

# Interim report 2013/2014

(1 may 2013 - 31 july 2013)

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## egetæpper a/s

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### Registration No.

CVR-nr.: 38 45 42 18

### Board of Directors

Ebbe Malte Iversen, director (chairman)  
Frank Uhrenholt, director (deputy chairman)  
Knud Damgaard, lawyer  
Peder Fisker Knudsen, director  
Anne Mette Zachariassen, director  
Niels Clausen, textile worker (staff representative)  
Maja Lorenzen, office clerk (staff representative)

### Management

Svend Aage Færch Nielsen, CEO  
John Vestergaard, CFO

### Auditors

KPMG Statsautoriseret Revisionspartnerselskab  
Niels J. Jørgensen, State authorized public accountant  
Jes Lauritzen, State authorized public accountant

### Solicitors

DAHL, Herning

### Bankers

Danske Bank  
Handelsbanken

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### Contacts:

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Tlf. nr. 97118811

John Vestergaard, CFO  
Tlf. nr. 97118811

egetæpper a/s

Herning, 30 august 2013

## Financial highlights for the group

DKK million	3 months 2013/14	3 months 2012/13	Year 2012/13
Turnover	190	197	782
Result before financial entries (EBIT)	21	19	55
Financial entries (net)	-2	-2	-7
Result before taxation	19	17	48
Profit for the period	16	12	34
Minority shareholders' part	0	0	1
<b>Group net result</b>	<b>16</b>	<b>12</b>	<b>33</b>
Total assets at end of period	581	570	568
Net working capital	183	172	171
Cash flows from operational activity	9	37	75
Capital and reserves	26	28	26
Capital and reserves at end of period excl. of minority holdings	392	364	377
Number of employees	472	475	471
Net investments in long-term assets (excl. of minority of factory)	9	13	41
Depreciations	7	7	28
Net profit ratio (EBIT-margin)	11	10	7
Return on invested capital after taxation (p.a.)	17	14	9
Equity ratio	66	64	66
Net working capital in percentage of turnover	24	22	22
Share capital, nominal t.DKK	26,210	27,668	26,210
Number of A-shares	330,340	330,340	330,340
Number of B-shares	2,290,720	2,436,490	2,290,720
Number of own shares	0	145,770	0
Number of shares in circulation	2,290,720	2,290,720	2,290,720
Recommended dividend per share, DKK	-	-	5.08
Net asset value of share, DKK	150	139	144
Stock exchange price	155	128	150
Stock exchange price/net asset value	1.04	0.92	1.04

On an extraordinary general meeting held Monday 17 December 2012 it was decided to cancel stock of own shares and to split the capital into shares' denomination of DKK 10.00 instead of shares' denomination of DKK 100.00. Accordingly comparative figures have been adjusted. The key figures have been calculated according to the "Recommendations and Key figures 2010".

## Management statement

The management and the board of directors have today presented and approved the interim report for the period 1 May - 31 July 2013.

The interim report, which has not been audited or reviewed by the company auditors, has been prepared in accordance with IAS 34 "Presentation of interim financial reports" as approved by EU as well as additional Danish disclosure requirements for listed companies.

In our opinion the interim report gives a true and fair view of the

group's assets, liabilities and financial state as per 31 July 2013 as well as of the result of the group's activities and cash flows for the period 1 May - 31 July 2013.

Moreover, we find that the management report gives a true statement of the development of the group's activities and financial state, of the profit for the period and of the group's financial state as a whole, as well as a description of the major risks and elements of uncertainties the group is facing.

Herning, 30. august 2013

### Management:



John Vestergaard  
CFO



Svend Agge Færch Nielsen  
CEO

### Board of directors:



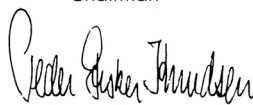
Ebbe Malte Iversen  
Chairman



Frank Uhrenholt  
Deputy chairman



Knud Damgaard



Peder Fisker Knudsen



Anne Mette Zachariassen



Niels Clausen  
Staff representative



Maja Lorenzen  
Staff representative

## Management report

### Accounting report

In the annual report for 2012/13 our expectations for 2013/14 read as follows:

“The financial crisis still has an impact on the construction industry in a number of European countries. The activity level on the Danish market, being our biggest market, is unchanged and on a low level. Among the important export markets we expect ongoing growth in England, Germany, Norway, Sweden and the Middle East. The French market has turned out being especially difficult the past year but we expect the direction to turn in the year to come, however on a minor level. Furthermore we work determinedly to expand our formation in Asia.”

