

Interim report

1 May 2018 - 31 October 2018

ege[®]

EGE GROUP

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

Søren Mygind Eskildsen, director

Jørgen Stender Clausen, smith (staff representative)

Maja Lorenzen, office clerk (staff representative)

Management

John Vestergaard, CEO

Svend Aage Færch Nielsen, CCO

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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egetæpper a/s

Herning, 11 December 2018

Management statement

The management and the Board of Directors have today presented and approved the interim report for the period 1 May 2018 – 31 October 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 October 2018 as well as of the result of the Group's activities and cash flows for the period 1 May 2018 – 31 October 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 11 december 2018

Management:



John Vestergaard
CEO



Svend Aage Færch Nielsen
CCO

Board of directors:



Ebbe Malte Iversen
Chairman




Hans Olesen Damgaard
Deputy chairman



Kaja Møller
Kaja Møller



Søren Mygind Eskildsen



Jørgen Stender Clausen
Staff representative



Maja Lorenzen
Staff representative

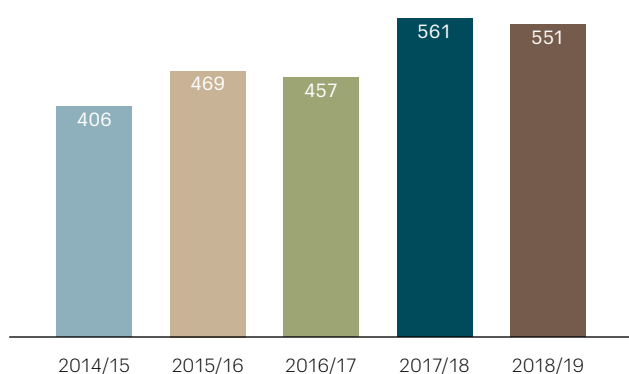


Management report

First six months in numbers (Group level)

Turnover

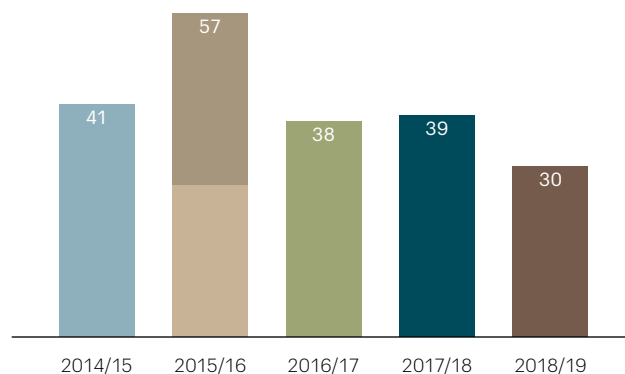
t.DKK



Turnover of the first 6 months of the financial year 2018/19 amounts to DKK 550.5m and has decreased by 2% compared to last year. The development is as expected and is primarily attributable to Hammer Carpets and to some extent Carpet Concept.

EBIT

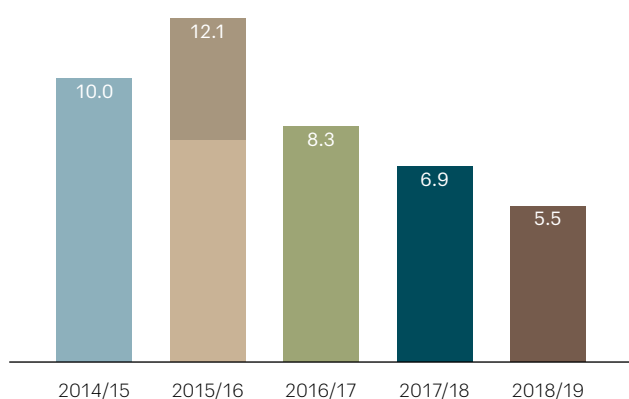
t.DKK



EBIT makes up DKK 30.1m which is a 23% decrease compared to last year. The result is slightly below our expectations for the first six months of the financial year and can be attributed to Q1 (costs associated with an international sales conference and a decline in revenue at Carpet Concept). The development in revenue during Q2 exceeds the level of last year as well as our expectations.

