wall&decò

PERSWALL

pappelina®

embellence
GROUP

Demand continues to increase

Second quarter 2021

- Net sales amounted to MSEK 160.0 (120.4), up 32.9%
- Organic growth of 21.1%
- Adjusted EBITA amounted to MSEK 22.9 (16.7), up 37.1%
- EBITA amounted to MSEK 21.2 (16.3), up 30.1%
- Net profit for the period amounted to MSEK 13.3 (12.5) and earnings per share before dilution for the period were SEK 0.62 (0.58)
- Operating cash flow amounted to MSEK 17.8 (29.2)

Significant events during the quarter

- New CEO of Wall&decò: Christian Tomadini
- Launch of Boråstapeter's digital flagship store, with its own e-commerce

"In the second quarter, we delivered yet another strong operating result. A performance supported by healthy revenue growth, and an increased share of premium sales – perfectly in line with Embellence Group's long-term strategy"

Olle Svensk
CEO
Embellence Group AB

MSEK	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	R12 July 2020– June 2021	Full-year 2020
Group						
Net sales	160.0	120.4	337.4	273.0	634.3	569.9
EBITA	21.2	16.3	44.2	29.0	86.4	71.1
Adjusted EBITA ¹⁾	22.9	16.7	51.1	31.1	102.5	82.4
Profit before tax	17.1	16.0	37.0	26.3	68.3	57.6
Net profit for the period	13.3	12.5	28.7	20.5	51.4	43.1
Operating cash flow	17.8	29.2	30.7	28.7	69.1	67.1
EBITA margin, %	13.3%	13.5%	13.1%	10.6%	13.6%	12.5%
Adjusted EBITA margin, %	14.3%	13.9%	15.1%	11.4%	16.2%	14.5%
Net debt	118.5	N/M ²⁾	118.5	N/M ²⁾	159.4	101.3
Net debt/EBITDA	1.1	N/M ²⁾	1.1	N/M ²⁾	1.5	1.1
Equity ratio, %	43.6%	48.7%	43.6%	48.7%	43.6%	41.3%
Earnings per share for the period before dilution (SEK)	0.62	0.58	1.34	0.96	2.40	2.02
Earnings per share for the period after dilution (SEK)	0.61	0.58	1.32	0.96	N/M ²⁾	2.02
No. of employees	211	202	211	202	211	200

¹⁾ Excluding listing and restructuring costs of MSEK 1.7 during the second quarter of 2021.

²⁾ Not meaningful

Strong growth, improved product mix and increased investments in digitalization

Like in the first quarter of 2021, the second quarter was characterized by strong profitable growth for Embellence Group despite challenges in the logistics chain and the supply of raw material. Thanks to a dedicated and professional effort by all our employees in Sweden, Italy, Norway, and the UK, we are continuing our journey toward doubling sales by 2025.

We are pleased to report growth of 32.9%, and that the share of premium sales reached 58% in the second quarter. This is, of course, against the weak comparison figures from 2020, when the pandemic struck several of our key European markets such as Italy, the UK, France, and Germany. But even in comparison with more normal years, growth has been strong. Compared with the corresponding period from 2019, it totals to 15.9%.

The first two quarters of 2020 were weak, and heavily impacted by the pandemic. Demand gradually recovered in the second half of the year, and this should be considered as we enter the second half – we are coming up against stronger comparison figures.

Pappelina a part of Embellence Group

The integration of Pappelina, which was acquired in January, is proceeding according to plan. We are working to add value and experience in areas such as purchasing, goods supply and sustainability. Pappelina's sales and earnings in the second quarter were excellent, and we now invest in employees and marketing to drive growth and establish the brand across the globe.

Growing interest in interior decoration

During the pandemic, we gradually noted growing interest in interior decoration and increased demand for premium products. We see no signs of this trend abating, even though minor seasonal variations usually emerge during the year. Long term, we feel comfortable that demand for premium interior decoration will remain healthy. The driving factors include larger numbers of people working from home, and lately an increased investments office environments to create a warmer and more homelike atmosphere when personnel are on site.

New CEO for Wall&decò

On 2 May, Christian Tomadini took office as CEO for our Italian brand house, Wall&decò. Christian has solid experience in exclusive, international interior decoration companies. During the quarter, we began

once again to deliver to the hospitality segment in Italy, Germany, and France. A certain amount of caution can still be noted in this market segment, but we feel cautiously optimistic after a long period of low activity.

