

egetæpper a/s

Interim report 2012/13
(1 May 2012 - 31 January 2013)

CVR-nr. 38 45 42 18

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Kongelig Hofleverandør
egetæpper a/s

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egetæpper a/s

Herning, 14 March 2013

Financial highlights for the group

DKK million	9 months <u>2012/13</u>	9 months <u>2011/12</u>	Year <u>2011/12</u>
Turnover	585	560	753
Result before financial entries (EBIT)	42	45	64
Financial entries (net)	-6	-8	-9
Result before taxation	36	37	55
Profit for the period	26	26	37
Minority shareholders' part	1	1	1
Group net result	25	25	36
Total assets at end of period	566	553	564
Net working capital	174	188	189
Cash flows from operational activity	53	28	44
Capital and reserves	26	28	28
Capital and reserves at end of period excl. of minority holdings	369	341	351
Number of employees	466	467	494
Net investments in long-term assets (excl. of acquisition of factory)	31	22	29
Depreciations	21	21	28
Net profit ratio (EBIT-margin)	7	8	8
Return on invested capital after taxation (p.a.)	9	10	11
Equity ratio	65	63	62
Share capital, nominal t.DKK	26.210	27.668	27.668
Number of A-shares	330.340	330.340	330.340
Number of B-shares	2.290.720	2.436.490	2.436.490
Number of own shares	0	145.770	145.770
Number of shares in circulation	2.290.720	2.290.720	2.290.720
Recommended dividend per share, DKK	-	-	3
Net asset value of share, DKK	141	132	134
Stock exchange price	150	95	118
Stock exchange price /net asset value	1,07	0,75	0,88

On an extraordinary general meeting held Monday 17 December 2012 it was decided to cancel stock of own shares and to split the capital into shares' denomination of DKK 10.00 instead of shares' denomination of DKK 100.00. Accordingly comparative figures have been adjusted.

The key figures have been calculated according to the "Recommendations and Key figures 2010".

Management statement

The management and the board of directors have today presented and approved the interim report for the period 1 May - 31 January 2013.

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 2013 as well as of the result of the group's activities and cash flows for the period 1 May - 31 January 2013.

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, 14 March 2013

Management:

John Vestergaard
CFO

Svend Aage Færch Nielsen
CEO

Board of directors:

Ebbe Malte Iversen
Chairman

Frank Uhrenholt
Deputy chairman

Knud Damgaard

Peder Fisker Knudsen

Anne Mette Zachariassen

Niels Clausen
Staff representative

Maja Lorenzen
Staff representative

Management report

In the annual report for 2011/12 our expectations to 2012/13 read as follows:

"The financial crisis still has an impact on the construction industry in a number of European countries. Among our important markets especially Denmark, England and southern Europe still record low activity, whereas Norway, Sweden and the Middle East are operating at a relatively high activity level. We do not expect this situation to change significantly within the next year. Our establishment on the Chinese market in 2011/12 is expected to yield a modest, however positive, contribution to the result in 2012/13."

The activity level in the first 9 months of the accounting year 2012/13 as a whole has been as expected. In general the market situation is still difficult and characterised by big uncertainty. The activity level on our biggest market, the Danish market, has not changed and is still low. Among the biggest export markets we have seen growth in the UK, Germany and the Middle East. On the French market the situation has not improved. We still see decline compared to our expectations to this year and the realized level of last year. Among the small export markets there has been growth on both the Benelux markets as well as the South European markets (Spain, Portugal and Italy) and the East European markets during the period.

Turnover of the period amounted to 586 DKK million against 560 DKK million last year, which presents an increase of 4%. The export share is now 78% against 76% last year.