The activity level in the first quarter of 2013/14 generally and on the whole has not quite met our expectations. In general the market situation is unchanged and still characterised by big uncertainty.

The activity level on the Danish market, being our biggest market, has developed as expected while we have found decrease or stagnation among major markets as Norway, Sweden, England and Germany. In the Middle East we see a high activity level and positive development. Among minor export markets especially the Eastern European countries experience growth.

Turnover of the period amounted to 190 DKK million against 197 DKK million last year, which presents a decrease of 3%. The export share is 79% against 78% last year.

EBIT amounts to 21.0 DKK million which is an EBIT-margin of 11%. Compared to last year an increase of 1.9 DKK million. Gross result is increased by 3.9 DKK million despite the minor decrease in

turnover. Among other things we now experience the full impact of outsourced yarn production. The group's overheads, amounting to 90.2 DKK million (other external costs, staff expenditure and depreciations) have increased by almost 1% compared to last year. In the period investments have been made in education and upgrade of the sales organisation. Furthermore we have continued to expand our formation in Asia as planned, among others by establishing an office in Singapore.

As per 31 July 2013 the average number of employees was 472 which is on the same level as last year.

Result before taxation and minority holdings amounts to 19.0 DKK million against 16.8 DKK million last year, which is an increase of 13%.

Group cash flow from operations amount to 9 DKK million against 37 DKK million last year. Increased funds tied up in working capital amounts to 15 DKK million while last year the funds decreased by 14 DKK million.

Net investments in long-term assets in this period amounts to 9 DKK million.

### Prospects 2013/14

Normally we operate with an order book corresponding to one week's production which makes it difficult to look months ahead.

Based on the development of the first quarter of 2013/14, we maintain our expectations to 2013/14 as announced in the annual report 28.06.2013.

Focus will still be on cost management, efficiency improvement and a high activity level within product development as well as on

	Expected 2013/14	Realized 3 months 2013/14	Realized 3 months 2012/13
Turnover DKK mio.	800-850	190	197
EBIT-margin	7-8%	11%	10%
Result before taxes	50-60	19	17
Cash flow from operations DKK mio.	75-85	9	37
Investments DKK mio.	40-50	9	13

continuing development of the sales organisations on our export markets.

## egetæpper's long-term development

In 2003 egetæpper started a fundamental transformation of the company from being production-oriented to market-oriented and as a natural continuation of this process of development the next step will be egetæpper as a brand: "Sustainable Carpet Design" takes egetæpper's reputation within design, quality and environment as its starting point.

### Continued fierce competition – carpet tiles and CSR gain ground

Carpet business like most other industries is marked with moderate growth on the global market due to the slow restoration of economy, which naturally sharpens the competition. However it does not mean that the carpet business is not developing. We see increased demand in Asia, India, China, Oceania, East Europe, the Middle East, Africa among others and in public part segments as administration, education and healthcare systems. Carpet tiles become popular these years particularly in the private and public commercial segment and is expected to change both the market-related and the competitive scenery.

Generally we see big and increasing focus on sustainability through the value chain. egetæpper is a strong card within CSR as we have been working with it systematically for many years. That is why egetæpper now possess a lot of the certificates which are significant when you want to qualify as a carpet supplier. Latest egetæpper has obtained a silver-certificate within the Cradle to Cradle<sup>CM</sup> certification.

### Objective and strategy 2020

With a position as market leader in Scandinavia and with subsidiaries on the major export markets as starting point egetæpper works on achieving global presence with a strong position in selected part segments. Still there will be focus on expanding egetæpper's position as a sustainable supplier of quality carpets with special demands within design and project solutions with a short delivery time. In these years egetæpper's strength within broadloom will be transmitted to carpet tiles as egetæpper experiences growth and wide commercial potentials within this segment.