Challenges in logistics and goods supply

Like most other companies, Embellence Group was affected by the combination of rapid recovery after the pandemic, Brexit and under capacity in the logistics chain. For example, it has become more difficult and more expensive to ship goods in and out of the UK, even if we believe that the situation is under control now that we have established new processes. As regards goods supply, we have been hit with cost increases on certain input materials. To protect our margins, we have implemented price increases during the year and will make additional adjustments during the second half of the year.

Expanded investments in digitalization

During the first half of the year, and especially in the second quarter, we have accelerated our investments in digitalizing Embellence Group. This encompasses sales tools and production, but above all, new updated web platforms for Cole&Son, Perswall and Boråstapeter. During the first half of the year, digital investments accounted for nearly 50% of our total investments, compared to approx. 30% in 2020.

Fragmented market where we can take a leading position

The global wallpaper market and interior decoration market is fragmented and we see many opportunities for establishing a leading position. We will continue to grow in the premium segment, which offers better margins and higher expected market growth. We will also further supplement the portfolio through acquisitions, thereby facilitating geographic expansion and an expanded product range, for example, in fabrics.

Olle Svensk, CEO Embellence Group AB

Our business model

We believe in building strong, well-defined premium brands with distinct positions that are recognized 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.

Decentralized organization

We believe that a decentralized organization 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.

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.

Operating margin

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

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
H1 2021, MSEK

337.4

Adjusted EBITA
margin, H1
2021

15.1%

Share of
Premium, H1
2021

54%

Our fantastic brand portfolio



Group performance second quarter 2021

Net sales and earnings

Net sales amounted to MSEK 160.0 (120.4), up 32.9% compared with the year-earlier period. The main factors contributing to the increase were organic growth (21.1%) and the acquisition of Pappelina AB (13.5%). The somewhat lower sales compared with the first quarter is attributable primarily to seasonal variations, where the second and third quarters are usually lower than in the first and fourth quarters.

Adjusted EBITA amounted to MSEK 22.9 (16.7), an increase that was driven primarily by growth in sales but

also by a higher share of premium sales. Profit for the quarter was charged with listing and restructuring costs, which totalled MSEK 1.7 (0.4).

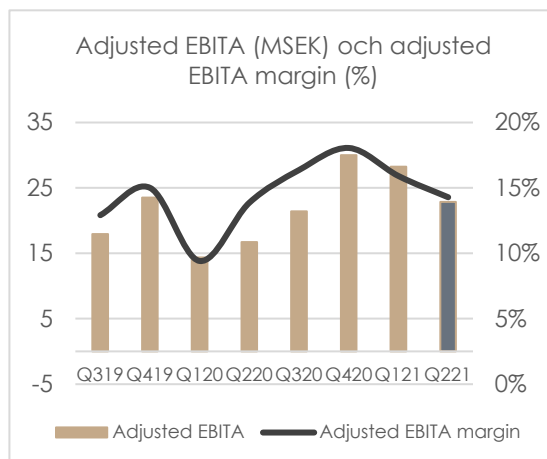
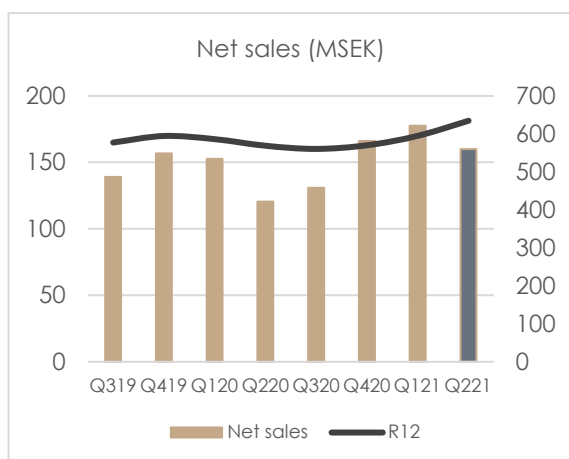
Net profit for the period amounted to MSEK 13.3 (12.5), resulting in earnings per share before dilution of SEK 0.62 (0.58). The change in net profit is due primarily to listing and a decline in net financial items compared with the year-earlier period.

