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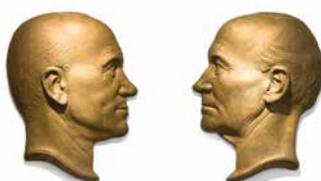
Annual Report 2014  
Brødrene A & O Johansen A/S  
CVR No.: 58 21 06 17



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*This financial statement is available in Danish and English. In case of doubt, the Danish version shall apply.*



# Consolidated Five-Year Summary

(DKKm)

Key figures	2014	2013	2012	2011	2010
Revenue	2,258.7	2,309.7	2,272.7	2,366.1	2,130.9
Gross margin	646.6	691.1	675.8	669.1	597.5
Costs	(546.3)	(564.0)	(548.4)	(550.6)	(572.5)
Operating profit or loss (EBIT)	100.3	127.1	127.3	118.5	25.0
Financial income and expenses, net	(2.7)	(1.9)	(5.4)	(12.6)	(17.8)
Profit or loss before tax (EBT)	97.5	125.2	121.9	105.9	7.2
Tax on profit or loss for the year	(23.8)	(26.6)	(30.8)	(26.1)	(1.0)
Net profit or loss for the year	73.8	98.6	91.1	79.8	6.1
Non-current assets	896.7	721.7	633.7	627.0	647.8
Current assets	694.2	709.5	652.7	649.2	776.8
Total assets	1,590.9	1,431.3	1,286.4	1,276.2	1,424.6
Share capital	57.0	57.0	57.0	57.0	57.0
Equity	935.7	863.0	766.3	671.3	596.9
Non-current liabilities	204.5	199.7	203.5	275.9	343.8
Current liabilities	450.7	368.5	316.6	329.1	483.9
Cash flow from operating activities	199.9	165.0	266.6	292.5	0.2
Cash flow from investing activities	(197.1)	(126.1)	(42.9)	(29.1)	(47.3)
Of which investments in property, plant and equipment, net	(178.7)	(109.5)	(38.1)	(19.4)	(37.3)
Cash flow from financing activities	14.8	(2.4)	(207.7)	(265.5)	38.2
Cash flow for the year	17.5	36.6	15.9	(2.0)	(8.9)
<b>Financial ratios</b>					
Gross profit margin	28.6%	29.9%	29.7%	28.3%	28.0%
Profit margin	4.4%	5.5%	5.6%	5.0%	1.2%
Return on capital employed	6.6%	9.4%	9.9%	8.8%	1.8%
Return on equity	8.2%	12.1%	12.7%	12.6%	1.0%
Solvency ratio	58.8%	60.3%	59.6%	52.6%	41.9%
Book value	1,642	1,514	1,344	1,178	1,047
Share price at the end of the year	1,115	1,335	1,050	775	516
Price Earnings Basic (P/E Basic)	7.4	6.6	5.6	5.3	46.9
Dividend per DKK 100 share	0.0	0.0	0.0	0.0	0.0
Earnings per share (EPS Basic), DKK	150	201	186	145	11
Diluted earnings per share (EPS-D), DKK	149	198	183	144	11
Number of employees	621	650	636	639	677

Basic EPS and diluted EPS have been calculated in accordance with IAS 33 (note 17). Other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2010".

# MANAGEMENT'S REVIEW

## THE YEAR IN OUTLINE

2014 was a historic year for Brødrene A & O Johansen (AO) as the company celebrated its 100<sup>th</sup> anniversary. A special train was chartered to transport employees from Jutland to Copenhagen where a special performance was arranged at the Copenhagen Opera House. Afterwards, the festivities continued at the National Gallery of Denmark.

In 2014 the AO Group focused on implementing facilities that will optimise the services offered to the future tradesman.

- A new online trading platform, which has been elected the best EPI server on the market, was implemented at AO.dk. In 2015 the same platform will be implemented in Sweden through AOnet.se.
- An investment of approximately DKK 200 million in a fully automated high-bay warehouse holding 29,000 pallets and a renovation of the central warehouse was completed according to plan. The facility will be put into operation in the first quarter of 2015.
- Local presence is ensured by continued investments in new locations for AO's stores. In 2014, new stores opened in Viby, Århus and Slagelse, and several existing stores were renovated. At the beginning of 2015 new stores were set up in Køge and Helsingborg (Sweden).
- AO Sverige AB was reorganised into a regional structure where local customer focus is ensured through an increased sales force.
- On a regular basis processes and routines are made more efficient in order to ensure an effective customer service, and at the same time the organisation is adapted to existing market conditions.

Profit before tax of DKK 97.5 million is at the top end of the previously announced target range, but DKK 27.7 million lower than reported in 2013. The results are considered acceptable.

The profit margin was 4.4% against 5.5% in 2013.

Consolidated revenue for the year was DKK 2,258.7 million against DKK 2,309.7 million in 2013. The decrease of DKK 51.0 million or 2% is attributable to foreign operations.

Gross profit for the year was DKK 646.6 million, a decrease of DKK 44.4 million or 6%. The gross profit margin of 28.6% declined by 1.3 percentage points compared with 2013. The decline is attributable to fierce competition in the market.

Total operating expenses for the year amounted to DKK 546.3 million, which is DKK 17.7 million or 3% less than in 2013 due to efficiency improvements and general savings.

Operating profit (EBIT) for the year was DKK 100.3 million against DKK 127.1 million in 2013.

Net profit for the year of DKK 73.8 million is DKK 24.9 million less than in 2013.

As at 31 December 2014, the Group's total assets amounted to DKK 1,590.9 million, which is DKK 159.6 million more than last year. The increase is attributable to investments in a high-bay warehouse, a renovation of the central warehouse, and a new store in Køge. Consequently, non-current assets increased by DKK 175.0 million.

Current assets decreased by DKK 15.3 million as a result of lower working capital.

Equity totalled DKK 935.7 million equalling a solvency ratio of 58.8%.

During the year the interest-bearing debt of DKK 185.2 million increased by DKK 13.8 million, a satisfactory figure considering the high level of investment.

Cash flow from operating activities amounted to DKK 199.9 million, DKK 34.9 million more than last year, primarily as a result of lower working capital.

In 2014, investments amounted to net DKK 197.1 million, which is DKK 71.0 million more than last year. The investment is, as mentioned above, attributable to new stores, the high-bay warehouse, the renovation of the central warehouse, and the new online trading platform. The remainder of the payment for the high-bay warehouse totals DKK 23.8 million.

On average, AO had 621 employees in 2014 against 650 the year before.

The Management is of the opinion that results for 2015 will be at the same level as in 2014, corresponding to a profit before tax of approximately DKK 100 million.

In order to uphold the Group's high level of cash resources, the Board of Directors proposes that no dividend be distributed for 2014.

In 2014, the Group's financial objectives have been realised in part. The solvency ratio of 58.8% and the cash flow from operating activities equalling 8.9% of revenue are higher than the targets set by the Group. The growth and profit goals of 6% have not been reached.

## DEVELOPMENT OF THE FOURTH QUARTER OF 2014

Consolidated revenue for the fourth quarter of 2014 was 612.9 million, which is DKK 4.9 million or 1% more than reported for the same quarter last year. The increase is attributable to activities in Denmark.

Gross profit for the quarter amounted to DKK 167.5 million, which is DKK 13.4 million less than reported for the fourth quarter of 2013. Gross profit margin for the quarter was 27.3%, which is 2.4 percentage points lower than last year due to fierce competition.

Total operating expenses for the fourth quarter of 2014 totalled DKK 135.6 million, which is DKK 10.0 million less than for the same period last year.