Up until 2020 egetæpper has a goal of an increase in turnover (organic) of 5-10% annually. As egetæpper has the fundamental capacity/structure in place the increase in turnover will make it possible to increase earnings with a future EBIT-goal of 12% with an annual investment level on 40-50 DKK million.

### Strategic focus

With a view to the best utilisation of resources egetæpper will centre its strategic effort in three lines.

#### *Product development*

egetæpper equalises the product portfolio in proportion to the market-oriented possibilities within volume market and specialist market and also within the retail- and contract market. We will still be working with improvements of the product construction with consideration to both market demands and preparation of a rational and sustainable production as our starting point.

The product maturing of carpet tiles will secure that these products achieve the same recognition as egetæpper's broadloom with consideration to design, quality and environment.

egetæpper will still be doing projects in cooperation with well-reputed designers as Sebastian Conran, Marco Piva, Elia Festa and Rohit Bal.

#### *Expansion and branding*

egetæpper wishes to expand and strengthen its position in the market vertically, horizontally and in the depth. First of all by expanding sales efforts on new markets (Asia and Central- and South America) and on existing markets (England, France, Germany among others) where we still see great potential. Secondly by targeting sales effort towards new segments and part segments (among others cruise, aviation and train) and towards existing segments and part segments where egetæpper has good references and is highly reputed.

egetæpper will continue its effort with CSR within improvement of the internal and external environment. The focus areas will among others be using recycled materials, Cradle to Cradle<sup>CM</sup> certification of selected products, reducing consumption of resources, focusing on business ethics, an active engagement in the local area and respect of human rights.

