

Interim report 2016/2017

1 May 2016 - 31 July 2016

ege[®]

THE URGE TO EXPLORE SPACE

egetæpper a/s

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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

Contents

Financial highlights for the ege group	2
Management statement	4
Management report.....	5
Accounting policy	5
Profit and loss account 1 May 2016 – 31 July 2016	8
Consolidated income statement 1 May 2016 – 31 July 2016	9
Balance sheet at 31 July 2016.....	10
Cash flow statement for the period 1 May 2016 – 31 July 2016.....	12
Statement of capital and reserves.....	15
Notes	16

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Mr. John Vestergaard, CFO

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egetæpper a/s

Herning, 30 August 2016

Financial highlights of the group

DKK million	3 months 2016/17	3 months 2015/16	Year 2015/16
Turnover	222	234	954
Result before financial entries and taxation (EBIT)	22	43	91
Financial entries (net)	-3	-3	-14
Result before taxation	19	40	77
Group net result	14	32	57
Total assets at end of period	764	779	764
Net working capital	223	245	224
Cash flows from operating activities	25	34	84
Capital and reserves	26	26	26
Capital and reserves at end of period excl. of minority holdings	483	465	470
Number of employees	580	567	568
Net investments in long-term assets (excl. of acquisition of factory)	10	11	28
Depreciations	10	9	34
Net profit ratio (EBIT-margin)	10	18	10
Return on invested capital after taxation (p.a.)	12	28	12
Equity ratio	63	60	62
Net working capital in percentage of turnover	25	26	24
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	-	-	10.50
Net asset value of share, DKK	184.24	177.22	179.41
Stock exchange price	218.50	235.00	203.00
Stock exchange price/net asset value	1.19	1.33	1.13

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 July 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 July 2016 as well as of the result of the group's activities and cash flows for the period 1 May 2016 - 31 July 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, 30 August 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

Turnover in Q1 made out 222 DKK million against 234 DKK million last year corresponding to a decline of 5%. The export share makes out 83% against 80% last year.

In England we have not yet seen a huge impact caused by Brexit, apart from the development in the GBP currency, which, however is compensated via forward contracts. A few projects have been postponed till later this year. The activity does not live up to last year's level but this is mainly due to alteration from Q1 till later this year.

Among major markets as Norway and Sweden we experience growth compared to last year, whereas Denmark, France and the Middle East perform at a lower level during Q1. In the US and Asia the start of the year has been satisfactory and in both markets we see progress compared to last year. Germany is largely at the same level as last year which is also characteristic for the small export markets.

EBIT makes out 22.0 DKK million corresponding to an EBIT margin of 10% which is at level with last year after correction for profit from the sale of our property in Vejle. The Group's fixed costs which constitute 111.3 DKK million (other external costs, staff costs and depreciations) have declined by 4% compared to last year. The development was expected as last year there has in Q1 in particular been invested in the focus areas expansion and branding.

As of 31 July, 2016 the number of employees constitutes 580. Compared to last quarter an increase of 12 employees. The new appointments of the quarter are mainly into trainee positions and positions directly related to sales.

Profit for the period before taxation and minority holdings amounts to 19.4 DKK million against 40.3 DKK million last year. Corrected for last year's once only income regarding the sale of our property in Vejle the decline is approx. 1 DKK million.

Group cash flow from operations amounts to 25 DKK million against 34 DKK million last year. The decline is primarily due to lower activity during the quarter.

Net investments in long-term assets during the period amount to 10 DKK million.

Prospects for the financial year 2016/17

In the annual report for 2015/16 we wrote the following with regard to our expectations for 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 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 in 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.

We have followed the development since Brexit. Apart from the impact on the GBP exchange rate we have not yet been able to ascertain a significant change in the activity level. However, we have no doubt that the effect will hit the UK market later this year or at the beginning of 2017. We do not expect Brexit to affect the activity level essentially in the rest of Europe.

Our market expectations are the following:

- The activity level on our biggest market, the Danish, exceeded our expectations for the financial year 2015/16 with an increase of 7%. We also expect an increase during the financial year 2016/17 - yet at a lower level.
- In England we expect a total decline of approx. 20% compared to last year. The decline is partly due to a lower GBP exchange rate (approx. 10%) as well as an expected lower activity level. The decline is primarily expected to hit in the second half-year.
- Among the major export markets we especially expect growth in France and in Germany. During the past year we have worked goal-orientedly with expanding and adapting the organisation and our product range. This work will continue during the financial year 2015/16. Also it is our expectation that Norway, Sweden and the Middle East will maintain the level of last year.
- Overall the activity level in Asia has not lived up to our expectations during the financial year 2015/16. We expect an improvement during this year.
- In the US we begin to see the first results of the market per-

suasion. We expect that the US will contribute positively to activity and earnings.