A pre-tax profit of DKK 31.3 million was recorded for the fourth quarter of 2014. It is DKK 3.3 million less than for the same quarter last year.

## ACTIVITIES OF THE YEAR

In 2014 AO worked on preparing the Group to meet future customer requirements. At the same time the daily customer service was performed without compromising AO's high level of service.

At the beginning of the year all employees were invited to the celebration of the 100<sup>th</sup> anniversary of the company. Later in the year, new stores opened in Viby, Århus and Slagelse. AO has 49 stores in Denmark, six in Sweden, and one in Estonia.

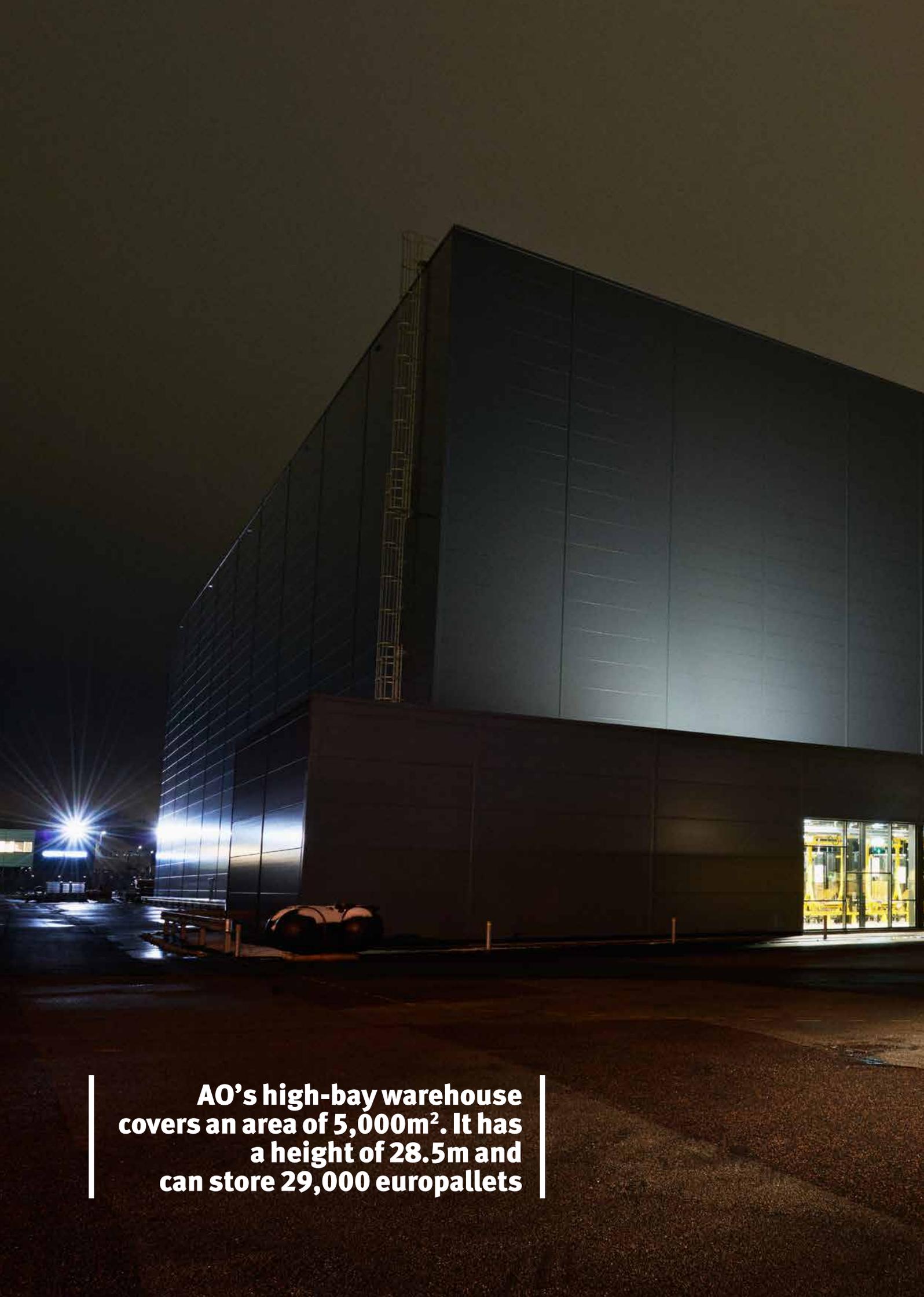
The stores have always been the core of the company's local customer service. Apart from ensuring proximity to its customers, the stores are used for the marketing of new products and installation methods towards the local installers.

AO's culture is based on sound business practice, competent employees having the basic attitude that 'the customer is king'. Focus is on meeting the customers' needs by combining professional service, a broad product range and local presence supplemented with efficient online self-service systems and an effective central warehouse and distribution system. In this way, the lowest costs are achieved without having to compromise on customer expectations.

Over the years, a national business model built on all product areas, i.e., plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools, has been implemented in Denmark. In Sweden a regional strategy focused on water supply and drainage products and tools has been chosen.

During the year, further investments have been made in increasing the stocked ranges of electrical equipment and components, water supply and drainage products and tools, so that the many new customers buying these products are ensured the same high level of service which is provided to the customers buying plumbing, heating and sanitary ware products. The range of tools is adapted in such a way that it is possible to keep a common range for both Denmark and Sweden at the central warehouse in Albertslund.

Investments in a new fully automated high-bay warehouse and a climate renovation of the central warehouse in Albertslund have been completed during the year, and at the same time day-to-day operations have been handled without compromising the level of service given to customers.



**AO's high-bay warehouse covers an area of 5,000m<sup>2</sup>. It has a height of 28.5m and can store 29,000 europallets**



The new facility is finished, and it will be operational in the first quarter of 2015. Then the central warehouse in Albertslund will be able to provide services to all Group units by means of robot-controlled mini and maxi load systems. The mini load system handles items that are in boxes, while the maxi load system handles goods that are on pallets

Once the facility is put into operation, it will be possible to optimise inventories and service the Swedish market. At the same time the logistics warehouse in Horsens will be closed and rented out.

During the year a new online trading platform was implemented, and the customers have received it well. Online trading increased by 19% in 2014. AO's digital services are a major focus area and are under constant development. AO.dk has 30,000 registered users.

## BUSINESS FOUNDATION

The company Brødrene A & O Johansen A/S (AO) was established in 1914 and listed on the Copenhagen Stock Exchange in 1963.

AO is a commercial and knowledge enterprise with a wide technical range of heating, plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools, including logistics tools.

The Group has more than 20,000 customers who are offered a stock of approximately 60,000 different items. As AO wants to stock products required by the customers, the product range is improved continuously in accordance with the customers' needs.

AO is active in Denmark, Sweden and Estonia. In 2014, international revenue constituted 8% of the Group's total revenue.

AO supplies goods to the following markets:

- The professional market (the PROF market) which is fragmented, with many small customers.
- The do-it-yourself market (the DIY market) which is characterised by relatively few, large customers.

## THE PROFESSIONAL MARKET (THE PROF MARKET)

AO's primary business is directed towards the PROF market in Denmark which is supplied with a wide range of products within the fields

of heating, plumbing and sanitary ware, electrical equipment, water supply and drainage, and tools. The above-mentioned market may be divided into the following sectors: new building work and repair, renovation and maintenance work.

The market for repair, renovation and maintenance work is relatively stable, as it is characterised by many small assignments. The assignments are difficult to plan, and the need for materials in connection with each individual assignment is therefore difficult to predict. This market fits into AO's decentral strategy where 49 stores all over Denmark offer their customers a 'one-stop shopping' solution. All outlets stock a wide technical range of heating, plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools.

