

WallVision

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

Year-end report January 1, 2014 – December 31, 2014

All figures pertain to the Group unless otherwise stated. Comparisons in the interim report refer to the corresponding period in the 2013 fiscal year, unless otherwise stated.

Fourth quarter (October 2014 – December 2014)

- Net Sales amounted to SEK 131.6 million (141.9), down 7.3% compared with the preceding year.
- EBITDA amounted to SEK 17.5 million (28.8), reaching an EBITDA-margin of 13.3% (20.3).
- EBITDA was charged with nonrecurring costs of SEK 3.0 million (2.1). Accordingly adjusted EBITDA amounted to SEK 20.5 million (30.9), reaching an adjusted EBITDA margin of 15.6% (21.8).
- Adjusted EBITA amounted to SEK 14.5 million (26.6), reaching an EBITA-margin of 11.1% (18.7).

Year to end (January 2014 – December 2014)

- Net Sales amounted to SEK 521.2 million (530.1), down 1.7% compared with the preceding year.
- EBITDA amounted to SEK 73.5 million (91.0), reaching an EBITDA-margin of 14.1% (17.2).
- EBITDA was charged with nonrecurring costs of SEK 6.3 million (5.1). Accordingly adjusted EBITDA amounted to SEK 79.8 million (96.1), reaching an adjusted EBITDA margin of 15.3% (18.1).
- Adjusted EBITA amounted to SEK 55.6 million (70.2), reaching an EBITA-margin of 10.7% (13.2).

FINANCIAL INFORMATION IN SUMMARY

SEK million	3 months		12 months	
	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Net Sales	131.6	141.9	521.2	530.1
Reported EBITDA	17.5	28.8	73.5	91.0
Adj. EBITDA	20.5	30.9	79.8	96.1
Reported EBITA	11.5	24.5	49.3	65.2
Adj. EBITA	14.5	26.6	55.6	70.2
Operating profit / Reported EBIT	9.0	19.7	39.3	56.1
Reported EBITDA margin	13.3%	20.3%	14.1%	17.2%
Adj. EBITDA margin	15.6%	21.8%	15.3%	18.1%
Reported EBITA margin	8.8%	17.3%	9.5%	12.3%
Adj. EBITA margin	11.1%	18.7%	10.7%	13.2%

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 wallpaper market on the Group's home main markets Sweden, Norway and the UK has been uncertain during the year. In Sweden overall sales through the company's primary distribution channel, specialty stores for paint and wallpapers, increased by 1.5% during 2014, while wallpaper sales most likely fell slightly in comparison to previous year.

Other significant events

A new collection developed in collaboration with three famous architects was launched in Milan during the spring. The collection, *Claesson Koivisto & Rune*, which sells under the sub-brand Engblad & Co by Eco Wallpaper went on sale at the end of June and has received a lot of attention among architects and interior designers.

During the second quarter the Group invested in a new digital printing machine in Borås in order to print on new substrates, which will enable the Group to target new customers in the contract and project market.

At the end of the second quarter, the Group opened its first wholly owned store in China. The store is located outside Shanghai and was the first of three new stores that are planned to open during 2014 and 2015.

A new Sales and Marketing Director joined the Group during the second quarter. During the same period new sales managers were appointed for the Swedish and the UK markets. In September a new Product Management and Design Director joined the Group.

In September there was a successful launch of *Borosan 2014* (construction wallpaper) in Sweden, which accounted for the main growth for Sweden and the Group during the third quarter. The *Borosan* is a wallpaper collection aimed at real estate owners and public housing and is renewed every third year.

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

Net Sales

The Group's total net sales decreased during the fourth quarter by 7.3% to SEK 131.6 million (141.9). Excluding exchange rate fluctuations the net sales decreased 7.7%. During the fourth quarter sales in the UK and China showed strong growth versus last year, while sales in Sweden and Norway were below last year following a weak market.