EBIT-margin

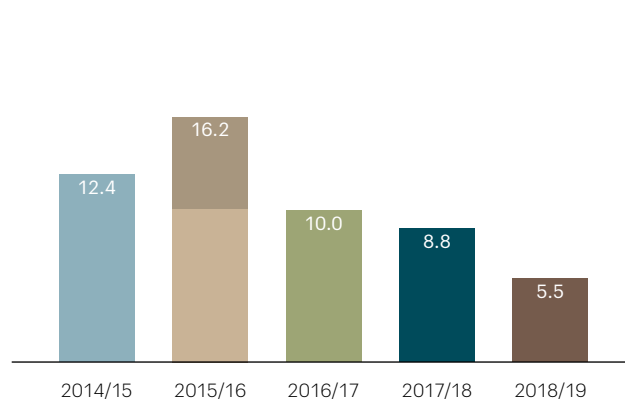
%



The EBIT margin makes up 5.5% and is slightly below our overall expectations for the first six months of the financial year. The EBIT margin of Q2 constitutes 6.6%.

ROIC (after tax)

%



Return on invested capital (RoIC) makes up 5.5%.

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

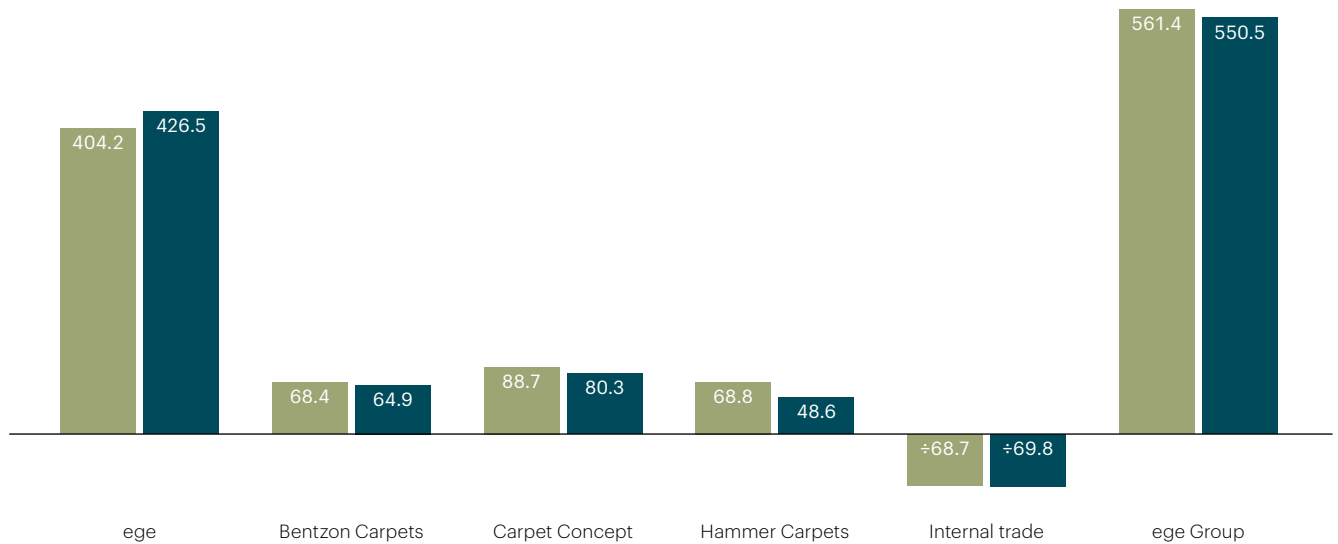
Financial highlights of the Group

t.DKK	H1 2018	H2 2017	2017/18
Net turnover	551	561	1.157
Result before financial entries and taxation (EBIT)	30	39	79
Financial entries (net)	-7	-10	-17
Result before taxation	23	29	62
Group net result	17	22	44
Total assets at end of period	1,075	1,007	1,019
Share capital	26	26	26
Equity at end of period excl. of minority holdings	505	485	506
Net working capital	271	270	285
Cash flows from operating activity	63	19	60
Number of employees	731	712	707
Investments in long-term assets (excl. acquisition of subsidiary)	62	22	49
