

WallVision

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

Interim report January 1, 2015 – September 30, 2015

All figures pertain to the Group unless otherwise stated. Comparisons in the interim report refer to the corresponding period in the 2014 fiscal year, unless otherwise stated.

Third quarter (July 2015 – September 2015)

- Net Sales amounted to SEK 125.9 million (141,1), down 10.8% compared with the preceding year.
- EBITDA amounted to SEK 20.0 million (27.4), reaching an EBITDA-margin of 15.9% (19.4).
- Last year EBITDA was charged with nonrecurring costs of SEK 0.7 million during the third quarter. Accordingly adjusted EBITDA amounted to SEK 20.0 million (28.1), reaching an adjusted EBITDA margin of 15.9% (19.9).
- Adjusted EBITA amounted to SEK 14.4 million (22.0), reaching an EBITA-margin of 11.5% (15.6).

Nine months (January 2015 – September 2015)

- Net Sales amounted to SEK 390.2 million (394.1), down 1.0% compared with the preceding year.
- EBITDA amounted to SEK 51.2 million (56.0), reaching an EBITDA-margin of 13.1% (14.2).
- Last year EBITDA was charged with nonrecurring costs of SEK 3.3 million during the first nine months. Accordingly adjusted EBITDA amounted to SEK 51.2 million (59.3), reaching an adjusted EBITDA margin of 13.1% (15.0).
- Adjusted EBITA amounted to SEK 33.4 million (41.0), reaching an EBITA-margin of 8.6% (10.4).

Events after closing date

- At the extraordinary annual meeting on December 7, 2015, 98.5% (425 MSEK) of the shareholder loans was set off against Preferred Shares in the company. This strengthens the balance sheet and increases the equity by SEK 425 million.

FINANCIAL INFORMATION IN SUMMARY	3 months		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
SEK million	2015	2014	2015	2014	2014
Net Sales	125.9	141.1	390.2	394.1	527.0
Reported EBITDA	20.0	27.4	51.2	56.0	73.5
Adj. EBITDA	20.0	28.1	51.2	59.3	79.8
Reported EBITA	14.4	21.3	33.4	37.7	49.3
Adj. EBITA	14.4	22.0	33.4	41.0	55.6
Operating profit / Reported EBIT	11.9	18.8	25.9	30.3	39.3
Reported EBITDA margin	15.9%	19.4%	13.1%	14.2%	14.0%
Adj. EBITDA margin	15.9%	19.9%	13.1%	15.0%	15.1%
Reported EBITA margin	11.5%	15.1%	8.6%	9.6%	9.3%
Adj. EBITA margin	11.5%	15.6%	8.6%	10.4%	10.5%

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 Groups's main market has been quite mixed but has grown most part of the year, with a few exceptions. Sales in Sweden has grown almost every month with September as a exception due last year's launch of Borosan 2014 (construction wallpaper). Sales in Sweden excluding construction wallpaper (Borosan and Decorama) have grown by 7%. According to HUI Research, retail sales in the company's primary distribution channel in Sweden, specialty stores for paint and wallpapers, increased their sales by 5.5% during the first nine months. The Norwegian market was still weak during the first nine months. Sales in Finland and Russia continued to struggle due to weak market conditions. Sales in China started the year quite strong but has been struggling during the recent months. Sales in the UK and other export markets has been strong during the first nine months.

Other significant events

The largest brand within the WallVision portfolio, *Boråstapeter*, celebrates its 110 years anniversary this year. One main activity to celebrate this milestone was the launch of the collection *Jubileum* in March. The collection *Jubileum* contains popular patterns from the archives of *Boråstapeter* and has become the best-selling consumer collection this year. In addition to the *Jubileum* collection there has been increased promotional activities in media and at resellers' stores to celebrate *Boråstapeter*.

During the first quarter the Group invested in new laminating equipment for our digital printing lines in Borås. The equipment will enable the Group to offer higher quality products for demanding environments.

During the year WallVision has started online sales of *Mr Perswall* to end customers in the UK and in Norway. The online sales have had a positive start and have almost doubled our sales in the UK and Norway of this brand.

In April, the Group opened its third wholly owned store in Wuhan, China. The Group now has three stores in China located in shopping malls owned and operated by IKEA.

In May WallVision signed an agreement with The Lexington Company to produce and distribute wallpapers under the brand *Lexington*. The first collection is planned to be launched in 2016 and will be distributed through WallVision distribution channels and The Lexington Company's distribution network.

