

Interim report 2016/2017

1. May 2016 - 31. January 2017

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)

Kaja Møller, director

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 authorised public accountant

Karsten Mehlsen, state authorised public accountant

Solicitors

DAHL, Herning

Bankers

Danske Bank

Handelsbanken

Indhold

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Mr. John Vestergaard, CFO

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egetæpper a/s

Herning, 16 March 2017

Financial highlights of the group

DKK million	9 months 2016/17	9 months 2015/16	Year 2015/16
Turnover	725	699	954
Result before financial entries and taxation (EBIT)	55	74*	91*
Financial entries (net)	-8	-11	-14
Result before taxation	48	63*	77*
Group net result	34	47*	57*
Total assets at end of period	974	745	764
Net working capital	246	227	224
Cash flows from operating activity	49	52	84
Share capital	26	26	26
Equity at end of period excl. of minority holdings	474	460	470
Number of employees	684	567	568
Net investments in long-term assets (excl. acquisition of subsidiary)	29	10	28
Net investment by acquisition of subsidiary	179	0	0
Depreciations	29	27	34
Net profit ratio (EBIT-margin)	8	11	10
Return on invested capital after taxation (p.a.)	9	13	12
Equity ratio	49	62	62
Net working capital in percentage of turnover	23**	24	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	2,290,720	2,290,720	2,290,720
Recommended dividend per share, DKK	-	-	10.50
Net asset value of share, DKK	180.93	175.45	179.41
Stock exchange price	241.50	219.50	203.00
Stock exchange price/net asset value	1.33	1.25	1.13

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

*) Incl. of profit from sale of property in Vejle (20 mio. DKK before taxation – 16 mio. DKK after taxation).

***) the calculation has been adjusted to take into account that Carpet Concept only is included with 2 months of revenue.



Management statement

The management and the board of directors have today presented and approved the interim report for the period 1 May 2016 - 31 January 2017.

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 2017 as well as of the result of the Group's activities and cash flows for the period 1 May 2016 – 31 January 2017.

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, 16 March 2017

Management:



John Vestergaard
CFO



Svend Aage Færch Nielsen
CEO

Board of directors:



Ebbe Malte Iversen
Chairman




Hans Olesen Damgaard
Deputy chairman



Kaja Møller



Anne Mette Zachariassen



Jørgen Stender Clausen
Staff representative



Maja Lorenzen
Staff representative

Management report

The acquisition of the majority of Carpet Concept was completed 1 December 2016. The total purchase price is agreed to 178.4 mio. DKK (24.0 mio. EUR), of which 120.5 mio. DKK (16.2 mio. DKK) has been disbursed in cash.

Carpet Concept is market leader within production and sale of woven carpets particularly to the commercial market in Germany.

Both Carpet Concept and egetæpper as well as the product portfolio complement one another ideally. The merge creates one of the world's largest carpet weaving specialists and strengthens the ege Group on the strategically important German market.

Carpet Concept is included in the interim report with effect from 1 December 2016, thus the figures cannot be compared directly to last year. Please see note 3 as well.

3rd quarter (1 November 2016 – 31 January 2017) – 3 months

The level of activity during the 3rd quarter has met our expectations. Turnover of the 3rd quarter amounts to 269 mio. DKK against 230 mio. DKK last year, representing an increase of 17%. Adjusted for the acquisition of Carpet Concept the organic growth makes up 8%.

Among our major export markets it is in particular France who has delivered economic growth. Denmark, Norway, Sweden and DACH (Germany, Austria and Switzerland) also have growth – even though it is at a lower level.

In the Middle East the level of activity has not lived up to the level of last year's quarter. Among our minor export markets, Benelux and Russia, growth is seen.

In the UK we note a total decline of approx. 25% whereof the effect of the exchange rate represents approx. 15%. Overall, the development is largely as expected.