Investments in long-term assets (excl. of acquisition of factory)	0	0	174
Depreciations	22	22	43
Net profit ratio (EBIT-margin)	5	7	7
Return on invested capital (RoIC)	6	9	7
Return on equity after taxation (p.a.)	6	9	9
Solvency ratio	47	48	50
Net working capital in percentage of turnover	25	24	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	192.80	185.08	193.07
Stock exchange price	224.00	255.00	250.00
Stock exchange price/net asset value	1.16	1.38	1.29

Turnover per brand

t.DKK

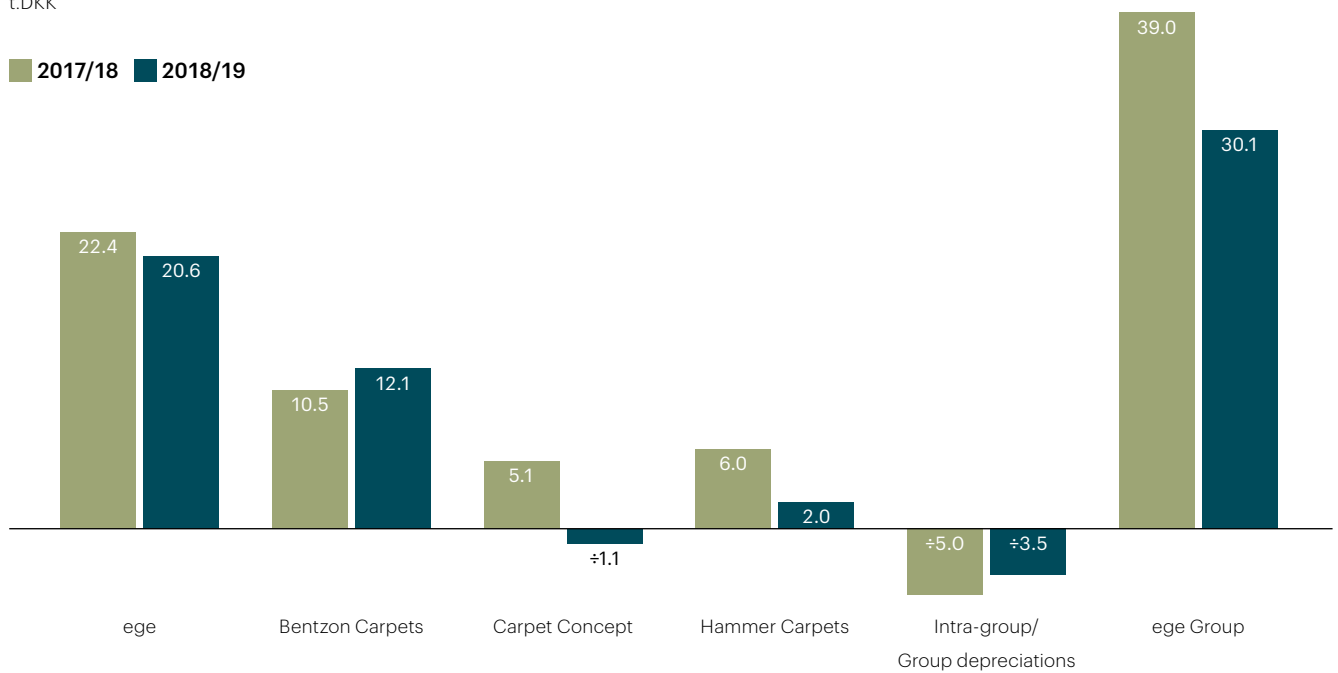
■ 2017/18 ■ 2018/19



EBIT per brand

t.DKK

■ 2017/18 ■ 2018/19



Internal trade and sourcing of products in the Group entail internal profit etc. These are eliminated at Group level. Eliminations constitute overall approx. DKK 3.5m for the first six months of

the financial year and primarily consist of depreciations at Group level on intangible assets (customer relations Hammer Carpets and Carpet Concept) as well as internal profit.