The market for new building work is very sensitive to fluctuations in economy, and it may therefore vary a lot from year to year. AO's product range represents approximately 50% of all materials needed in a building.

Through an efficient storage and distribution system AO is able to effect prompt deliveries to its customers who are professional tradesmen such as plumbers, electricians, building contractors, sewer contractors as well as construction companies, municipalities, utilities and public institutions.

AO's revenue over the professional market is, in principle, generated via three sales channels:

### 1. AO stores

With 49 stores in Denmark, AO focuses on the need for local presence. The local stores provide the customers with goods and advice on various products and sales channels.

### 2. The competency centres

Through AO's competency centres the customers may place orders and get advice and direction as well as offers over the phone. The competency centre employees attend skills upgrading programmes on a regular basis to be able to offer the customers the best possible professional service. To get even closer to the customers, several competency centre employees have been based in the individual stores.

The projects department is one of AO's competency centres focusing on major new construction and renovation projects as well as 'large customers'. Here expertise of all product

areas is assembled so that offers involving all technical lines of business may be optimised.

## 3. Online trading

At AO.dk and through AO's app for smartphones the customers may, among other things, order goods 24 hours a day, see pictures of the goods, and track invoices. AO.dk and the app undergo constant development, and it has contributed to the fact that revenue through this sales channel increased in 2014.

In Sweden, AO generates revenue through six stores with stocks in Stockholm, Borås, Gothenburg, Malmö, Helsingborg and Kristianstad. In Sweden, focus is primarily on water supply and drainage products as well as tools.

From the Group's address in Estonia primarily water supply and drainage products are supplied to local tradesmen.

## THE DIY MARKET

The Danish DIY market is serviced by AO's SEKO section with a technical product range that primarily covers electrical equipment as well as heating, plumbing and sanitary ware products. Only business-to-business (B2B) sales are made, and primary customer groups of the section are retailers, DIY centres and specialised stores.

## VISION AND STRATEGY

In the professional market it is AO's vision to be the tradesmen's preferred supplier of technical installation materials to the market for repairs, renovations and maintenance and one of the preferred suppliers to the market for new building projects.

In the DIY market, it is the Group's vision to be one of the preferred suppliers of electrical equipment as well as heating, plumbing and sanitary ware products.

The key concept is one-stop shopping where the customers are offered a complete product range as part of a collection and delivery system, which is supported by strong online trading systems. The concept is strengthened by import and development of own products targeting both the professional and the DIY markets. In this regard, AO participates in international collaboration through WIM (Wholesalers of Installation Materials), a network of European wholesalers. The purpose of this collaboration is to exchange experience and purchase goods at competitive prices.

## The Group consists of the following companies:

All subsidiaries are 100% owned by Brødrene A & O Johansen A/S. AO Sverige AB owns the company of Betongkomplement i Stockholm AB, Rörvägen 55, SE-136 50 Jordbro, Sweden, which is not engaged in any business activity.



A high service level, innovation, knowledge sharing, and dedicated employees are the basis for AO's ability to remain competitive.

AO wants to provide value-added services for its customers, partly by being a trendsetter with new services and concepts, partly by developing the Group's decentralised profile with stores that are close to the customers. This is supported by AO's concepts and culture where the employees with their extensive product knowledge and reliable customer service are the key communicators of the Group's philosophy.

AO has developed a number of IT concepts and online trading solutions to strengthen the customers' ability to compete and streamline their business procedures. Through AO.dk and apps for iPhones/iPads and Androids customers may access these concepts, just as they may order goods 24 hours a day, see pictures of the goods, and track invoices, etc.

#### The Group's financial objective is:

- to realise a pre-tax profit of approximately 6% of revenue
- to generate a positive cash flow from operating activities of approximately 6% of revenue
- to achieve profitable growth both organically and through acquisitions
- to maintain a solvency ratio of at least 40%.

## FINANCIAL REVIEW

### INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

In 2014, AO achieved revenue of DKK 2,258.7 million against DKK 2,309.7 million in 2013, equalling a decrease of DKK 51.0 million or 2%. The decrease is attributable to AO's foreign operations, which declined by DKK 49.5 million or 21%. Sweden experienced a weak market, and at the same time an internal reorganisation had a negative impact on sales. Sales in Estonia were affected by a weak market. Operations in Denmark are at the same level as last year.

AO realised a gross profit of DKK 646.6 million against DKK 691.1 million in 2013. The decrease of DKK 44.5 million or 6.4% is attributable to declining revenue and a decline in the gross profit margin by 1.3 percentage points to 28.6%. The decline in the gross profit margin is attributable to fierce competition in the market.

Total operating expenses amounted to DKK 546.3 million, which is DKK 17.7 million or 3.1% less than the year before. The decline is attributable to lower external expenses and staff costs, while expenses for depreciation, amortisation and write-downs went up.

External expenses totalling DKK 190.2 million are DKK 16.1 million less than last year due to efficiency improvements and general savings.

In 2014, staff costs decreased by DKK 8.7 million to DKK 306.1 million as a result of fewer employees. During the year the average number of

employees decreased by 29 persons to 621. Depreciation, amortisation and write-downs of DKK 44.4 million are DKK 7.5 million more than last year due to depreciation on new stores, an upgrade of the ERP system in 2013, and a new online trading platform.

Other operating expenses (bad debts) of DKK 5.6 million constitute 0.2% of revenue. During the year bad debts were reduced by DKK 0.4 million.

As a result of an increased draw on the Group's credit facilities and less cash being available during the year, financial income declined by DKK 0.4 million to DKK 2.6 million. At the same time, financial expenses increased by DKK 0.5 million to a total of DKK 5.4 million.

In 2014, the Group recorded a pre-tax profit of DKK 97.5 million against DKK 125.2 million in 2013.

In 2014, the Group's foreign operations reported a loss of DKK 9.9 million, compared to DKK 0 in 2013.

Tax on net profit for the year amounted to DKK 23.8 million against DKK 26.6 million in 2013.

The Group's post-tax profit for the year was DKK 73.8 million, compared to DKK 98.6 million in 2013.

Financial results for 2014 are acceptable and in line with expectations announced in the latest interim financial report. Here profit before tax for the year was expected to be at the top end of the target range DKK 75-100 million. Compared with the annual report for 2013, results for the year are DKK 27.7 million lower.

### BALANCE SHEET

As at 31 December 2014, Group assets amounted to DKK 1,590.9 million against DKK 1,431.3 million in 2013.

Non-current assets totalled DKK 896.7 million, which is DKK 174.9 million more than in 2013. The increase is attributable to investments in a new high-bay warehouse, a renovation of the central warehouse, and new stores. As a result the carrying amount of land of buildings increased by DKK 124.4 million, and fixtures and operating equipment went up by DKK 50.4 million.

Current assets amounted to DKK 694.2 million against DKK 709.5 million in 2013. The decrease of DKK 15.3 million is mainly attributable to the fact that inventories of DKK 307.3 million were reduced by DKK 21.6 million, and that trade receivables of DKK 277.7 million were reduced by DKK 11.4 million compared to last year. The Group's cash and cash equivalents increased by DKK 17.6 million to DKK 72.7 million.

As at 31 December 2014, AO's equity totalled DKK 935.7 million equalling a solvency ratio of 58.8%.

Non-current liabilities of DKK 204.5 million are DKK 4.8 million higher than in 2013. The increase is attributable to a change in deferred tax of DKK 6.5 million counterbalanced by debt to credit institutions which were reduced by DKK 1.7 million during the year.