Net sales per segment

MSEK	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	R12 July 2020–June 2021	Full-year 2020
Nordics	75.4	63.9	173.7	148.4	331.4	306.1
of which premium	29%	21%	29%	21%	26%	22%
Europe	65.1	45.4	126.6	100.3	235.8	209.6
of which premium	82%	84%	82%	83%	81%	81%
Rest of World	19.5	11.1	37.1	24.3	67.1	54.2
of which premium	84%	72%	86%	78%	82%	78%
Total	160.0	120.4	337.4	273.0	634.3	569.9

Adjusted EBITA per segment

MSEK	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	R12 July 2020–June 2021	Full-year 2020
Nordics	9.5	12.8	26.3	20.7	52.2	46.6
Europe	11.5	2.6	20.9	7.8	40.9	27.8
Rest of World	1.9	1.3	3.9	2.6	9.4	8.0
Total	22.9	16.7	51.1	31.1	102.5	82.4



Net financial items

Net financial items for the quarter were MSEK -2.2 (-0.1). The decrease compared to the year-earlier period is due to exchange rate effects related to short term financial debts.

Cash flow

Cash flow from operating activities for the quarter amounted to MSEK 17.8 (29.2). Operating cash flow was negatively impacted by payment of the temporary tax payment respite that was obtained in Q2 2020 owing to COVID-19.

Cash flow from investing activities for the quarter totalled MSEK -12.5 (-2.6) and pertained primarily to payments of MSEK 8.2 relating to the acquisition of Pappelina.

Cash flow from financing activities for the quarter amounted to MSEK 4.7 (-16.5), with the change compared with the year-earlier period due to increased use of the overdraft facilities.

Cash flow for the period amounted to MSEK 10.0 (10.1).

Investments and divestments

The company's investments in tangible and intangible assets amounted to MSEK 4.3 (2.9).

The final payment of MSEK 8.2 for Pappelina AB was also made in the quarter. Read more in Note 2 on page 22.

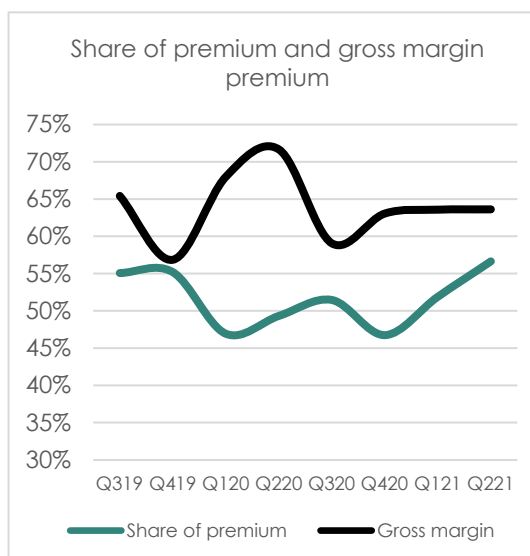
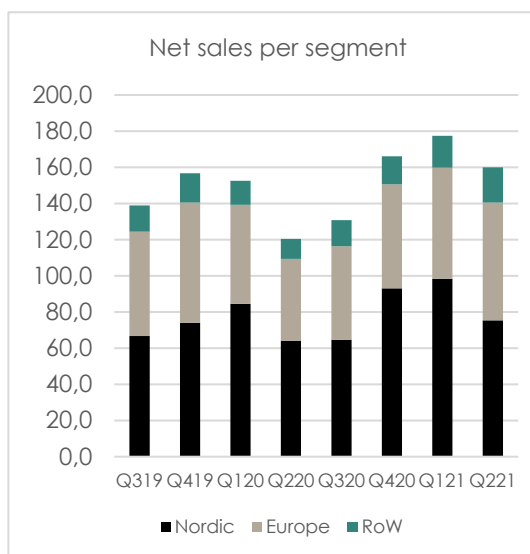
Financial position

The company's total assets amounted to MSEK 589.8 at the end of the quarter, compared with MSEK 513.1 in the 2020 annual report. The equity ratio amounted to 43.6% (41.3) and cash and cash equivalents at the end of the quarter to MSEK 83.4 (49.0).

The company's net debt amounted to MSEK 118.5 at the end of the quarter, compared with MSEK 101.3 at the end of 2020. The change in net debt is due primarily to increased used of the overdraft facility in conjunction with the acquisition of Pappelina. The debt/equity ratio (net debt/EBITDA) amounted to 1.1 times (1.1) at the end of the quarter.

Net sales trend

MSEK	Q2
Net sales 2020	120.4
Acquisitions	16.2
Organic growth	25.4
Currency	-2.1
Net sales 2021	160.0



MSEK	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	R12 July 2020–June 2021	Full-year 2020
Cash flow from operating activities	17.8	29.2	30.7	28.7	69.0	67.0
Cash flow from investing activities	-12.5	-2.6	-42.1	-10.0	-49.5	-17.4
Cash flow from financing activities	4.7	-16.5	44.5	-17.1	28.6	-33.0
Cash flow for the period	10.0	10.1	33.1	1.6	48.1	16.6

NORDICS: Growth and digitalization

Net sales and earnings

Net sales in the Nordics amounted to MSEK 75.4 (63.9), up 18% compared with the year-earlier period. The increase in sales is attributable to organic growth and the acquisition of Pappelina AB.