The Group's total net sales during the fiscal year decreased by 1.7% to SEK 521.2 million (530.1). If the exchange rate fluctuations are excluded the Group's net sales decreased by 3.6% during 2014. The exchange rate fluctuations affecting sales mainly comes from GBP and EUR which has increased compared to SEK during 2014. During the year sales have had a good development in the UK, China and other export markets, while sales in Sweden and Norway has been weak.

Earnings

Reported EBITDA amounted to SEK 17.5 million (28.8) for the fourth quarter. EBITDA was charged with nonrecurring costs of SEK 3.0 million (2.1) during the quarter. Accordingly adjusted EBITDA amounted to SEK 20.5 million (30.9), reaching an adjusted EBITDA margin of 15.6% (21.8%). The lower earnings during the fourth quarter are explained by lower sales and higher sales costs. Gross margins were stable reaching 51.2%, 0.4 percentage points below last year.

Adjusted EBITDA for the fiscal year amounted to SEK 79.8 million (96.1), reaching an adjusted EBITDA margin of 15.3% (18.1). The decreased earnings during the fiscal year are mainly explained by lower sales and higher pattern book costs due to the launch of the *Borosan* collection. Higher pattern book costs accounted for SEK 7.0 million in comparison to last year.

Cash Flow

Cash flow from operating activities before changes in working capital, paid taxes and paid/received interest amounted to SEK 24.4 million (36.7) during the fourth quarter. Changes in net working capital during the fourth quarter amounted to SEK +17.6 million (+0.3). The positive net working capital change was mainly due to lower current receivables as receivables for the launch of the *Borosan* collection from September was paid in December. Operating cash flow before investments for the fourth quarter amounted to SEK 18.8 million (17.7). Investments during the fourth quarter amounted to SEK 3.3 million (1.2). Cash flow after investments during the fourth quarter amounted to SEK 15.6 million (16.5). Operating cash flow after investments for the fiscal year amounted to SEK 16.3 million (42.3). The lower cash flow is mainly explained by lower earnings for the year.

Financial position

On December 31, 2014, cash and cash equivalents amounted to SEK 33.1 million (42.7). Net debt, defined as interest-bearing debt less cash and cash equivalents, amounted to SEK 369.1 million (391.6). Shareholder loans, subordinated loans from WallVision's shareholders, amounted to SEK 394.8 million (358.9) at the end of December and are excluded from the net debt definition. The equity/assets ratio, when including shareholder loans as equity, at December 31, 2014, was 46%.

The covenants from creditors as of 31 December 2014 were 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 2014. The impairment test was based on value in use, 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 fiscal year was 190 (186).

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 disclosure in the financial statements have occurred after the balance sheet date.

Reporting dates

The annual report for the 2014 fiscal year will be published on April 13, 2015 on the company's website www.wallvision.se. It will also be available at WallVision's Head Office in Borås. In addition, an Annual Report will be distributed to all shareholders.

The interim report for January 1, 2015 – March 31, 2015 will be published on June 12, 2015.

The interim report for January 1, 2015 – June 30, 2015 will be published on August 28, 2015.

The interim report for January 1, 2015 – September 30, 2015 will be published on December 12, 2015.

Annual General Meeting

The Annual General Meeting will be held at 3.00 p.m. on Wednesday, April 29, 2015 at the company's head office at Ryssnäsgratan 8 in Borås. Shareholders who wish to attend the Meeting must have their shares registered in the share register on the date of the Annual General Meeting. Shareholders wishing to attend the Annual General Meeting are requested to notify their attendance under the address WA Wallvision AB (publ), Att: Årsstämma, Box 1, 501 13 Borås or by phone +43 33 23 64 00 or by email eva.frojd@wallvision.se no later than April 23, 2015.

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 2013 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 2013.

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

Borås, February 27, 2015.