Accounting report

Group

Turnover

The Group turnover amounts to DKK 550.5m against DKK 561.4m last year, representing a decrease of 2%. The development is mainly attributable to Hammer Carpets and Carpet Concept and is as expected.

Costs

Other external costs amount to DKK 103.1m and have increased by DKK 3.6m compared to last year. Staff charges amount to DKK 167.1m against DKK 156.1m last year. Overall, the increase in costs amounts to DKK 14.6m corresponding to 6%.

Depreciations amount to DKK 22.4m against DKK 22.2m last year.

Financial entries

Financial entries amount to DKK -7.0m against DKK -9.6m last year.

EBIT for the first six months

EBIT constitutes DKK 30.1m against 39.0m last year.

Equity

Equity of the Group excl. of minority holdings amounts to DKK 505.3m against DKK 485.1m last year. The solvency ratio constitutes 47% against 48% last year.

Cash flow statement

Cash flows from operation amount to DKK 62.6m against DKK 19.2m last year.

Cash flows for investments amount to DKK -69.9m against DKK -30.0m last year.

Employees

As of 31 October 2018 the number of employees is 731, corresponding to an increase of 24 compared to 30 April 2018. Both sales and production capacity have expanded during the period.

The past six months

ege

Turnover of the past six months amounts to DKK 426.5m corresponding to organic growth a little under 6% which meets with our expectations.

Scandinavia has not quite met with our expectations. We have seen a decline in Denmark and an increase in Norway.

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 continues to be Benelux and USA who perform satisfactorily.

EBIT of the first six months makes up DKK 20.6m and is consistent with our expectations. EBIT of Q2 makes up DKK 13.8m corresponding to an increase of DKK 6.6m compared to Q2 last year.

