

Interim report 2014/2015

1 May 2014 - 31 January 2015

ege[®]

THE URGE TO EXPLORE SPACE

egetæpper a/s

Industrivej Nord 25, 7400 Herning

Tel. no.: +45 97 11 88 11

Fax no.: +45 97 11 95 80

www.egecarpets.com

e-mail: ege@ege.dk

Registration No.

CVR-nr.: 38 45 42 18

Board of Directors

Ebbe Malte Iversen, director (chairman)

Hans Olesen Damgaard, director (deputy chairman)

Knud Damgaard, lawyer

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

Ernst & Young P/S

Orla Bek, state authorized public accountant

Morten Friis, state authorized public accountant

Solicitors

DAHL, Herning

Bankers

Danske Bank

Handelsbanken

Contents

Financial highlights for the ege group	2
Management statement	4
Management report.....	5
Accounting policy	6
Profit and loss account for the period 1 May 2014 – 31 January 2015.....	8
Consolidated income statement for the period 1 May 2014 – 31 January 2015.....	9
Balance sheet at 31 January 2015.....	10
Cash flow statement for the period 1 May 2014 – 31 January 2015.....	12
Statement of capital and reserves.....	13
Notes	14

Contacts:

John Vestergaard, CFO

Tel. no.: +45 97118811

Svend Aage Færch Nielsen, CEO

Tel. no.: +45 97118811

egetæpper a/s

Herning, 12 March 2015

Financial highlights for the group

DKK million	9 months 2014/15	9 months 2013/14	Year 2013/14
Turnover	630	593	784
Result before financial entries and taxation (EBIT)	55	57	70
Financial entries (net)	-9	-7	-8
Result before taxation	46	50	62
Profit for the period	34	39	48
Minority shareholders' part	1	1	1
Group net result	33	38	47
Total assets at end of period	721	576	588
Net working capital	235	185	184
Cash flow from operating activities	41	42	61
Capital and reserves	26	26	26
Capital and reserves at end of period excl. of minority holdings	424	401	409
Number of employees	554	479	480
Net investments in long-term assets (excl. acquisition of subsidiary)	38	29	34
Net investment by acquisition of subsidiary	51	0	0
Depreciations	22	21	28
Net profit ratio (EBIT-margin)	9	10	9
Return on invested capital after taxation (p.a.)	10	13	12
Equity ratio	59	70	70
Net working capital in percentage of turnover*	26	23	23
Share capital, nominal t.DKK	26,210	26,210	26,210
Number of A-shares	330,340	330,340	330,340
Number of B-shares	2,290,720	2,290,720	2,290,720
Number of own B-shares	0	0	0
Number of B-shares in circulation	2,290,720	2,290,720	2,290,720
Recommended dividend per share, DKK	-	-	7.00
Net asset value of share, DKK	161.60	152.99	156.03
Stock exchange price	222.50	196.00	194.50
Stock exchange price /net asset value	1.38	1.28	1.25

The key figures have been calculated according to the "Recommendations and Key figures 2010".

* The calculation is corrected, taking into account that Hammer Tæpper A/S only is included with 4 months of turnover.



Management statement

The management and the board of directors have today presented and approved the interim report for the period 1 May 2014 - 31 January 2015.

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 January 2015 as well as of the result of the group's activities and cash flow for the period 1 May 2014 - 31 January 2015.


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, 12 March 2015

Management:



John Vestergaard
CFO



Svend Aage Færch Nielsen
CEO

Board of directors:



Ebbe Malte Iversen
Chairman



Hans Olesen Damgaard
Deputy chairman



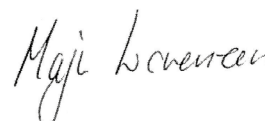
Knud Damgaard



Anne Mette Zachariassen



Niels Clausen
Staff representative



Maja Lorenzen
Staff representative

Management report

In the annual report of 2013/14, we wrote the following with respect to our expectations for 2014/15:

"We determinedly work with egetæpper's general strategy "Sustainable Carpet Design 2020" and on this basis we have set up the following expectations for the markets:

- The activity level on the Danish market, being our biggest market, has developed a bit better than expected in the accounting year 2013/14 – we expect this development to continue.
- Among the important export markets we especially expect growth in England. Furthermore it is our expectation that Norway, Sweden and the Middle East will evolve positively.
- Both Germany and France have not been developing as expected the past year. We have taken steps to turn this development in the year to come.
- The formation in Asia will go on and we expect ongoing prosperity."

The figures are not directly comparable with last year because Hammer Tæpper as per 1 October 2014 was included in the ege Group.