EBIT of the 3rd quarter makes up 17.2 mio. DKK which is at level with last year. Costs derived from the acquisition of Carpet Concept affect EBIT negatively with 3.3 mio. DKK. Adjusted for the latter, EBIT shows an increase of 20%.

The Group's fixed costs which make up 136.5 mio. DKK (other external costs, personnel costs and depreciations) have increased by 6% compared to last year. When adjusted for Carpet Concept the residual increase in fixed costs represent approx. 3%.

Profit for the period before taxation amounts to 14.1 mio. DKK – the same as last year. The result before taxation shows an increase of 23% when adjusted for costs derived from the acquisition of Carpet Concept.

As per 31 January 2017 the number of employees amounts to 684 which is an increase of 101 employees due to Carpet Concept.

1st – 3rd quarter (1 May 2016 – 31 January 2017) – 9 months

The revenue of the first 9 months of the financial year 2016/17 amounts to 725 mio. DKK against 699 mio. DKK last year – representing an increase of 4%. After adjustment for the influence of Carpet Concept the increase makes up 1%. As a whole the level of activity has lived up to our expectations. The export share constitutes 82% against 80% last year.

On the Danish market the level of activity has not lived up to the level of last year and does not meet our expectations.

Among our major export markets such as Norway, Sweden and Germany we see the expected growth. France has performed extremely satisfactory during the 3rd quarter and is above the level of last year for the first 9 months.

In the UK the level of activity does not meet the level of last year. However, the development is largely in line with our expectations.

On the minor export markets it is Benelux, Finland and Russia who provide the expected growth. In the US, the positive development is maintained and thus continues to contribute with an increase of more than 2.5 times compared to the same period last year.

EBIT makes up 55.3 mio. DKK corresponding to an EBIT margin of 8% which is on par with the level of last year after correction of profit regarding the sale of our property in Vejle. When also correcting for costs regarding the acquisition of Carpet Concept, EBIT has increased with 9 percentage points compared to last year. Efforts to expand and upgrade the sales organisation are ongoing which is reflected in the increase of staff costs.

The Group's fixed costs, which make up 368.1 mio. DKK (other external costs, personnel costs and depreciations), have increased by 4% compared to last year. Adjusted for the inclusion in calculation of Carpet Concept the fixed costs are on par with the level of last year.

Profit for the period before taxation and minority holdings amounts to 47.7 mio. DKK against 62.9 mio. DKK last year representing an increase of 19% when adjusted for the acquisition of Carpet Concept and once-only income regarding the sale of our property in Vejle.

Cash flows from operation amount to 48.5 mio. DKK against 52 mio. DKK last year. Cash flows from investment activity amount to 147.3 mio. DKK of which the acquisition of Carpet Concept constitutes 118.2 mio. DKK.

Prospects for the financial year 2016/17

Normally we operate with an order book corresponding to one week's production, which makes it difficult to look months ahead.

In the light of the development of the first 9 months of the financial year our expectations to the financial year 2016/17 are maintained as announced in the interim report as of 12 Decem-

ber 2016. However, cash flows from operating activity are adjusted to 70-80 mio. DKK from previously 80-90 mio. DKK.

	Expected 2016/17	Realised 9 months 2016/17	Realised 9 months 2015/16
Turnover mio. DKK	1.000-1.050	725	699
EBIT-margin	7-8%	8%	8%*
Cash flows from operating activity mio. DKK	70-80	44	52
New investments mio. DKK	30-40	30	38
Investments in the purchase of Carpet Concept mio. DKK	179	179	0

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

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. Integration and further development of our cooperation with Carpet Concept will continue to be a major focus area.

Accounting policies

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

Accounting policies are unchanged from those applied in the annual group report 2015/16.