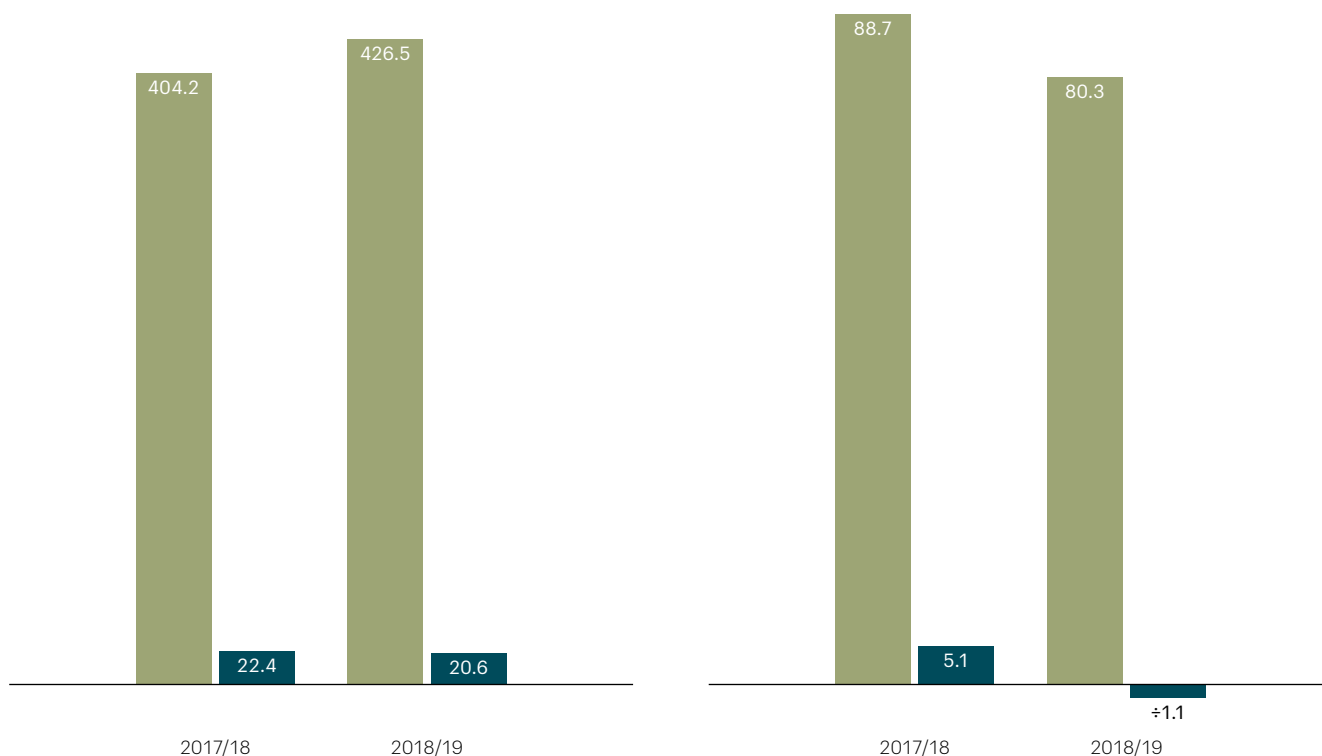
Carpet Concept

Carpet Concept has during Q2 experienced growth in turnover at just over 3% compared to last year. After a period of "drought" with decline we begin to see the effect of the effort aimed on increasing the competitiveness of Carpet Concept. The decline in turnover of the past six months makes up 9%.

EBIT of the past six months makes up DKK -1.1m which is on par with our expectations.

■ Turnover ■ EBIT

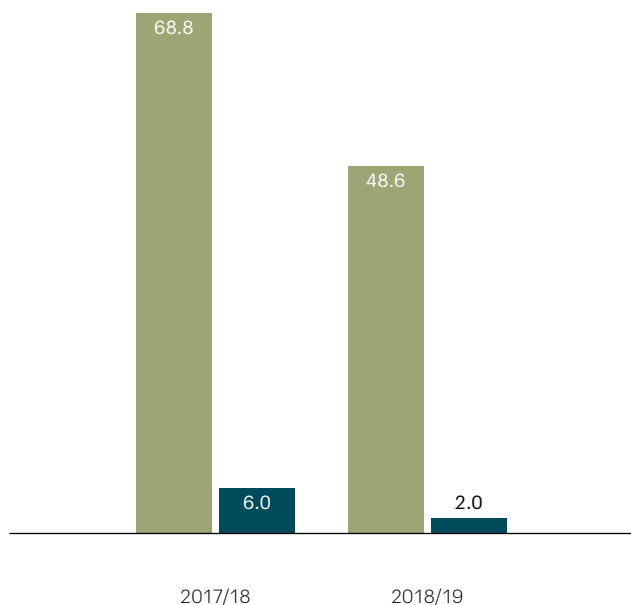
t.DKK



Hammer Carpets

In terms of turnover Hammer Carpets has not met the level of last year with a decline of 29% during the past six months. This does not live up to our expectations. The development is due to postponement of orders to following quarters. The first major deliveries have been shipped in November. Based on agreed delivery times and order portfolios Hammer Carpets is anticipated to live up to our expectations for the financial year.

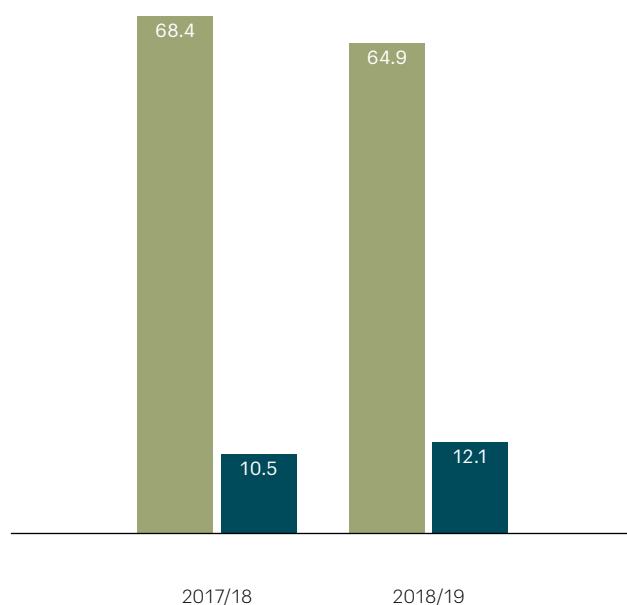
EBIT of the first six months makes up DKK 2.0m and is reduced by approx. 2/3 as a result of decline in turnover. Despite the decline EBIT exceeds our expectations. The primary reasons for this are due to optimization and efficiency improvements of purchasing and production.