Adjusted EBITA amounted to MSEK 9.5 (12.8), a decrease attributable to the normalisation of operating expenses. The cost base in the year-earlier period was lower as a result of COVID-19 relief. In the second quarter, we also noted some price increases on input materials. In addition, we also increased our investments in digitalisation in Nordics, which required resources.

The share of premium for the quarter totalled 29%, compared with 21% in the year-earlier period.

% of total sales

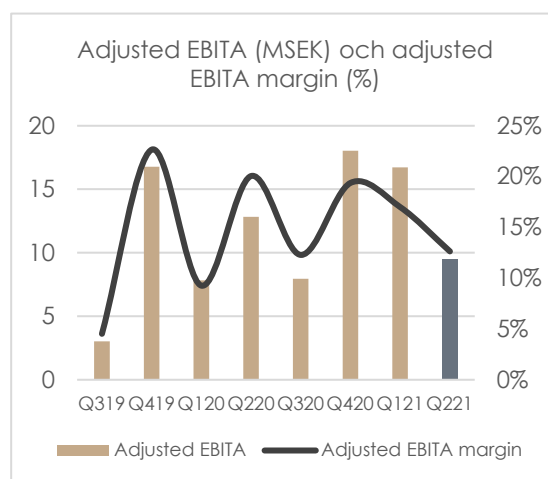
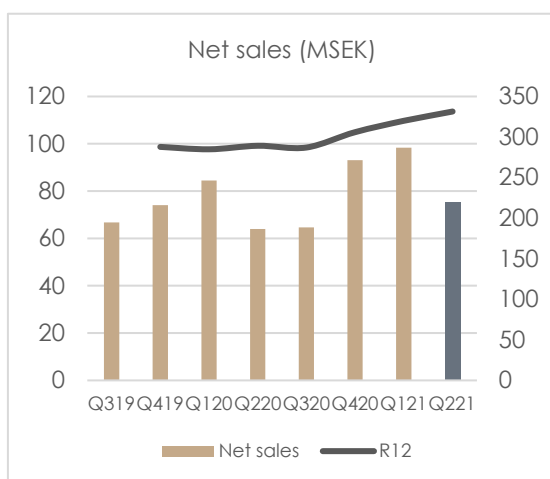
47%

Share of premium

29%

Performance measures

MSEK	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	R12 July 2020– June 2021	Full-year 2020
Nordics						
Net sales	75.4	63.9	173.7	148.4	331.4	306.1
Adjusted EBITA	9.5	12.8	26.3	20.7	52.2	46.6
Adjusted EBITA margin	13%	20%	15%	14%	16%	15%
Share of premium	29%	21%	28%	21%	26%	22%



EUROPE:

Robust, profitable growth, a 43% increase in net sales

Net sales and earnings

Net sales in Europe amounted to MSEK 65.1 (45.4), up 43.4% compared with the year-earlier period, which was, however, negatively impacted by the ongoing pandemic.

The main factors contributing to the increase were a general recovery after the downturn in 2020 and the add-on acquisition of Pappelina AB.

Adjusted EBITA amounted to MSEK 11.5 (2.6), an increase that was primarily driven by higher sales.

The share of premium for the quarter totalled 82%, compared with 83% in the year-earlier period.

% of total sales

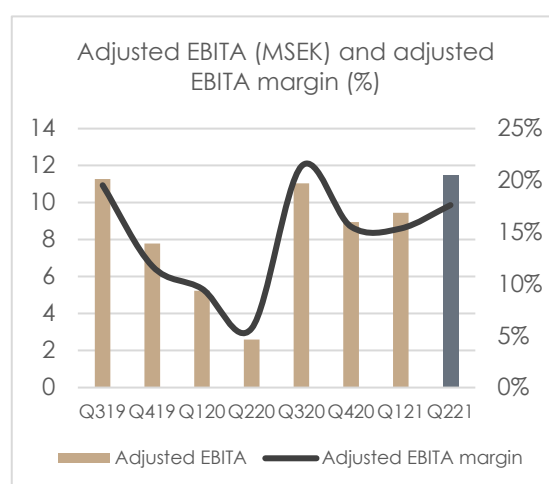
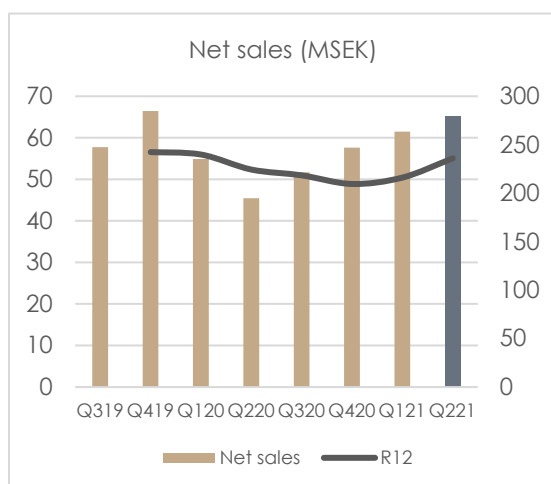
41%

