

# Interim report 2018/2019

1 May 2018 - 31 July 2018

**ege**<sup>®</sup>

THE URGE TO EXPLORE SPACE

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## **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

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Mr. John Vestergaard, CFO  
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egetæpper a/s

Herning, 31 August 2018

## Management statement

The management and the Board of Directors of egetæpper a/s have today presented and approved the interim report for the period 1 May 2018 - 31 July 2018.

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 2018 as well as of the result of the Group's activities and cash flows for the period 1 May 2018 - 31 July 2018.

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, 31 August 2018

### Management:



John Vestergaard  
CFO



Svend Aage Færch Nielsen  
CEO

### Board of directors:



Ebbe Malte Iversen  
Chairman



Hans Olesen Damgaard  
Deputy chairman



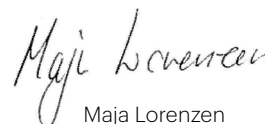
Kaja Møller



Anne Mette Zachariassen



Jørgen Stender Clausen  
Staff representative



Maja Lorenzen  
Staff representative

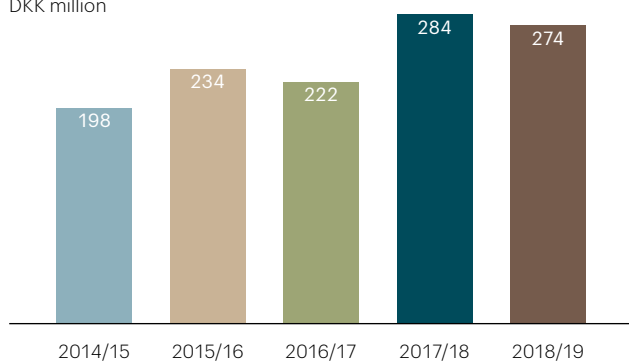


# Management report

## Q1 in figures (Group level)

### Turnover

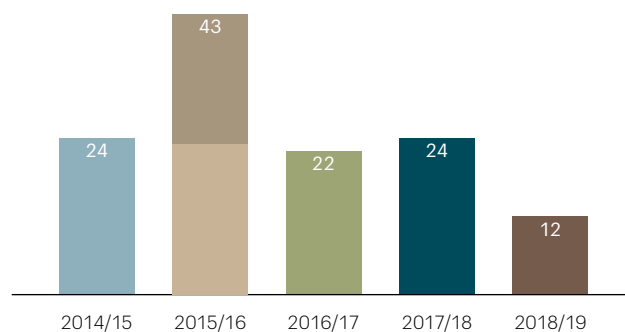
DKK million



Turnover of Q1 2018/19 has decreased 3% compared to last year which as expected is primarily due to Carpet Concept.

### EBIT

DKK million



EBIT makes up DKK 11.9m which is a 50% decrease compared to last year. The result is slightly below our expectations and can be attributed to two significant events:

#### 1. Completion of international sales conference

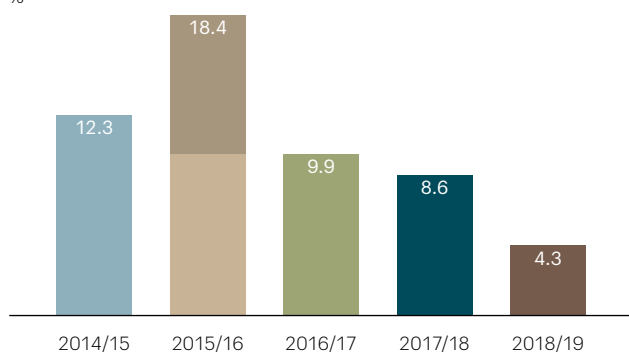
During Q1, an international sales conference in ege was held with 250 participants from 57 countries, and in this context a number of new collections and concepts have been introduced which will make the sales and production process more efficient. These initiatives affect Q1 cost-wise with DKK 5m.

#### 2. Decline in revenue in Carpet Concept

The commercial market in Germany for high-end products has been unstable for a period, resulting in a lower level of activity and revenue. We expect that the substantial effort we have made over the last 12 months in order to improve the competitiveness of Carpet Concept with new products and collections will result in a positive effect during the coming quarters. The impact of earnings for Q1 makes up DKK -5.7m.