Bentzon Carpets

Compared to last year Bentzon Carpets has recorded a decline in turnover of approx. 5%. The decline is attributable to Group internal sales to ege and Carpet Concept, as revenue for external customers has increased by 3% compared to last year.

Our expectations in terms of revenue are met.



Prospects for the financial year 2018/19

Based on the development we have seen during the first six 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 6 months 2018/19	Realised 6 months 2017/18
Turnover DKKm	1,225	551	561
EBIT-margin	7.5%	5.5%	6.9%
Cash flows from operating activity DKKm	90-100	63	19
Investments DKKm*	approx. 100	70	30

*Investment in both tangible and intangible assets.

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.



Profit and loss account 1 May - 31 October

Note	t.DKK	H1 2018/19	H1 2017/18	Q2 2018/19	Q2 2017/18
	Turnover	550,508	561,407	276,769	277,205
	Change in stock of finished goods, work in progress and commercial goods	22,716	19,739	20,500	16,005
	Costs for raw materials, auxiliaries and commercial goods	-251,944	-266,347	-130,397	-138,045
	Other external costs	-103,109	-99,531	-50,259	-50,135
	Gross profit	218,171	215,268	116,613	105,030
	Other operating income	1,536	2,037	1,064	1,420
	Staff costs	-167,095	-156,098	-88,215	-80,709
	Depreciations	-22,383	-22,200	-11,158	-11,102
	Other operating costs	-81	-20	-69	0
	Profit before financial entries and taxation	30,148	38,987	18,235	14,639
	Profit after tax in joint venture	138	567	102	275
	Financial income	42	48	0	25
1	Financial expenses	-7,196	-10,180	-3,390	-4,666
	Profit before tax	23,132	29,422	14,947	10,273
	Tax on profit for the period	-6,338	-7,539	-3,932	-2,093
	Profit for the period	16,794	21,883	11,015	8,180
	Divided between:				
	Shareholders of egetæpper a/s	16,026	20,634	10,692	7,519
	Minority shareholders	768	1,249	323	661
		16,794	21,883	11,015	8,180
	Earnings per diluted share, DKK (EPS-D)	6.11	7.87	4.07	2.87
	Earnings per share, DKK (EPS)	6.11	7.87	4.07	2.87

Consolidated income statement 1 May - 31 October

t.DKK	H1 2018/19	H1 2017/18	Q2 2018/19	Q2 2017/18
Financial entries which might be reclassified to the profit and loss account				
Exchange rate adjustment of foreign subsidiaries	296	-935	81	904
Tax on other consolidated income	0	0	0	0
Other consolidated income after tax	296	-935	81	904
Profit for the period	16,794	21,883	11,015	8,180
Total recognised consolidated income	17,090	20,948	11,096	9,084
Divided between:				
Shareholders of egetæpper a/s	16,322	19,699	10,773	8,423
Minority shareholders	768	1,249	323	661
	17,090	20,948	11,096	9,084

