

WallVision

WA WallVision AB (publ), corp. no. 556809-6191

Interim report January 1, 2013 – September 30, 2013

All figures pertain to the Group unless otherwise stated. Comparisons in the interim report refer to the corresponding period in the 2012 fiscal year, unless otherwise stated.

Third quarter (July 2013 – September 2013)

- Net Sales amounted to SEK 125.0 million (120.3), up 3.9% compared with the preceding year.
- EBITDA amounted to SEK 23.3 million (14.8), reaching an EBITDA-margin of 18.6% (12.3%).
- EBITDA was charged with nonrecurring costs of SEK 1.1 million (6.7). Accordingly adjusted EBITDA amounted to SEK 24.4 million (21.5), reaching an EBITDA margin of 19.5% (17.9%).
- Adjusted EBITA amounted to SEK 17.2 million (14.4), reaching an EBITA-margin of 13.8% (12.0%).

Nine months (Jan 2013 – September 2013)

- Net Sales amounted to SEK 388.1 million (398.4), down 2.6% compared with the preceding year.
- EBITDA amounted to SEK 62.2 million (48.5), reaching an EBITDA-margin of 16.0% (12.2%).
- EBITDA was charged with nonrecurring costs of SEK 2.9 million (15.0). Accordingly adjusted EBITDA amounted to SEK 65.1 million (63.5), reaching an EBITDA margin of 16.8% (15.9%).
- Adjusted EBITA amounted to SEK 43.6 million (42.1), reaching an EBITA-margin of 11.2% (10.6%).

FINANCIAL INFORMATION IN SUMMARY	3 months		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
SEK million	2013	2012	2013	2012	2012
Net Sales	125.0	120.3	388.1	398.4	547.6
Reported EBITDA	23.3	14.8	62.2	48.5	77.0
Adj. EBITDA	24.4	21.5	65.1	63.5	95.3
Reported EBITA	16.1	7.1	40.7	22.7	43.9
Adj. EBITA	17.2	14.4	43.6	42.1	66.7
Operating profit / Reported EBIT	14.7	5.7	36.4	18.7	38.6
Reported EBITDA margin	18.6%	12.3%	16.0%	12.2%	14.1%
Adj. EBITDA margin	19.5%	17.9%	16.8%	15.9%	17.4%
Reported EBITA margin	12.9%	5.9%	10.5%	5.7%	8.0%
Adj. EBITA margin	13.8%	12.0%	11.2%	10.6%	12.2%

The Business

WallVision is a Sweden-based designer and manufacturer of premium wallpaper which the Group distributes and sells on the international market through four separate brands. Founded in 1905, the Company has developed into the leading wallpaper group in the Nordic region, where its market share exceeds 50 percent, and is growing on key export markets such as Russia and China. WallVision's vision is to become the internationally leading supplier in the premium segment for wallpaper, in terms of being largest, most profitable and with the best brands.

SIGNIFICANT EVENTS

The market

The economic climate on the Group's main markets remains uncertain although there are positive signs in different segments of the market. Sales in UK, China and export markets has increased during the first 9 months of the year, while sales in Sweden and Norway has struggled to beat last year's sales. During the last quarter we saw sales in Sweden grow, both within construction and consumer segments.

Other significant events

In the beginning of 2013 we released our new websites for our four brands and wallpapermatch.com where consumers now can browse all our products. End-consumers can also order samples from all wallpaper collections directly home or order wallpaper products for pick-up at any of our dealerships in Sweden. The purpose of releasing our new website is to communicate directly with our end-consumers and to create traffic and enhance sales at our resellers.

In March our new ERP-system was launched in Eco-Boråstapeter AB. Today we have one common ERP-system for all our subsidiaries except for Norway, where the implementation begins in the fall.