AO's current liabilities of DKK 450.7 million increased by DKK 82.2 million, mainly as a result of the fact that trade payables increased by DKK 28.5 million to DKK 344.0 million. Short-term debt owed to credit institutions increased by DKK 15.4 million to DKK 17.7 million, and other payables increased by DKK 38.0 million to DKK 86.4 million. Included in other payables is payment of the remaining balance of DKK 23.8 million in relation to the high-bay warehouse investment.

### CASH FLOW STATEMENT

Cash flow from operating activities was positive at DKK 199.9 million. Cash flow from operating activities for the year is DKK 34.8 million higher than last year, primarily as a result of a decrease in inventories.

Net investments amounted to a total of DKK 197.1 million against DKK 126.1 million the year before. During the year DKK 135.6 million was invested in land and buildings, including a new high-bay warehouse, a renovation of the central warehouse, and a new store in Køge. Investment in fixtures and operating equipment totals DKK 43.2 million and includes equipment for the high-bay warehouse. Investment in software of DKK 18.5 million is primarily related to the Group's new online trading platform.

Cash flow from financing activities includes draw on the Group's credit facilities totalling DKK 13.7 million and disposal of treasury shares of DKK 1.1 million.

Total cash flow amounted to DKK 17.5 million, and the Group's cash totalled DKK 72.7 million as at 31 December 2014.

### Events after the balance sheet date

No events have occurred after 31 December 2014 that could have a material effect on the financial position of the Group and the company.

### OUTLOOK

In 2015, the Management expects that the activity on AO's markets will be at the same level as in 2014.

AO will continue to focus on optimising and ensuring scalability in both processes and working capital.

The Management is of the opinion that the Group's earnings in 2015 will be at the same level as in 2014, and therefore a profit before tax of approximately DKK 100 million is expected for 2015.

### CORPORATE GOVERNANCE

The Board of Directors/Audit Committee and the Executive Board have overall responsibility for the Group's internal controls and risk management in connection with the financial reporting process, including compliance with applicable legislation and other regulation in relation to financial reporting.

AO has established internal control and risk management systems to ensure that financial reporting is carried out in accordance with IFRS and other accounting regulations applicable to listed Danish companies. In addition, the



**The monorail system  
in the high-bay warehouse  
handles 600 pallets per hour**



systems increase the certainty that the internal and external financial reporting provides a true and fair presentation that is free from material misstatement.

On an ongoing basis, the Audit Committee monitors the control and risk management systems in the Group. In this context risks that may affect the Group's financial reporting process are assessed on an ongoing basis. The risk assessment is based on significant items and other business-critical areas.

## RECOMMENDATIONS FOR CORPORATE GOVERNANCE

In May 2013, the Danish Committee on Corporate Governance issued updated recommendations for corporate governance based on the "comply-or-explain" principle. The revised recommendations, with the most recent upgrade in November 2014, have been implemented by NASDAQ OMX Copenhagen A/S and they apply to all listed companies.

All recommendations have been analysed and considered by the Board of Directors and the Executive Board of Brødrene A & O Johansen A/S, and the Board of Directors still finds that the management of Brødrene A & O Johansen A/S complies with the most important recommendations.

Listed below is a summary of the most important areas, where the Group has decided to follow another practice:

- In the light of the company's owner structure the Board of Directors reserves the right, in certain cases, to reject takeover bids without them being submitted to the shareholders.
- The company sees no need for fixing a retirement age for members of the Board of Directors, as the company attaches great importance to the fact that the Board consists of members with relevant professional experience.
- Only information about the total shareholding of the Board of Directors is disclosed. It is considered a breach of privacy to disclose information about the shareholding of each individual member.
- The chairman of the Board of Directors is also the chairman of the Audit Committee.
- On the basis of the size of the Board of Directors and the skills of the Board members, it has been decided neither to establish a nomination committee nor a remuneration committee.
- An actual remuneration policy applicable to the Board of Directors and the Executive Board has not been adopted. General guidelines for incentive remuneration for the Executive Board and the Board of Directors have, however, been adopted.
- The individual members of the Executive Board may be granted share options, and one year after the options have been granted, one-third of the share options is exercis-

able. Two years after the options have been granted, another third of the share options is exercisable, and three years after the granting of the share options, the remaining third is exercisable. The company has no right, in exceptional cases, to claim back in full or in part variable components of remuneration that have been awarded on the basis of data, which subsequently prove to have been misstated.

- Proposed remuneration for the Board of Directors is not put on the agenda for the general meeting, and it is considered a breach of privacy to disclose information about the remuneration granted to each individual member of the Board of Directors and the Executive Board.

Pursuant to section 107b of the Danish Financial Statements Act, Brødrene A & O Johansen A/S has prepared a complete report on corporate governance for the 2014 financial year, which can be viewed or downloaded from <https://ao.dk/globalassets/1-om-ao/investor-relations/english/financial-statements/2014/statutory-report-on-corporate-governance-2014.pdf>.

## SPECIFIC RISK FACTORS

### **Intangible assets:**

The most significant risk in connection with intangible assets relates to a decline in the carrying amount of goodwill caused by a considerable and continued negative development of the Group's operations in Denmark and Sweden and the risk of software impairment as a result of changed use or technical obsolescence. Goodwill and other intangible assets are assessed against the Group's operating activities on a regular basis.

### **Land and buildings:**

AO's properties are solely used in connection with the Group's operations. Fluctuations in the market value of properties will not have any influence on the use of the properties and thus the valuation of the carrying amount. A changed use of AO's properties could affect the valuation of the carrying amount.

### **Inventories:**

The main risk in connection with inventories is if the products become obsolete. AO's inventories are therefore assessed on a regular basis in relation to the Group's business activities. Continuous impairment is made on products having low marketability.

### **Other business-critical areas:**

AO's business is built on an efficient warehouse and logistics system as well as well-functioning IT systems. An extensive and prolonged breakdown in these areas will be business-critical for AO. An insurance programme and contingency plans have been drawn up to minimise the financial risk related thereto.

## CORPORATE SOCIAL RESPONSIBILITY

AO has drawn up a set of rules regarding corporate social responsibility, supplier code of conduct, and environmental conditions.

AO acts within the scope of current legislation and international conventions. AO respects and complies with rules on competition, environmental legislation, labour market legislation, agreements and safety requirements, and other regulations that provide the framework for how the company conducts business. AO wants to be a responsible company that supports the UN Global Compact's ten principles on human rights, labour standards, the environment and anti-corruption.

In addition to the established working environment policy, which focuses on continuous improvement of the company's environmental performance within the realm of what is technically and economically feasible, AO has several applicable staff policies that directly affect the working environment, among these, target figures for the gender composition of management, policies on health and safety at work, drugs and alcohol, ethics, bullying and harassment.

AO's administration and central warehouse in Albertslund have been environmentally certified according to DS/EN ISO 14001 since 1999. Vaga Teknik, which is located together with the logistics centre in Horsens, was environmentally certified according to the same standard in 2001. In October 2008 all facilities at the address of the logistics centre in Horsens became certified, and the rental and service functions at Herstedvang 6 in Albertslund achieved certification in September of 2010.

The mandatory report on corporate social responsibility for the 2014 financial year, cf. sections 99a and 99b of the Danish Financial Statements Act, can be viewed or downloaded from <https://ao.dk/globalassets/1-om-ao/investor-relations/english/financial-statements/2014/mandatory-report-on-corporate-social-responsibility-2014.pdf>.