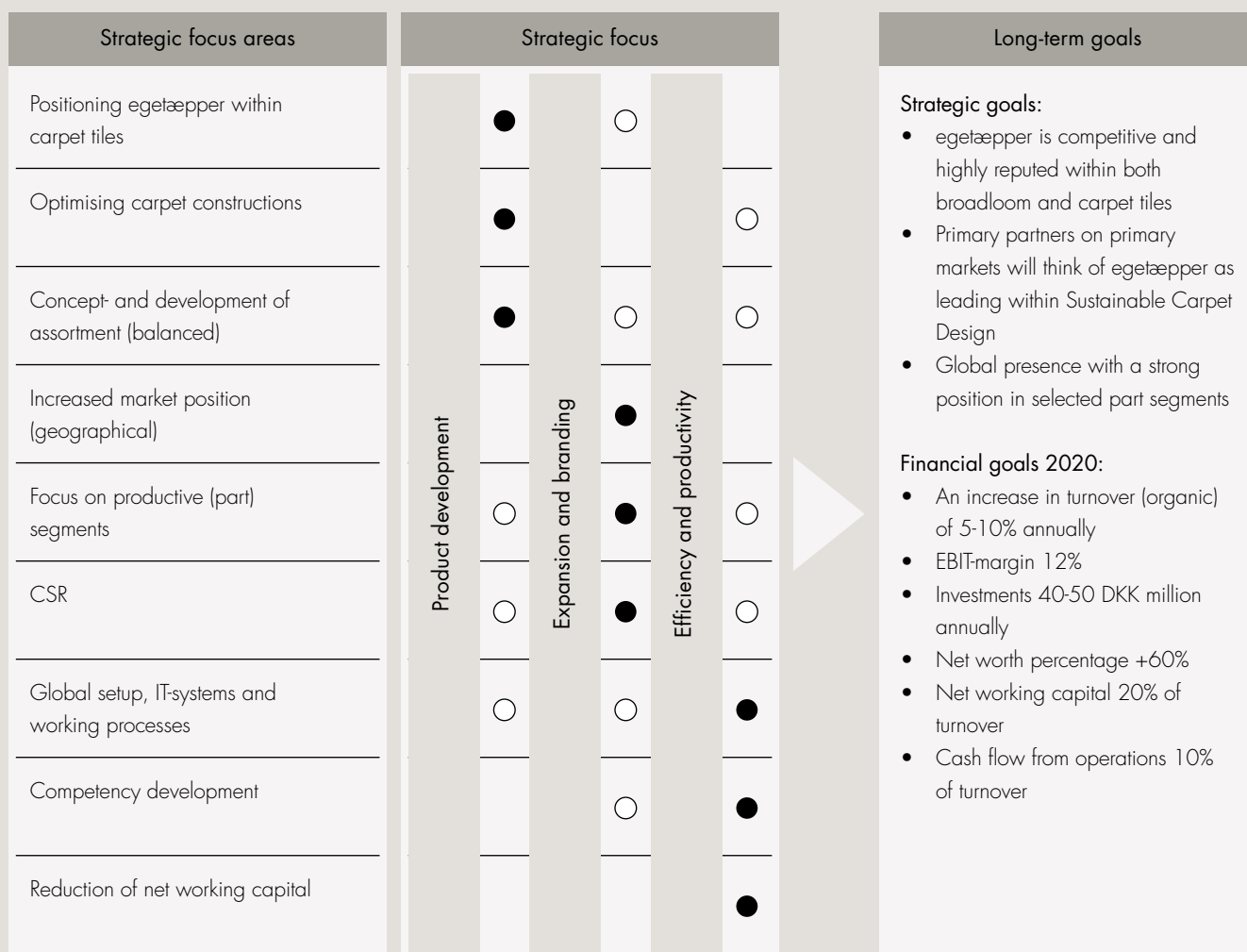
#### *Efficiency og productivity*

egetæpper works continuously with improvement of efficiency and productivity all through the value chain. The organisational setup will be modified continuously in consideration to the market-oriented representation and effort while egetæpper acknowledge the significance of local presence. Furthermore egetæpper still will be working on establishing and expanding strategic alliances globally, regionally and locally.

Internally we will be working on introducing relevant information technology and realisation of the possible optimisations of organisation in consequence hereof, just as continuous improvements (lean) with a view to improve the organisational efficiency and productivity must be a natural part of the organisations working methods.

## Outline

egetæpper's general strategy – »Sustainable Carpet Design 2020« – is outlined in the following figure:



## Accounting policies

The interim report is presented in accordance with IAS34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for interim reports of listed companies.

Other than as set out below, the accounting policies are unchanged from those applied in the Annual group Report 2012/13,

to which refer is made. It holds a full description of the accounting policies in question.

With effect from 1 May 2013 egetæpper implemented Amendments to IAS 1, Amendments to IFRS 7 and Annual improvements to IFRSs 2009- 2011. The implementation has not effected recognition and measurements.





## Profit and loss account 1 May - 31 July 2013

Note	t.DKK	2013	2012
	Turnover	190,365	196,541
	Change in stock of finished goods, work in progress and commercial goods	-5,176	-12,657
	Costs for raw materials, auxiliaries and commercial goods	-75,050	-76,785
	Other external goods	-33,112	-33,989
	<b>Gross profit</b>	<b>77,027</b>	<b>73,110</b>
	Other operation entries	1,078	1,783
	Staff costs	-50,151	-48,777
	Depreciations	-6,889	-6,933
	Other operation costs	-17	0
	<b>Profit before financial entries and taxation</b>	<b>21,048</b>	<b>19,183</b>
	Financial entries	42	55
1	Financial costs	-2,140	-2,469
	<b>Profit before taxation</b>	<b>18,950</b>	<b>16,769</b>
	Tax on profit for the period	-2,814	-4,477
	<b>Profit for the period</b>	<b>16,136</b>	<b>12,292</b>
	<b>Divided between:</b>		
	Shareholders of egetæpper a/s	15,751	11,977
	Minority shareholders	385	315
		16,136	12,292
	Earnings per watered share, DKK (EPS-D)	6.16	4.69
	Earnings per share, DKK (EPS)	6.16	4.69

An extraordinary general meeting was held on Monday 17 December 2012 and it was decided to cancel holdings of own shares and also to reduce the share denomination from 100 DKK to 10 DKK.

Earnings per watered share and earnings per share have been adjusted accordingly.

