

Interim report 2015/16

(1 May 2015 - 31 July 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, self-employed consultant

Niels Clausen, textile worker (staff representative)

Maja Lorenzen, office clerk (staff representative)

Management

Svend Aage Færch Nielsen, CEO

John Vestergaard, CFO

Auditors

ERNST & YOUNG

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	3
Management report.....	4
Accounting policy	7
Profit and loss account 1 May 2015 – 31 July 2015	8
Consolidated income statement for the period 1 May 2015 – 31 July 2015	9
Balance sheet at 31 July 2015.....	10
Cash flow statement for the period 1 May 2015 – 31 July 2015.....	13
Statement of capital and reserves.....	14
Notes	16

Contacts:

Mr. John Vestergaard, CFO
Tel. no.: +45 97118811

Mr. Svend Aage Færch Nielsen, CEO
Tel. no.: +45 97118811

egetæpper a/s

Herning, 28 August 2015

Financial highlights for the group

DKK million	3 months 2015/16	3 months 2014/15	Year 2014/15
Turnover	234	198	873
Result before financial entries and taxation (EBIT)	43	24	67
Financial entries (net)	-3	-2	-12
Result before taxation	40	22	55
Profit for the period	32	16	43
Minority shareholders' part	-1	0	1
Group net result	31	16	42
Total assets at end of period	779	592	750
Net working capital	245	182	226
Cash flows from operational activity	34	28	75
Capital and reserves	26	26	26
Capital and reserves at end of period excl. of minority holdings	465	425	434
Number of employees	567	483	564
Net investments in long-term assets (excl. acquisition of factory)	11	8	64
Depreciations	9	7	30
Net profit ratio (EBIT-margin)	18	12	8
Return on invested capital after taxation (p.a.)	28	15	10
Equity ratio	60	72	58
Net working capital in percentage of turnover	26	23	25
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 (all in circulation)	2,290,720	2,290,720	2,290,720
Recommended dividend per share, DKK	-	-	6.50
Net asset value of share, DKK	177.22	162.08	165.45
Stock exchange price	235.00	224.00	225.00
Stock exchange price /net asset value	1.33	1.38	1.36

The key figures have been calculated according to the "Recommendations and Key figures 2015".



Management statement

The management and the board of directors have today presented and approved the interim report of egetæpper a/s for the period 1 May - 31 July 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 July

2015 as well as of the result of the group's activities and cash flows for the period 1 May 2015 - 31 July 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, 28 August 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

Accounting report

In the annual report for 2014/15, we wrote the following with regard to our expectations for 2015/16:

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

- The level of activity on the Danish market, being our biggest market, has not fulfilled our expectations during the financial year 2015/16 and has not been in line with last year. We do not expect the market situation to change significantly during the coming year.
- Among the major export markets we especially expect growth in England, France and Germany. During the past year focus has been on enlarging and adapting both the organization and the product range. Furthermore it is our expectation that Norway, Sweden and the Middle East will continue to develop positively.
- Overall, the level of activity in Asia has not lived up to our expectations in the financial year 2014/15, especially the development in Q4 has not met the objectives. Construction of the distribution channels is in place, and we do not expect that the outcome of Q4 will be directional for the coming year, but that the region again will show a positive development.
- Establishment and setup in the US is also in place as well as the processing of the market has begun. Based on experience this will be a lengthy process. We expect that the US market will contribute positively to the overall activity, however, to a lesser extent during the start-up phase in the coming year."

The level of activity during the 1st quarter of the accounting year 2015/16 as a whole has been as expected and the targets have been met. Turnover of the period amounted to 234 DKK million against 198 DKK million last year. The export share is 80% and unchanged compared to last year.

On our largest market, the Danish, the development has more than lived up to our expectations, and the activity in the 1st quarter has increased by 6% compared to last year.

Among our major export markets such as Sweden, England, France and the Middle East, we see the expected growth, whereas Norway, Germany and Asia have performed below our expectations, and it is, in particular, Russia who has experienced a setback.

EBIT makes up 43.0 DKK million corresponding to an EBIT margin of 18%. Profit from the sale of our property in Vejle is included with 19.8 DKK million. Adjusted for the latter, EBIT makes up 10%. Compared to last year, EBIT decreased 4.8 DKK million after correction of profit regarding the sale of our property in Vejle as well as the inclusion of Hammer Tæpper. The decrease was expected in the light of our continued efforts to increase the Group's strategic competitive performance. There has in the 1st quarter in particular been invested in focus areas of expansion and branding. The Group's fixed costs which constitute 115.4 DKK million (other external costs, staff costs and depreciations) have increased by 24% compared to last year. Corrected for the inclusion of Hammer Tæpper it constitutes an increase of 11%.

As of 31 July 2015 the number of employees constitutes 567. Compared to last quarter, an increase of 3 employees.