EBIT makes out 41,8 DKK million corresponding to an EBIT margin of 7%. Compared to last year a minor decline of 3,1 DKK million but still in correspondence with our expectations. The gross result has declined by 10,2 DKK million as a consequence of increase in raw materials but is partially compensated through decrease in costs. The group's overheads, amounting to 284,6 DKK million (other external costs, staff expenditure and depreciations) has fallen by a shade under 1% compared to last year. Staff expenditure has been reduced due to outsourcing of yarn production. Reversely there has goal-orientedly been invested in development of the organization as well as training and upgrade of our sales force worldwide during the period. As per 31 January 2013 the average number of employees was 466 which is on par with last year.

Profit for the period before taxation and minority holdings amounted to 36,3 DKK million against 36,7 DKK million last year.

Group cash flow from operations amounted to 53 DKK million against 28 DKK million last year. Less funds tied up in working capital amounted to 3 DKK million in all against an increase of same last year of 25 DKK million.

Investments in long-term assets in this period amounted to 31 DKK million.

Prospects for the financial year 2012/2013

Normally we operate with an order book corresponding to one week's production which makes it difficult to look months ahead. We have informed earlier that for the present accounting year we expect an increase in group turnover of 0-5% and a result before taxation of approx 50 DKK million.

Based on the development of the first 9 months of the accounting year of 2012/13, we maintain our expectations to the result for the whole financial year, viz. a result before taxation of approx 50 DKK million. Expectations to the group turnover are still an increase of 0-5%. We want to stress, that it is still very difficult to predict how the market situation will develop.

Our expectations to cash flow from operations are reduced from ca. 85 DKK million to 70-75 DKK million due to the development in working capital. Our aim to reduce the working capital has decelerated more than originally expected.

We maintain our expectations to investments in long-term assets for 35-40 DKK million.

Focus will still be on a tight cost management, efficiency improvements and a high activity level within product development as well as a continuing development of sales organisations on our export markets.

	Expected 2012/13	Adjusted expectations 2012/13	Realised 9 months 2012/13
Turnover DKK mio.	750-800	750-800	588
EBIT-margin	7-8%	7-8%	7%
Result before taxes DKK mio.	ca. 50	ca. 50	36
Cash flow from operations DKK mio.	85	70-75	53
Investments DKK mio.	35-40	35-40	31

Accounting policies

The interim report is prepared in accordance with IAS 34 "Interim financial reporting" as adopted by the EU and additional Danish disclosure requirements for listed companies.

Other than as set out below, the accounting policies are unchanged from those applied in the Annual group Report 2011/12, to which refer is made. It holds a full description of the accounting policies in question.

With effect from 1 May 2012 egetæpper implemented changes to IFRS 7 and IAS 12. The implementation has not affected recognition and measurements.

Profit and loss account

	9 months	9 months		
t.DKK	2012/13	2011/12	Q3 2012/13	Q3 2011/12
Turnover	584.685	559.980	188.845	187.313
Change in stock of finished goods, work in progress and commercial goods	29.789	32.436	10.671	12.780
Costs for raw materials, auxiliaries and commercial goods	-290.731	-262.029	-92.181	-90.249
Other external costs	-108.387	-104.837	-36.207	-33.438
Gross profit	215.356	225.550	71.128	76.406
Other operating income	2.671	2.123	362	413
Staff costs	-154.945	-160.915	-53.471	-55.932
Depreciations	-21.250	-20.787	-6.974	-6.848
Other operating costs	-2	-1.055	-2	-1.043
Profit before financial entries and taxation	41.830	44.916	11.043	12.996
Financial entries	132	98	37	22
Financial costs	-5.704	-8.299	-1.553	-1.784
Profit before taxation	36.258	36.715	9.527	11.234
Tax on profit for the period	-10.111	-10.524	-2.639	-3.033
Profit for the period	<u>26.147</u>	<u>26.191</u>	<u>6.888</u>	<u>8.201</u>
Divided between:				
Shareholders of egetæpper a/s	25.256	24.951	6.634	7.772
Minority shareholders	891	1.240	254	429
	<u>26.147</u>	<u>26.191</u>	<u>6.888</u>	<u>8.201</u>
Diluted earnings per share, DKK (EPS-D)	<u>10</u>	<u>10</u>	<u>3</u>	<u>3</u>
Earnings per share, DKK (EPS)	<u>10</u>	<u>10</u>	<u>3</u>	<u>3</u>

On an extraordinary general meeting held Monday 17 December 2012 it was decided to cancel stock of own shares and to split the capital into shares' denomination of DKK 10.00 instead of shares' denomination of DKK 100.00. Accordingly diluted earnings per share and earnings per share have been adjusted.