3rd quarter (1 November 2014 – 31 January 2015)

The level of activity in the 3rd quarter has not lived up to our full expectations, and the goals set have not been met. Turnover of the period amounted to DKK 224 million against 204 DKK million last year, which is an increase of 10%. Adjusted with the inclusion of Hammer Tæpper A/S the turnover has decreased by 6%.

Denmark, Sweden and the Middle East, who are among our largest markets, have not met our expectations and the level of activity is not at level with last year. In light of the current political situation, the market in Russia is challenging, and the activity in the third quarter fell 75% compared to last year. However, not all of our primary markets are experiencing a decline. Especially the Norwegian and German markets have experienced growth compared to last year, just as the English market has performed at an acceptable level in the third quarter. Among our minor export markets, Italy and Benelux are experiencing growth.

EBIT of the third quarter makes out 14.1 DKK million which is a decrease of 9.1 DKK million compared to last year. Profit for the period before taxation and minority holdings amounted to 10.3 DKK million against 20.9 DKK million. The decrease is primarily due to three important factors. Firstly, the activity is at a lower level than expected. Secondly, the Group's fixed costs (other external costs, staff expenditure and depreciations) increased by 17.5 DKK million, representing an increase of 18%. Adjusted with the inclusion of Hammer Tæpper A/S the increase make up 3.9 DKK million. Investments in expanding the sales forces in England, France and Asia have been made, as well as investments in new markets and segments - US and Aviation as the latest initiatives. Third and last, the development of exchange rates have impacted the result negatively by 2.0 DKK million compared to the same period last year.

As per 31 January 2015 the number of employees amounts to 554 which is an increase of 8 employees compared to the last quarter. The increase is related to the recruitment of sales staff in foreign subsidiaries and production workers in Lithuania.

	Expected 2014/15	Adjusted expectations 2014/15	Realised 9 months 2014/15
Turnover DKK mio.	900-950	850-875	630
EBIT-margin	8-9%	8-9%	9%
Result before taxes DKK mio.	70-75	50-60	46
Cash flow from operations DKK mio.	75-85	60-70	41
Investments DKK mio.	100*	100	89

*Incl. acquisition of Hammer Tæpper A/S

1st – 3rd quarter (1 May 2014 – 31 January 2015)

The level of activity in the first 9 months of the financial year 2014/15 has in general not lived up to our full expectations – specifically, the development in the third quarter has not attained our goals. Turnover of the period amounted to 630 DKK million against 593 DKK million last year, which is an increase of 6%. Adjusted with Hammer Tæpper A/S, turnover is almost at level with the same period last year. The export share is 80% against 78% last year.

In our largest market, the Danish, the development has not lived up to our full expectations and the level of activity during the period is not quite at level with last year.

Among major export markets such as Norway, Germany and France the expected growth is seen, whereas the level of activity and growth in Sweden, England and the Middel East is unchanged and does not meet our expectations. As mentioned the market in Russia is challenging, and the activity level for the first 9 months of the financial year has decreased by 30% compared to last year.

Among our minor export markets, Italy and Benelux are still experiencing growth. The development in Asia has not quite lived up to our expectations. However, the development is still positive compared to last year.

EBIT makes out 54.8 DKK million corresponding to an EBIT margin of 9% which is a decrease of 2.3 DKK million compared to last year. However, last year was positively affected with 3.0 DKK million because of non-recurrent income from the sale of machines from our factory in Vejle. The development is credited to an unexpected decrease in activity during the third quarter as well as investments in sales force and markets. The Group's fixed costs, which represent 310.6 DKK million (other external costs, personnel costs and depreciation), have increased by 9% compared to last year. Adjusted with Hammer Tæpper the increase constitutes 3%, mainly due to staff costs. Investments in training, upgrading and expansion of the sales force are still ongoing.

Profit for the period before taxation and minority holdings amounts to 46.1 DKK million against 50.5 DKK million last year, representing a decrease of 9%.

Group cash flow from operation amounted to 41 DKK million and is at level with last year. Cash flow for investments amounts to 83.7 DKK million, of which acquisition represents 45.7 DKK million.

Net investments in long-term assets the first 9 month of the financial year represent 89 DKK million, of which the acquisition of Hammer Tæpper A/S amounts to 51 DKK million. Investments for the fourth quarter are expected to amount to 10-15 DKK million.

Prospects for the financial year 2014/2015

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 9 months of the accounting year 2014/15, our expectations to revenue are adjusted to 850-875 DKK million. We maintain our expectations to an EBIT margin of 8-9%. Profit before tax is adjusted to 50-60 DKK million.