During the third quarter a new sales manager for Sweden and a new export manager came on board.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT, BALANCE SHEET AND CASH FLOW

Net Sales

The Group's total net sales increased during the third quarter by 3.9% to SEK 125.0 million (120.3). The increase excluding exchange rate fluctuations was 5.1% during the third quarter. During the third quarter sales in Sweden, China and UK had strong sales development while sales in Norway and some exports market had a weaker development. To some extent, the weaker development is explained by later launches of collections compared to last year. The Group's total net sales during the first nine months decreased by 2.9% to SEK 388.1 million (398.4). If the exchange rate fluctuations are excluded, the Group's net sales decreased by 0.8% during the first nine months.

Earnings

The profit improved during the third quarter as a result of revenue increase, solid gross margin and slightly lower operating expenses. Reported EBITDA amounted to SEK 23.2 million (14.8) for the quarter. EBITDA was charged with nonrecurring costs of SEK 1.1 million (6.7) during the third quarter. Accordingly adjusted EBITDA amounted to SEK 24.4 million (21.5), reaching an EBITDA margin of 19.5% (17.9%) for the quarter. Adjusted EBITDA for the first nine months amounted to SEK 65.1 million (63.5). This is equivalent to an adjusted EBITDA margin of 16.8% (15.9%) for the interim period.

Cash Flow

Cash flow from operating activities before changes in working capital, paid taxes and paid/received interest amounted to SEK 23.4 million (14.3) during the third quarter, which is SEK 9.1 million higher than last year due to higher reported EBITDA. Changes in working capital was positive and amounted to SEK 13.1 million (12.1) mainly due to lower current receivables at the end of September 2013 compared to last year. Investments amounted to SEK 3.2 million (6.3) during the third quarter. Cash flow after investments during the quarter was SEK 18.9 million higher than last year and amounted to SEK 31.3 million (12.4).

Cash flow from operating activities for the first 9 months amounted to SEK 36.9 million (15.3) and was SEK 21.5 million higher than last year as a result of higher EBITDA and lower paid taxes as a result of tax implications from earlier changes in the Group structure. Investments for the first nine months amounted to SEK 11.1 million (26.2) and was lower than last year due to the leasing solution for the shop displays offered to resellers. Cash flow after investment amounted to SEK 25.8 million (-10.9).

Financial position

On September 30, 2013, cash and cash equivalents amounted to SEK 46.5 million (35.8). Net debt, defined as interest-bearing debt less cash and cash equivalents, amounted to SEK 416.5 million (421.8). Shareholder loans, subordinated loans from WallVision's shareholders, amounted to SEK 350.8 million (318.9) at the end of September and are excluded from the net debt definition. The net debt/equity ratio, when including shareholder loans as equity, at September 30, 2013, was 40%.

In December 2012 all senior and junior debt was refinanced through issuing a bond loan and a new revolving credit facility. The covenants from creditors as at 30 September 2013 are met.

Goodwill

The Goodwill value in the consolidated balance sheet amounted to SEK 532.7 million (532.7) and was impairment tested in the end of 2012. The impairment test was based on value in taking into account future cash flows. These calculations use pre-tax cash flow projections based on financial budgets and business plans approved by the board.

Transactions with related parties

No transactions have taken place between WallVision Group and related parties that has significantly affected the Group's financial position and performance during the reported period.

Average number of employees in the Group

The average number of employees in the Group during the first nine months was 193 (182). Compared to last year, the number of employees in the subsidiary in China increased by 8 employees.

Risks and uncertainties

Several factors could affect the Group's earnings and operations, most of which can be managed through internal procedures but some of which are controlled by external factors. Risks and uncertainties include suppliers, seasonal variations and currencies, new market entries, changes in market conditions, and changes in consumer spending behavior. As with other segments of the home furnishings industry, WallVision's net sales, operating profit and cash flow from operating activities fluctuate throughout the year. This is because costs are relatively constant, while net sales vary. The Group's strongest earnings are normally generated during the spring and the autumn, with the major peak in wallpaper sales during the autumn.

The Annual Report contains a more comprehensive description of the risks and uncertainty factors affecting the Group.

OTHER

Events after the closing date

No events requiring discourse in the financial statements have occurred after the balance sheet date.