During the year WallVision has initiated a savings program in order to increase profitability and provide more resources for increased sales- and marketing activities. In 2015 WallVision has intensified promotional activities mainly in Sweden and Norway in order to generate sales through building demand and increase awareness of wallpaper and the brands of WallVision. WallVision has also increased activities and sales approach towards architects and interior designers.

During May and June the company has repurchased 100 MSEK of own bond issue through utilizing the overdraft facility at the bank. The repurchased bond issue will lower the financial costs approximately 6-7 MSEK on an annual rate.

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

Net Sales

The Group's total net sales decreased during the third quarter by 10.8% to SEK 125.9 million (141.1) mainly due to last year's launch of Borosan 2014 (construction wallpaper). Excluding exchange rate fluctuations, the net sales decreased 13.1%. Sales in Sweden decreased by 22% due to Borosan 2014 during the third quarter. Sales in Sweden excluding construction wallpaper grew by 11% during the same period. Sales in the UK grew by 14% in local currency during the third quarter. Sales in China decreased by 24% during the third quarter due to weak project sales to real estate. Sales in our own three stores in China showed growth, albeit from low levels. Sales in Norway decreased by 4% during the quarter. Export sales to Finland and Russia was weak during the third quarter while sales in almost all other export markets showed growth.

The Group's total net sales during the first nine months decreased by 1.0% to SEK 390.2 million (394.1). If the exchange rate fluctuations are excluded the Group's net sales decreased by 4.7% during the first nine months. Sales in Sweden decreased by 4% due to last years large Borosan (construction wallpaper) launch in September 2014. Sales in Sweden excluding construction wallpaper sales increased by 7%. During the first nine months sales has grown in UK and other export markets while sales in China, Norway, Finland and Russia has been weaker.

Earnings

Reported EBITDA amounted to SEK 20.1 million (27.4) for the third quarter. Last year EBITDA was charged with nonrecurring costs of SEK 0.7 million during the third quarter. Accordingly adjusted EBITDA amounted to SEK 20.1 million (28.1), reaching an adjusted EBITDA margin of 15.9% (19.9%). During the third quarter gross margin was 3.9 percentage points higher than last year due to product mix and savings while operating costs were higher due to increased marketing and sales activities.

Adjusted EBITDA for the first nine months amounted to SEK 51.2 million (59.3), reaching an adjusted EBITDA margin of 13.1% (15.0). During the first nine months gross margin was 2.6 percentage points higher than last year while operating costs were higher due to increased marketing and sales activities.

Cash Flow

Cash flow from operating activities before changes in working capital, paid taxes and paid/received interest amounted to SEK 20.9 million (27.0) during the third quarter. Changes in net working capital during the third quarter amounted to SEK -0.1 million (-7.9) and was SEK 8.0 million higher than last year mainly due to lower inventory levels. Operating cash flow before investments for the third quarter amounted to SEK 17.8 million (15.4). Investments during the third quarter amounted to SEK 1.4 million (2.6). Cash flow after investments during the third quarter amounted to SEK 16.3 million (12.8). Operating cash flow for the first nine months amounted to SEK 20.1 million (0.7).

Financial position

On September 30, 2015, cash and cash equivalents amounted to SEK 37.2 million (34.8). Net debt, defined as interest bearing debt less cash and cash equivalents, amounted to SEK 357.4 million (398.5). Shareholder loans, subordinated loans from WallVision's shareholders, amounted to SEK 424.4 million (385.9) at the end of September and are excluded from the net debt definition. The equity/assets ratio, when including shareholder loans as equity, on September 30, 2015, was 45%.

The covenants from creditors as of 30 September 2015 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 198 (191).

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

At an extraordinary general meeting on December 7, 2015, 98.5% (425 MSEK) of the shareholder loans was set off against Preferred Shares in WA WallVision AB. This will entail the company and the Group a stronger balance sheet and increases the equity in the balance sheet by SEK 425 million.

Reporting dates

The year-end report for January 1, 2015 – December 31, 2015 will be published on February 27, 2016.

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 2014 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 2014.