## SHAREHOLDER INFORMATION

### **DIVIDEND**

The Board of Directors proposes that no dividend be distributed for 2014.

### **SHAREHOLDERS, CAPITAL AND VOTING RIGHTS**

In 1963, AO was introduced on the Copenhagen Stock Exchange with an ownership structure consisting of a combination of ordinary shares and preference shares. The Board of Directors wants to maintain this owner structure, which among other things means that the company only can be taken over if the takeover has been accepted by the holders of ordinary shares. Ordinary shares cannot be negotiated without the approval of the Board, whereas preference shares are freely negotiable. In addition, this share class carries special rights in the form of payment of cumulative dividends.

The company's nominal share capital is DKK 57 million. Of this, DKK 5,640,000 are in the form of ordinary shares and DKK 51,360,000 are in the form of preference shares. Each ordinary share of DKK 1,000 carries 100 votes, whereas each preference share of DKK 100 carries one vote.

In addition to the difference in the number of votes, the two share classes differ in the following respects:

The ordinary shares are nonnegotiable instruments whereas the preference shares are listed on NASDAQ OMX Copenhagen A/S under ID code DK0010231018.

The preference shares have a preferential cumulative dividend right of 6%. This means that no dividend will be paid for ordinary shares until the preference shares have achieved a cumulative dividend of 6%.

In case of liquidation, preference shares take precedence over ordinary shares.

Changes to the company's Articles of Association require that two thirds of cast votes and two thirds of the represented capital at a general meeting are in favour of the change.

The company's Board of Directors consists of five members who do not have to be shareholders. Holders of preference shares are entitled to appoint and elect one member of the Board of Directors while holders of ordinary shares elect the remaining Board members.

THE SHAREHOLDER COMPOSITION IS SHOWN BELOW:

	Number of ordinary shares (DKK 1,000)	Number of preference shares (DKK 100)	Number of shares –nominal value	Capital in %	Votes in %
Evoleska Holding AG Seerosenstrasse 20 CH-6362 Stansstad Switzerland	5,622	2,080	5,830,000	10.23 %	52.36 %
Sanistål A/S Håndværkervej 14 DK-9000 Aalborg Denmark	0	223,005	22,300,500	39.12 %	20.70 %
J-F. Lemvig-Müller Holding A/S Stationsalléen 40 DK-2730 Herlev Denmark	0	71,351	7,135,100	12.52 %	6.62 %
Other registered shares	18	137,526	13,770,600	24.16 %	12.93 %
Unregistered shares	0	58,520	5,852,000	10.26 %	5.43 %
Total, excl. treasury shares	5,640	49,482	54,888,200	96.29 %	98.04 %
Treasury shares	0	21,118	2,111,800	3.71 %	1.96 %
Total	5,640	513,600	57,000,000	100.00 %	100.00 %

SHARES OWNED BY TOP MANAGEMENT IN BRØDRENE A & O JOHANSEN A/S AT THE END OF DECEMBER 2014

According to the company's internal policy about the purchase and sale of securities issued by Brødrene A & O Johansen A/S, members of the company's Board of Directors, Executive Board and other individuals specified on the company's insider list may buy and sell such securities during a period of four weeks following the publication of the company's annual or interim financial report.

ID code: DK0010231018	Total holding of preference shares <sup>4)</sup>	Share price <sup>1)</sup>
Board of Directors <sup>2)+4)</sup>	1,731	1,930,065
Executive Board <sup>2)+3)+4)+5)</sup>	25,123	28,012,145
Other insiders <sup>2)</sup>	421	469,415
Total insiders <sup>2)</sup>	27,275	30,411,625

NOTE:

- 1) The calculated share price of DKK 1,115 is based on the closing price on 31 December 2014.
- 2) The statement includes information about the shareholdings of related parties of the mentioned individuals.
- 3) Shares owned by individuals who are members of both the Board of Directors and the Executive Board have been included as part of the shareholdings of the Executive Board.
- 4) In addition, the Board of Directors, the Executive Board and the related parties of the mentioned individuals own ordinary shares at a nominal value of DKK 5,638,000.-. The total capital in the form of ordinary shares amounts to nominally DKK 5,640,000.-.
- 5) A total of 16,735 share options have been granted to the members of the Executive Board. Of these, 14,044 share options matured on 31 December 2014. As at 31 December 2014 the company's holding of treasury shares totalled 21,118 shares.

BOARD MEETINGS HELD IN 2014

DATE	TEXT
24 February 2014	Annual report for 2013.
21 March 2014	Annual general meeting and constituent board meeting.
20 May 2014	Interim financial report for the first quarter of 2014.
20 May 2014	Strategy.
29 August 2014	Interim financial report for the first half of 2014.
21 November 2014	Interim financial report for the first three quarters of 2014.
12 December 2014	Budget for 2015.

In addition, four audit committee meetings have been held.

## COMPANY ANNOUNCEMENTS IN 2014

DATE	NO.	TEXT
24 February 2014	1	Annual report for 2013.
24 February 2014	2	Notice convening the annual general meeting.
24 February 2014	3	Revised financial calendar for 2014.
17 March 2014	4	Election of employee representatives to the Board of Directors of Brødrene A & O Johansen A/S.
21 March 2014	5	Results of annual general meeting.
21 March 2014	6	Articles of association.
20 May 2014	7	Interim financial report for the first quarter of 2014.
29 August 2014	8	Interim financial report for the first half of 2014.
15 September 2014	9	Insiders' tradings.
13 October 2014	10	Reorganisation of AO Sverige AB.
21 November 2014	11	Interim financial report for the first three quarters of 2014.
12 December 2014	12	Financial calendar for 2015.

## FINANCIAL CALENDAR FOR 2015

DATE	TEXT
5 February 2015	Deadline for shareholders to propose items for the agenda of the annual general meeting.
24 February 2015	Annual report for 2014.
20 March 2015	The annual general meeting of Brødrene A & O Johansen A/S will be held at 11 a.m. at the company's head office.
26 May 2015	Interim financial report for the first quarter of 2015.
28 August 2015	Interim financial report for the first half of 2015.
20 November 2015	Interim financial report for the first three quarters of 2015.

The Board of Directors has decided to hold another two meetings, in May and December respectively.

## PROPOSALS FOR THE ANNUAL GENERAL MEETING

The company's annual general meeting will be held on Friday, 20 March 2015, at 11.00 at the offices of Brødrene A & O Johansen A/S, Rørvang 3, DK-2620 Albertslund, Denmark.

### 1. TREASURY SHARES

At the annual general meeting, the Board of Directors will propose that the company be authorised to acquire treasury shares until 1 May 2016 up to a total nominal value of 10 per cent of the company's share capital. The total number of shares held by the company may, however, at no time exceed the aforesaid 10 per cent. The consideration may not deviate by more than 10 per cent from the official price quoted on Nasdaq Copenhagen at the time of acquisition.

### 2. DISTRIBUTION OF NET PROFIT

The Board of Directors proposes that the profit for the year, DKK 71,603,000, cf. the income statement and statement of comprehensive

# MANAGEMENT'S STATEMENT

Today the Board of Directors and the Executive Board have discussed and approved the annual report of Brødrene A & O Johansen A/S for 2014.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion the consolidated and Company financial statements give a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2014 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2014.

Further, in our opinion the Management's review includes a fair review of the development in the Group's and the Company's operations and financial matters, the net profit or loss for the year and of the Group's and the Company's financial position as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company.

The annual report is submitted to the annual general meeting for approval.