## Consolidated income statement 1 May - 31 July

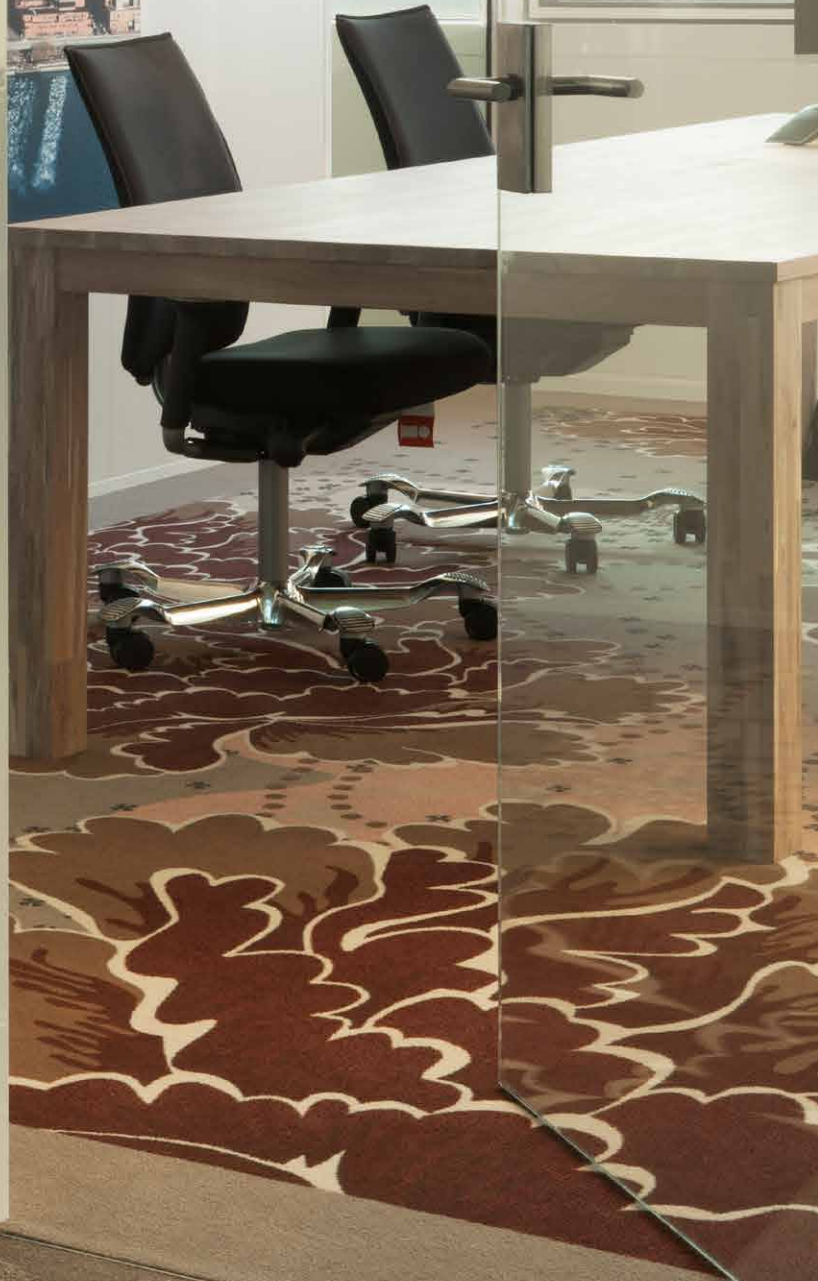
t.dkk	2013	2012
<b>Other consolidated income</b>		
Exchange rate adjustment of foreign subsidiaries	-545	1,156
Tax on other consolidated income	0	0
Other consolidated income after tax	-545	1,156
Profit for the period	16,136	12,292
<b>Total recognised consolidated income</b>	<b>15,591</b>	<b>13,448</b>
<b>Divided between</b>		
Shareholders of egetæpper a/s	15,206	13,133
Minority shareholders	385	315
	<b>15,591</b>	<b>13,448</b>

