

# Interim report

1 May 2015 - 31 October 2015

**ege**<sup>®</sup>

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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)

Hans Olesen Damgaard, director (deputy chairman)

Knud Damgaard, lawyer

Anne Mette Zachariassen, self-employed consultant

Jørgen Stender Clausen, smith (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

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Mr. John Vestergaard, CFO  
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egetæpper a/s

Herning, 14 december 2015

## Financial highlights for the group

DKK million	6 months 2015/16	6 months 2014/15	Year 2014/15
Turnover	468	406	873
Result before financial entries and taxation (EBIT)	57	41	67
Financial entries (net)	-8	-5	-12
Result before taxation	49	36	55
Profit for the period	37	26	43
Minority shareholders' part	2	1	1
<b>Group net result</b>	<b>35</b>	<b>25</b>	<b>42</b>
Total assets at end of period	765	710	750
Net working capital	239	229	226
Cash flows from operational activity (incl. sale of property in Vejle)	54	39	75
Share capital	26	26	26
Equity at end of period excl. of minority holdings	451	416	434
Number of employees	564	546	564
Investments in long-term assets (excl. acquisition of subsidiary)	26	18	64
Net investment on acquisition of subsidiary	0	51	0
Depreciations	18	14	30
Net profit ratio (EBIT-margin)	12	10	8
Return on invested capital after taxation (p.a.)	17	12	10
Equity ratio	59	59	58
Net working capital in percentage of turnover*	25	25	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 in circulation	2,290,720	2,290,720	2,290,720
Recommended dividend per share, DKK	-	-	6.50
Net asset value of share, DKK	172.02	158.58	165.45
Stock exchange price	210.50	196.00	225.00
Stock exchange price /net asset value	1.22	1.24	1.36

*The key figures have been calculated according to the Financial Analyst Association's "Recommendations and Key figures 2015".*



## Management statement

The management and the Board of Directors have today presented and approved the interim report for the period 1 May - 31 October 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 October 2015 as well as of the result of the group's activities and cash flows for the period 1 May - 31 October 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, 14 december 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



Jørgen Stender Clausen  
Staff representative



Maja Lorenzen  
Staff representative

# Management report

## Accounting report

In the annual report of 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 2014/15 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 organisation and the product range. Furthermore it is our expectation that Norway, Sweden and the Middel 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 in the first 6 months of the financial year 2015/16 has generally lived up to our expectations. Turnover of the period amounted to 469 DKK million against 406 DKK million last year. The export share amounts to 79% and is unchanged compared to last year.

In our largest market, the Danish, the development has exceeded our expectations and the positive trend from 1st quarter is maintained and improved. The level of activity during the first 6 months has therefore increased by 7% compared to last year.

Among major export markets such as England, France and the Middle East, the expected growth is seen, whereas Norway, Sweden and Germany have performed below our expectations during the first 6 months. Asia does not live up to our expectations for the first 6 months, although the last quarter has shown improvement.

Overall, our minor export markets have not lived up to our expectations, and as previously, Russia has experienced the largest decline.

EBIT makes up 56.6 DKK million corresponding to an EBIT margin of 12%. Profit from the sale of our property in Vejle is included with 19.8 DKK million. Adjusted for the latter, EBIT makes up 8%. Compared to last year, EBIT decreased with 9.7 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. During the first 6 months of the financial year there has especially been invested in focus areas of expansion and branding. Furthermore upgrading and training of the sales organisation have been carried out, including the execution of an international sales conference with approx. 200 participants from 53 different countries as well as the training of existing and new sales personnel at "ege academy". Overall, the extra investment in these engagements amount to approx. 10 DKK million.

We are still working diligently to develop and optimize a number of aspects regarding carpet tiles – both in terms of product development, production and sale. We have experienced significant growth within carpet tiles – compared to last year a growth of 28% during the first 6 months.

