

# Interim report 2015/2016

1 May 2015 - 31 January 2016

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## **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-no.: 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

Morten Friis, state authorized public accountant

### **Solicitors**

DAHL, Herning

### **Bankers**

Danske Bank

Handelsbanken

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## 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 2015 – 31 January 2016.....	8
Consolidated income statement for the period 1 May 2015 – 31 January 2016.....	9
Balance sheet as of 31 January 2016 .....	10
Cash flow statement for the period 1 May 2015 – 31 January 2016.....	12
Statement of capital and reserves.....	15
Notes .....	16

### Contacts:

Mr. Svend Aage Færch Nielsen, CEO

Tel: +45 97118811

Mr. John Vestergaard, CFO

Tel: +45 97118811

egetæpper a/s

Herning, 17 March 2016

## Financial highlights of the group

DKK million	9 months 2015/16	9 months 2014/15	Year 2014/15
Turnover	699	630	873
Result before financial entries and taxation (EBIT)	74	55	67
Financial entries (net)	-11	-9	-12
Result before taxation	63	46	55
Profit for the period	47	34	43
Minority shareholders' part	2	1	1
<b>Group net result</b>	<b>45</b>	<b>33</b>	<b>42</b>
Total assets at end of period	745	721	750
Net working capital	227	235	226
Cash flows from operating activities (incl. sale of property in Vejle)	79	41	75
Share capital	26	26	26
Equity at end of period excl. of minority holdings	460	424	434
Number of employees	567	558	564
Investments in long-term assets (excl. acquisition of subsidiary)	38	39	64
Net investment on acquisition of subsidiary	0	51	0
Depreciations	27	22	30
Net profit ratio (EBIT-margin)	11	9	8
Return on invested capital after taxation (p.a.)	13	10	10
Equity ratio	62	59	58
Net working capital in percentage of turnover	24	26	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	175.45	161.60	165.45
Stock exchange price	219.50	222.50	225.00
Stock exchange price/net asset value	1.25	1.38	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 2015 – 31 January 2016.

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 2016 as well as of the result of the group's activities and cash flows for the period 1 May 2015 – 31 January 2016.

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, 17 March 2016

### Management:



John Vestergaard  
CFO



Svend Aage Færch Nielsen  
CEO

### Board of directors:



Ebbe Malte Iversen  
Chairman



Hans Olesen Damgaard  
Deputy chairman



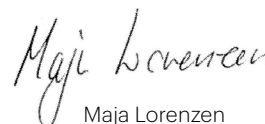
Knud Damgaard



Anne Mette Zachariassen



Jørgen Stender Clausen  
Staff representative



Maja Lorenzen  
Staff representative

### 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 organization 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 are 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."*

### 3rd quarter (1 November 2015 – 31 January 2016)

The level of activity during the 3rd quarter has not completely lived up to our expectations. Turnover of the 3rd quarter amounted to 230 DKK million against 224 DKK million last year, representing an increase of 3%.

Among our major export markets, in particular England, growth is being delivered. Denmark, Sweden, France, Germany and the Middle East also experience growth, even though it is at a lower level. The market situation in Norway is challenged and the level of activity is not at level with last year. Among our minor export markets, Benelux and Switzerland, we see growth.

EBIT of the 3rd quarter makes up 17.1 DKK million and has increased by 3.0 DKK million compared to last year, corresponding to an increase of 22%. Gross profit margin of the 3rd quarter increased as a consequence of a changed market- and product mix. During the 3rd quarter extra resources have also been invested in the focus area of expansion and branding – overall, this has amounted to approx 2.0 DKK million.

The Group's fixed costs which make up 119.1 DKK million (other external costs, personnel costs and depreciations) have increased by 5% compared to last year. Adjusted for the extra consumption of resources regarding expansion and branding, the remaining increase in fixed costs constitutes approx. 3%.

Profit for the period before taxation amounts to 14.1 DKK million against 10.3 DKK last year.

As per 31 January 2016 the number of employees amounts to 567 which is an increase of 3 employees compared to the last quarter.

### 1st – 3rd quarter (1 May 2015 – 31 January 2016)

Revenue of the first 9 months of the financial year 2015/16 amounts to 699 DKK million against 630 DKK million last year, representing an increase of 11%. Corrected for the inclusion of Hammer Tæpper, revenue has increased by 2% compared to last year. As a whole, the level of activity has therefore not met our expectations. The export share constitutes 80% and is unchanged compared to last year.