The 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		12 months	
	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Revenue	131,571	141,945	521,249	530,085
Cost of sales	<u>- 65,458</u>	<u>- 69,046</u>	<u>-254,405</u>	<u>- 256,669</u>
Gross profit	66,113	72,899	266,844	273,416
<i>Operating expenses</i>				
Distribution costs	- 45,051	- 44,243	-181,305	- 169,272
Administrative expenses	- 11,295	- 8,766	-45,877	- 47,770
Other income	- 32	305	511	373
Other losses/gains – net	<u>- 703</u>	<u>- 501</u>	<u>- 832</u>	<u>- 622</u>
Operating profit	9,032	19,694	39,341	56,125
<i>Result from financial items</i>				
Finance income	634	448	969	1,289
Finance costs	<u>- 19,219</u>	<u>- 18,349</u>	<u>- 77,102</u>	<u>- 74,772</u>
Finance costs – net	- 18,585	- 17,901	- 76,133	- 73,483
Profit before tax	- 9,553	1,793	- 36,792	- 17,358
Income tax expenses	<u>557</u>	<u>- 2,663</u>	<u>- 2,215</u>	<u>406</u>
Net profit/loss for the period	- 8,996	- 870	- 39,007	- 16,952
Net profit/loss attributable to:				
Owners of the parent	- 8,996	- 870	- 39,007	-16,952
Non-controlling interests	-	-	-	-
<i>Other comprehensive income</i>				
Translation differences	1,225	4,860	6,202	- 673
Total comprehensive income for the period	- 7,771	3,990	- 32,805	-17,625

CONSOLIDATED CASH-FLOW STATEMENT (CONDENSED)

	3 months		12 months	
	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
<i>(SEK 000s)</i>				
Cash flow from operating activities before taxes, paid/received interest and changes in working capital	24,424	36,686	79,997	98,929
Paid/received interest	- 20,099	- 19,137	- 40,778	- 41,349
Paid taxes	- 3,053	- 130	- 8,365	- 1,780
Changes in working capital	<u>17,554</u>	<u>264</u>	<u>828</u>	<u>- 1,244</u>
Cash flow from operating activities	18,826	17,683	31,682	54,556
Cash flow from investing activities	<u>- 3,260</u>	<u>- 1,209</u>	<u>- 15,428</u>	<u>- 12,296</u>
Cash flow for the period after investments	15,566	16,474	16,254	42,260
Cash flow from financing activities	<u>- 20,015</u>	<u>-18,334</u>	<u>- 28,572</u>	<u>- 44,724</u>
Cash flow for the period	- 4,449	- 1,860	- 12,318	- 2,464
Net debt at the end of the period	369,083	391,611	369,083	391,611

CONSOLIDATED BALANCE SHEET (CONDENSED)

<i>(SEK 000s)</i>	December 31	
	2014	2013
Intangible fixed assets ¹⁾	666,443	672,514
Tangible fixed assets	112,601	123,722
Financial assets	2,373	792
Inventories	91,104	102,809
Current receivables	56,940	61,000
Cash and cash equivalents	<u>33,053</u>	<u>42,667</u>
Total assets	962,514	1,003,504
Shareholders' equity	46,170	78,975
<i>Long-term liabilities</i>		
Shareholder loans	394,828	358,935
Other long-term liabilities ²⁾	411,422	409,490
Short-term liabilities ²⁾	<u>110,094</u>	<u>156,104</u>
Total equity and liabilities	962,514	1,003,504
¹⁾ Of which, goodwill	532,701	532,701
²⁾ Of which, interest bearing liabilities	402,136	434,278

STATEMENT OF CHANGES IN EQUITY

<i>(SEK 000s)</i>	12 months Jan-Dec	
	2014	2013
Total shareholders' equity at the beginning of the period	78,975	96,600
Profit for the period	- 39,007	- 16,952
Other comprehensive income	<u>6,202</u>	<u>- 673</u>
Total comprehensive income for the period	- 32,805	- 17,625
New share issue	-	-
Premiums from warrants	<u>-</u>	<u>-</u>
Total shareholders' equity at the end of the period	46,170	78,975