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

Borås, December 11, 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		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
	2015	2014	2015	2014	2014
Revenue	125,938	141,145	390,196	394,120	526,988
Cost of sales	- 55,317	- 67,479	-181,578	-193,389	-260,144
Gross profit	70,621	73,666	208,618	200,731	266,844
<i>Operating expenses</i>					
Distribution costs	- 46,451	- 45,005	-146,417	-136,254	-181,305
Administrative expenses	- 11,412	- 10,286	-35,644	-34,582	-45,877
Other income	6	439	187	543	511
Other losses/gains – net	-3	-17	- 858	- 129	- 832
Operating profit	11,932	18,797	25,886	30,309	39,341
<i>Result from financial items</i>					
Finance income	219	78	628	335	969
Finance costs	- 18,363	- 19,280	- 59,556	- 57,883	- 77,102
Finance costs – net	- 18,144	- 19,202	- 58,928	- 57,548	- 76,133
Profit before tax	- 6,212	- 405	- 33,042	- 27,239	- 36,792
Income tax expenses	- 821	- 1,581	- 2,449	- 2,772	- 2,215
Net profit/loss for the period	- 7,033	- 1,986	- 35,491	- 30,011	- 39,007
Net profit/loss attributable to:					
Owners of the parent	- 7,033	- 1,986	- 35,491	- 30,011	- 39,007
Non-controlling interests	-	-	-	-	-
<i>Other comprehensive income</i>					
Translation differences	-1,589	2,003	2,460	4,977	6,202
Total comprehensive income for the period	- 8,622	17	- 33,031	- 25,034	- 32,805

CONSOLIDATED CASH-FLOW STATEMENT (CONDENSED)

(SEK 000s)	3 months		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
	2015	2014	2015	2014	2014
Cash flow from operating activities before taxes, paid/received interest and changes in working capital	20,874	26,983	51,826	55,573	79,997
Paid/received interest	- 1,724	- 530	- 20,721	- 20,679	- 40,778
Paid taxes	- 1,239	- 3,221	- 7,145	- 5,312	- 8,365
Changes in working capital	- 131	- 7,864	7,384	- 16,726	828
Cash flow from operating activities	17,780	15,368	31,344	12,856	31,682
Cash flow from investing activities	- 1,435	- 2,559	- 11,255	- 12,168	- 15,428
Cash flow for the period after investments	16,345	12,809	20,089	688	16,254
Cash flow from financing activities	-11,399	- 6,619	- 15,992	- 8,557	- 28,572
Cash flow for the period	4,946	6,190	4,097	- 7,869	- 12,318
Net debt at the end of the period	357,378	398,476	357,378	398,476	369,083

CONSOLIDATED BALANCE SHEET (CONDENSED)

<i>(SEK 000s)</i>	Sep 30		December
	2015	2014	2014
Intangible fixed assets ¹⁾	659,872	668,526	666,443
Tangible fixed asset	105,707	116,634	112,601
Financial assets	2,330	3,198	2,373
Inventories	83,272	93,913	91,104
Current receivables	88,710	114,843	56,940
Cash and cash equivalents	<u>37,150</u>	<u>34,799</u>	<u>33,053</u>
Total assets	977,041	1,031,913	962,514
Shareholders' equity	13,139	53,941	46,170
<i>Long-term liabilities</i>			
Shareholder loans	424,441	385,855	394,828
Other long-term liabilities ²⁾	323,729	425,705	411,422
Short-term liabilities ²⁾	<u>215,732</u>	<u>166,412</u>	<u>110,094</u>
Total equity and liabilities	977,041	1,031,913	962,514
¹⁾ Of which, goodwill	532,701	532,701	532,701
²⁾ Of which, interest bearing liabilities	394,528	433,275	402,136

STATEMENT OF CHANGES IN EQUITY

<i>(SEK 000s)</i>	9 months		Full year
	Jan-Sep		Jan-Dec
	2015	2014	2014
Total shareholders' equity at the beginning of the period	46,170	78,975	78,975
Profit for the period	- 35,491	- 30,011	- 39,007
Other comprehensive income	<u>2,460</u>	<u>4,977</u>	<u>6,202</u>
Total comprehensive income for the period	- 33,031	- 25,034	- 32,805
New share issue	-	-	-
Premiums from warrants	-	-	-
Total shareholders' equity at the end of the period	13,139	53,941	46,170