## Balance sheet

Note	t.DKK	31/7 2013	31/7 2012	30/4 2013
<b>Assets</b>				
<b>Long-term assets</b>				
<b>Intangible assets</b>				
	Development costs	243	381	266
	Agency rights	1,610	1,610	1,610
	Goodwill	18,468	18,468	18,468
<b>Total intangible assets</b>		<b>20,321</b>	<b>20,459</b>	<b>20,344</b>
<b>Tangible fixed assets</b>				
	Land and buildings	146,655	149,099	144,788
	Technical equipment and machinery	76,090	55,778	59,781
	Operating equipment and fixtures	24,054	14,344	16,895
	Tangible assets in course of construction as well as prepayments	9,376	24,145	30,700
		<b>256,175</b>	<b>243,366</b>	<b>252,164</b>
<b>Other long-term assets</b>				
	Debtors	5,508	11,206	7,334
		<b>5,508</b>	<b>11,206</b>	<b>7,334</b>
<b>Total long-term assets</b>		<b>282,004</b>	<b>275,031</b>	<b>279,842</b>
<b>Short-term assets</b>				
	Portion of long-term liabilities falling due within 1 year	5,840	6,194	5,840
	Stocks	171,881	178,008	166,631
	Debtors	102,177	90,656	98,610
	Cash at bank and in hand	19,423	20,494	17,053
<b>Total short-term assets</b>		<b>299,321</b>	<b>295,352</b>	<b>288,134</b>
<b>Total assets</b>		<b>581,325</b>	<b>570,383</b>	<b>567,976</b>

Note 1.DKK

	31/7 2013	31/7 2012	30/4 2013
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Share capital	26,210	27,668	26,210
Reserve for exchange rate adjustments	3,210	4,713	3,755
Accumulated result	349,402	323,763	333,651
Recommended dividend	13,314	8,300	13,314
	392,136	364,444	376,930
Minority shareholders' part	4,014	3,931	4,702
<b>Total capital and reserves</b>	<b>396,150</b>	<b>368,375</b>	<b>381,632</b>
<b>Creditors</b>			
<b>Long-term liabilities</b>			
Deferred taxation	18,796	21,186	21,021
2 Other long-term liabilities	34,469	36,976	33,120
Credit institutions	192	11,665	272
	53,457	69,827	54,413
<b>Short-term liabilities</b>			
Portion of long-term liabilities falling due within 1 year	9,113	9,775	9,226
Trade creditors	30,502	31,710	40,407
Bank debts	21,315	5,186	19,463
Company tax	10,657	14,534	7,473
Provisions for liabilities	0	286	0
Other amounts owed	60,131	70,690	55,362
	131,718	132,181	131,931
<b>Total creditors</b>	<b>185,175</b>	<b>202,008</b>	<b>186,344</b>
<b>Total liabilities</b>	<b>581,325</b>	<b>570,383</b>	<b>567,976</b>



## Cash flow statement 1 May - 31 July

t.DKK	2013	2012
Turnover and other operating income	190,820	199,480
Operating costs	-170,317	-179,141
Depreciations	6,889	6,933
Change in working capital	-15,026	14,259
<b>Cash flow from activities before financial items</b>	<b>12,366</b>	<b>41,531</b>
Interest receipts or similar	42	55
Interest payments or similar	-2,024	-2,614
<b>Cash flow from ordinary activities</b>	<b>10,384</b>	<b>38,972</b>
Corporation tax paid	-1,855	-1,508
<b>Cash flows from operating activities</b>	<b>8,529</b>	<b>37,464</b>
Acquisition of intangible assets	0	0
Acquisition of tangible assets	-11,767	-12,520
Sale of tangible assets	2,716	1,182
Acquisition of subsidiary company	0	0
<b>Cash flows to investment activities</b>	<b>-9,051</b>	<b>-11,338</b>
Change in long-term liabilities	1,269	1,059
Change in operating credits	1,739	-18,976
Dividend paid	0	0
Dividend paid to minority shareholders	0	0
<b>Cash flows from financing activities</b>	<b>3,008</b>	<b>-17,917</b>
Cash flows of the period	2,486	8,209
Cash and cash equivalents at beginning of period	17,053	12,140
Value adjustment of cash and cash equivalents	-116	145
<b>Cash and cash equivalents at end of period</b>	<b>19,423</b>	<b>20,494</b>