Albertslund, 24. February 2015

## EXECUTIVE BOARD



Niels A. Johansen  
CEO



Henrik T. Krabbe  
COO and CFO

## BOARD OF DIRECTORS



Henning Dyremose  
Chairman of the Board



Michael Kjær  
Deputy Chairman



René Alberg\*



Erik Holm



Leif Hummel\*



Carsten Jensen\*



Niels A. Johansen



Preben Damgaard Nielsen

\* Staff-elected Board member

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BRØDRENE A & O JOHANSEN A/S

## REPORT ON THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

We have audited the consolidated and Company financial statements of Brødrene A & O Johansen A/S for the financial year 1 January – 31 December 2014. The consolidated and Company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group as well as for the Company. The consolidated and Company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated and Company financial statements that give a true and fair view in accordance with International Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control as the Management determines is necessary to enable the preparation of consolidated and Company financial statements that

are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated and Company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated and Company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and Company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and Company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of consolidated and Company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and

the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated and Company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

## OPINION

In our opinion, the consolidated and Company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2014 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

## STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated and Company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated and Company financial statements.

Albertslund, 24 February 2015

Ernst & Young  
Godkendt Revisionspartnerselskab

  
Peter Gath  
State Authorised Public Accountant

This is an English version of the Danish annual report. The annual report has been translated by the Company, and Ernst & Young has not read the translation. For this reason, the wording in this Independent Auditor's Report is only to be construed as covering the Danish version and is not to be taken to cover the English annual report.





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# BALANCE SHEET AS AT 31 DECEMBER

## ASSETS

(All amounts are in DKK thousands)

COMPANY		NOTE:	CONSOLIDATED	
2013	2014		2014	2013
<b>Non-current assets</b>				
<b>13 Intangible assets</b>				
58,439	58,439		102,348	102,348
50,135	51,798		53,029	51,982
<u>108,574</u>	<u>110,237</u>		<u>155,377</u>	<u>154,330</u>
<b>13 Property, plant and equipment</b>				
132,097	168,433		580,482	456,085
2,263	1,049		2,642	3,528
106,529	156,904		158,166	107,774
<u>240,889</u>	<u>326,385</u>		<u>741,290</u>	<u>567,387</u>
<b>Other non-current assets</b>				
132,574	132,574	14	0	0
<u>132,574</u>	<u>132,574</u>		<u>0</u>	<u>0</u>
<b>482,037</b>	<b>569,196</b>		<b>896,666</b>	<b>721,717</b>
<b>Current assets</b>				
291,485	276,204	15	307,336	328,978
267,586	263,035	16	277,700	289,057
47,420	110,558		0	0
1,118	4,151	18	7,746	4,014
31,311	35,335		23,933	21,583
10,097	3,898		4,798	10,832
48,707	67,586		72,690	55,082
<u>697,724</u>	<u>760,767</u>		<u>694,203</u>	<u>709,545</u>
<b>1,179,761</b>	<b>1,329,964</b>		<b>1,590,870</b>	<b>1,431,263</b>

# BALANCE SHEET AS AT 31 DECEMBER

## EQUITY AND LIABILITIES

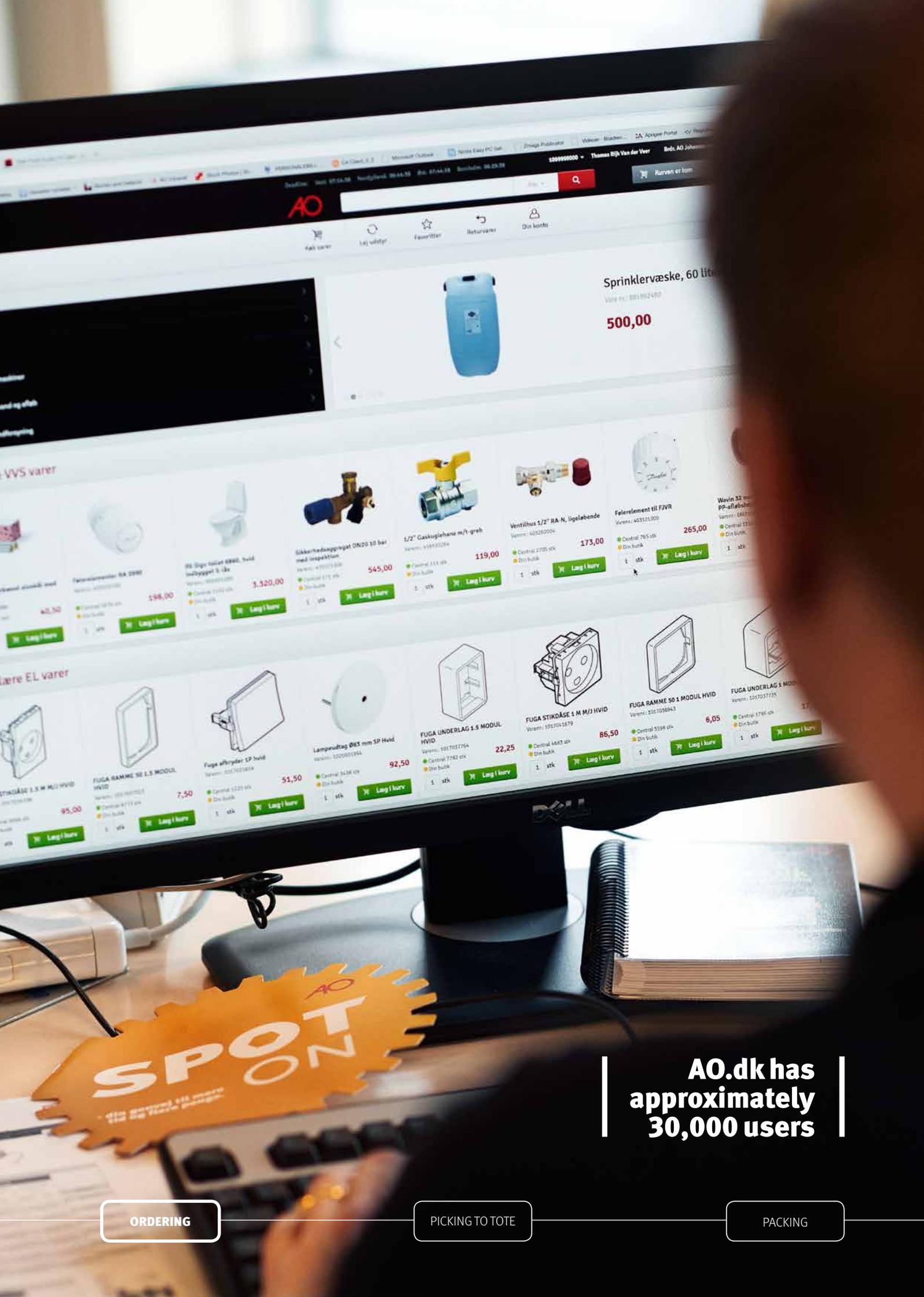
(All amounts are in DKK thousands)