Our expectations for cash flow from operating activities are reduced from 75-85 DKK million to 60-70 DKK million.

Focus will still be on a tight cost management and net working capital, efficiency improvements and high activity level within product development as well as a continuing development of sales organisations on our export markets.

As announced in the financial report for the first quarter of the financial year 2014/15, egetæpper a/s has entered into a conditional agreement to sell our property, located on Wittrupvej 1, 7120 Vejle. The sales agreement is conditional on the approval of a new district plan for the area, in which the business property lies, enabling the buyers to use the property as wished. The process is initiated by Vejle Kommune and is expected to be unchanged clarified before 30 September 2015.

If the sale of the property in Vejle is carried out during the current financial year, expectations for profit before tax will be raised from 50-60 DKK million to 70-80 DKK million.

Accounting policies

The interim report is prepared in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for listed companies.

Other than as set below, the accounting policies are unchanged from those applied in the Annual group Report 2013/14.

With effect from 1 May 2014, egetæpper has implemented IFRS 10-12 with related amendments IAS 27 (2011), IAS 28 (2011) and amendments to IAS 32 og IAS 39 as well as IFRIC 21. The implementation has not affected recognition and measurements.



Profit and loss account 1 May - 31 January 2015

Note	t.DKK	9 months 2014/15	9 months 2013/2014	Q3 2014/15	Q3 2013/14
	Turnover	630,016	592,552	223,633	203,696
	Change in stock of finished goods, work in progress and commercial goods	9,681	-4,099	251	-3,589
	Costs for raw materials, auxiliaries and commercial goods	-275,724	-250,376	-96,461	-80,830
	Other external goods	-112,266	107,591	40,052	35,964
	Gross profit	251,707	230,486	87,371	83,313
	Other operating income	1,622	4,361	343	23
	Staff costs	-176,774	-156,246	-65,936	-53,175
	Depreciations	-21,609	-21,454	-7,646	-7,031
	Other operation costs	-113	-56	-57	-3
	Profit before financial entries and taxation	54,833	57,091	14,075	23,127
	Profit after tax from associated companies	232	0	208	0
	Financial entries	162	159	3	5
	Financial costs	-9,097	-6,784	-4,001	-2,213
1	Profit before taxation	46,130	50,466	10,285	20,919
	Tax on profit for the period	-12,263	-10,986	-2,398	-5,229
	Profit for the period	33,867	39,480	7,887	15,690
	Divided between:				
	Shareholders of egetæpper a/s	32,891	38,256	7,505	15,249
	Minority shareholders	976	1,224	382	441
		33,867	39,480	7,887	15,690
	Diluted earnings per share, DKK (EPS-D)	12.55	14.60	2.86	5.82
	Earnings per share, DKK (EPS)	12.55	14.60	2.86	5.82

Consolidated income statement 1 May - 31 January 2015

t.DKK	9 months 2014/15	9 months 2013/14	Q3 2014/15	Q3 2014/15
Other consolidated income				
Exchange rate adjustment of foreign subsidiaries	62	-1,019	425	-210
Tax on other consolidated income	0	0	0	0
Other consolidated income after tax	62	-1,019	425	-210
Profit for the period	33,867	39,480	7,887	15,690
Total recognised consolidated income	33,929	38,461	8,312	15,480
Divided between:				
Shareholders of egetæpper a/s	32,953	37,237	7,930	15,039
Minority shareholders	976	1,224	382	441
	33,929	38,461	8,312	15,480

Balance sheet

Note t.DKK	31/1 2015	31/1 2014	30/4 2014
Assets			
Long-term assets			
Intangible assets			
	106	198	175
3	1,610	1,610	1,610
3	34,599	18,468	18,468
	4,766	0	0
Total intangible assets	41,081	20,276	20,253
Tangible fixed assets			
	135,487	144,821	143,963
	83,347	70,379	82,139
	18,483	22,338	21,114
	49,180	24,903	14,654
	286,497	262,441	261,870
Other long-term assets			
	0	2,428	0
3	24,848	0	0
	24,848	2,428	0
Total long-term assets	352,426	285,145	282,123
Short-term assets			
	1,995	5,840	6,353
	224,304	166,128	175,539
	115,440	104,577	101,939
	19,327	14,306	21,568
	361,066	290,851	305,399
	7,872	0	0
Total short-term assets	368,938	290,851	305,399
Total assets	721,364	575,996	587,522