Profit and loss accountt 1 May - 31 January 2017

Note	t.DKK	9 months 2016/17	9 months 2015/16	Q3 2016/17	Q3 2015/16
	Turnover	725,237	699,172	268,674	230,245
	Change in stock of finished goods, work in progress an commercial goods	12,180	13,268	702	3,249
	Costs for raw materials, auxiliaries and commercial goods	-317,310	-306,904	-116,862	-97,867
	Other external costs	-130,729	-132,418	-50,951	-43,915
	Gross profit	289,378	273,118	101,563	91,712
	Other operating income	3,423	22,468	1,258	587
	Staff costs	-207,889	-195,187	-75,011	-66,139
	Depreciations	-29,472	-26,603	-10,489	-9,039
	Other operating costs	-171	-79	-142	-15
	Profit before financial entries and taxation	55,269	73,717	17,179	17,106
	Result after tax in associatied company	250	397	-16	23
	Financial income	2,439	454	4	12
1	Financial expenses	-10,223	-11,662	-3,057	-3,030
	Profit before taxation	47,735	62,906	14,110	14,111
	Tax on profit for the period	-13,486	-16,179	-4,011	-4,122
	Profit for the period	34,249	46,727	10,099	9,989
	Divided between:				
	Shareholders of egetæpper a/s	32,851	45,104	9,701	9,561
	Minority shareholders	1,398	1,623	398	428
		34,249	46,727	10,099	9,989
	Diluted earnings per share, DKK (EPS-D)	12.53	17.21	3.70	3.65
	Earnings per share, DKK (EPS)	12.53	17.21	3.70	3.65

Consolidated income statement 1 May - 31 January 2017

Note t.DKK	9 months 2016/17	9 months 2015/16	Q3 2016/17	Q3 2015/16
Other consolidated income				
Exchange rate adjustment of foreign subsidiaries	-1,359	-1,855	1,556	-896
Tax on other consolidated income	0	0	0	0
Other consolidated income after tax	-1,359	-1,855	1,556	-896
Profit for the period	34,249	46,727	10,099	9,989
Total recognised consolidated income	32,890	44,872	11,655	9,093
Divided between:				
Shareholders of egetæpper a/s	31,492	43,249	11,257	8,665
Minority shareholders	1,398	1,623	398	428
	32,890	44,872	11,655	9,093

Balance sheet

Note	t.DKK	31/1 2017	31/1 2016	30/4 2016
Assets				
Long-term assets				
Intangible assets				
	Development costs	1,366	1,315	1,121
3	Customer relations	13,617	3,859	3,629
	Agency rights	1,610	1,610	1,610
3	Goodwill	152,551	34,599	34,599
	Intangible assets under development	6,899	0	2,417
Total intangible assets		176,043	41,383	43,376
Tangible fixed assets				
	Land and buildings	160,745	137,190	136,044
	Plant and machinery	135,420	128,166	134,556
	Fixtures and fittings, tools and equipment	23,817	21,462	23,565
	Property plant and equipment under construction and payment in advance	30,544	22,159	19,657
		350,526	308,977	313,822
Other long-term assets				
	Capital investments in associated companies	26,120	25,493	25,871
		26,120	25,493	25,871
Total long-term assets		552,689	375,853	383,069
Short-term assets				
	Inventories	254,834	228,891	221,815
	Trade receivables	139,310	119,766	141,442
	Cash and deposits	26,953	20,164	17,346
Total short-term assets		421,097	368,821	380,603
Total assets		973,786	744,674	763,672

Note	t.DKK	31/1 2017	31/1 2016	30/4 2016
Equity and liabilities				
Equity				
	Share capital	26,210	26,210	26,210
	Reserve for exchange rate adjustments	495	1,852	1,854
	Retained earnings	447,518	431,816	414,667
	Proposed dividends	0	0	27,521
		474,223	459,878	470,252
	Minority shareholders' part	5,060	5,252	5,549
	Total equity	479,283	465,130	475,801
Liabilities				
Long-term liabilities				
	Deferred tax	29,252	19,862	22,692
	Credit institutions	79,941	104	95
2	Other long-term liabilities	135,684	72,736	76,255
		244,877	92,702	99,042
Short-term liabilities				
	Current portion of long-term liabilities falling due within 1 year	40	37	37
	Trade payables	57,104	40,712	49,745
	Bank debts	94,579	51,128	38,238
	Corporation tax	6,985	14,245	11,533
	Other payables	90,918	80,720	89,276
		249,626	186,842	188,829
	Total liabilities	494,503	279,544	287,871
	Total equity and liabilities	973,786	744,674	763,672