PARENT COMPANY'S INCOME STATEMENT

(SEK 000s)	3 months		12 months	
	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Revenue	804	1,115	3,216	3,465
<i>Operating expenses</i>				
Distribution costs	- 1,273	-555	- 3,886	- 2,270
Administrative expenses	<u>- 2,247</u>	<u>- 5,199</u>	<u>- 9,704</u>	<u>- 15,207</u>
Operating profit	- 2,716	- 4,639	- 10,374	- 14,012
<i>Result from financial items</i>				
Result from participations in Group companies	37,194	61,130	37,194	61,130
Finance income	-	-	-	-
Finance costs	<u>- 17,710</u>	<u>- 16,987</u>	<u>- 71,220</u>	<u>- 67,985</u>
Finance costs – net	19,484	44,143	- 34,026	- 6,855
Profit before tax	16,768	39,504	- 44,400	- 20,867
Appropriations	-	-	-	-
Profit/loss before tax	16,768	39,504	- 44,400	- 20,867
Income tax expenses	<u>-</u>	<u>-13,796</u>	<u>-</u>	<u>-</u>
Net profit/loss for the period	16,768	25,708	- 44,400	- 20,867

PARENT COMPANY'S BALANCE SHEET

(SEK 000s)	December 31	
	2014	2013
Financial assets	885,542	885,542
Current receivables	806	36,461
Cash and cash equivalents	<u>911</u>	<u>1,818</u>
Total assets	887,259	923,821
Shareholders' equity	74,456	118,856
<i>Long-term liabilities</i>		
Shareholder loans	394,828	358,935
Other long-term liabilities ¹⁾	372,646	368,827
Short-term liabilities ¹⁾	<u>45,329</u>	<u>77,203</u>
Total equity and liabilities	887,259	923,821
¹⁾ Of which, interest bearing liabilities	372,646	371,077

KEY RATIOS

SEK million	3 months		12 months	
	Oct-Dec		Jan-Dec	
	2014	2013	2014	2013
Net Sales	131.6	141.9	521.2	530.1
Reported EBITDA	17.5	28.8	73.5	91.0
Adj. EBITDA	20.5	30.9	79.8	96.1
Reported EBITA	11.5	24.5	49.3	65.2
Adj. EBITA	14.5	26.6	55.6	70.2
Operating profit / Reported EBIT	9.0	19.7	39.3	56.1
Reported EBITDA margin	13.3%	20.3%	14.1%	17.2%
Adj. EBITDA margin	15.6%	21.8%	15.3%	18.1%
Reported EBITA margin	8.8%	17.3%	9.5%	12.3%
Adj. EBITA margin	11.1%	18.7%	10.7%	13.2%
Adj. Equity/assets ratio, %	46%	44%	46%	44%

Quarterly data

SEK million	2012	2013	2013	2013	2013	2014	2014	2014	2014
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Sales	149.2	143.7	119.5	125.0	141.9	138.3	111.7	139.7	131.6
Reported EBITDA	28.5	26.0	12.9	23.3	28.8	17.3	11.3	27.4	17.5
Adj. EBITDA	31.8	26.0	14.7	24.4	30.9	19.0	12.2	28.1	20.5
Reported EBITA	21.2	18.9	5.7	16.1	24.5	11.3	5.1	21.3	11.5
Adj. EBITA	24.6	18.9	7.5	17.2	26.6	13.0	6.0	22.0	14.5
Operating profit / Reported EBIT	19.9	17.5	4.2	14.7	19.7	9.6	1.9	18.8	9.0
Net Sales growth, %	5,7%	-5,7%	-5,0%	3,9%	-4,9%	-3,7%	-6,5%	11,8%	-7,3%
Reported EBITDA margin	19.1%	18.1%	10.8%	18.6%	20.3%	12.5%	10.1%	19.6%	13.3%
Adj. EBITDA margin	21.3%	18.1%	12.3%	19.5%	21.8%	13.7%	10.9%	20.1%	15.6%
Reported EBITA margin	14.2%	13.1%	4.7%	12.9%	17.3%	8.2%	4.6%	15.2%	8.8%
Adj. EBITA margin	16.5%	13.1%	6.3%	13.8%	18.7%	9.4%	5.4%	15.7%	11.1%
Adj. Equity/assets ratio, %	40%	40%	40%	40%	44%	43%	43%	43%	46%

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.