Share of premium

82%

Performance measures

MSEK	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	R12 July 2020–June 2021	Full-year 2020
EUROPE:						
Net sales	65.1	45.4	126.6	100.3	235.8	209.6
Adjusted EBITA	11.5	2.6	20.9	7.8	40.9	27.8
Adjusted EBITA margin	18%	6%	17%	8%	17%	13%
Share of premium	82%	83%	82%	82%	81%	81%



REST OF WORLD:

Increased demand in the US and in hospitality* yields strong growth

Net sales and earnings

Net sales in the Rest of World amounted to MSEK 19.5 (11.1), up 75.7% compared with the year-earlier period. A general recovery after weak markets in 2020 lies behind this trend. Additionally, increased demand – primarily in the US and in hospitality – has been noted. We are also seeing positive effects as a result of the add-on acquisition of Pappelina AB.

Adjusted EBITA amounted to MSEK 1.9 (1.3), an increase that was primarily driven by higher sales and the add-on acquisition.

The share of premium for the first quarter was 84% as against 72% the preceding year. The increase in premium sales was driven primarily by the add-on acquisition.

% of total sales

12%

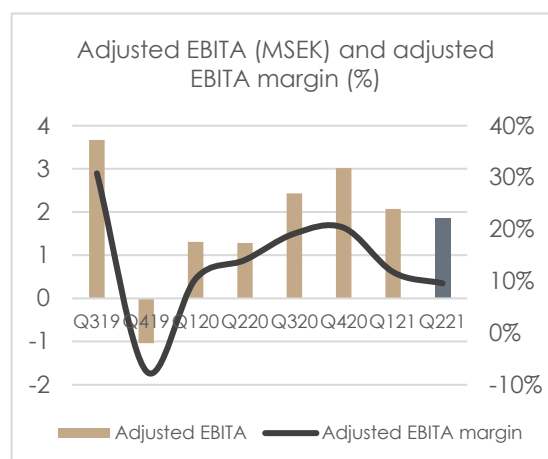
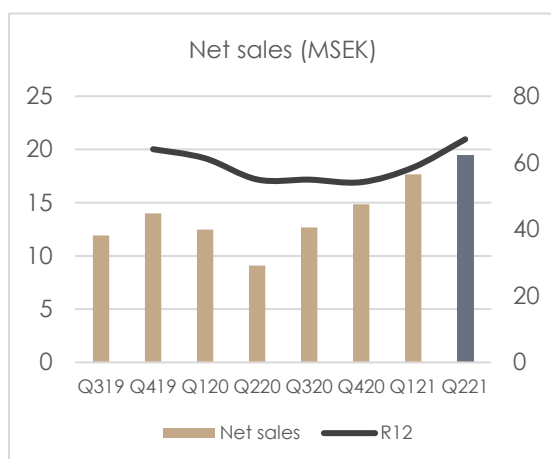
Share of premium

84%

* Comprises hotels, restaurants and cafés

Performance measures

MSEK	Apr–Jun 2021	Apr–Jun 2020	Jan–Jun 2021	Jan–Jun 2020	R12 July 2020– June 2021	Full-year 2020
REST OF WORLD:						
Net sales	19.5	11.1	37.1	24.3	67.1	54.2
Adjusted EBITA	1.9	1.3	3.9	2.6	9.4	8.0
Adjusted EBITA margin	10%	12%	11%	11%	14%	15%
Share of premium	84%	72%	86%	78%	82%	77%



Other Group

Organisation

The number of FTEs on 30 June 2021 was 211 (202), of whom 104 (98) were women and 107 (104) 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 following assessment has been made regarding financial assets and liabilities: that the carrying amount is a good approximation of fair value.