Balance sheet

t.DKK	31/10 2018	31/10 2017	30/4 2018
Assets			
Long-term assets			
Intangible assets			
Completed development costs	170	1,082	698
Customer relations	8,620	11,191	10,198
Agency rights	1,610	1,610	1,610
Goodwill	148,252	148,087	148,252
Intangible projects under construction	35,814	19,604	27,843
Total intangible assets	194,466	181,574	188,601
Tangible fixed assets			
Land and buildings	171,203	163,269	165,342
Plant and machinery	132,345	133,496	143,971
Fixtures and fittings, tools and equipment	22,759	22,935	25,581
Property plant and equipment under construction	70,933	29,075	20,570
	397,240	348,775	355,464
Financial fixed assets			
Capital investments in joint venture	23,300	26,748	23,162
	23,300	26,748	23,162
Total long-term assets	615,006	557,097	567,227
Short-term assets			
Inventories	285,155	272,530	269,285
Trade receivables	146,085	149,560	168,109
Cash at bank and in hand	29,249	28,296	13,973
Total short-term assets	460,489	450,386	451,367
Total assets	1,075,495	1,007,483	1,018,594

Note	t.DKK	31/10 2018	31/10 2017	30/4 2018
Equity and liabilities				
Equity				
	Share capital	26,210	26,210	26,210
	Reserve for exchange rate adjustments	-1,690	-1,095	-1,986
	Retained earning	480,820	459,986	464,794
	Proposed dividends	0	0	17,037
		505,340	485,101	506,055
	Minority shareholders' part	4,456	4,933	5,242
	Total equity	509,796	490,034	511,297
Liabilities				
Long-term liabilities				
	Deferred tax	30,379	30,387	30,381
	Credit institutions	95,076	65,144	55,017
2	Engagement relating to acquisition of minority shareholding	54,400	54,889	54,189
		179,855	150,420	139,587
Short-term liabilities				
	Trade payables	63,438	57,083	55,863
	Debts to joint venture	7,159	5,532	6,772
	Debts to associates	33,146	0	25,000
	Credit institutions	99,632	126,499	93,453
	Engagement relating to acquisition of minority shareholding	79,422	80,342	87,089
	Corporation tax	13,767	7,897	9,666
	Other payables	89,280	89,676	89,867
		385,844	367,029	367,710
	Total liabilities	565,699	517,449	507,297
	Total equity and liabilities	1,075,495	1,007,483	1,018,594

Cash flow statement 1 May - 31 October

t.DKK	H1 2018/19	H1 2017/18
Turnover and other operating income	552,228	562,509
Operating costs	-521,896	-525,953
Depreciations	22,383	22,200
Change in working capital	13,529	-27,169
Cash flow from activities before financial items	66,244	31,587
Interest receipts or similar	42	513
Interest payments or similar	-1,485	-3,369
Cash flow from ordinary operation before taxation	64,801	28,731
Corporation tax paid	-2,239	-9,550
Cash flows from operating activity	62,562	19,181
Acquisition of tangible assets	-62,047	-21,832
Sale of tangible assets	106	1,770
Acquisition of intangible assets	-7,971	-9,928
Cash flows to investment activity	-69,912	-29,990
Borrowing	59,000	0
Loan repayment	-25,000	0
Instalments	-10,795	-9,791
Change in operation credits	31,179	41,574
Dividend paid	-17,037	-17,037
Dividend paid to minority shareholders	-14,686	-8,476
Cash flows from financing activities	22,661	6,270
Cash flow of the period	15,311	-4,539
Cash equivalents at beginning of period	13,973	33,300
Value adjustment of cash equivalents	-35	-465
Cash equivalents at end of period	29,249	28,296



Statement of capital and reserves

t.DKK	Share capital	Reserve for exchange rate adjustment	Retained earnings	Proposed dividends	Total	Minority share-holders	Total equity
Equity 1 May 2017	26,210	-160	439,352	17,037	482,439	5,349	487,788
Profit for the period	0	0	20,634	0	20,634	1,249	21,883
Exchange rate adjustments	0	-935	0	0	-935	0	-935
Dividend paid	0	0	0	-17,037	-17,037	-1,665	-18,702
Total equity 31 October 2017	26,210	-1,095	459,986	0	485,101	4,933	490,034
Equity 1 November 2017	26,210	-1,095	459,986	0	485,101	4,933	490,034
Profit for the period	0	0	4,808	17,037	21,845	309	22,154
Exchange rate adjustments	0	-891	0	0	-891	0	-891
Dividend paid	0	0	0	0	0	0	0
Total equity 30 April 2018	26,210	-1,986	464,794	17,037	506,055	5,242	511,297
Equity 1 May 2018	26,210	-1,986	464,794	17,037	506,055	5,242	511,297
Profit for the period	0	0	16,026	0	16,026	768	16,794
Exchange rate adjustments	0	296	0	0	296	0	296
Dividend paid	0	0	0	-17,037	-17,037	-1,554	-18,591
Total equity 31 October 2018	26,210	-1,690	480,820	0	505,340	4,456	509,796