### EBIT-margin

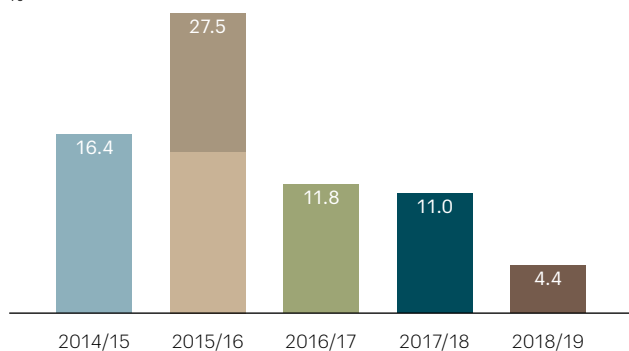
%



The EBIT margin makes up 4.3% and is lower than our overall expectations for the financial year and slightly below our expectations for Q1.

### ROIC (after taxes)

%



Return on investec capital makes up 4.4%.

The financial year 2015/16 is affected by profit from the sale of our property in Vejle (before taxation DKK 20m – after taxation DKK 20m).

## Financial highlights of the group

DKK million	3 months 2018/19	3 months 2017/18	Year 2017/18
Turnover	274	284	1,157
Result before financial entries and taxation (EBIT)	12	24	79
Financial entries (net)	-4	-5	-17
Result before taxation	8	19	62
<b>Group net result</b>	<b>6</b>	<b>14</b>	<b>44</b>
Total assets at end of period	1,008	1,009	1,019
Capital	26	26	26
Capital and reserves at end of period excl. of minority holdings	512	495	506
Net working capital	254	241	285
Cash flows from operating activity	52	29	60
Number of employees	728	700	707
Investments in long-term assets (excl. of acquisition of factory)	19	14	49
Investments by acquisition of subsidiary	0	0	174
Depreciations	11	11	43
Net profit ratio (EBIT-margin)	4	9	7
Return on invested capital (RoIC)	4	11	7
Profit on equity after taxation (p.a.)	4	11	9
Solvency ratio	51	49	50
Net working capital in percentage of turnover	23	21	25
Share capital, nominal DKKt	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	195.19	188.79	193.07
Stock exchange price	234	280.00	250.00
Stock exchange price/net asset value	1.20	1.48	1.29

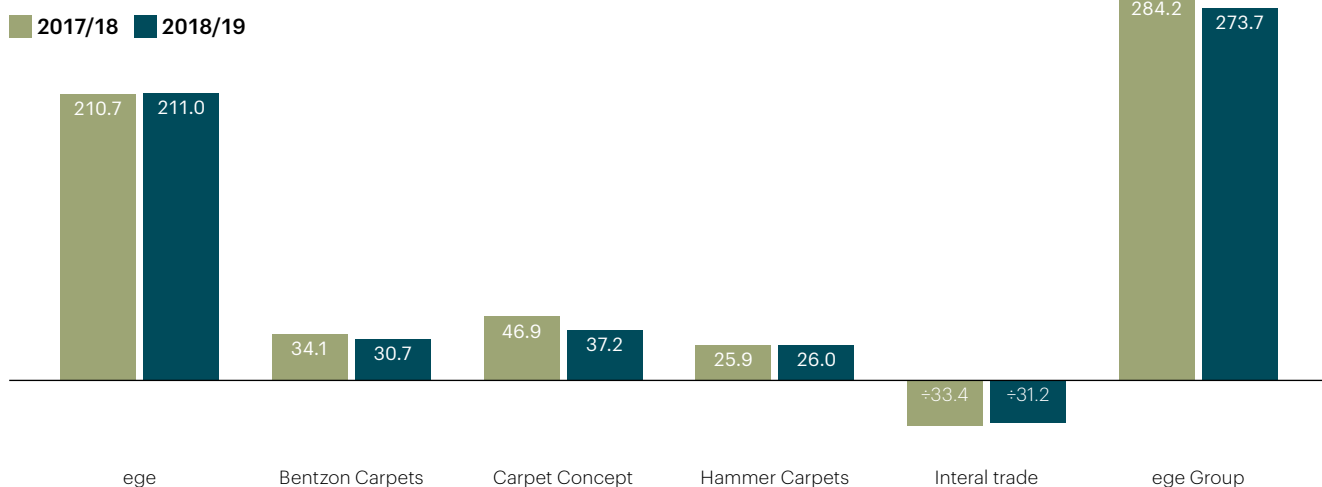
## Turnover divided per brand

ege Group is characterised by a high degree of integration and internal trade between the brands. Turnover and EBIT are re-

ported per brand to give a clear picture and ensure transparency and insight into the value creation in the Group.