Note	t.DKK	31/1 2015	31/1 2014	30/4 2014
Liabilities				
Capital and reserves				
	Share capital	26,210	26,210	26,210
	Reserve for exchange rate adjustments	2,620	2,736	2,558
	Accumulated result	394,739	371,907	361,848
	Recommended dividend	0	0	18,347
		423,569	400,853	408,963
	Minority shareholders' part	4,608	4,853	5,112
	Total capital and reserves	428,177	405,706	414,075
Liabilities				
Long-term liabilities				
	Deferred taxation	23,443	19,163	20,669
2	Other long-term liabilities	65,489	33,993	34,599
	Credit institutions	141	175	166
		89,073	53,331	55,434
Short-term liabilities				
	Portion of long-term liabilities falling due within 1 year	33	32	33
	Trade creditors	50,579	37,438	40,223
	Bank debts	88,933	26,718	19,282
	Company tax	3,925	3,720	4,966
	Other amounts owed	60,644	49,051	53,509
		204,114	116,959	118,013
	Total creditors	293,187	170,290	173,447
	Total liabilities	721,364	575,996	587,522

Cash flow statement 1 May - 31 January 2015

t.DKK	9 months 2014/15	9 months 2013/14
Turnover and other operating income	631,203	593,092
Operating costs	-576,805	-539,822
Depreciations	21,609	21,454
Change in working capital	-12,659	-9,838
Cash flow from activities before financial items	63,348	64,886
Interest receipts or similar	394	325
Interest payments or similar	-9,366	-6,784
Cash flow from ordinary activities	54,376	58,427
Corporation tax paid	-13,303	-16,597
Cash flows from operating activities	41,073	41,830
Acquisition of tangible assets	-38,953	-33,665
Sale of tangible assets	909	4,804
Acquisition of subsidiary	-45,702	0
Cash flows to investment activities	-83,746	-28,861
Change in long-term liabilities	1,322	776
Change in operating credits	58,667	-1,939
Dividend paid	-18,347	-13,314
Dividend paid to minority shareholders	-1,480	-1,073
Cash flows from financing activities	40,162	-15,550
Cash flows of the period	-2,511	-2,581
Cash and cash equivalents at beginning of period	21,568	17,053
Value adjustment of cash and cash equivalents	270	-166
Cash and cash equivalents at end of period	19,327	14,306

Statement of capital and reserves

t.DKK	Share capital	Reserve for exchange rate adjustment	Accumulated profit	Recommended dividende	Total	Minority share-holders	Total capital and reserves
Capital and reserves 1 May 2013	26,210	3,755	333,651	13,314	376,930	4,702	381,632
Profit for the period	0	0	38,256	0	38,256	1,224	39,480
Exchange rate adjustment	0	-1,019	0	0	-1,019	0	-1,019
Dividend paid	0	0	0	-13,314	-13,314	-1,073	-14,387
Dividend on own shares	0	0	0	0	0	0	0
Total capital and reserves 31 January 2014	26,210	2,736	371,907	0	400,853	4,853	405,706
Capital and reserves 1 February 2014	26,210	2,736	371,907	0	400,853	4,853	405,706
Profit for the period	0	0	-10,059	18,347	8,288	259	8,547
Exchange rate adjustment	0	-178	0	0	-178	0	-178
Total capital and reserves 30 April 2014	26,210	2,558	361,848	18,347	408,963	5,112	414,075
Capital and reserves 1 May 2014	26,210	2,558	361,848	18,347	408,963	5,112	414,075
Profit for the period	0	0	32,891	0	32,891	976	33,867
Exchange rate adjustment	0	62	0	0	62	0	62
Dividend paid	0	0	0	-18,347	-18,347	-1,480	-19,827
Dividend on own shares	0	0	0	0	0	0	0
Total capital and reserves 31 January 2015	226,210	2,620	394,739	0	423,569	4,608	428,177

Notes

Note	t.DKK	9 months 2014/15	9 months 2013/14	Q3 2014/15	Q3 2013/14
1	Financial costs				
	Other interest expenses	1,211	1,320	534	408
	Exchange rate adjustments	1,345	916	698	551
	Value adjustment on forward option on purchase of minority entry	6,541	4,548	2,769	1,254
		9,097	6,784	4,001	2,213
			31/1 2015	31/1 2014	30/4 2014
2	Other long-term liabilities				
	At the beginning of the period		34,599	33,120	33,120
	Addition		29,543	0	0
	Dividend paid		-5,194	-3,675	-3,675
	Profit for the period		6,541	4,548	5,154
			65,489	33,993	34,599

Other long-term liabilities incorporate value of forward contract on purchase of the remaining 49% of Bentzon Carpets ApS and Hammer Tæpper A/S. According to the contracts the remaining shares in Bentzon Carpets ApS will be taken over no later than 1 May 2020 and Hammer Tæpper A/S no later than 1 October 2021. With regard to both contracts the shares are taken over at net book value. The debt is increased/reduced yearly with a share of the year result and will be reduced by a share of the dividend distribution.