Notes

Note	t.DKK	H1 2018/19	H1 2017/18	Q2 2018/19	Q2 2017/18
1	Financial costs				
	Other interest expenses	1,493	1,529	721	866
	Exchange rate adjustments	27	951	-252	-268
	Value adjustment on liability commitment on purchase of minority entry	5,676	7,700	2,921	4,068
		7,196	10,180	3,390	4,666
			31/10 2018	31/10 2017	30/4 2018
2	Liability commitment relating to acquisition of minority shareholding				
	Noncurrent				
	At the beginning of the period		54,189	53,622	53,622
	Regulation on deposit accounts		0	0	288
	Regulation of the year		211	1,267	279
			54,400	54,889	54,189
	Current				
	At the beginning of the period		87,089	80,720	80,720
	Dividend paid		-13,132	-6,811	-6,811
	Regulation of the year		5,465	6,433	13,180
			79,422	80,342	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 2020 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 the minority's share of the the year result and will be reduced by the minority's 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 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.

Segment information

	ge	Carpet Concept	Hammer Carpets	Bentzon Carpets	Total reportable segments
2018/19					
Revenue external customers	395,395	80,312	45,324	29,477	550,508
Internal revenue between segments	31,071	0	3,286	35,425	69,782
Total segment revenue	426,466	80,312	48,610	64,902	620,290
Profit from sale of assets	6	106	0	0	112
Depreciations	15,278	1,715	2,268	1,155	20,416
Segment profit before tax (EBIT)	20,621	-1,092	2,039	12,067	33,635
Segment assets	725,574	112,888	144,600	88,730	1,071,792
2017/18					
Revenue external customers	379,329	88,673	64,660	28,745	561,407
Internal revenue between segments	24,905	0	4,153	39,687	68,745
Total segment revenue	404,234	88,673	68,813	68,432	630,152
Profit from sale of assets	619	0	950	0	1,569
Depreciations	15,727	1,744	1,476	1,125	20,072
Segment profit before tax (EBIT)	22,359	5,141	6,026	10,481	44,007
Segment assets	660,620	104,205	143,299	90,254	998,378

Reconciliation of result for the period before tax	2018/19	2017/18
Segmental result for reportable segments	33,635	44,007
Unallocated depreciations	-1,965	-2,127
Unallocated financial costs	-7,016	-9,565
Unallocated profit from sale of assets	0	0
Group elimination	-1,522	-2,893
Result for the period, cf. Income Statement	23,132	29,422

Reconciliation of assets	2018/19	2017/18
Assets for reportable segments	1,071,792	998,378
Unallocated stock	-17,227	-15,031
Unallocated cash equivalents	0	0
Unallocated fixed assets	20,930	24,136
Assets, cf. Balance sheet	1,075,495	1,007,483

Segment information - geographically

2018/19	Region	Carpet Concept	Hammer Carpets	Bentzon Carpets	Total reportable segments
	Growth markets (UK-FR-DACH)	124,868	67,240	11,840	226,108
	Other primary markets (DK-NO-SE)	153,432	7,874	7,875	175,794
	Other markets	117,095	5,225	9,762	148,606
	Total	395,395	80,312	29,477	550,508

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

There is only one product (carpets).

2017/18	Region	Carpet Concept	Hammer Carpets	Bentzon Carpets	Total reportable segments
	Growth markets (UK-FR-DACH)	108,185	75,781	14,939	236,289
	Other primary markets (DK-NO-SE)	153,155	8,842	4,080	174,333
	Other markets	117,989	4,050	9,726	150,785
	Total	379,329	88,673	28,745	561,407

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