Consolidated income statement

	9 months	9 months		
t.DKK	<u>2012/13</u>	<u>2011/12</u>	<u>Q3 2012/13</u>	<u>Q3 2011/12</u>
Other consolidated income				
Exchange rate adjustment of foreign subsidiaries	276	665	-522	357
Tax on other consolidated income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other consolidated income after tax	276	665	-522	357
Profit for the period	<u>26.147</u>	<u>26.191</u>	<u>6.888</u>	<u>8.201</u>
Total recognised consolidated income	<u><u>26.423</u></u>	<u><u>26.856</u></u>	<u><u>6.366</u></u>	<u><u>8.558</u></u>
Devided between:				
Shareholders of egetæpper a/s	25.532	25.616	6.112	8.129
Minority shareholders	<u>891</u>	<u>1.240</u>	<u>254</u>	<u>429</u>
	<u><u>26.423</u></u>	<u><u>26.856</u></u>	<u><u>6.366</u></u>	<u><u>8.558</u></u>

Balance sheet

	31/1 2013	31/1 2012	30/4 2012
t.DKK	<u>2013</u>	<u>2012</u>	<u>2012</u>
ASSETS			
Long-term assets			
Intangible assets			
Development costs	299	497	439
Agency rights	1.610	1.610	1.610
Goodwill	<u>18.468</u>	<u>18.468</u>	<u>18.468</u>
Total intangible assets	<u>20.377</u>	<u>20.575</u>	<u>20.517</u>
Tangible fixed assets			
Land and buildings	147.029	139.673	148.511
Technical equipment and machinery	60.584	55.223	55.963
Operating equipment and fixtures	17.519	12.067	14.689
Tangible assets in course of construction as well as prepayments	<u>22.895</u>	<u>20.251</u>	<u>18.558</u>
	<u>248.027</u>	<u>227.214</u>	<u>237.721</u>
Other long-term assets			
Debtors	<u>8.454</u>	<u>0</u>	<u>12.388</u>
	<u>8.454</u>	<u>0</u>	<u>12.388</u>
Total long-term assets	<u>276.858</u>	<u>247.789</u>	<u>270.626</u>
Short-term assets			
Portion of long-term liabilities falling due within 1 year	6.194	0	6.194
Stocks	173.685	183.030	179.551
Debtors	96.455	96.541	95.901
Cash at bank and in hand	<u>12.524</u>	<u>14.223</u>	<u>12.140</u>
	288.858	293.794	293.786
Assets held for sale	<u>0</u>	<u>11.518</u>	<u>0</u>
Total short-term assets	<u>288.858</u>	<u>305.312</u>	<u>293.786</u>
TOTAL ASSETS	<u><u>565.716</u></u>	<u><u>553.101</u></u>	<u><u>564.412</u></u>