	Expected 2015/16	Realized 3 months 2015/16	Realized 3 months 2014/15
Turnover DKK mio.	950-1.000	234	198
EBIT-margin *)	8-9%	10%	12%
Result before taxes DKK mio.	80-90	40	22
Cash flow from operations DKK mio.	80-90	34	28
Investments DKK mio.	50	11	8

*Excl. of profit from the sale of our property in Vejle

Profit for the period before taxation and minority holdings amounts to 40.3 DKK million against 21.8 DKK million last year which is an increase of 85%. Corrected for the once-only income regarding the sale of our property in Vejle, it is a decline of 6%. The decline was expected in the light of our investment and development plans, thus the result for the 1st quarter lives up to our expectations.

Group cash flow from operations amounts to 34 DKK million against 28 DKK million last year. Larger funds tied up in working capital amount to 13 DKK million. The increase is due to the sale of our property in Vejle, where cash payment is expected in August.

Net investments in long-term assets during the period amounts to 11 DKK million.

Prospects for the financial year 2015/16

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 3 months of the accounting year 2015/16, expectations are maintained, as announ-

ced in the preliminary statement of annual accounts 25 June 2015.

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

Accounting policies

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

Accounting policies are unchanged from those applied in the annual group report 2014/15.

With effect from 1 May 2015 egetæpper implemented specific parts of the Annual Improvements that become obligatory effective. The implementation has not affected recognition and measurements.





Income statement 1 May - 31 July

Note	t.DKK	2015	2014
	Turnover	233,627	197,643
	Change in stock of finished goods, work in progress and commercial goods	1,939	4,020
	Costs for raw materials, auxiliaries and commercial goods	-98,670	-84,400
	Other external costs	-43,606	-33,614
	Gross profit	93,290	83,649
	Other operating income	21,565	338
	Staff costs	-63,028	-52,777
	Depreciations	-8,774	-6,836
	Other operation costs	-43	0
	Profit before financial entries and taxation	43,010	24,374
	Shares of result in associated company	218	0
	Financial income	598	13
1	Financial expenses	-3,555	-2,570
	Profit before tax	40,271	21,817
	Tax on profit for the period	-8,483	-5,628
	Profit for the period	31,788	16,189
	Divided between:		
	Shareholders of egetæpper a/s	31,078	15,854
	Minority shareholders	710	335
		31,788	16,189
	Earnings per diluted share, DKK (EPS-D)	11.86	6.05
	Earnings per share, DKK (EPS)	11.86	6.05

Consolidated income statement 1 May - 31 July

t.DKK	2015	2014
Other consolidated income		
Exchange rate adjustment of foreign subsidiaries	-241	2
Tax on other consolidated income	0	0
Other consolidated income after tax	-241	2
Profit for the period	31,788	16,189
Total recognised consolidated income	31,547	16,191
Divided between:		
Shareholders of egetæpper a/s	30,837	15,856
Minority shareholders	710	335
	31,547	16,191

Balance sheet

Note t.DKK	31/7 2015	31/7 2014	30/4 2015
Assets			
Long-term assets			
Intangible assets			
Development costs	1,282	152	1,446
Customer relations	4,285	0	4,550
Agency rights	1,610	1,610	1,610
Goodwill	34,599	18,468	34,599
Total intangible assets	41,776	20,230	42,205
Tangible fixed assets			
Land and buildings	135,936	142,605	136,166
Plant and machinery	103,187	78,189	106,818
Fixtures and fittings, tools and equipment	22,430	20,052	23,460
Property plant and equipment under constructions	34,127	22,460	26,196
	295,680	263,306	292,640
Financial fixed assets			
Capital investments in associated companies	25,314	0	25,096
	25,314	0	25,096
Total long-term assets	362,770	283,536	359,941
Short-term assets			
Portion of long-term accounts receivable falling due within 1 year	0	4,405	0
Inventories	227,240	183,149	218,747
Trade receivables	163,883	94,767	144,771
Cash at bank and in hand	22,668	26,091	16,379
	413,791	308,412	379,897
Assets held for sale	2,508	0	10,381
Total short-term assets	416,299	308,412	390,278
Total assets	779,069	591,948	750,219

Note	t.DKK	31/7 2015	31/7 2014	30/4 2015
Equity and liabilities				
Equity				
	Share capital	26,210	26,210	26,210
	Reserve for exchange rate adjustments	3,466	2,560	3,707
	Retained earnings	417,790	377,702	386,712
	Proposed dividends	17,037	18,347	17,037
		464,503	424,819	433,666
	Minority shareholders' part	4,339	3,967	4,998
	Total equity	468,842	428,786	438,664
Liabilities				
Long-term liabilities				
	Deferred taxation	19,659	20,669	21,059
	Credit institutions	124	161	132
2	Other long-term liabilities	71,690	36,668	68,598
		91,473	57,498	89,789
Short-term liabilities				
	Current portion of long-term liabilities due within 1 year	34	31	34
	Trade payables	43,989	34,931	46,001
	Bank debts	54,880	1,657	74,554
	Corporation tax	18,061	8,502	9,739
	Other payables	101,790	60,543	91,438
		218,754	105,664	221,766
	Total liabilities	310,227	163,162	311,555
	Total equity and liabilities	779,069	591,948	750,219