In our largest market, the Danish, the development still exceeds our expectations - maintaining the positive development.

Among our major export markets such as England, France and the Middle East, we see the expected growth. Sweden and Germany have performed below our expectations during the first 9 months of the financial year – however, the development during the 3rd quarter has been positive. Norway and Asia do not live up to our expectations neither for the total period or for the 3rd quarter.

EBIT makes up 73.7 DKK million corresponding to an EBIT margin of 11%. 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 by 8.1 DKK million after correction of profit regarding the sale of our property in Vejle as well as the inclusion of Hammer Tæpper. During the first 9 months of the financial year investments in expansion and branding have been carried out as well as upgrading and training of the sales organization. This has included 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 amounts to approx. 12 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. During the first 9 month of the financial year we have experienced a significant growth with carpet tiles of 26% compared to last year.

The Group's fixed costs which make up 354.8 DKK million (other external costs, personnel costs and depreciations) have increased by 14% compared to last year. Adjusted for the inclu-

sion of Hammer Tæpper it represents an increase of 8%, corresponding to 21.9 DKK million. As mentioned above 12 DKK million of the increase is attributable to the expansion and branding as well as the training, upgrading and expansion of the sales organization. Adjusted for this factor, the remainder of the increase in fixed costs constitutes an increase of approx. 3%.

Profit for the period before taxation and minority holdings amounts to 62.9 DKK million against 46.1 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 7%.

Cash flows from operation (incl. sale of the property in Vejle) amount to 79 DKK million against 41 DKK million last year. In the period, funds tied up in inventories have increased by 10 DKK million and supplier credit and other debt are reduced by 16 DKK million. Debtors are reduced by 25 DKK million and the total change in working capital therefore makes up nearly 2 DKK million.

### Prospects for the financial year 2015/16

Our initiatives within product development, further construction of the sales force and markets as well as branding are all areas with a longer strategic aim and phase in. We are experiencing growth and amended results in several of our primary markets, not least England and France. However, we find that the time frame for achieving the desired results in several markets will be lengthy.

Overall, we still believe that it is possible to realize the ambitious long-term objectives stated in "Sustainable Carpet Design 2020".

In the light of the above our expectations to the revenue are adjusted to 925-950 DKK million. We maintain our expectations to an EBIT-margin of 8-9%. We expect the result before taxation to be at level with last year, before one-off income regarding the sale of our property in Vejle. The result before taxes is thus adjusted to 70-80 DKK million against previously 80-90 DKK million.

Our expectations to cash flows from operating activities are maintained at 80-90 DKK million.

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

	Expected 2015/16	Adjusted expectations 2015/16	Realised 9 months 2015/16
Turnover DKK mio.	950-1,000	925-950	699
EBIT-margin *	8-9%	8-9%	8%
Result before taxes DKK mio.	80-90	70-80	63
Cash flows from operation DKK mio. **	80-90	80-90	79
Investments DKK mio.	50	50	38

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

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





## Profit and loss account 1 May - 31 January 2016

Note	t.DKK	9 months 2015/16	9 months 2014/15	Q3 2015/16	Q3 2014/15
	Turnover	699,172	630,016	230,245	223,633
	Change in stock of finished goods, work in progress and commercial goods	13,268	9,681	3,249	251
	Costs for raw materials, auxiliaries and commercial goods	-306,904	-275,724	-97,867	-96,461
	Other external costs	-132,418	-112,266	-43,915	-40,052
	<b>Gross profit</b>	<b>273,118</b>	<b>251,707</b>	<b>91,712</b>	<b>87,371</b>
	Other operating income	22,468	1,622	587	343
	Staff costs	-195,187	-176,774	-66,139	-65,936
	Depreciations	-26,603	-21,609	-9,039	-7,646
	Other operating costs	-79	-113	-15	-57
	<b>Profit before financial entries and taxation</b>	<b>73,717</b>	<b>54,833</b>	<b>17,106</b>	<b>14,075</b>
	Shares of result in associated company	397	232	23	208
	Financial income	454	162	12	3
	Financial expenses	-11,662	-9,097	-3,030	-4,001
<b>1</b>	<b>Profit before taxation</b>	<b>62,906</b>	<b>46,130</b>	<b>14,111</b>	<b>10,285</b>
	Tax on profit for the period	-16,179	-12,263	-4,122	-2,398
	<b>Profit for the period</b>	<b>46,727</b>	<b>33,867</b>	<b>9,989</b>	<b>7,887</b>
	<b>Divided between:</b>				
	Shareholders of egetæpper a/s	45,104	32,891	9,561	7,505
	Minority shareholders	1,623	976	428	382
		<b>46,727</b>	<b>33,867</b>	<b>9,989</b>	<b>7,887</b>
	Diluted earnings per share, DKK (EPS-D)	17.21	12.55	3.19	2.86
	Earnings per share, DKK (EPS)	17.21	12.55	3.19	2.86