The Group's fixed costs which make up 235.1 DKK million (other external costs, personnel costs and depreciations) have increased by 19% compared to last year. Adjusted for the inclusion of Hammer Tæpper it represents an increase of 8%, or 16.1 DKK million. As mentioned above 10 DKK million of the increase is attributable to the expansion and branding as well as the training, upgrading and expansion of the sales organisation. Adjusted for this factor, the remainder of the increase in fixed costs constitutes an increase of approx. 3%.

As per 31 October 2015 the number of employees amounts to 564, which is a decrease of 3 employees compared to the last quarter. In Lithuania, the workforce has been reduced by 9 people. New recruitments during the quarter have primarily been in foreign subsidiaries and in direct sales-related positions.

	Expected 2015/16	Realised H1 2015/16	Realised H1 2014/15
Turnover DKK mio.	950-1,000	469	406
EBIT-margin*	8-9%	8%	10%
Result before taxes DKK mio.	80-90	49	36
Cash flow from operations DKK mio.	80-90	54	39
Investments DKK mio.	50	26	69**

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

\*\*Incl. acquisition of Hammer Tæpper A/S

Profit for the period before taxation and minority holdings amounts to 48.8 DKK million against 35.8 DKK million last year, representing an increase of 36%. Corrected for the one-off income regarding the sale of our property in Vejle, it is a decline of 20%. The decline was expected in the light of our investment and development plans, thus the result for the first 6 months lives up to our expectations.

Cash flows from operation (incl. sale of the property in Vejle) amount to 54 DKK million against 39 DKK million last year. In the period, funds tied up in inventories have increased by 15 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 6 months of the accounting year, our expectations for 2015/16 as announced in the annual financial statement 25 June 2015, are maintained.

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.

### 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 report 2014/15.

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





## Profit and loss account 1 May - 31 October

Note	t.DKK	H1 2015/16	H1 2014/15	Q2 2015/16	Q2 2014/15
	Turnover	468,927	406,383	235,300	208,740
	Change in stock of finished goods, work in progress and commercial goods	10,019	9,430	8,080	5,410
	Costs for raw materials, auxiliaries and commercial goods	-209,037	-179,263	-110,367	-94,863
	Other external costs	-88,503	-72,214	-44,897	-38,600
	<b>Gross profit</b>	<b>181,406</b>	<b>164,336</b>	<b>88,116</b>	<b>80,687</b>
	Other operating income	21,881	1,303	316	965
	Staff costs	-129,048	-110,838	-66,020	-58,061
	Depreciations	-17,564	-13,963	-8,790	-7,127
	Other operation costs	-64	-56	-21	-56
	<b>Profit before financial entries and taxation</b>	<b>56,611</b>	<b>40,782</b>	<b>13,601</b>	<b>16,408</b>
	Shares of result in associated company	374	0	156	0
	Financial entries	626	159	28	146
1	Financial costs	-8,816	-5,096	-5,261	-2,526
	<b>Profit before taxation</b>	<b>48,795</b>	<b>35,845</b>	<b>8,524</b>	<b>14,028</b>
	Tax on profit for the period	-12,057	-9,865	-3,574	-4,237
	<b>Profit for the period</b>	<b>36,738</b>	<b>25,980</b>	<b>4,950</b>	<b>9,791</b>
	<b>Divided between:</b>				
	Shareholders of egetæpper a/s	35,206	25,386	4,128	9,532
	Minority shareholders	1,532	594	822	259
		36,738	25,980	4,950	9,791
	Diluted earnings per share, DKK (EPS-D)	14.02	9.69	2.16	3.64
	Earnings per share, DKK (EPS)	14.02	9.69	2.16	3.64