PARENT COMPANY'S INCOME STATEMENT

(SEK 000s)	3 months		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
	2015	2014	2015	2014	2014
Revenue	2,158	804	6,473	2,412	3,216
<i>Operating expenses</i>					
Distribution costs	- 1,282	- 939	- 4,014	- 2,613	- 3,886
Administrative expenses	<u>- 2,191</u>	<u>- 1,910</u>	<u>- 7,418</u>	<u>- 7,457</u>	<u>- 9,704</u>
Operating profit	- 1,315	- 2,045	- 4,959	- 7,658	- 10,374
<i>Result from financial items</i>					
Result from participations in Group companies	-	-	-	-	37,194
Finance income	-	-	-	-	-
Finance costs	<u>- 16,452</u>	<u>- 17,803</u>	<u>- 55,056</u>	<u>- 53,510</u>	<u>- 71,220</u>
Finance costs – net	- 16,452	- 17,803	- 55,056	- 53,510	- 34,026
Profit before tax	- 17,767	- 19,848	- 60,015	- 61,168	- 44,400
Appropriations	-	-	-	-	-
Profit/loss before tax	- 17,767	- 19,848	- 60,015	- 61,168	- 44,400
Income tax expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net profit/loss for the period	- 17,767	- 19,848	- 60,015	- 61,168	- 44,400

PARENT COMPANY'S BALANCE SHEET

(SEK 000s)	September 30		December 31
	2015	2014	2014
Financial assets	885,542	885,542	885,542
Current receivables	1,017	37,039	806
Cash and cash equivalents	<u>277</u>	<u>293</u>	<u>911</u>
Total assets	886,836	922,874	887,259
Shareholders' equity	14,441	57,688	74,456
<i>Long-term liabilities</i>			
Shareholder loans	424,441	385,855	394,828
Other long-term liabilities ¹⁾	271,573	380,785	370,396
Short-term liabilities ¹⁾	<u>176,381</u>	<u>98,546</u>	<u>47,579</u>
Total equity and liabilities	886,836	922,874	887,259
¹⁾ Of which, interest bearing liabilities	279,411	380,785	370,396

KEY RATIOS	3 months		9 months		Full year
	July-Sep		Jan-Sep		Jan-Dec
SEK million	2015	2014	2015	2014	2014
Net Sales	125.9	141.1	390.2	394.1	527.0
Reported EBITDA	20.0	27.4	51.2	56.0	73.5
Adj. EBITDA	20.0	28.1	51.2	59.3	79.8
Reported EBITA	14.4	21.3	33.4	37.7	49.3
Adj. EBITA	14.4	22.0	33.4	41.0	55.6
Operating profit / Reported EBIT	11.9	18.8	25.9	30.3	39.3
Reported EBITDA margin	15.9%	19.4%	13.1%	14.2%	14.0%
Adj. EBITDA margin	15.9%	19.9%	13.1%	15.0%	15.1%
Reported EBITA margin	11.5%	15.1%	8.6%	9.6%	9.3%
Adj. EBITA margin	11.5%	15.6%	8.6%	10.4%	10.5%
Adj. Equity/assets ratio, %	45%	43%	45%	43%	46%

Quarterly data	2013	2013	2014	2014	2014	2014	2015	2015	2015
SEK million	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Net Sales	126.8	143.5	140.0	112.9	141.1	132.9	143.4	120.8	125.9
Reported EBITDA	23.3	28.8	17.3	11.3	27.4	17.5	19.0	12.1	20.0
Adj. EBITDA	24.4	30.9	19.0	12.2	28.1	20.5	19.0	12.1	20.0
Reported EBITA	16.1	24.5	11.3	5.1	21.3	11.5	13.2	5.8	14.4
Adj. EBITA	17.2	26.6	13.0	6.0	22.0	14.5	13.2	5.8	14.4
Operating profit / Reported EBIT	14.7	19.7	9.6	1.9	18.8	9.0	10.7	3.3	11.9
Net Sales growth, %	3.9%	-4.9%	-3.9%	-6.7%	11.3%	-7.4%	2.4%	7.0%	-10.8%
Reported EBITDA margin	18.4%	20.1%	12.3%	10.0%	19.4%	13.2%	13.3%	10.0%	15.9%
Adj. EBITDA margin	19.2%	21.5%	13.6%	10.8%	19.9%	15.5%	13.3%	10.0%	15.9%
Reported EBITA margin	12.7%	17.1%	8.1%	4.5%	15.1%	8.7%	9.2%	4.8%	11.5%
Adj. EBITA margin	13.6%	18.5%	9.3%	5.3%	15.6%	10.9%	9.2%	4.8%	11.5%
Adj. Equity/assets ratio, %	40%	44%	43%	43%	43%	46%	45%	45%	45%

Previously reported sales for the years 2013 and 2014 have been adjusted for freight costs in Norway which has been reported as a reduction of net sales instead of cost of sold goods. The adjustments have had a minor impact on previously reported key ratios.

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.