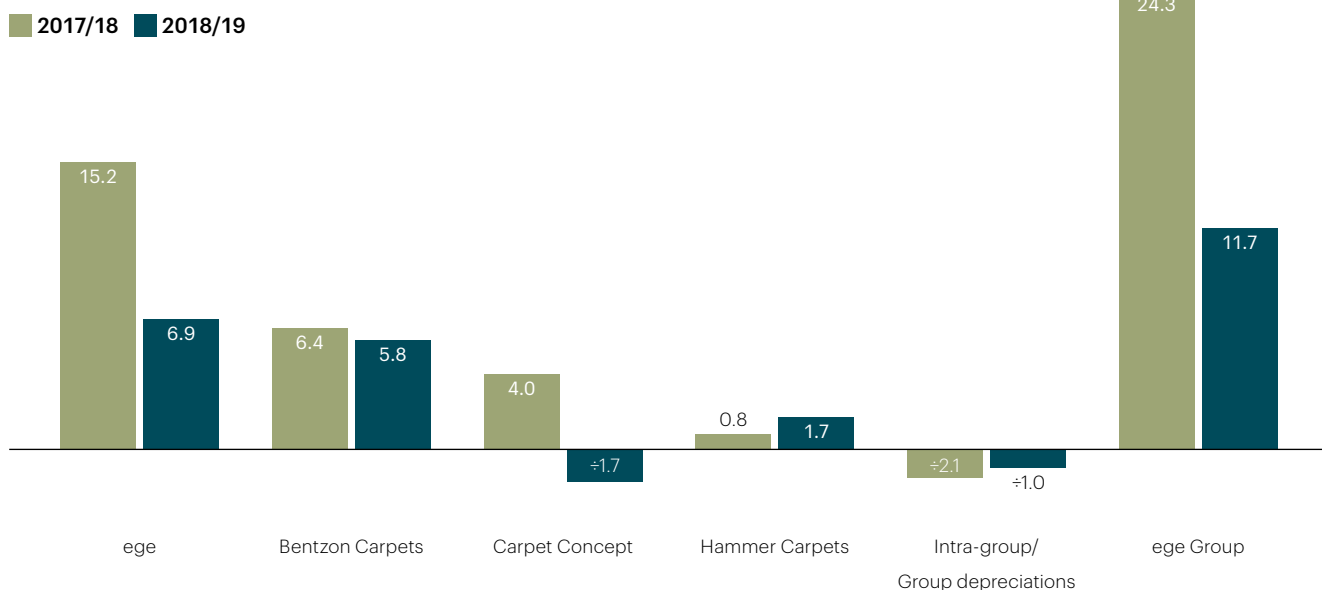
### Turnover divided per brand

DKK million



### EBIT divided per brand

DKK million



Internal trade and sourcing of products in the Group entail internal profit etc. These are eliminated at Group level. Eliminations constitute overall approx. 1.0 DKKm in Q1 and primarily consist

of depreciations at Group level on intangible assets (customer relations Hammer Carpets and Carpet Concept).



## Accounting report

### Group

#### Turnover

The Group turnover amounts to DKK 273.7m against DKK 284.2m last year, representing a decrease of 3%. The development is mainly attributable to Carpet Concept and is as expected.

#### Costs

Other external costs amount to DKK 52.8m and have increased by DKK 3.4m compared to last year. Staff charges amount to DKK 78.9m against DKK 75.4m last year. Overall, the increase in costs amount to DKK 6.9m corresponding to 6%.

Depreciations amount to DKK 11.2m against DKK 11.1m last year.

#### Financial entries

Financial entries amount to DKK -3.8m against DKK -5.5m last year.

#### EBIT of the quarter

EBIT constitutes DKK 11.9m against DKK 24.3m last year.

#### Equity

The equity of the Group excl. of minority holdings amounts to DKK 511.6m against DKK 494.8m last year. The solvency ratio constitutes 51% against 49% last year.