Cash flow statement 1 May - 31 January 2017

t.DKK	9 months 2016/17	9 months 2015/16
Turnover and other operating income	726,720	698,465
Operating costs	-673,362	-647,923
Depreciations	29,472	26,603
Change in working capital	-8,476	-1,543
Cash flow from activities before financial items	74,354	75,602
Interest receipts or similar	2,689	899
Interest payments or similar	-10,396	-11,662
Cash flows from ordinary activity	66,647	64,839
Corporation tax paid	-18,138	-12,870
Cash flows from operating activity	48,509	51,969
Acquisition of tangible assets	-25,419	-37,878
Sale of tangible assets	1,274	27,640
Acquisition of intangible assets	-4,912	-179
Acquisition of subsidiary	-118,202	0
Cash flows to investing activities	-147,259	-10,417
Change in long-term liabilities	81,248	4,110
Change in operating credits	56,344	-23,423
Dividend paid	-27,521	-17,037
Dividend paid to minority shareholders	-1,887	-1,369
Cash flows from financing activity	108,184	-37,719
Cash flows of the period	9,434	3,833
Cash and cash equivalents at beginning of period	17,346	16,379
Value adjustment of cash and cash equivalents	173	-48
Cash and cash equivalents at end of period	26,953	20,164





Statement of capital and reserves

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	45,104	0	45,104	1,623	46,727
Exchange rate adjustment	0	-1,885	0	0	-1,855	0	-1,855
Dividend paid	0	0	0	-17,037	-17,037	-1,369	-18,406
Total equity 31 January 2016	26,210	1,852	431,816	0	459,878	5,252	465,130
Equity 1 February 2016	26,210	1,852	431,816	0	459,878	5,252	465,130
Profit for the period	0	0	-17,149	27,521	10,372	297	10,669
Exchange rate adjustment	0	2	0	0	2	0	2
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	32,851	0	32,851	1,398	34,249
Exchange rate adjustment	0	-1,359	0	0	-1,359	0	-1,359
Dividend paid	0	0	0	-27,521	-27,521	-1,887	-29,408
Total equity 31 January 2017	26,210	495	447,518	0	474,223	5,060	479,283

Notes

Note	t.DKK	9 months 2016/17	9 months 2015/16	Q3 2016/17	Q3 2015/16
1	Financial costs				
	Other interest expenses	1,413	1,350	675	406
	Exchange rate adjustments	0	0	0	142
	Value adjustment on forward option on purchase of minority entry	8,810	10,312	2,382	2,482
		10,223	11,662	3,057	3,030
			31/1 2017	31/1 2016	30/4 2016
2	Other long-term liabilities				
	At the beginning of the period		76,255	68,598	68,598
	Acquisition		58,018	0	0
	Dividend paid		-7,399	-6,174	-6,174
	Profit for the period		8,810	10,312	13,831
			135,684	72,736	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 by a share of the year result and will be reduced by a share of the dividend distribution.

Other long-term liabilities also incorporate forward contract on purchase of the remaining 25% of Carpet Concept. According to the contract the remaining shares in Carpet Concept will at the earliest be taken over 1 December 2021. The shares will be acquired at a fixed price of 58.0 mio. DKK (7.8 mio. EUR). 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

Note

3 Acquisition of majority in Carpet Concept as of 1 December 2016

With effect from 1 December 2016 egetæpper has acquired 75% of the shares in Carpet Concept (Carpet Concept Objekt-Teppichboden GmbH, Carpet Concept Teppichfabrik GmbH & Co KG and Carpet Concept Immobilien GmbH & Co KG (in the following altogether named Carpet Concept).

