

Annual report 2015/16

The Board of egetæpper a/s has today approved the annual report for the financial year 1 May 2015 – 30 April 2016. The annual report 2015/16 has the following main items:

Accounting report

The result before taxation amounts to 77.1 DKK million which is a little less than our expectations of 80-90 DKK million at the beginning of the year, but in line with the estimate released in March 2016, where a result before taxation of 70-80 DKK million was expected.

Financial highlights:

- The group turnover amounts to 954 DKK million against 873 DKK million last year, representing an increase of 9%. Adjusted for the inclusion of Hammer Tæpper, turnover increased by 3%.
- Result before financial items and taxation amounts to 91.5 DKK million, equal to an EBIT-margin of 10%. Profit from sale of our property in Vejle is included with 19.8 DKK million. Corrected for this fact the EBIT-margin represents 8%, which is at level with last year.
- Result before taxation amounts to 77.1 DKK million. After deduction of one-off income regarding our property in Vejle the result before taxation make up 57.3 DKK million, representing an increase of 4% compared to last year.
- Group profit amounts to 57.4 DKK million against 43.3 DKK million last year.
- Dividend is proposed to be fixed at 27.5 DKK million equal to approximately 50% of the group's net profit after taxation and dividend to minority shareholders.
- The net investments in long-term assets during the year amount to 58.3 DKK million.
- Interest-bearing negative net balance amounts to 21.0 DKK million and is reduced with 37 DKK million compared to last year.
- Cash flows from operation amount to 84 DKK million against 75 DKK million last year.

Prospects 2016/17

With concern, we have noted the result of the EU referendum in Britain. During the financial year 2015/16 the UK market has contributed with approximately 17% of the group's total revenue and is considered as an important factor in achieving our plans of growth during the coming years.

We have no doubt that the result of the referendum will lead to substantial negative consequences – not only on the UK market but also to a great extent in Europe overall. We expect the effect will hit in two stages:

- 1) The exchange rate of GBP will be affected negatively with immediate effect. To counter the direct effect, forward contracts regarding the first half year of the financial year 2016/17 have been signed.
- 2) We expect that the UK market and the European Union will be affected by economic downturn during the second half-year of 2016. At present, we do not have evidence to predict how intense the effect will be to us. Taught by experience during the financial crisis, we expect a certain temporal effect to our industry, as ongoing projects typically will be completed. Conversely, the great market uncertainty will lead to restrain when it comes to new investments and renovations.

Based on the great limbo the EU referendum has caused, we will not at present put forward expectations to the financial year 2016/17.

Following the situation closely, we will announce our expectations to the financial year as well as our long-term 2020 objectives during the course of Q1 and Q2 of the financial year.

A world without Brexit...

It is important for us to be able to provide shareholders and other stakeholders a good basis to evaluate egetæpper's current situation, not least our plans and expectations to the future. As previously mentioned, the result of the British EU referendum has led to an unresolved market situation, thus we will not at present draw up our concrete expectations to the financial year 2016/17. Instead, we will publish our "before Brexit expectations":

Our market expectations (before Brexit) were as follows:

- The level of activity on the Danish market, being our biggest market, has exceeded our expectations for the financial year 2015/16. Compared to last year the level of activity has increased by 7% and we expect a pick-up 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 the organization and the product range. This work will continue during the financial year 2016/17. Furthermore, it is our expectation that Norway, Sweden and the Middle East will maintain the current level.
- Overall, the level of activity in Asia has not lived up to our expectations for the financial year 2015/16. We expect an improvement the coming year.
- In the US, we begin to see the first results of the market persuasion and expect that the US will contribute positively to activity and earnings during the coming year.

In all our expectations to 2016/17 (before Brexit) were:

- A turnover of approx. 1,000 DKK million.
- An EBIT-margin of 8-9% corresponding to an EBIT of 80-90 DKK million.
- Cash flows from operation of 85-95 DKK million.
- New investments in long-term assets of 40-50 DKK million.

We emphasize that the above mentioned does not reflect our expectations to the financial year 2016/17, but is only outlined to give shareholders and other stakeholders a better basis for assessing the progress of the group.

The annual general meeting

The annual general meeting is to be held at egetæpper's corporate office in Herning on Friday 30 August 2016 at 11.30 a.m.

The Board of Directors has made the following proposals:

- Based on the result of the year including one-off income regarding the sale of our property in Vejle, the dividend is proposed raised from 40% to 50% of the net result after taxation and dividend to minority shareholders. Dividend payable is fixed at 10.50 DKK per share nominal 10 DKK, representing a total dividend distribution of 27.5 DKK million.
- The Board of Directors also recommends that the General Assembly authorizes that own shares up to nominal 5.0 DKK million can be acquired. The authorization is provided until the Annual General Meeting next year.

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egetæpper a/s

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