#### Cash flow statement

Cash flows from operation amount to DKK 51.8m against DKK 29.0m last year.

Cash flows for investments amount to DKK 23.3m against DKK 14.3m last year.

## The past quarter

### ege

Turnover of the quarter amounts to DKK 211.0m, which meets our expectations (last year's growth in Q1 was extraordinarily high and amounted to 15%).

Overall, Scandinavia has not met our expectations. We have experienced a decline in Denmark whereas Sweden is above the level of last year.

Our core growth markets in the UK, France and DACH (Germany, Austria and Switzerland) have lived up to expectations.

Amongst our minor export markets it is in particular Benelux, USA and Spain who perform satisfactorily.

EBIT makes up DKK 6.9m and is reduced by DKK 8.3m compared to last year. The development is by and large as expected as an international sales conference was held in the quarter with approx. 250 participants from 57 different countries. On this occasion a new Highline concept was introduced, which has led to increased costs for sample- and marketing materials. Developments in the exchange rate for SEK have influenced EBIT negatively by DKK 1.5m. Revenue of the quarter is slightly below our expectations.

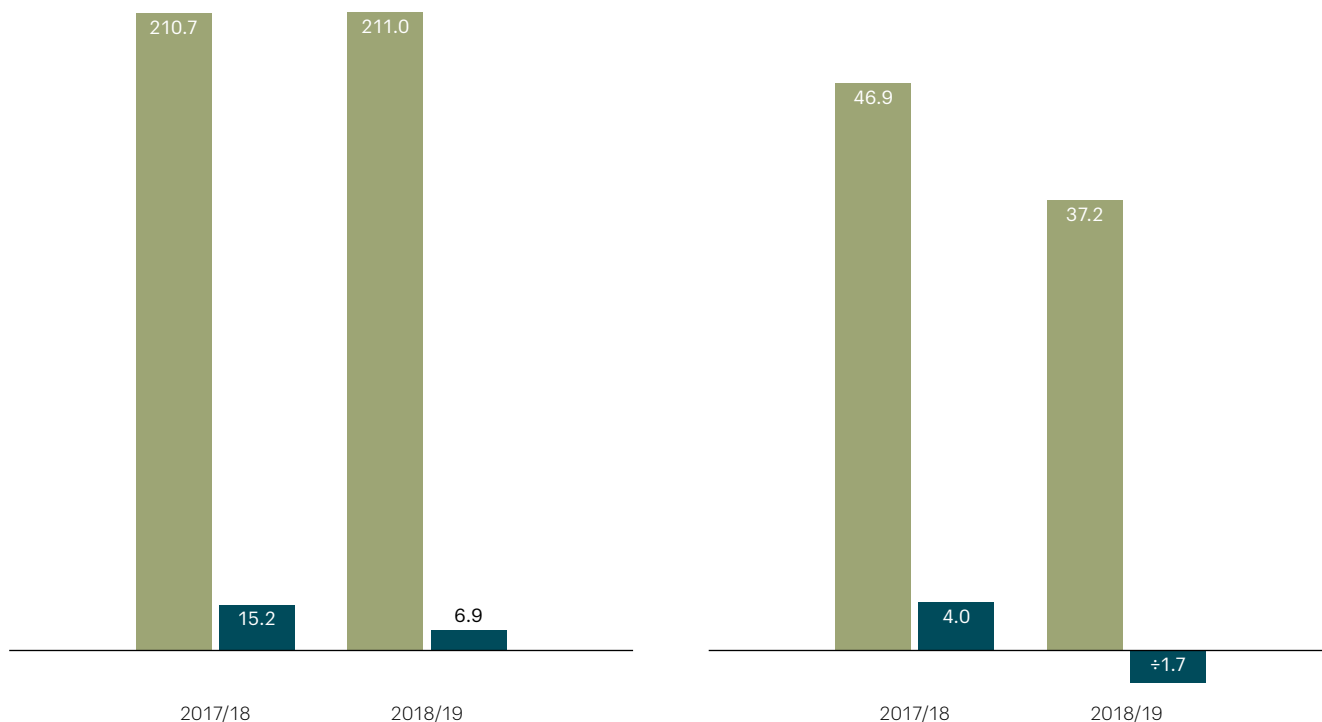
### Carpet Concept

As expected Carpet Concept has experienced a decline in turnover of 21% of the quarter. As mentioned earlier the commercial market for high-end products in Germany has been unstable for a period, resulting in a lower level of activity and revenue.