Balance sheet

t.DKK	31/1 2013	31/1 2012	30/4 2012
LIABILITIES			
Capital and reserves			
Share capital	26.210	27.668	27.668
Reserve for exchange rate adjustments	3.833	3.731	3.557
Accumulated result	338.937	309.248	311.786
Proposed dividend	0	0	8.300
	<u>368.980</u>	<u>340.647</u>	<u>351.311</u>
Minority shareholders' part	4.507	4.856	5.096
Total capital and reserves	<u>373.487</u>	<u>345.503</u>	<u>356.407</u>
Liabilities			
Long-term liabilities			
Deferred taxation	21.354	20.648	21.187
Other long-term liabilities	32.844	34.446	35.844
Credit institutions	295	9.650	11.738
	<u>54.493</u>	<u>64.744</u>	<u>68.769</u>
Short-term liabilities			
Portion of long-term liabilities due within 1 year	9.176	9.347	9.812
Trade creditors	36.070	38.844	33.573
Bank debts	26.364	31.267	24.125
Company tax	13.467	9.158	11.564
Provisions	0	1.200	1.068
Other amounts owed	52.659	53.038	59.094
	<u>137.736</u>	<u>142.854</u>	<u>139.236</u>
Total creditors	<u>192.229</u>	<u>207.598</u>	<u>208.005</u>
TOTAL LIABILITIES	<u>565.716</u>	<u>553.101</u>	<u>564.412</u>

Cash flow statement

t.DKK	9 months 2012/13	9 months 2011/12
Turnover and other operating income	587.632	562.422
Operating costs	-545.560	-517.265
Depreciations	21.250	20.787
Change in working capital	3.297	-24.785
Cash flow from activities before financial items	66.619	41.159
Interest receipts or similar	218	98
Interest payments or similar	-5.704	-8.442
Cash flow from ordinary activities	61.133	32.815
Corporation tax paid	-8.041	-5.214
Cash flows from operating activities	53.092	27.601
Acquisition of intangible assets	0	0
Acquisition of tangible assets	-30.571	-21.808
Sale of tangible assets	132	549
Acquisition of subsidiary company	0	0
Cash flows to investment activities	-30.439	-21.259
Change in long-term liabilities	-14.443	-6.065
Change in operating credits	1.603	14.262
Dividend paid	-7.863	-7.863
Dividend paid to minority shareholders	-1.480	-1.665
Cash flows from financing activities	-22.183	-1.331
Cash flows of the period	470	5.011
Cash and cash equivalents at beginning of period	12.140	9.069
Value adjustment of cash and cash equivalents	-86	143
Cash and cash equivalents at end of period	12.524	14.223

Statement of capital and reserves

t.DKK	Share capital	Reserve for exchange rate adjustment	Accumulated profit	Proposed dividend	Total	Minority shareholders	Total capital and reserves
Capital and res. 1 May 2011	27.668	3.066	283.860	8.300	322.894	5.281	328.175
Profit for the period	0	0	24.951	0	24.951	1.240	26.191
Exchange rate adjustment	0	665	0	0	665	0	665
Dividend paid	0	0	0	-8.300	-8.300	-1.665	-9.965
Dividend on own shares	0	0	437	0	437	0	437
Total cap. & res. 31 January 2012	<u>27.668</u>	<u>3.731</u>	<u>309.248</u>	<u>0</u>	<u>340.647</u>	<u>4.856</u>	<u>345.503</u>
Capital & res. 1 February 2012	27.668	3.731	309.248	0	340.647	4.856	345.503
Profit for the period	0	0	2.538	8.300	10.838	240	11.078
Exchange rate adjustment	0	-174	0	0	-174	0	-174
Total cap.& res. 30 April 2012	<u>27.668</u>	<u>3.557</u>	<u>311.786</u>	<u>8.300</u>	<u>351.311</u>	<u>5.096</u>	<u>356.407</u>
Capital & res. 1 May 2012	27.668	3.557	311.786	8.300	351.311	5.096	356.407
Profit for the period	0	0	25.256	0	25.256	891	26.147
Cancellation of own shares	-1.458	0	1.458	0	0	0	0
Exchange rate adjustment	0	276	0	0	276	0	276
Dividend paid	0	0	0	-8.300	-8.300	-1.480	-9.780
Dividend on own shares	0	0	437	0	437	0	437
Total cap. & res. 31 January 2013	<u>26.210</u>	<u>3.833</u>	<u>338.937</u>	<u>0</u>	<u>368.980</u>	<u>4.507</u>	<u>373.487</u>

On an extraordinary general meeting held Monday 17 December 2012 it was decided to cancel stock of own shares and to split the capital into shares' denomination of DKK 10.00 instead of shares' denomination of DKK 100.00.