Significant events during the quarter

- New CEO of Wall&decò: Christian Tomadini
- Launch of Boråstapeter's digital flagship store, with its own e-commerce

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 2021

The Parent Company's net sales amounted to MSEK 2.9 (1.9). Net loss for the period amounted to MSEK -3.1 (-2.6). Earnings were negatively impacted by non-recurring costs of MSEK -1.2 associated with the listing of Embellence Group.

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 WA WallVision AB, which holds 52.8% of the number of shares and votes in Embellence Group.

The largest owners on 30 June 2021

	No. of shares	Share of capital and votes, %
WA WallVision AB	11,304,263	52.8
FE Småbolags Sverige	641,247	3.0
Strand Småbolagsfond	567,000	2.7
Taaleri Nordic Micro	498,239	2.3
Novobis AB	490,239	2.3
Nordnet Pensionsförsäkring AB	461,977	2.2
Priornilsson Idea	405,385	1.9
SEB AB Luxemburg Branch	403,369	1.9
Handelsbanken MicroCap Sverige	350,000	1.6
The Northern Trust Company	321,066	1.5
Total, ten largest owners	15,442,979	72.2
Other shareholders	5,957,021	27.8
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, 23 August 2021

Morten Falkenberg
Chairman

Olle Svensk
CEO

Mattias Letmark

Henrik Nyqvist

Paul Steene

Christina Ståhl

Condensed consolidated income statement

MSEK	April-June		January-June		Full year
	2021	2020	2021	2020	2020
Net sales	160.0	120.4	337.4	273.0	569.9
Cost of goods sold	-70.0	-54.6	-152.0	-123.8	-257.9
Gross profit	90.0	65.8	185.4	149.2	312.0
Selling and administrative expenses	-70.9	-55.7	-145.5	-126.5	-248.1
Other operating income	1.2	4.9	1.7	4.4	4.0
Other operating expenses	-1.0	0.0	-1.2	-0.5	-1.9
Operating profit	19.3	15.0	40.4	26.6	66.0
Financial income	0.5	1.0	0.7	1.4	2.4
Financial expenses	-2.7	-1.1	-4.1	-2.8	-6.1
Profit before tax	17.1	14.9	37.0	25.2	62.3
Tax	-3.8	-3.5	-8.3	-5.8	-14.4
Profit from continuing operations	13.3	11.4	28.7	19.4	47.9
Profit from discontinued operations	0.0	1.1	0.0	1.1	-4.8
Net profit for the period	13.3	12.5	28.7	20.5	43.1
Earnings per share for the period before dilution¹⁾ (SEK)	0.62	0.58	1.34	0.96	2.02
Earnings per share for the period after dilution¹⁾ (SEK)	0.61	0.58	1.32	0.96	2.02
Other comprehensive income					
Actuarial gains and losses after tax	0.0	0.0	0.0	0.0	-0.1
Translation differences	-3.4	-14.8	7.5	-7.8	-14.6
Total other comprehensive income	-3.4	-14.8	7.5	-7.8	-14.7
Comprehensive income for the period	9.9	-2.3	36.2	12.7	28.4

¹⁾ Refer to Note 1 on page 21.

Condensed consolidated balance sheet

MSEK	January–June		Full-year
	2021	2020	2020
ASSETS			
Intangible non-current assets	206.8	173.5	167.9
Tangible non-current assets	67.0	59.9	65.4
Right-of-use assets	44.5	23.7	33.1
Deferred tax assets	4.7	0.2	4.7
Financial non-current assets	0.8	0.2	0.5
Total non-current assets	323.8	257.5	271.6
Inventories	86.6	93.0	85.2
Accounts receivable	75.7	67.1	83.9
Receivables from controlling companies	0.0	40.0	0.0
Current tax assets	0.4	1.3	3.6
Other receivables	6.5	8.9	5.2
Prepaid expenses and accrued income	13.4	13.1	14.5
Cash and cash equivalents	83.4	35.3	49.0
Total current assets	266.0	258.7	241.4
Assets held for sale	0.0	20.4	0.1
Total assets	589.8	536.6	513.1

Condensed consolidated balance sheet (cont.)