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.

Normally we operate with an order book corresponding to one week's production, which makes it difficult to look months ahead. Brexit has further intensified this situation and the limbo on the market is still significant.

We expect to have an estimate of the long-term 2020 objectives when rendering our accounts for the second quarter.

In all our expectations to 2016/17 are the following:

	Expected 2016/17	Realized 3 months 2016/17	Realized 3 months 2015/16
Turnover DKK mio.	950-1,000	222	234
EBIT-margin *	7-8%	10%	10%
Cash flow from operations DKK mio.	80-90	25	34
Investments DKK mio.	30-40	10	11

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

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 2015/16.



Profit and loss account 1 May - 31 July 2016

Note	t.DKK	2016	2015
	Turnover	222,113	233,627
	Change in stock of finished goods, work in progress and commercial goods	10,353	1,939
	Costs for raw materials, auxiliaries and commercial goods	-100,155	-98,670
	Other external costs	-37,790	-43,606
	Gross profit	94,521	93,290
	Other operating income	920	21,565
	Staff costs	-63,905	-63,028
	Depreciations	-9,614	-8,774
	Other operating costs	-29	-43
	Profit before financial entries and taxation	21,893	43,010
	Shares of result in associated company after taxation	30	218
	Financial income	850	598
1	Financial expenses	-3,410	-3,555
	Profit before tax	19,363	40,271
	Tax on profit for the period	-5,155	-8,483
	Profit for the period	14,208	31,788
	Divided between:		
	Shareholders of egetæpper a/s	13,742	31,078
	Minority shareholders	466	710
		14,208	31,788
	Earnings per diluted share, DKK (EPS-D)	5.24	11.86
	Earnings per share, DKK (EPS)	5.24	11.86

Consolidated income statement 1 May - 31 July 2016

t.DKK	2016	2015
Financial entries which might be reclassified to the profit and loss account		
Exchange rate adjustment of foreign subsidiaries	-1,839	-241
Value adjustment of hedging instruments		
The value adjustment of the period	754	0
Tax on other consolidated income	0	0
Other comprehensive income after tax	-1,085	-241
Profit for the period	14,208	31,788
Total recognised comprehensive income	13,123	31,547
Divided between:		
Shareholders of egetæpper a/s	12,657	30,837
Minority shareholders	466	710
	13,123	31,547

Balance sheet

Note	t.DKK	31/7 2016	31/7 2015	30/4 2016
Assets				
Long-term assets				
Intangible assets				
	Development costs	1,332	1,282	1,121
	Customer relations	3,349	4,285	3,629
	Agency rights	1,610	1,610	1,610
	Goodwill	34,599	34,599	34,599
	Intangible projects under construction	3,407	0	2,417
Total intangible assets		44,297	41,776	43,376
Tangible fixed assets				
	Land and buildings	134,598	135,936	136,044
	Plant and machinery	132,598	103,187	134,556
	Fixtures and fittings, tools and equipment	21,198	22,430	23,565
	Property plant and equipment under construction	25,290	34,127	19,657
		313,684	295,680	313,822
Financial fixed assets				
	Capital investments in associated companies	25,901	25,314	25,871
		25,901	25,314	25,871
Total long-term assets		383,882	362,770	383,069
Short-term assets				
	Inventories	234,247	227,240	221,815
2	Trade receivables	122,801	163,883	141,442
	Cash at bank and in hand	23,294	22,668	17,346
		380,342	413,791	380,603
	Assets held for sale	0	2,508	0
Total short-term assets		380,342	416,299	380,603
Total assets		764,224	779,069	763,672

Note	t.DKK	31/7 2016	31/7 2015	30/4 2016
Equity and liabilities				
Equity				
	Share capital	26,210	26,210	26,210
	Reserve for exchange rate adjustments	769	3,466	1,854
	Retained earnings	428,409	417,790	414,667
	Proposed dividends	27,521	17,037	27,521
		482,909	464,503	470,252
	Minority shareholders' part	4,128	4,339	5,549
	Total equity	487,037	468,842	475,801
Liabilities				
Long-term liabilities				
	Deferred tax	22,670	19,659	22,692
	Credit institutions	85	124	95
3	Other long-term liabilities	79,254	71,690	76,255
		102,009	91,473	99,042
Short-term liabilities				
	Current portion of long-term liabilities due within 1 year	38	34	37
	Trade payables	43,589	43,989	49,745
	Bank debts	25,745	54,880	38,238
	Corporation tax	15,378	18,061	11,533
	Other payables	90,428	101,790	89,276
		175,178	218,754	188,829
	Total liabilities	277,187	310,227	287,871
	Total equity and liabilities	764,224	779,069	763,672