## Consolidated income statement 1 May - 31 October

t.DKK	H1 2015/16	H1 2014/15	Q2 2015/16	Q2 2014/15
<b>Other consolidated income</b>				
Exchange rate adjustment of foreign subsidiaries	959	-363	1,200	-365
Tax on other consolidated income	0	0	0	0
Other consolidated income after tax	959	-363	1,200	-365
Profit for the period	36,738	25,980	4,950	9,791
<b>Total recognised consolidated income</b>	<b>37,697</b>	<b>25,617</b>	<b>6,150</b>	<b>9,426</b>
<b>Divided between:</b>				
Shareholders of egetæpper a/s	36,165	25,023	5,328	9,167
Minority shareholders	1,532	594	822	259
	37,697	25,617	6,150	9,426

## Balance sheet

t.DKK	31/10 2015	31/10 2014	30/4 2015
<b>Assets</b>			
<b>Long-term assets</b>			
<b>Intangible assets</b>			
Development costs	1,516	129	1,446
Customer relations	4,139	4,560	4,550
Agency rights	1,610	1,610	1,610
Goodwill	34,599	34,599	34,599
<b>Total intangible assets</b>	<b>41,864</b>	<b>40,898</b>	<b>42,205</b>
<b>Tangible fixed assets</b>			
Land and buildings	135,769	134,369	136,166
Plant and machinery	117,012	84,498	106,818
Fixtures and fittings, tools and equipment	22,004	19,248	23,460
Property plant and equipment under construction	31,380	28,389	26,196
	306,165	266,504	292,640
<b>Other long-term assets</b>			
Capital investments in associated companies	25,470	24,592	25,096
	25,470	24,592	25,096
<b>Total long-term assets</b>	<b>373,499</b>	<b>331,994</b>	<b>359,941</b>
<b>Short-term assets</b>			
Portion of long-term liabilities falling due within 1 year	0	3,001	0
Inventories	233,895	226,658	218,747
Trade receivables	142,343	119,189	144,771
Cash and deposits	15,362	21,608	16,379
	391,600	370,456	379,897
Assets held for sale	0	7,872	10,381
<b>Total short-term assets</b>	<b>391,600</b>	<b>378,328</b>	<b>390,278</b>
<b>Total assets</b>	<b>765,099</b>	<b>710,322</b>	<b>750,219</b>

Note	t.DKK	31/10 2015	31/10 2014	30/4 2015
<b>Equity and liabilities</b>				
<b>Equity</b>				
	Share capital	26,210	26,210	26,210
	Reserve for exchange rate adjustments	2,748	2,195	3,707
	Retained earnings	421,918	387,234	386,712
	Proposed dividends	0	0	17,037
		450,876	415,639	433,666
	Minority shareholders' part	5,161	4,226	4,998
	<b>Total equity</b>	456,037	419,865	438,664
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
	Deferred tax	19,862	23,441	21,059
	Credit institutions	117	153	132
2	Other long-term liabilities	69,666	62,720	68,598
		89,645	86,314	89,789
<b>Short-term liabilities</b>				
	Current portion of long-term liabilities due within 1 year	32	31	34
	Trade payables	53,627	45,624	46,001
	Bank debts	62,702	70,553	74,554
	Corporation tax	19,970	16,490	9,739
	Other payables	83,086	71,445	91,438
		219,417	204,143	221,766
	<b>Total liabilities</b>	309,062	290,457	311,555
	<b>Total equity and liabilities</b>	765,099	710,322	750,219







## Cash flow statement 1 May - 31 October

t.DKK	H1 2015/16	H1 2014/15
Turnover and other operating income	468,723	406,893
Operating costs	-434,197	-366,904
Depreciations	17,564	13,963
Change in working capital	-13,820	-11,541
Cash flow from activities before financial items	38,270	42,411
Interest receipts or similar	1,009	159
Interest payments or similar	-8,816	-5,610
Cash flow from ordinary activities	30,463	36,960
Corporation tax paid	-3,023	1,658
<b>Cash flows from operating activities</b>	<b>27,440</b>	<b>38,618</b>
Acquisition of tangible assets	-26,388	-18,958
Sale of tangible assets	27,243	797
Acquisition of intangible assets	-96	0
Acquisition of subsidiary	0	-39,954
<b>Cash flows to investing activities</b>	<b>759</b>	<b>-58,115</b>
Change in long-term liabilities	1,053	-1,435
Change in operating credits	-11,854	40,285
Dividend paid	-17,037	-18,347
Dividend paid to minority shareholders	-1,369	-1,480
<b>Cash flows from financing activities</b>	<b>-29,207</b>	<b>19,023</b>
Cash flows of the period	-1,008	-474
Cash and cash equivalents at beginning of period	16,379	21,568
Value adjustment of cash and cash equivalents	-9	514
<b>Cash and cash equivalents at end of period</b>	<b>15,362</b>	<b>21,608</b>