We expect that the substantial effort we have made over the last 12 months in order to improve the competitiveness of Carpet Concept with new products and collections will result in a positive effect during the coming quarters. Revenue of the quarter is slightly below our expectations.

■ Turnover ■ EBIT

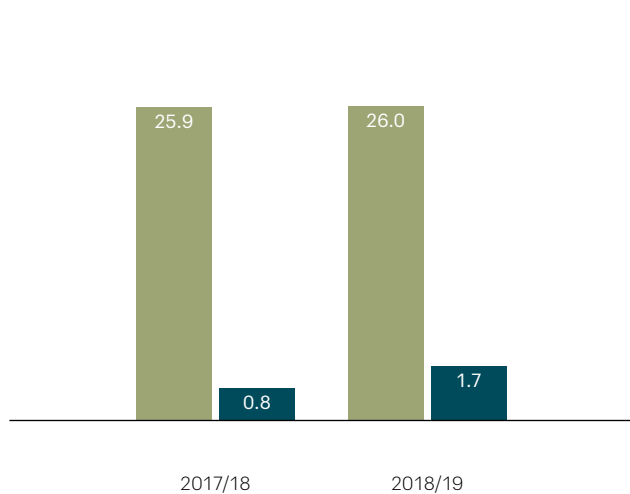
DKK million.



### Hammer Carpets

The revenue of Hammer Carpets is at level with last year, which does not quite live up to our expectations. The development is primarily due to postponement of deliveries to the following quarters.

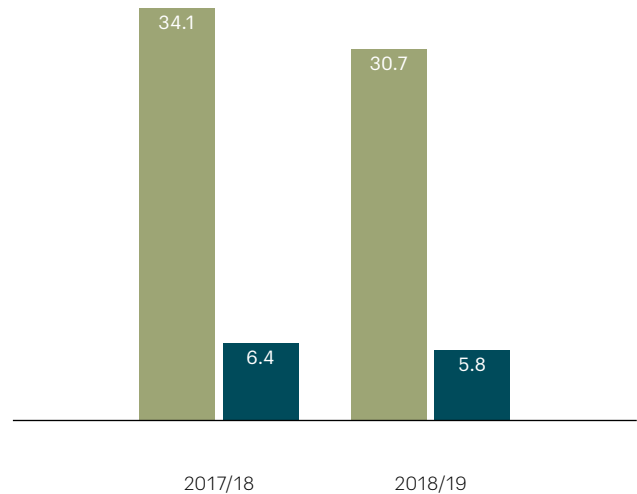
Corresponding to our expectations EBIT has more than doubled compared to last year. The primary reasons for this are optimization and efficiency of production and procurement.



### Bentzon Carpets

Bentzon Carpets has experienced a decline in revenue of approx. 10% compared to last year. The decline is attributable to Group internal sales to ege and Carpet Concept, as revenue for external customers has increased by 16% compared to last year.

Our expectations for the revenue are fulfilled.





## Prospects for the financial year 2018/19

Based on the development we have seen during the first three months of the financial year the prospects for the financial year 2018/19, as announced in the financial statement as of 29 June 2018, are maintained.

Overall expectations for 2018/19 are as follows:	Expected 2018/19	Realised 3 month 2018/19	Realised 3 month 2017/18
Turnover DKKm	1,225	274	284
EBIT-margin	7.5%	4.3%	8.6%
Cash flows from operating activity DKKm	90-100	52	29
Investments DKKm	100	19	14

## 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.

With effect from 1 May 2018, egetæpper has implemented IFRS 9 and IFRS 15. Implementation of IFRS 9 has only resulted in changes in the calculation of expected losses on debtors with provisions for losses on debtors increased by DKK 0.9m by posting directly to equity 1 May 2018 without adapting comparison numbers. Implementation of IFRS 15 has not resulted in changes in recognition and measurement of revenue as revenue is factored in to determine the point in time at which a customer obtains control of a promised asset.

Apart from the above, accounting policies are unchanged in relation to the annual report 2017/18.