Cash flow statement 1 May - 31 July 2016

t.DKK	2016	2015
Turnover and other operating income	221,562	254,739
Operating costs	-201,140	-212,182
Depreciations	9,614	8,774
Change in working capital	-682	-12,761
Cash flow from activities before financial items	29,354	38,570
Interest receipts or similar	880	598
Interest payments or similar	-3,479	-3,605
Cash flows from ordinary activities	26,755	35,563
Corporation tax paid	-1,332	-1,561
Cash flows from operating activities	25,423	34,002
Acquisition of intangible assets	-990	0
Acquisition of tangible assets	-9,641	-11,452
Sale of tangible assets	590	279
Cash flows to investment activities	-10,041	-11,173
Change in long-term liabilities	2,989	3,084
Change in operating credits	-12,492	-19,674
Dividend paid	0	0
Dividend paid to minority shareholders	0	0
Cash flows from financing activities	-9,503	-16,590
Cash flow of the period	5,879	6,239
Cash equivalents at beginning of period	17,346	16,379
Value adjustment of cash equivalents	69	50
Cash equivalents at end of period	23,294	22,668





Statement of changes in equity at 31 July 2016

t.DKK	Share capital	Reserve for exchange rate adjustment	Retained earnings	Proposed dividend	Total	Minority share-holders	Total equity
Equity 1 May 2015	26,210	3,707	386,712	17,037	433,666	4,998	438,664
Profit for the period	0	0	31,078	0	31,078	710	31,788
Exchange rate adjustment	0	-241	0	0	-241	0	-241
Dividend paid	0	0	0	0	0	-1,369	-1,369
Total equity 31 July 2015	26,210	3,466	417,790	17,037	464,503	4,339	468,842
Equity 1 August 2015	26,210	3,466	417,790	17,037	464,503	4,339	468,842
Profit for the period	0	0	-3,123	27,521	24,398	1,210	25,608
Other consolidated income	0	-1,612	0	0	-1,612	0	-1,612
Dividend paid	0	0	0	-17,037	-17,037	0	-17,037
Total equity 30 April 2016	26,210	1,854	414,667	27,521	470,252	5,549	475,801
Equity 1 May 2016	26,210	1,854	414,667	27,521	470,252	5,549	475,801
Profit for the period	0	0	13,742	0	13,742	466	14,208
Other consolidated income	0	-1,085	0	0	-1,085	0	-1,085
Dividend paid	0	0	0	0	0	-1,887	-1,887
Total equity 31 July 2016	26,210	769	428,409	27,521	482,909	4,128	487,037

Notes

Note	t.DKK	2016	2015
1	Financial costs		
	Other interest expenses	411	463
	Value adjustment on forward option on purchase of minority entry	2,999	3,092
		3,410	3,555
		31/7 2016	31/7 2015
		30/4 2016	
2	Receivables		
	Receivables from sale	106,657	123,256
	Other receivables	6,636	30,149
	Forward contracts	1,597	0
	Accruals and deferred income	7,911	10,478
		122,801	163,883
			141,442
3	Other long-term liabilities		
	At the beginning of the period	76,255	68,598
	Dividend paid	0	0
	Profit for the period	2,999	3,092
		79,254	71,690
			76,255

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 segment
1 May 2016 - 31 July 2016			
External revenue	198,323	23,790	222,113
Market contribution	43,456	7,380	50,836
Assets	256,644	10,642	267,286

	Direct sales	Indirect sales	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

Reconciliation of result for the period before tax	2016/17	2015/16
Segmental result for reportable segments	50,836	55,524
Unallocated depreciations	-7,563	-6,858
Unallocated financial costs	2,540	-37
Unallocated costs	-26,450	-8,358
Result for the period before taxation, cf. income statement	19,363	40,271

Reconciliation of assets:	2016/17	2015/16
Assets for reportable segments	267,286	283,195
Unallocated stock	150,699	144,811
Unallocated cash and cash equivalents	6,183	6,839
Unallocated tangible fixed assets	340,056	344,224
Assest, cf. balance sheet	764,224	779,069

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