The company was previously owned by Thomas Trenkamp with 25% of the shares and Heinz Anstoetz Beteiligungs KG with 75% of the shares. egetæpper acquired the majority holding from Heinz Anstoetz Beteiligungs KG whereas Thomas Trenkamp continues as a minority shareholder and managing director for a period of minimum 5 years. The remaining management of the company will stay on board.

Carpet Concept was founded in 1994 and is today market leader in Germany within production and sale of woven carpets particularly to the commercial segment. Both Carpet Concept and egetæpper as well as the product portfolio complement one another ideally. The merge creates one of the world's largest carpet weaving specialists and strengthens the ege Group on the strategically important German market.

Carpet Concept GmbH will continue as an independent brand focusing on the products, segments and customers who have shaped the business foundation for many years.

The Group has held transaction costs associated with the acquisition of approx. 2.5 mio. DKK which are included in the income statement for the 3rd quarter of 2016/17.

The Group's net turnover in December and January is affected with 19.8 mio. DKK taking account of Carpet Concept. Net result before taxation for the Group is negatively affected with 3.3 mio. DKK after deduction of transaction costs, minority costs etc.

Turnover and result before tax for the Group, calculated as if Carpet Concept was acquired 1 May 2016, make up 822.2 mio. DKK respectively 52.2 mio. DKK.

Note

3 Acquisition of majority in Carpet Concept as of 1 December 2016 (continued)

The cash remuneration amounted to 120.5 mio. DKK (16.2 mio. EUR) which has been paid 1 December 2016.

The remaining 25% of the shares will at the earliest be taken over by egetæpper 1 December 2021 at a fixed price of 58.0 mio. DKK (7.8 mio. EUR). According to IFRS the value of the agreed forward contract has been factored in as debt. The value has been summed up to 58.0 mio. DKK 1 December 2016. For the months December and January the debt has been reduced by 0.4 mio. DKK. The amount is included under financial items. As of 31 January 2017 the debt has been included with 57.7 mio. DKK.

t.DKK	Market value at the time of aquisition
Intangible assets	11,256
Tangible assets	40,026
Inventory	19,632
Accounts receiveable	26,079
Cash and deposit	2,315
Credit institutions	0
Deferred tax	-6,664
Accounts payable	-8,667
Other debt	-23,385
Net assets acquired	60,592
Goodwill	117,952
Total remuneration for the company	178,544
Deferred payment regarding remaining minority holding	-58,027
Total remuneration to be paid 1 December 2016	120,517
Hereof cash funds in Carpet Concept	-2,315
Remuneration in cash	118,202

Upon acquisition egetæpper has recognised the full goodwill of the company on the balance sheet, 117,952 t. DKK.

The above assessment of the market value at the time of acquisition is to be considered as preliminary due to the short timespan since the acquisition.

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 2016 - 31 January 2017	Direct sale	Indirect sale	Total reportable segments
External revenue	647,949	77,288	725,237
Market contribution	126,027	25,142	151,169
Assets	326,023	15,960	341,983

1 May 2015 - 31 January 2016	Direct sale	Indirect sale	Total reportable segments
External revenue	629,457	69,715	699,172
Market contribution	133,000	21,366	154,366
Assets	252,198	10,635	262,833

Reconciliation of result for the period before tax:	2016/17	2015/16
Segmental result for reportable segments	151,169	154,366
Unallocated depreciations	-24,215	-20,661
Unallocated financial costs	2,150	969
Unallocated costs	-81,369	-71,768
Result for the period before taxation, cf. income statement	47,735	62,906

Reconciliation of assets:	2016/17	2015/16
Assets for reportable segments	341,983	262,833
Unallocated stock	144,257	145,956
Unallocated cash and cash equivalents	2,666	7,429
Unallocated tangible fixed assets	484,880	328,456
Assets, cf. balance sheet	973,786	744,674



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