Notes

	9 months <u>2012/13</u>	9 months <u>2011/12</u>	<u>Q3 2012/13</u>	<u>Q3 2011/12</u>
1 Financial costs				
Other interest expenses	1.078	1253	341	391
Exchange rate adjustments	1.183	2013	182	493
Value adjustment on forward option on purchase of minority entry	<u>3.443</u>	<u>5033</u>	<u>1.030</u>	<u>900</u>
	<u><u>5.704</u></u>	<u><u>8.299</u></u>	<u><u>1.553</u></u>	<u><u>1.784</u></u>
		<u>31/1</u>	<u>31/1</u>	<u>30/4</u>
		<u>2013</u>	<u>2012</u>	<u>2012</u>
2 Other long-term liabilities				
At the beginning of the period		35.844	32.304	32.304
Dividend paid		-6.444	-2.891	-2.891
Profit for the period		<u>3.444</u>	<u>5.033</u>	<u>6.431</u>
		<u><u>32.844</u></u>	<u><u>34.446</u></u>	<u><u>35.844</u></u>

Other long-term liabilities incorporate value of forward contract on purchase of the remaining 49% of Bentzon Carpets ApS' shares. According to the forward contract the remaining shares will be acquired on 1 May 2020 at the latest at a price corresponding to the accounting net asset value. Liabilities will be increased/reduced on an annual basis with a part of the profit for the year and lowered with a part of the dividend paid.

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 and material used for production as well as cost, which are directly referable to the individual markets.

Segmental information

	Direct sale	Indirect sale	Total reportable segments
1 May 2012 - 31 January 2013			
External revenue	477.036	107.649	584.685
Market contribution	98.114	32.923	131.037
Assets	138.921	18.026	156.947

	Direct sale	Indirect sale	Total reportable segments
1 May 2011 - 31 January 2012			
External revenue	476.910	83.070	559.980
Market contribution	90.822	20.740	111.562
Assets	142.324	12.774	155.098

Reconciliation of result for the period before tax	2012/13	2011/12
Segmental result for reportable segments	131.037	111.562
Unallocated depreciations	-15.920	-16.042
Unallocated financial costs	-5.176	-8.367
Unallocated costs	-73.683	-50.438
Result for the period, cf. income statement	36.258	36.715

Reconciliation of assets	2012/13	2011/12
Assets for reportable segments	156.947	155.098
Unallocated stock	137.573	148.335
Unallocated cash and cash equivalents	5.590	2.026
Unallocated tangible fixed assets	265.606	247.642
Assest, cf. balance sheet	565.716	553.101

Notes

Purchase of company 2011/12

Acquisition of share capital in UAB Litspin

On 16 February egetæpper has purchased 100% of the shares in the company UAB Litspin at a purchase price of DKK 8.3 million. The takeover is a consequence of closing the factory in Vejle, and the production of wool yarn is moved to UAB Litspin during the financial year 2012/13.

Transaction costs for the group in connection with the acquisition amounts to approx. DKK 0.2 million, which is included in the profit and loss account for the fourth quarter 2011/12.

Apart from the transaction costs the group's net profit is adversely affected by DKK 163.000 and the turnover positively affected by DKK 1.507.000.

The fair value of property is based on an estimated market value. The production plant has been inspected and priced by building experts.

t.DKK	Fair value at date of takeover
Tangible fixed assets	10.693
Stocks	99
Debtors	203
Cash at bank and in hand	621
Credit institutions	-2.666
Trade creditors	-60
Other amounts owed	-576
Net assets taken over	8.314
Deferred payment	-2.159
Total acquisition paid April 2012	6.154
Hereof available funds in UAB Litspin	-621
Cash payment	5.534