3 Takeover of the majority in Hammer Tæpper A/S as of 1 October, 2014

With effect from 1 October, 2014 egetæpper has taken over 51% of the shares in Hammer Tæpper A/S. The takeover is to be seen as the start of a generational change in Hammer Tæpper A/S. The company is owned by second generation, Tom Møller Jørgensen, who will continue as director and minority shareholder in the company.

Hammer Tæpper A/S, which was originally founded in 1948, develops, manufactures and sells textile floorings in both wool and synthetic yarns for both the consumer and contract markets.

On the contract market the primary segments are 4 to 5-star hotels as well as the cruise line industry. The acquisition is to be seen as a contribution to the strengthening of egetæpper's position in the aforementioned segments.

Hammer Tæpper A/S continues as an independent company with focus on the products, markets and clients which have been the company's business foundation throughout the years.

The group has paid transaction costs in connection with the takeover for approx. 0.2 mio.DKK which have been included in the profit and loss account for the first 9 months of 2014/15.

The group's consolidated revenue for the period 1 October 2014 - 31 January 2015 is affected by 42.1 mio.DKK by recognition of Hammer Tæpper A/S. Net profit before tax for the group is positively affected by 2.4 mio.DKK after deduction of minority interests etc.

The turnover and result before taxation for the group, balanced as if Hammer Tæpper A/S was taken over on 1 May 2014 make out 683.1 mio.DKK and 49.5 mio.DKK respectively.

Notes

3 Takeover of the majority in Hammer Tæpper A/S as of 1 October 2014 (continued)

The compensation in cash made out 50.7 mio.DKK of which 45.0 mio.DKK have been settled on 1 October 2014 and 5.7 mio.DKK at the beginning of December, 2014.

The remaining 49% will be taken over by egetæpper at net book value by 1 October 2021. In accordance with IFRS the value of the entered forward contract has been calculated as a debt. The value has been made up to 29.5 mio.DKK as of 1 October, 2014.

During the period 1 October 2014 - 31 January 2015, the debt increased by 1.5 mio.DKK, which is recognized in the profit and loss account.

As of 31 January 2015 the debt has been calculated as 31.0 mio.DKK.

t.DKK	Current value at the time of acquisition
Other intangible assets (client relations)	4,560
Tangible assets	7,832
Capital shares in associated companies (Foamtex A/S - 33% owner share)	24,616
Stocks	40,147
Outstanding amounts	22,643
Cash	5,046
Credit institutions	-10,984
Deferred tax	-2,773
Accounts payable	-3,725
Other debts	-23,202
Net assets taken over	64,160
Goodwill	16,131
Total price for the company	80,291
Deferred payment regarding the remaining minority share	-29,543
Total amount paid	50,748
Of this liquid holding in Hammer Tæpper A/S	-5,046
Cash amount	45,702

At the takeover egetæpper has decided to include the full goodwill of the company in the balance, 16,131 t.DKK

The above evaluation of day value at the time of acquisition is to be considered contemporary because of the short time frame since the takeover.

Notes without reference

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

	Direct sales	Indirect sales	Total reportable segments
1 May 2014 - 31 January 2015*			
External revenue	546,654	83,362	630,016
Market contribution	119,415	26,052	145,467
Assets	250,157	15,630	265,787
1 May 2013 - 31 January 2014			
External revenue	506,358	86,194	592,552
Market contribution	120,541	26,705	147,246
Assets	150,553	15,439	165,992

Reconciliation of result for the period before tax:

	2014/15	2013/14
Segmental result for reportable segments	145,467	147,246
Unallocated depreciations	-17,137	-16,730
Unallocated financial costs	-8,572	-5,901
Unallocated costs	-73,628	-74,149
Result for the period, cf. Income Statement	46,130	50,466

Reconciliation of assets:

	2014/15	2013/14
Assets for reportable segments	265,787	165,992
Unallocated stock	132,478	131,100
Unallocated cash and cash equivalents	4,629	5,630
Unallocated tangible fixed assets	318,470	273,274
Assets, cf. Balance sheet	721,364	575,996

*An agent market has been reclassified from indirect sale to direct sale. Comparative figures are correspondingly corrected.

www.egecarpets.com

ege[®]

THE URGE TO EXPLORE SPACE