## Consolidated income statement 1 May - 31 January 2016

t.DKK	9 months 2015/16	9 months 2014/15	Q3 2015/16	Q3 2014/15
<b>Other consolidated income</b>				
Exchange rate adjustment of foreign subsidiaries	-1,855	62	-896	425
Tax on other consolidated income	0	0	0	0
Other consolidated income after tax	-1,855	62	-896	425
Profit for the period	46,727	33,867	9,989	7,887
<b>Total recognised consolidated income</b>	<b>44,872</b>	<b>33,929</b>	<b>9,093</b>	<b>8,312</b>
<b>Divided between:</b>				
Shareholders of egetæpper a/s	43,249	32,953	8,665	7,930
Minority shareholders	1,623	976	428	382
	44,872	33,929	9,093	8,312

## Balance sheet

t.DKK	31/1 2016	31/1 2015	30/4 2015
<b>Assets</b>			
<b>Long-term assets</b>			
<b>Intangible assets</b>			
Development costs	1,315	106	1,446
Agency rights	1,610	1,610	1,610
Goodwill	34,599	34,599	34,599
Other intangible assets (customer relations)	3,859	4,766	4,550
<b>Total intangible assets</b>	<b>41,383</b>	<b>41,081</b>	<b>42,205</b>
<b>Tangible fixed assets</b>			
Land and buildings	137,190	135,487	136,166
Plant and machinery	128,166	83,347	106,818
Fixtures and fittings, tools and equipment	21,462	18,483	23,460
Property plant and equipment under construction	22,159	49,180	26,196
	308,977	286,497	292,640
<b>Other long-term assets</b>			
Capital investments in associated companies	25,493	24,848	25,096
	25,493	24,848	25,096
<b>Total long-term assets</b>	<b>375,853</b>	<b>352,426</b>	<b>359,941</b>
<b>Short-term assets</b>			
Portion of long-term liabilities falling due within 1 year	0	1,995	0
Inventories	228,891	224,304	218,747
Trade receivables	119,766	115,440	144,771
Cash and deposits	20,164	19,327	16,379
	368,821	361,066	379,897
Assets held for sale	0	7,872	10,381
<b>Total short-term assets</b>	<b>368,821</b>	<b>368,938</b>	<b>390,278</b>
<b>Total assets</b>	<b>744,674</b>	<b>721,364</b>	<b>750,219</b>

Note	t.DKK	31/1 2016	31/1 2015	30/4 2015
<b>Equity and liabilities</b>				
<b>Equity</b>				
	Share capital	26,210	26,210	26,210
	Reserve for exchange rate adjustments	1,852	2,620	3,707
	Retained earnings	431,816	394,739	386,712
	Proposed dividends	0	0	17,037
		459,878	423,569	433,666
	Minority shareholders' part	5,252	4,608	4,998
	<b>Total equity</b>	465,130	428,177	438,664
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
	Deferred tax	19,862	23,443	21,059
2	Other long-term liabilities	72,736	65,489	68,598
	Credit institutions	104	141	132
		92,702	89,073	89,789
<b>Short-term liabilities</b>				
	Current portion of long-term liabilities falling due within 1 year	37	33	34
	Trade payables	40,712	50,579	46,001
	Bank debts	51,128	88,933	74,554
	Corporation tax	14,245	3,925	9,739
	Other payables	80,720	60,644	91,438
		186,842	204,114	221,766
	<b>Total liabilities</b>	279,544	293,187	311,555
	<b>Total equity and liabilities</b>	744,674	721,364	750,219