## Statement of capital and reserves

t.DKK	Share capital	Reserve for exchange rate adjustment	Retained earnings	Proposed dividends	Total	Minority share-holders	Total equity
<b>Equity 1 May 2014</b>	26,210	2,558	361,848	18,347	408,963	5,112	414,075
Profit for the period	0	0	25,386	0	25,386	594	25,980
Other consolidated income	0	-363	0	0	-363	0	-363
Dividend paid	0	0	0	-18,347	-18,347	-1,480	-19,827
<b>Total equity 31 October 2014</b>	26,210	2,195	387,234	0	415,639	4,226	419,865
<b>Equity 1 November 2014</b>	26,210	2,195	387,234	0	415,639	4,226	419,865
Profit for the period	0	0	-522	17,037	16,515	772	17,287
Other consolidated income	0	1,512	0	0	1,512	0	1,512
Dividend paid	0	0	0	0	0	0	0
<b>Total equity 30 April 2015</b>	26,210	3,707	386,712	17,037	433,666	4,998	438,664
<b>Equity 1 May 2015</b>	26,210	3,707	386,712	17,037	433,666	4,998	438,664
Profit for the period	0	0	35,206	0	35,206	1,532	36,738
Other consolidated income	0	-959	0	0	-959	0	-959
Dividend paid	0	0	0	-17,037	-17,037	-1,369	-18,406
<b>Total equity 31 October 2015</b>	26,210	2,748	421,918	0	450,876	5,161	456,037





## Notes

Note	t.DKK	H1 2015/16	H1 2014/15	Q2 2015/16	Q2 2014/15
<b>1</b>	<b>Financial costs</b>				
	Other interest expenses	944	677	481	341
	Exchange rate adjustments	42	647	42	482
	Value adjustment on forward option on purchase of minority entry	7,830	3,772	4,738	1,703
		8,816	5,096	5,261	2,526
			31/10 2015	31/10 2014	30/4 2015
<b>2</b>	<b>Other long-term liabilities</b>				
	At the beginning of the period		68,598	34,559	34,599
	Acquisition		0	29,543	29,543
	Dividend paid		-6,174	-5,194	-5,194
	Profit for the period		7,242	3,772	9,650
			69,666	62,720	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 by 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

1 May 2015 - 31 October 2015	Direct sale	Indirect sale	Total reportable segments
External revenue	422,891	46,036	468,927
Market contribution	89,824	14,308	104,132
Assets	267,545	13,609	281,154
1 May 2014 - 31 October 2014*	Direct sale	Direct sale	Total reportable segments
External revenue	348,537	57,846	406,383
Market contribution	81,730	18,661	100,391
Assets	248,479	13,346	261,825
Reconciliation of result for the period before tax:		2015/16	2014/15
Segmental result for reportable segments		104,132	100,391
Unallocated depreciations		-13,736	-11,152
Unallocated financial costs		697	-814
Unallocated costs		-42,298	-52,580
Result for the period before taxation, cf. Income Statement		48,795	35,845
Reconciliation of assets:		2015/16	2014/15
Assets for reportable segments		281,154	261,825
Unallocated stock		153,689	138,649
Unallocated cash and cash equivalents		6,533	5,711
Unallocated tangible fixed assets		323,723	304,137
Assets, cf. Balance sheet		765,099	710,322

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

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