## Income statement 1 May - 31 July

Note	t.DKK	2018	2017
	Turnover	273,739	284,202
	Change in stock of finished goods, work in progress and commercial goods	2,216	3,734
	Costs for raw materials, auxiliaries and commercial goods	-121,547	-128,302
	Other external costs	-52,850	-49,396
	<b>Gross profit</b>	<b>101,558</b>	<b>110,238</b>
	Other operating income	472	617
	Staff costs	-78,880	-75,389
	Depreciations	-11,225	-11,098
	Other operating costs	-12	-20
	<b>Profit before financial entries and taxation</b>	<b>11,913</b>	<b>24,348</b>
	Profit after tax in joint venture	36	292
	Financial income	42	23
1	Financial expenses	-3,806	-5,514
	<b>Profit before tax</b>	<b>8,185</b>	<b>19,149</b>
	Tax on profit for the period	-2,406	-5,446
	<b>Profit for the period</b>	<b>5,779</b>	<b>13,703</b>
	<b>Divided between:</b>		
	Shareholders of egetæpper a/s	5,334	13,115
	Minority shareholders	445	588
		5,779	13,703
	Earnings per diluted share, DKK (EPS-D)	2.04	5.00
	Earnings per share, DKK (EPS)	2.04	5.00







## Consolidated income statement 1 May - 31 July

t.DKK	2018	2017
<b>Financial entries which might be reclassified to the profit and loss account</b>		
Exchange rate adjustment of foreign subsidiaries	215	-719
Tax on other comprehensive income	0	0
Other comprehensive income after tax	215	-719
Profit for the period	5.779	13.703
<b>Total recognised comprehensive income</b>	<b>5.994</b>	<b>12.984</b>
<b>Divided between:</b>		
Shareholders of egetæpper a/s	5.549	12.396
Minority shareholders	445	588
	5.994	12.984

## Balance sheet

Note	t.DKK	31/7 2018	31/7 2017	30/4 2018
<b>Assets</b>				
<b>Long-term assets</b>				
<b>Intangible assets</b>				
	Completed development costs	335	819	698
	Customer relations	9,409	11,980	10,198
	Agency rights	1,610	1,610	1,610
	Goodwill	148,252	148,087	148,252
	Intangible projects under construction	31,817	14,532	27,843
	<b>Total intangible assets</b>	<b>191,423</b>	<b>177,028</b>	<b>188,601</b>
<b>Tangible fixed assets</b>				
	Land and buildings	163,554	164,560	165,342
	Plant and machinery	138,277	139,730	143,971
	Fixtures and fittings, tools and equipment	23,413	24,624	25,581
	Property plant and equipment under construction	39,482	18,320	20,570
		<b>364,726</b>	<b>347,234</b>	<b>355,464</b>
<b>Financial fixed assets</b>				
	Capital investments in joint venture	23,199	26,473	23,162
		<b>23,199</b>	<b>26,473</b>	<b>23,162</b>
	<b>Total long-term assets</b>	<b>579,348</b>	<b>550,735</b>	<b>567,227</b>
<b>Short-term assets</b>				
	Inventories	265,071	268,637	269,285
	Trade receivables	133,463	140,617	168,109
	Cash at bank and in hand	30,257	49,178	13,973
	<b>Total short-term assets</b>	<b>428,791</b>	<b>458,432</b>	<b>451,367</b>
	<b>Total assets</b>	<b>1,008,139</b>	<b>1,009,167</b>	<b>1,018,594</b>