## Statement of capital and reserves

t.DKK	Share capital	Reserve for exchange rate adjustment	Accumulated profit	Recommended dividende	Total	Minority shareholders	Total capital and reserves
<b>Capital and reserves 1 May 2012</b>	27,668	3,557	311,786	8,300	351,311	5,096	356,407
Profit for the period	0	0	11,977	0	11,977	315	12,292
Other consolidated income	0	1,156	0	0	1,156	0	1,156
Dividend paid	0	0	0	0	0	-1,480	-1,480
Dividend on own shares	0	0	0	0	0	0	0
<b>Total capital and reserves 31 July 2012</b>	27,668	4,713	323,763	8,300	364,444	3,931	368,375
<b>Capital and reserve 1 August 2012</b>	27,668	4,713	323,763	8,300	364,444	3,931	368,375
Profit for the period	0	0	7,993	13,314	21,307	771	22,078
Other consolidated income	0	-958	0	0	-958	0	-958
Dividend paid	0	0	0	-8,300	-8,300	0	-8,300
Dividend on own shares	0	0	437	0	437	0	437
Cancellation of own shares	-1,458	0	1,458	0	0	0	0
<b>Total capital and reserves 30 April 2013</b>	26,210	3,755	333,651	13,314	376,930	4,702	381,632
<b>Capital and reserves 1 May 2013</b>	26,210	3,755	333,651	13,314	376,930	4,702	381,632
Profit for the period	26,210	3,755	333,651	13,314	376,930	4,702	381,632
Other consolidated income	0	0	15,751	0	15,751	385	16,136
Dividend paid	0	0	0	0	0	-1,073	-1,073
Dividend on owh shares	0	0	0	0	0	0	0
<b>Total capital and reserves 31 July 2013</b>	26,210	3,210	349,402	13,314	392,136	4,014	396,150

An extraordinary general meeting was held on Monday 17 December 2012 and it was decided to cancel holdings of own shares and also to reduce the share denomination from 100 DKK to 10 DKK.





## Notes

Note	t.DKK	2013	2012
1	<b>Financial costs</b>		
	Other interest expenses	491	370
	Exchange rate adjustments	300	967
	Value adjustment on forward option on purchase of minority entry	1,349	1,132
		2,140	2,469
		31/7 2013	31/7 2012
			30/4 2013
2	<b>Other long-term liabilities</b>		
	At the beginning of the period	33,120	35,844
	Dividend paid	0	-6,444
	Profit for the period	1,349	3,720
		34,469	36,976
			33,120

Other long-term liabilities incorporate value of forward contract on purchase of the remaining 49% of Bentzon Carpets ApS' shares. According to the forward contract the remaining shares will be acquired on 1 May 2020 at the latest at a price corresponding to the accounting net asset value. Liabilities will be increased/reduced on an annual basis with a part of the profit for the year and lowered with a part of the dividend paid.

The segmentation is prepared on the basis of the group's internal management reporting and is based on the individual market (operating segment). Consolidation to reportable segments is based on differences in sales channels.

The segment "Direct sale" includes sale achieved by egetæpper's Danish sales organisation as well as foreign subsidiaries and sales offices.

The segment "Indirect sale" is defined as sale via commercial agents or sale to importers/distributors abroad.

As segmental result we use the internal phrase "market contribution". This is defined as external revenue with deduction of direct wages and material used for production as well as costs, which are directly referable to the individual markets.

#### Segmental information

1 May 2013 - 31 July 2013	Direct sale	Indirect sale	Total reportable segments
External revenue	151,199	38,366	190,365
Market contribution	33,179	11,824	45,003
Assets	150,780	12,737	163,517

1 May 2012 - 31 July 2012	Direct sale	Indirect sale	Total reportable segments
External revenue	156,894	39,647	196,541
Market contribution	32,186	12,071	44,257
Assets	156,278	13,340	169,618

#### Reconciliation of result for the period before tax

	2013/14	2012/13
Segmental result for reportable segments	45,003	44,257
Unallocated depreciations	-5,364	-5,496
Unallocated financial costs	-1,688	-3,456
Unallocated costs	-19,001	-18,536
Result for the period, cf. Income Statement	18,950	16,769

#### Reconciliation of assets

	2013/14	2012/13
Assets for reportable segments	163,517	169,618
Unallocated stock	127,675	135,979
Unallocated cash and cash equivalents	7,461	8,114
Unallocated tangible fixed assets	282,672	256,672
Assets, cf. Balance sheet	581,325	570,383

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