Reporting dates

The year-end report for January 1, 2013 – December 31, 2013 will be published on February 28, 2014.

Accounting principles

This report has been prepared in accordance with 'IAS 34 Interim Financial Reporting' and the 'Annual Accounts Act'. The accounting policies in the Group's consolidated financial statements and the parent company's financial statements have been prepared according to the same accounting policies and calculation methods as the 2012 annual accounts.

The interim report for the parent company has been prepared in accordance with the 'Annual Accounts Act'.

Concerning information about estimations, assessments, risks and risk management see the Annual Report for 2012.

This report has not been reviewed by the company's auditors.

Borås, December 10, 2013.

Board of directors

Further information

Åke Stråberg, President and CEO.
Esko Österbacka, CFO.

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CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(SEK 000s)

	3 months		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
	2013	2012	2013	2012	2012
Revenue	125,009	120,275	388,140	398,362	547,608
Cost of sales	<u>-59,130</u>	<u>-52,580</u>	<u>-187,623</u>	<u>-197,039</u>	<u>- 275,247</u>
Gross profit	65,879	67,695	200,517	201,323	272,361
<i>Operating expenses</i>					
Distribution costs	-36,974	-38,069	-125,029	-132,873	- 176,156
Administrative expenses	-14,045	-23,167	-39,004	-48,863	- 56,700
Other income	-197	-	-	-	-
Other losses/gains – net	<u>56</u>	<u>-712</u>	<u>-121</u>	<u>-845</u>	<u>- 883</u>
Operating profit	14,719	5,747	36,431	18,742	38,622
<i>Result from financial items</i>					
Finance income	48	986	841	3,135	3,574
Finance costs	<u>- 18,594</u>	<u>- 14,488</u>	<u>- 56,423</u>	<u>- 45,743</u>	<u>- 73,746</u>
Finance costs – net	- 18,546	- 13,502	-55,582	-42,608	- 70,172
Profit before tax	- 3,827	- 7,755	-19,151	-23,866	- 31,550
Income tax expenses	<u>3,560</u>	<u>2,406</u>	<u>3,069</u>	<u>6,188</u>	<u>13,807</u>
Net profit/loss for the period	- 267	- 5,349	-16,082	-17,678	- 17,743
Net profit/loss attributable to:					
Owners of the parent	- 267	- 5,349	- 16,082	- 17,678	-17,743
Non-controlling interests	-	-	-	-	-
<i>Other comprehensive income</i>					
Translation differences	-224	- 1,202	- 5,533	775	- 83
Total comprehensive income for the period	- 491	- 6,551	- 21,615	- 16,903	-17,826

CONSOLIDATED CASH-FLOW STATEMENT (CONDENSED)

	3 months		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
	2013	2012	2013	2012	2012
<i>(SEK 000s)</i>					
Cash flow from operating activities before taxes, paid/received interest and changes in working capital	23,444	14,377	62,243	48,284	84,161
Paid/received interest	- 1,608	- 7,376	- 22,212	- 21,488	- 49,073
Paid taxes	- 367	- 404	- 1,660	- 17,566	- 18,048
Changes in working capital	<u>13,079</u>	<u>12,118</u>	<u>- 1,508</u>	<u>6,087</u>	<u>- 15,112</u>
Cash flow from operating activities	34,548	18,715	36,863	15,317	1,928
Cash flow from investing activities	<u>- 3,226</u>	<u>- 6,308</u>	<u>- 11,087</u>	<u>- 26,210</u>	<u>- 31,012</u>
Cash flow for the period after investments	31,322	12,407	25,776	- 10,893	-29,084
Cash flow from financing activities	<u>- 24,619</u>	<u>- 8,836</u>	<u>- 26,390</u>	<u>4,279</u>	<u>33,710</u>
Cash flow for the period	6,703	3,571	- 614	-6,614	4,626
Net debt at the end of the period	416,661	421,820	416,661	421,820	432,700

CONSOLIDATED BALANCE SHEET (CONDENSED)