COMPANY		NOTE:	CONSOLIDATED	
2013	2014		2014	2013
		<b>19 Equity</b>		
57,000	57,000	Share capital	57,000	57,000
200,000	200,000	Other reserves	200,000	200,000
0	0	Reserve for foreign currency translation adjustments	1,610	3,763
443,969	514,002	Retained earnings	677,090	602,252
<b>700,969</b>	<b>771,002</b>	<b>Total equity</b>	<b>935,700</b>	<b>863,015</b>
		<b>Non-current liabilities</b>		
7,632	14,597	20 Deferred tax	37,023	30,506
112,376	110,623	21 Credit institutions	167,483	169,209
<b>120,008</b>	<b>125,220</b>	<b>Total non-current liabilities</b>	<b>204,506</b>	<b>199,715</b>
		<b>Current liabilities</b>		
2,306	17,727	21 Credit institutions	17,701	2,280
311,170	337,047	Trade payables	343,994	315,488
45,309	78,968	Other payables	86,443	48,415
0	0	Deferred income	2,526	2,351
<b>358,785</b>	<b>433,742</b>	<b>Total current liabilities</b>	<b>450,664</b>	<b>368,534</b>
<b>478,792</b>	<b>558,962</b>	<b>Total liabilities</b>	<b>655,170</b>	<b>568,248</b>
<b>1,179,761</b>	<b>1,329,964</b>	<b>Total equity and liabilities</b>	<b>1,590,870</b>	<b>1,431,263</b>
		3 Segment information		
		22 Contingent liabilities, security, etc.		
		23-27 Notes without reference		

# STATEMENT OF CHANGES IN EQUITY

(All amounts are in DKK thousands)

	Share capital	Other reserves	Foreign currency translation adjustment	Retained earnings	Total equity
<b>CONSOLIDATED</b>					
<b>Equity at 1 January 2014</b>	<b>57,000</b>	<b>200,000</b>	<b>3,763</b>	<b>602,252</b>	<b>863,015</b>
Net profit for the year	0	0	0	73,756	73,756
Foreign currency translation adjustment relating to foreign entities	0	0	(2,153)	15	(2,138)
Total comprehensive income	0	0	(2,153)	73,771	71,618
Disposal related to share options	0	0	0	1,067	1,067
Total transactions with owners	0	0	0	1,067	1,067
<b>Equity at 31 December 2014</b>	<b>57,000</b>	<b>200,000</b>	<b>1,610</b>	<b>677,090</b>	<b>935,700</b>
<b>Equity at 1 January 2013</b>	<b>57,000</b>	<b>200,000</b>	<b>5,647</b>	<b>503,609</b>	<b>766,256</b>
Net profit for the year	0	0	0	98,642	98,642
Foreign currency translation adjustment relating to foreign entities	0	0	(1,884)	0	(1,884)
Total comprehensive income	0	0	(1,884)	98,642	96,759
<b>Equity at 31 December 2013</b>	<b>57,000</b>	<b>200,000</b>	<b>3,763</b>	<b>602,252</b>	<b>863,015</b>
<b>COMPANY</b>					
<b>Equity at 1 January 2014</b>	<b>57,000</b>	<b>200,000</b>	<b>0</b>	<b>443,969</b>	<b>700,969</b>
Net profit for the year	0	0	0	68,965	68,965
Total comprehensive income	0	0	0	68,965	68,965
Disposal related to share options	0	0	0	1,067	1,067
Total transactions with owners	0	0	0	1,067	1,067
<b>Equity at 31 December 2014</b>	<b>57,000</b>	<b>200,000</b>	<b>0</b>	<b>514,001</b>	<b>771,001</b>
<b>Egenkapital pr. 1. januar 2013</b>	<b>57,000</b>	<b>200,000</b>	<b>0</b>	<b>361,653</b>	<b>618,653</b>
Net profit for the year	0	0	0	82,316	82,316
Total comprehensive income	0	0	0	82,316	82,316
<b>Equity at 31 December 2013</b>	<b>57,000</b>	<b>200,000</b>	<b>0</b>	<b>443,969</b>	<b>700,969</b>



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# CONSOLIDATED CASH FLOW STATEMENT

(All amounts are in DKK thousands)

	2014		2013	
<b>Cash flow from operating activities</b>				
Operating profit or loss		100,289		127,090
Financial income and expenses, net (interest paid)		(2,747)		(1,884)
Profit or loss before tax		<u>97,542</u>		<u>125,205</u>
Depreciation and amortisation:				
Intangible assets	17,230		14,395	
Property, plant and equipment	<u>27,214</u>	<u>44,444</u>	<u>22,560</u>	<u>36,955</u>
Change in working capital:				
Change in trade receivables	11,358		7,656	
Change in other receivables	3,683		607	
Change in inventories	21,642		(25,823)	
Change in trade payables	28,506		56,583	
Change in other current liabilities	<u>14,453</u>	<u>79,641</u>	<u>(4,181)</u>	<u>34,842</u>
Corporation tax paid		<u>(21,747)</u>		<u>(31,971)</u>
<b>Cash flow from operating activities</b>		<b><u>199,880</u></b>		<b><u>165,032</u></b>
<b>Cash flow from investing activities</b>				
Goodwill		(0)		(1,902)
Software		(18,464)		(14,660)
Land and buildings		(135,588)		(59,654)
Leasehold improvements		(688)		(1,643)
Fixtures and operating equipment		(43,252)		(54,220)
Disposal of property, plant and equipment		<u>854</u>		<u>6,025</u>
<b>Cash flow from investing activities</b>		<b><u>(197,138)</u></b>		<b><u>(126,054)</u></b>
<b>Cash flow from financing activities</b>				
Net repayment of debt to/raising of loans with credit institutions		13,696		(2,363)
Acquisition/disposal of treasury shares		<u>1,067</u>		<u>0</u>
<b>Cash flow from financing activities</b>		<b><u>14,763</u></b>		<b><u>(2,363)</u></b>
<b>Net change in cash and cash equivalents</b>		<b>17,506</b>		<b>36,616</b>
Cash and cash equivalents at beginning of year		55,082		19,202
Foreign currency translation adjustment		<u>102</u>		<u>(736)</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>72,690</u></b>		<b><u>55,082</u></b>

# COMPANY CASH FLOW STATEMENT

(All amounts are in DKK thousands)

	2014		2013	
<b>Cash flow from operating activities</b>				
Operating profit or loss		89,944		106,317
Financial income and expenses, net (interest paid)		970		2,524
Profit or loss before tax		<u>90,914</u>		<u>108,841</u>
Depreciation and amortisation:				
Intangible assets	16,682		13,836	
Property, plant and equipment	<u>19,519</u>	36,201	<u>16,228</u>	30,063
Change in working capital:				
Change in trade receivables	4,551		7,705	
Change in other receivables	2,175		170	
Change in inventories	15,281		(25,284)	
Change in trade payables	25,877		54,682	
Change in payables to group enterprises	(63,138)		(40,809)	
Change in other current liabilities	<u>9,910</u>	(5,344)	<u>(1,617)</u>	(5,153)
Corporation tax paid		<u>(18,022)</u>		<u>(24,207)</u>
<b>Cash flow from operating activities</b>		<b><u>103,748</u></b>		<b><u>109,545</u></b>
<b>Cash flow from investing activities</b>				
Software		(18,464)		(13,806)
Land and building		(38,973)		(176)
Leasehold improvements		(268)		(396)
Fixtures and operating equipment		(42,701)		(53,580)
Disposal of property, plant and equipment		<u>803</u>		<u>362</u>
<b>Cash flow from investing activities</b>		<b><u>(99,604)</u></b>		<b><u>(67,597)</u></b>
<b>Cash flow from financing activities</b>				
Net repayment of debt to/raising of loans with credit institutions		13,668		(2,362)
Acquisition/disposal of treasury shares		<u>1,067</u>		<u>0</u>
<b>Cash flow from financing activities</b>		<b><u>14,735</u></b>		<b><u>(2,362)</u></b>
<b>Net change in cash and cash equivalents</b>		<b>18,879</b>		<b>39,587</b>
Cash and cash equivalents at beginning of year		48,707		9,121
Foreign currency translation adjustment		<u>0</u>		<u>0</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>67,586</u></b>		<b><u>48,707</u></b>



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# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

### 1 ACCOUNTING POLICIES

Brødrene A & O Johansen A/S is a public limited company domiciled in Denmark. The annual report for 2014 comprises the consolidated financial statements of Brødrene A & O Johansen A/S and its subsidiaries as well as separate financial statements of the company in accordance with the requirements of the Danish Financial Statements Act.