Cash flow statement 1 May - 31 July

t.DKK	2015	2014
Turnover and other operating income	254,739	197,929
Operating costs	-212,182	-173,607
Depreciations	8,774	6,836
Change in working capital	-12,761	1,772
Cash flow from activities before financial items	38,570	32,930
Interest receipts or similar	598	13
Interest payments or similar	-3,605	-2,615
Cash flow from ordinary activities	35,563	30,328
Corporation tax paid	-1,561	-2,092
Cash flows from operating activities	34,002	28,236
Acquisition of intangible assets	0	0
Acquisition of tangible assets	-11,452	-8,249
Sale of tangible assets	279	54
Cash flows to investment activities	-11,173	-8,195
Change in long-term liabilities	3,084	2,064
Change in operating credits	-19,674	-17,627
Dividend paid	0	0
Dividend paid to minority shareholders	0	0
Cash flows from financing activities	-16,590	-15,563
Cash flows of the period	6,239	4,478
Cash equivalents at beginning of period	16,379	21,568
Value adjustment of cash equivalents	50	45
Cash equivalents at end of period	22,668	26,091

Statement of changes in equity at 31 July 2015

t.DKK	Share capital	Reserve for exchange rate adjustment	Retained earnings	Proposed dividends	Total	Minority share-holders	Total equity
Equity at 1 May 2014	26,210	2,558	361,848	18,347	408,963	5,112	414,075
Profit for the period	0	0	15,854	0	15,854	335	16,189
Other consolidated income	0	2	0	0	2	0	2
Dividend paid	0	0	0	0	0	-1,480	-1,480
Dividend on own shares	0	0	0	0	0	0	0
Total equity at 31 July 2014	26,210	2,560	377,702	18,347	424,819	3,967	428,786
Equity at 1 August 2014	26,210	2,560	377,702	18,347	424,819	3,967	428,786
Profit for the period	0	0	9,010	17,037	26,047	1,031	27,078
Other consolidated income	0	1,147	0	0	1,147	0	1,147
Dividend paid	0	0	0	-18,347	-18,347	0	-18,347
Dividend on own shares	0	0	0	0	0	0	0
Total equity at 30 April 2015	26,210	3,707	386,712	17,037	433,666	4,998	438,664
Equity 1 May 2015	26,210	3,707	386,712	17,037	433,666	4,998	438,664
Profit of the period	0	0	31,078	0	31,078	710	31,788
Other consolidated income	0	-241	0	0	-241	0	-241
Dividend paid	0	0	0	0	0	-1,369	-1,369
Dividend on own shares	0	0	0	0	0	0	0
Total equity at 31 July 2015	26,210	3,466	417,790	17,037	464,503	4,339	468,842



Notes

Note	t.DKK	2015	2014
1	Financial costs		
	Other interest expenses	463	336
	Exchange rate adjustments	0	165
	Value adjustment on forward option on purchase of minority entry	3,092	2,069
		3,555	2,570
		31/7 2015	31/7 2014
			30/4 2015
2	Other long-term liabilities		
	At the beginning of the period	68,598	34,599
	Acquisition	0	29,543
	Dividend paid	0	-5,194
	Profit for the period	3,092	9,650
		71,690	36,668
			68,598

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 asset 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.

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 sale	Indirect sale	Total reportable segments
1 May 2015 - 31 July 2015			
External revenue	210,427	23,200	233,627
Market contribution	48,399	7,125	55,524
Assets	267,653	15,542	283,195
	Direct sales	Indirect sales	Total reportable segments
1 May 2014 - 31 July 2014			
External revenue	168,395	29,248	197,643
Market contribution	40,069	8,993	49,062
Assets	138,376	16,125	154,501

Reconciliation of result for the period before tax:

	2015/16	2014/15
Segmental result for reportable segments	55,524	49,062
Unallocated depreciations	-6,858	-5,419
Unallocated financial costs	-37	-1,870
Unallocated costs	-8,358	-19,956
Result for the period, cf. Income Statement	40,271	21,817

Reconciliation of assets:

	2015/16	2014/15
Assets for reportable segments	283,195	154,501
Unallocated stock	144,811	136,018
Unallocated cash equivalents	6,839	15,677
Unallocated tangible fixed assets	344,224	285,752
Assets, cf. Balance sheet	779,069	591,948

*) Agent markets are reclassified from indirect sale to direct sale. Comparative figures have been corrected accordingly.

www.egecarpets.com

ege[®]

THE URGE TO EXPLORE SPACE