<i>(SEK 000s)</i>	September 30		December
	2013	2012	2012
Intangible fixed assets ¹⁾	662,408	668,298	666,804
Tangible fixed assets	139,846	155,064	152,762
Financial assets	1,750	4,118	1,907
Inventories	98,653	92,563	99,714
Current receivables	104,083	109,157	80,497
Cash and cash equivalents	<u>46,548</u>	<u>35,788</u>	<u>47,162</u>
Total assets	1,053,288	1,064,988	1,048,846
Shareholders' equity	74,985	97,523	96,600
<i>Long-term liabilities</i>			
Shareholder loans	350,777	318,894	326,305
Other long-term liabilities ²⁾	430,727	457,528	424,298
Short-term liabilities ²⁾	<u>196,799</u>	<u>191,043</u>	<u>201,643</u>
Total equity and liabilities	1,053,288	1,064,988	1,048,846
¹⁾ Of which, goodwill	532,701	532,701	532,684
²⁾ Of which, interest bearing liabilities	463,209	457,608	479,862

STATEMENT OF CHANGES IN EQUITY

<i>(SEK 000s)</i>	9 months		Full year
	Jan-Sep		Jan-Dec
	2013	2012	2012
Total shareholders' equity at the beginning of the period	96,600	114,010	114,010
Profit for the period	- 16,082	- 17,678	- 17,743
Other comprehensive income	<u>- 5,533</u>	<u>775</u>	<u>- 83</u>
Total comprehensive income for the period	- 21,615	-16,903	-17,826
New share issue	-	409	409
Premiums from warrants	<u>-</u>	<u>7</u>	<u>7</u>
Total shareholders' equity at the end of the period	74,985	97,523	96,600

PARENT COMPANY'S INCOME STATEMENT

(SEK 000s)	3 months		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
	2013	2012	2013	2012	2012
Revenue	2,350	963	2,350	2,865	3,828
<i>Operating expenses</i>					
Distribution costs	-254	- 1,031	- 1,715	- 3,830	-2,114
Administrative expenses	<u>- 3,156</u>	<u>- 2,759</u>	<u>- 10,008</u>	<u>- 10,409</u>	<u>-15,125</u>
Operating profit	- 1,060	- 2,827	- 9,373	- 11,374	-13,411
<i>Result from financial items</i>					
Result from participations in Group companies	-	-	-	-	81,113
Finance income	-	3,535	-	5,462	3,127
Finance costs	<u>- 16,998</u>	<u>- 16,002</u>	<u>- 50,998</u>	<u>- 45,361</u>	<u>-70,890</u>
Finance costs – net	-16,998	-12,467	- 50,998	- 39,899	13,350
Profit before tax	- 18,058	- 15,294	- 60,371	- 51,273	- 61
Appropriations	-	-	-	-	-
Profit/loss before tax	- 18,058	- 15,294	- 60,371	- 51,273	- 61
Income tax expenses	<u>4,487</u>	<u>4,023</u>	<u>13,796</u>	<u>13,485</u>	-
Net profit/loss for the period	- 13,571	- 11,271	- 46,575	- 37,788	- 61

PARENT COMPANY'S BALANCE SHEET

(SEK 000s)	September 30		December 31
	2013	2012	2012
Financial assets	885,542	888,257	885,542
Current receivables	50,522	54,418	38,592
Cash and cash equivalents	<u>1,847</u>	<u>488</u>	<u>3,260</u>
Total assets	937,911	943,163	927,394
Shareholders' equity	93,149	101,997	139,724
<i>Long-term liabilities</i>			
Shareholder loans	350,777	318,894	326,305
Other long-term liabilities ¹⁾	379,121	415,627	368,525
Short-term liabilities ¹⁾	<u>114,864</u>	<u>106,645</u>	<u>92,840</u>
Total equity and liabilities	937,911	943,163	927,394
¹⁾ Of which, interest bearing liabilities	379,121	415,913	368,525