Note	t.DKK	31/7 2018	31/7 2017	30/4 2018
<b>Equity and liabilities</b>				
<b>Equity</b>				
	Share capital	26,210	26,210	26,210
	Reserve for exchange rate adjustments	-1,771	-879	-1,986
	Retained earnings	470,128	452,467	464,794
	Proposed dividends	17,037	17,037	17,037
		511,604	494,835	506,055
	Minority shareholders' part	4,133	4,272	5,242
	<b>Total equity</b>	<b>515,737</b>	<b>499,107</b>	<b>511,297</b>
<b>Liabilities</b>				
<b>Long-term liabilities</b>				
	Deferred tax	30,379	30,385	30,381
	Credit institutions	50,007	69,925	55,017
2	Engagement relating to acquisition of minority shareholding	54,103	54,507	54,189
		134,489	154,817	139,587
<b>Short-term liabilities</b>				
	Trade payables	41,363	58,618	55,863
	Debts to joint venture	5,412	4,992	6,772
	Debts to associates	28,068	0	25,000
	Credit institutions	83,196	93,151	93,453
2	Engagement relating to acquisition of minority shareholding	89,930	83,467	87,089
	Corporation tax	12,676	9,899	9,666
	Other payables	97,268	105,116	89,867
		357,913	355,243	367,710
	<b>Total liabilities</b>	<b>492,402</b>	<b>510,060</b>	<b>507,297</b>
	<b>Total equity and liabilities</b>	<b>1,008,139</b>	<b>1,009,167</b>	<b>1,018,594</b>

## Cash flow statement 1 May - 31 July

t.DKK	2018	2017
Turnover and other operating income	274,426	284,100
Operating costs	-262,298	-260,471
Depreciations	11,225	11,098
Change in working capital	28,847	977
<b>Cash flow from activities before financial items</b>	<b>52,200</b>	<b>35,704</b>
Interest receipts or similar	42	595
Interest payments or similar	-1,064	-1,882
<b>Cash flow from ordinary operation before taxation</b>	<b>51,178</b>	<b>34,417</b>
Corporation tax paid	602	-5,457
<b>Cash flows from operating activity</b>	<b>51,780</b>	<b>28,960</b>
Acquisition of intangible assets	-19,336	-11,015
Acquisition of tangible assets	0	291
Sale of tangible assets	-3,974	-3,573
<b>Cash flows to investment activity</b>	<b>-23,310</b>	<b>-14,297</b>
Borrowing	3,000	0
Instalments	-4,942	-5,022
Change in operating credits	-10,257	6,809
<b>Cash flows from financing activities</b>	<b>-12,199</b>	<b>1,787</b>
Cash flow of the period	16,271	16,450
Cash equivalents at beginning of period	13,973	33,300
Value adjustment of cash equivalents	13	-572
<b>Cash equivalents at end of period</b>	<b>30,257</b>	<b>49,178</b>





## Statement of changes in equity at 31 July 2018

t.DKK	Share capital	Reserve for exchange rate adjustment	Retained earnings	Proposed dividends	Total	Minority share-holders	Total equity
<b>Equity 1 May 2017</b>	26,210	-160	439,352	17,037	482,439	5,349	487,788
Profit for the period	0	0	13,115	0	13,115	588	13,703
Exchange rate adjustments	0	-719	0	0	-719	0	-719
Dividend paid	0	0	0	0	0	-1,665	-1,665
<b>Total equity 31 July 2017</b>	26,210	-879	452,467	17,037	494,835	4,272	499,107
<b>Equity 1 August 2017</b>	26,210	-879	452,467	17,037	494,835	4,272	499,107
Profit for the period	0	0	12,327	17,037	29,364	970	30,334
Exchange rate adjustments	0	-1,107	0	0	-1,107	0	-1,107
Dividend paid	0	0	0	-17,037	-17,037	0	-17,037
<b>Total equity 30 April 2018</b>	26,210	-1,986	464,794	17,037	506,055	5,242	511,297
<b>Equity 1 May 2018</b>	26,210	-1,986	464,794	17,037	506,055	5,242	511,297
Profit for the period	0	0	5,334	0	5,334	445	5,779
Exchange rate adjustments	0	215	0	0	215	0	215
Dividend paid	0	0	0	0	0	-1,554	-1,554
<b>Total equity 31 July 2018</b>	26,210	-1,771	470,128	17,037	511,604	4,133	515,737

## Notes

Notes t.DKK	2018	2017	
<b>1 Financial costs</b>			
Other interest expenses	772	663	
Exchange rate adjustments	279	1,219	
Value adjustment on liability commitment on purchase of minority entry	2,755	3,632	
	3,806	5,514	
	31/7 2018	31/7 2017	30/4 2018
<b>2 Liability commitment relating to acquisition of minority shareholding</b>			
Noncurrent			
At the beginning of the period	54,189	53,622	53,622
Regulation on deposit accounts	0	0	288
Regulation of the year	-86	885	279
	54,103	54,507	54,189
Current			
At the beginning of the period	87,089	80,720	80,720
Dividend paid	0	0	-6,811
Regulation of the year	2,841	2,747	13,180
	89,930	83,467	87,089

Long-term liabilities incorporate the value of put option on purchase of the remaining 25% of Carpet Concept. According to the contract the remaining shares of Carpet Concept will be taken over at the earliest 1 December 2021. The shares are taken over at an agreed price of DKK 58.0m (EUR 7.8m). The debt is increased/reduced yearly by the minority's share of dividend payments.