MSEK	January–June		Full-year
	2021	2020	2020
EQUITY AND LIABILITIES			
Share capital	53.5	53.5	53.5
Other contributed capital	4.8	0.8	4.8
Reserves	-3.4	-3.9	-10.8
Retained earnings, including net profit for the year	202.5	211.1	164.3
Equity attributable to Parent Company shareholders	257.4	261.5	211.8
Provisions for pensions	4.2	2.2	3.5
Deferred tax liabilities	13.2	8.6	8.4
Lease liabilities	33.6	10.0	26.3
Total non-current liabilities	51.0	20.8	38.2
Lease liabilities	10.2	6.6	6.5
Bank overdraft facility	158.2	120.3	107.9
Accounts payable	48.7	39.3	52.1
Other current liabilities	20.0	32.5	34.4
Accrued expenses and deferred income	44.3	41.0	62.1
Total current liabilities	281.4	239.7	263.0
Total liabilities	332.4	260.5	301.2
Liabilities directly associated with assets held for sale	0.0	14.6	0.1
Total equity and liabilities	589.8	536.6	513.1

Net debt

MSEK	January–June		Full year
	2021	2020	2020
Lease liabilities	43.7	16.6	32.8
Bank overdraft facility	158.2	120.3	107.9
Other interest-bearing receivables and liabilities	0.0	-41.3	9.6
Gross debt	201.9	95.6	150.3
Cash and cash equivalents	-83.4	-35.3	-49.0
Net debt	118.5*)	60.3	101.3
EBITDA RTM	107.5	86.2	92.7
Net debt / EBITDA RTM	1.1	0.7	1.1
Equity ratio	43.6%	48.7%	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–June 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	April–June		January–June		Full year
	2021	2020	2021	2020	2020
OPERATING ACTIVITIES					
Operating profit	19.3	15.0	40.4	26.6	66.0
<i>Adjustments for non-cash items</i>					
Depreciation and amortization	6.6	6.2	13.4	12.4	26.7
Other	0.6	-0.5	4.6	-3.5	0.2
Total	26.5	20.7	58.4	35.5	92.9
Interest received	0.2	-0.8	0.4	-0.6	1.0
Interest paid	-2.7	-1.1	-4.1	-2.8	-5.2
Tax paid	-3.1	-0.8	-5.6	-2.2	-6.8
Cash flow from operating activities before changes in working capital	20.9	18.0	49.1	29.9	81.9
Cash flow from changes in working capital	-3.1	11.2	-18.4	-1.2	-14.8
Cash flow from operating activities	17.8	29.2	30.7	28.7	67.1
INVESTING ACTIVITIES					
Acquisition of tangible and intangible assets	-4.3	-2.9	-7.7	-10.3	-17.4
Acquisition of companies, less acquired cash and cash equivalents	-8.2	0.0	-34.4	0.0	0.0
Cash flow from investing activities from discontinued operations	—	0.3	—	0.3	0.0
Cash flow from investing activities	-12.5	-2.6	-42.1	-10.0	-17.4
FINANCING ACTIVITIES					
Change in bank overdraft facilities	7.5	-13.5	50.3	-10.1	-22.4
Repayment of lease liabilities	-2.8	-2.3	-5.8	-4.8	-10.8
Received option premium	—	—	—	—	0.2
Cash flow from financing activities from discontinued operations	—	-0.7	—	-2.2	0.0
Cash flow from financing activities	4.7	-16.5	44.5	-17.1	-33.0
Cash flow for the period	10.0	10.1	33.1	1.6	16.6
Cash and cash equivalents at beginning of period	73.9	26.7	49.0	34.4	34.4
Exchange rate differences in cash and cash equivalents	-0.5	-1.5	1.3	-0.7	-2.0
Cash and cash equivalents at end of period	83.4	35.3	83.4	35.3	49.0

Consolidated statement of changes in equity

MSEK	2021
Opening equity 1 Jan 2021	211.8
Net profit for the period	28.7
Other comprehensive income	7.5
Shareholder contributions received	9.4
Closing balance 30 Jun 2021	257.4

MSEK	2020
Opening equity 1 Jan 2020	248.8
Net profit for the period	20.5
Other comprehensive income	-7.8
Closing balance 30 Jun 2020	261.5

Condensed Parent Company income statement

MSEK	April–June		January–June		Full-year
	2021	2020	2021	2020	2020
Net sales	2.9	1.9	5.8	3.7	7.5
Administrative expenses	-6.6	-4.5	-17.5	-9.4	-18.1
Operating profit	-3.7	-2.6	-11.7	-5.7	-10.6
Financial income	0.8	0.0	0.1	0.0	18.8
Financial expenses	-1.0	0.0	-1.3	0.0	-1.1
Profit/loss after financial items	-3.9	-2.6	-12.9	-5.7	7.1
Group contributions	0.0	0.0	0.0	0.0	-72.8
Profit/loss before tax	-3.9	-2.6	-12.9	-5.7	-65.7
Tax	0.8	0.0	2.7	0.0	4.4
Net loss for the period	-3.1	-2.6	-10.2	-5.7	-61.3