KEY RATIOS	3 months		9 months		Full year
	July-Sept		Jan-Sep		Jan-Dec
SEK million	2013	2012	2013	2012	2012
Net Sales	125.0	120.3	388.1	398.4	547.6
Reported EBITDA	23.3	14.8	62.2	48.5	77.0
Adj. EBITDA	24.4	21.5	65.1	63.5	95.3
Reported EBITA	16.1	7.1	40.7	22.7	43.9
Adj. EBITA	17.2	14.4	43.6	42.1	66.7
Operating profit / Reported EBIT	14.7	5.7	36.4	18.7	38.6
Reported EBITDA margin	18.6%	12.3%	16.0%	12.2%	14.1%
Adj. EBITDA margin	19.5%	17.9%	16.8%	15.9%	17.4%
Reported EBITA margin	12.9%	5.9%	10.5%	5.7%	8.0%
Adj. EBITA margin	13.8%	12.0%	11.2%	10.6%	12.2%
Adj. Equity/assets ratio, %	40%	39%	40%	39%	40%

Quarterly data	2012	2012	2012	2012	2013	2013	2013
SEK million	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	152.3	125.8	120.3	149.2	143.7	119.5	125.0
Reported EBITDA	27.5	6.2	14.8	28.5	26.0	12.9	23.3
Adj. EBITDA	28.0	14.0	21.5	31.8	26.0	14.7	24.4
Reported EBITA	20.9*	-5.2**	7.1	21.2	18.9*	5.7**	16.1
Adj. EBITA	21.4*	6.3**	14.4	24.6	18.9*	7.5**	17.2
Operating profit / Reported EBIT	19.6	-6.6	5.7	19.9	17.5	4.2	14.7
Reported EBITDA margin	18.1%	5.0%	12.3%	19.1%	18.1%	10.8%	18.6%
Adj. EBITDA margin	18.4%	11.1%	17.9%	21.3%	18.1%	12.3%	19.5%
Reported EBITA margin	13.7%	-4.2%	5.9%	14.2%	13.1%	4.7%	12.9%
Adj. EBITA margin	14.0%	5.0%	12.0%	16.5%	13.1%	6.3%	14.7%
Adj. Equity/assets ratio, %	40%	40%	39%	40%	40%	40%	40%

* In the interim report January 1, 2013 – March 30, 2013, reported EBITA for 2013 was misstated as SEK 24.6 million and reported EBITA for 2012 as SEK 26.2 million. Adjusted EBITA was also misstated as SEK 24.6 (26.7) million.

**In the interim report January 1, 2013 – June 30, 2013, reported EBITA for 2013 was misstated as SEK 11.5 million and reported EBITA for 2012 as SEK 4.9 million. Adjusted EBITA was also misstated as SEK 13.3 (12.7) million.

DEFINITIONS

Adj. EBITA - Earnings before interest, tax and amortisation, adjusted for non-recurring items.

Adj. EBITDA – Earnings before interest, tax, depreciation and amortisation, adjusted for non-recurring items.

Adj. EBITA-margin – Adj. EBITA as a percentage of net sales.

Adj. EBITDA-margin – Adj. EBITDA as a percentage of net sales.

Adj. Equity/assets ratio – Equity and shareholder loans as a percentage of total assets.

Cash flow after investments – Profit before depreciation/amortization plus/minus financial items less tax paid plus/minus changes in operating capital minus investments.

EBITA – Earnings before interest, tax and amortisation.

EBITDA – Earnings before interest, tax, depreciation and amortisation.

EBITA-margin – EBITA as a percentage of net sales.

EBITDA-margin – EBITDA as a percentage of net sales.

Equity/assets ratio – Shareholders' equity as a percentage of total assets, including shareholder loans, subordinated loans from WallVision's shareholders as equity.

Net debt – Interest-bearing liabilities less cash and bank balances excluding shareholder loans, subordinated loans from WallVision's shareholders.

Non-recurring items – Items during the year being non-recurring and extraordinary to the Group's business

Number of annual employees – The total number of hours of attendance divided by the normal working hours for the particular country.