Short-term liabilities incorporate the value of put option on purchase of the remaining 49% of Bentzon Carpets ApS and Hammer Carpets A/S. According to the contracts the remaining shares of Bentzon Carpets ApS will be taken over no later than 1 May 2021 and Hammer Carpets A/S no later than 1 October 2021. According to the contracts minorities can require redemption earlier if desired. 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 references

As per 1 May 2018 we have established a new Group structure with 4 equal brands (areas of business) and a number of Group functions. Based on this situation the segment reporting will be adjusted to reflect the established brand structure.

The segmentation is prepared on the basis of the Group's internal management reporting and is based on the individual brand (operating segment). Consolidation to reportable segments is based on differences in customers and influents.

EBIT is used as segment result.

2018/19	ege	Carpet Concept	Hammer Carpets	Bentzon Carpets	Total reportable segments
Revenue external customers	198,735	37,217	24,742	13,853	274,547
Internal revenue between segments	12,302	0	1,235	16,871	30,408
<b>Total segment revenue</b>	<b>211,037</b>	<b>37,217</b>	<b>25,977</b>	<b>30,724</b>	<b>304,955</b>
Profit from sale of assets	0	0	0	0	0
Depreciations	7,691	847	1,133	571	10,242
Segment profit before tax (EBIT)	6,870	-1,676	1,683	5,774	12,651
Segment assets	683,784	104,261	129,895	84,535	1,002,475

2017/18	ege	Carpet Concept	Hammer Carpets	Bentzon Carpets	Total reportable segments
Revenue external customers	200,046	46,919	23,976	11,673	282,614
Internal revenue between segments	10,699	0	1,901	22,418	35,018
<b>Total segment revenue</b>	<b>210,745</b>	<b>46,919</b>	<b>25,877</b>	<b>34,091</b>	<b>317,632</b>
Profit from sale of assets	291	0	250	0	541
Depreciations	7,934	867	676	557	10,034
Segment profit before tax (EBIT)	15,196	3,989	826	6,401	26,412
Segment assets	672,154	114,356	122,619	87,606	996,735

## Notes without references

Reconciliation of result for the period before tax	2018/19	2017/18
Segmental result for reportable segments	12,651	26,412
Unallocated depreciations	-983	-1,064
Unallocated financial costs	-3,764	-5,491
Unallocated profit from sale of assets	0	0
Group elimination	281	-708
Result for the period, cf. Income Statement	8,185	19,149

Reconciliation of assets	2018/19	2017/18
Assets for reportable segments	1,002,475	996,735
Unallocated stock	-15,949	-13,468
Unallocated cash equivalents	0	0
Unallocated fixed assets	21,913	25,900
Assets, cf. Balance sheet	1,008,439	1,009,167

### Segment information - geographically

2018/19	ege	Carpet Concept	Hammer Carpets	Bentzon Carpets	Total reportable segments
Growth markets (UK-FR-DACH)	55,985	28,324	8,942	5,728	98,979
Other primary markets (DK-NO-SE)	73,276	4,437	3,666	2,941	84,320
Other markets	68,666	4,456	12,134	5,184	90,440
Total	197,927	37,217	27,742	13,853	273,739

Revenue is factored in at a specific time corresponding to customers gain of control.

There is only one product (carpets)

2017/18	ege	Carpet Concept	Hammer Carpets	Bentzon Carpets	Total reportable segments
Growth markets (UK-FR-DACH)	52,811	40,484	14,435	5,612	113,342
Other primary markets (DK-NO-SE)	75,644	3,393	5,362	1,012	85,411
Other markets	73,179	3,042	4,179	5,049	85,449
Total	201,634	46,919	23,976	11,673	284,202



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THE URGE TO EXPLORE SPACE

[egecarpets.com](http://egecarpets.com)