Condensed Parent Company balance sheet

MSEK	January–June		Full-year
	2021	2020	2020
ASSETS			
Intangible non-current assets	0.8	0.9	0.8
Deferred tax assets	7.0	0.0	4.3
Financial non-current assets	409.2	321.9	353.7
Total non-current assets	417.0	322.8	358.8
Receivables from controlling companies	0.0	13.0	0.0
Other receivables	0.1	1.3	0.2
Prepaid expenses and accrued income	0.7	0.2	0.2
Cash and cash equivalents	1.9	0.2	9.4
Total current assets	2.7	14.7	9.8
Total assets	419.7	337.5	368.6

MSEK	January–June		Full-year
	2021	2020	2020
EQUITY AND LIABILITIES			
Share capital	53.5	53.5	53.5
Statutory reserve	10.0	10.0	10.0
Share premium	18.3	18.3	18.3
Retained earnings, including net profit for the year	36.2	53.9	36.9
Equity attributable to Parent Company shareholders	118.0	135.7	118.7
Provisions for pensions	0.7	0.2	0.4
Total non-current liabilities	0.7	0.2	0.4
Accounts payable	1.3	0.2	1.1
Liabilities to Group companies	295.4	198.3	244.4
Other current liabilities	0.5	0.6	0.4
Accrued expenses and deferred income	3.8	2.5	3.6
Total current liabilities	301.0	201.6	249.5
Total liabilities	301.7	201.8	249.9
Total equity and liabilities	419.7	337.5	368.6

Quarterly overview

MSEK	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Net sales	138.9	156.7	152.5	120.4	130.8	166.1	177.5	160.0
Adjusted EBITA	17.9	23.5	14.4	16.7	21.4	30.0	28.2	22.9
Adjusted EBITA margin	13%	15%	9%	14%	16%	18%	16%	14%
Share of premium, %	54%	54%	47%	49%	51%	47%	52%	57%

Quarterly data per segment

MSEK	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Net sales								
Nordics	66.7	74.1	84.5	63.9	64.6	93.0	98.3	75.4
Europe	57.7	66.4	54.9	45.4	51.7	57.6	61.5	65.1
Rest of World	14.5	16.2	13.1	11.1	14.5	15.5	17.7	19.5
TOTAL	138.9	156.7	152.5	120.4	130.8	166.1	177.5	160.0

MSEK	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Adjusted EBITA per segment								
Nordics	3.0	16.8	7.9	12.8	8.0	18.0	16.7	9.5
Europe	11.3	7.8	5.2	2.6	11.0	8.9	9.4	11.5
Rest of World	3.7	-1.0	1.3	1.3	2.4	3.0	2.1	1.9
Total adjusted EBITA	17.9	23.6	14.4	16.7	21.4	30.0	28.2	22.9
Items affecting comparability							-5.3	-1.7
EBITA							23.0	21.2
Impairment of intangible assets							-1.8	-1.9
Total EBIT							21.1	19.3

Notes

Note 1 Earnings per share

SEK	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Full-year 2020
Continuing operations					
Earnings per share before dilution	0.62	0.53	1.34	0.91	2.24
Earnings per share after dilution	0.61	0.53	1.32	0.91	2.24
Net profit for the period					
Earnings per share before dilution (SEK)	0.62	0.58	1.34	0.96	2.02
Earnings per share after dilution (SEK)	0.61	0.58	1.32	0.96	2.02
Performance measures used in the calculation of earnings per share before and after dilution (MSEK)					
Profit from continuing operations	13.3	11.4	28.7	19.4	47.9
Net profit for the period	13.3	12.5	28.7	20.5	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	432,885	—	428,988	—	—
<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	21,832,885	21,400,000	21,828,988	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 30.3 in sales and MSEK 5.4 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.

EBITA margin

EBITA divided by net sales.

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

Adjusted EBITA

EBITA adjusted for items affecting comparability.

Adjusted EBITA margin

Adjusted EBITA divided by net sales.

Items affecting comparability

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

Net debt

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

Net debt/EBITDA

Net debt divided by EBITDA, rolling 12 months.

Net sales currency effect

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

Net sales – organic growth

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

Premium sales

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

Earnings per share in SEK

Profit after tax divided by the normal number of shares.

Earnings per share in SEK after dilution

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

Equity ratio

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

Contact

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About Embellence Group AB

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

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Financial calendar

Interim Report Jul-Sep 2021	25 October 2021
Year-end Report 2021	3 March 2022