## Cash flow statement 1 May - 31 January 2016

t.DKK	9 months 2015/16	9 months 2014/15
Turnover and other operating income	698,465	631,203
Operating costs	-647,923	-576,805
Depreciations	26,603	21,609
Change in working capital	-1,543	-12,659
Cash flow from activities before financial items	75,602	63,348
Interest receipts or similar	899	394
Interest payments or similar	-11,662	-9,366
Cash flows from ordinary activities	64,839	54,376
Corporation tax paid	-12,870	-13,303
<b>Cash flows from operating activities</b>	<b>51,969</b>	<b>41,073</b>
Acquisition of tangible assets	-37,878	-38,953
Sale of tangible assets	27,640	909
Acquisition of intangible assets	-179	0
Acquisition of subsidiary	0	-45,702
<b>Cash flows to investing activities</b>	<b>-10,417</b>	<b>-83,746</b>
Change in long-term liabilities	4,110	1,322
Change in operating credits	-23,423	58,667
Dividend paid	-17,037	-18,347
Dividend paid to minority shareholders	-1,369	-1,480
<b>Cash flows from financing activities</b>	<b>-37,719</b>	<b>40,162</b>
Cash flows of the period	-3,833	-2,511
Cash and cash equivalents at beginning of period	16,379	21,568
Value adjustment of cash and cash equivalents	-48	270
<b>Cash and cash equivalents at end of period</b>	<b>20,164</b>	<b>19,327</b>







## Statement of capital and reserves

t.DKK	Share capital	Reserve for exchange rate adjustment	Retained earnings	Proposed dividend	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	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
<b>Total equity 31 January 2015</b>	26,210	2,620	394,739	0	423,569	4,608	428,177
<b>Equity 1 February 2015</b>	26,210	2,620	394,739	0	423,569	4,608	428,177
Profit for the period	0	0	-8,027	17,037	9,010	390	9,400
Exchange rate adjustment	0	1,087	0	0	1,087	0	1,087
<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	45,104	0	45,104	1,623	46,727
Exchange rate adjustment	0	-1,855	0	0	-1,855	0	-1,855
Dividend paid	0	0	0	-17,037	-17,037	-1,369	-18,406
<b>Total equity 31 January 2016</b>	26,210	1,852	431,816	0	459,878	5,252	465,130

## Notes

Note	t.DKK	9 months 2015/16	9 months 2014/15	Q3 2015/16	Q3 2014/15
<b>1</b>	<b>Financial costs</b>				
	Other interest expenses	1,350	1,211	406	534
	Exchange rate adjustments	0	1,345	142	698
	Value adjustment on forward option on purchase of minority entry	10,312	6,541	2,482	2,769
		11,662	9,097	3,030	4,001
			31/1 2016	31/1 2015	30/4 2015
<b>2</b>	<b>Other long-term liabilities</b>				
	At the beginning of the period		68,598	34,599	34,599
	Acquisition		0	29,543	29,543
	Dividend paid		-6,174	-5,194	-5,194
	Profit for the period		10,312	6,541	9,650
			72,736	65,489	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

	Direct sale	Indirect sale	Total reportable segment
<b>1 May 2015 - 31 January 2016</b>			
External revenue	629,457	69,715	699,172
Market contribution	133,000	21,366	154,366
Assets	252,198	10,635	262,833
	Direct sales	Indirect sales	Total reportable segments
<b>1 May 2014 - 31 January 2015*</b>			
External revenue	547,280	82,736	630,016
Market contribution	120,180	25,287	145,467
Assets	251,266	14,521	265,787
<b>Reconciliation of result for the period before tax:</b>		2015/16	2014/15
Segmental result for reportable segments		154,366	145,467
Unallocated depreciations		-20,661	-17,137
Unallocated financial costs		969	-2,030
Unallocated costs		-71,768	-80,170
Result for the period before taxation, cf. income statement		62,906	46,130
<b>Reconciliation of assets:</b>		2015/16	2014/15
Assets for reportable segments		262,833	265,787
Unallocated stock		145,956	132,478
Unallocated cash and cash equivalents		7,429	4,629
Unallocated tangible fixed assets		328,456	318,470
Assest, cf. balance sheet		744,674	721,364

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

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