The 2014 annual report of Brødrene A & O Johansen A/S has been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and Danish disclosure requirements for listed companies.

On 24 February 2015, the Board of Directors and the Executive Board discussed and approved the annual report of Brødrene A & O Johansen A/S for 2014. The annual report will be submitted for approval by Brødrene A & O Johansen A/S's shareholders at the annual general meeting held on 20 March 2015.

### BASIS OF PREPARATION

The annual report is presented in Danish kroner rounded off to the nearest DKK 1,000.

The annual report is prepared in accordance with the historical cost convention.

Securities in the form of short-term assets have been recognised at fair value with value adjustment in the statement of comprehensive income.

The accounting policies described below have been applied consistently during the financial year and for the comparative figures.

### CHANGES IN ACCOUNTING POLICES

With effect from 1 January 2014, Brødrene A & O Johansen A/S has implemented:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- Several amendments to IFRS 10, 11, 12, and IAS 27
- IAS 27 (2011) – Separate Financial Statements
- IAS 28 (2011) – Investments in Associates and Joint Ventures
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Levies
- Specific parts of the Annual Improvements to IFRSs 2010-2012 Cycle regarding Amendments to IFRS 2 – Share-based Payment and IFRS 3 – Business Combinations. The amendments to IFRS 2 and IFRS 3 are applicable for transactions where the grant date or the acquisition date is on or after 1 July 2014. Those parts of the Annual Improvements to IFRSs 2010-2012 have therefore been implemented in the 2014 financial year.

None of the new accounting standards and interpretations have had any effect on recognition and measurement in 2014, and earnings per share and diluted earnings per share have not been affected either.

### DESCRIPTION OF ACCOUNTING POLICIES

#### CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements comprise the company Brødrene A & O Johansen A/S and subsidiaries in which Brødrene A & O Johansen A/S has control. The Group has control over a subsidiary when the Group is exposed to, or has the right to, variable returns from its involvement with the subsidiary or has the ability to affect these returns through its power to direct the activities of the subsidiary.

A group chart can be seen on page 7.

The consolidated financial statements have been prepared as a consolidation of the financial statements of the company and the individual subsidiaries prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

#### BUSINESS COMBINATIONS

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities which are disposed of or wound up are recognised in the consolidated financial statements until

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

- 1 the date of disposal or winding up. Comparative figures are not restated for entities acquired. Discontinued operations are presented separately.

For acquisitions of new entities the acquisition method is used. The acquired entities' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right, and the fair value can be reliably measured. Deferred tax on revaluations is recognised.

The acquisition date is the date on which the Group effectively obtains control of the acquired entity.

For business combinations, positive balances (goodwill) between the purchase consideration for the entity and the fair value of acquired identifiable assets, liabilities and contingent liabilities is recognised as goodwill under intangible assets. Goodwill is not amortised but tested annually for impairment. The first impairment test is performed before the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Negative balances (negative goodwill) are recognised in net profit or loss for the year at the acquisition date.

The purchase consideration for an entity comprises the fair value of the consideration agreed upon. If part of the purchase consideration is contingent on future events, this part of the consideration is recognised at fair value at the acquisition date. Costs attributable to business combinations are recognised in net profit or loss for the year as an expense is incurred.

If uncertainties regarding measurement of acquired identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted until 12 months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a result of changes in estimates of contingent purchase considerations, except in cases of material error.

Gains or losses on the disposal or winding-up of subsidiaries are stated as the difference between the sales amount or the disposal sum and the carrying amount of net assets, including goodwill at the date of disposal or winding-up, and costs to sell or winding-up expenses.

## FOREIGN CURRENCY TRANSLATION

For each of the reporting entities in the Group a functional currency is determined. The functional currency is the currency used in the primary financial environment in which the reporting entity operates. Transactions in currencies other than the functional currency are foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates prevailing at the date of transaction.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement under cost of sales.

On recognition in the consolidated financial statements of entities with another functional currency than DKK, the income statements are translated into Danish kroner using average exchange rates, whereas the balance sheet items are translated at the exchange rates prevailing at the balance sheet date. Foreign exchange differences arising on translation of the opening balance of equity of such entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised in other comprehensive income as a separate foreign currency translation reserve under equity.

Foreign exchange adjustment of balances which are considered to be part of the total net investment in entities with another functional currency than DKK is recognised in the consolidated financial statements in other comprehensive income as a separate reserve for foreign currency translation adjustments under equity.

## INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

### Revenue

Revenue from the sale of goods for resale is recognised in the income statement provided that delivery and transfer of risk to the buyer has taken place before the end of the year and that the income can be reliably measured and is expected to be received. Revenue is measured exclusive of VAT and duties and less discounts granted in connection with the sale.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

### 1 External expenses

External expenses comprise expenses for distribution, administration, advertising, exhibitions, etc., including costs for the operation of real property.

#### Financial income and expenses

Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses, impairment of securities and payables, amortisation of financial assets and liabilities, including finance lease commitments, as well as surcharges and allowances under the tax prepayment scheme, etc.

Borrowing costs from general or specific loans which are directly attributable to the construction of the qualifying assets are included in the cost of those assets.

Dividend from investments in subsidiaries is recognised in the company's profit or loss for the financial year in which the dividend is declared.

#### Tax on profit or loss for the year

Brødrene A & O Johansen A/S is taxed jointly with all Danish subsidiaries.

The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with tax losses receive joint taxation contributions from other companies that could have used the tax losses to reduce their own taxable income. (Full allocation). The jointly taxed companies are included in a Danish tax prepayment scheme.

Tax for the year, which comprises current tax and changes in deferred tax for the year, is recognised in the income statement for the share attributable to the profit or loss for the year, and directly in equity for the share attributable to items relating directly to equity.

#### BALANCE SHEET

##### Intangible assets

Goodwill is initially recognised in the balance sheet at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of cash-generating units is based on the management structure and internal financial control.

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over the expected useful lives. Max. 10 years.

##### Property, plant and equipment

Land and buildings, leasehold improvements, and operating equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The cost of assets held under finance leases is stated at the lower of the assets' fair value or present value of future minimum lease payments. When calculating the present value, the lease's internal rate of return or the Group's alternative borrowing rate is used as discount rate.

Subsequent costs, e.g., in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. All costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Buildings:	50 years
Installations:	10 years
Leasehold improvements:	Max. 5 years
Operating equipment:	Usually 5 years, but mini-load and maxi-load systems 10 years.

Land is not depreciated.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

- 1 The basis of depreciation is determined in consideration of the asset's residual value and is reduced by write-downs, if any. The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Gains and losses arising from disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the time of sale. The gains or losses are recognised in the income statement as depreciation.

### **Investments in subsidiaries in the company's financial statements**

Investments in subsidiaries are measured at cost in the company's financial statements. If there is any indication of impairment, an impairment test is carried out. Where the recoverable amount is lower than cost, investments are written down to this lower value.

### **Impairment of non-current assets**

Goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, initially before the end of the acquisition year.

The carrying amount of goodwill is tested for impairment, together with the other non-current assets in the cash-generating unit to which goodwill is allocated, and is written down in the income statement, in so far as the carrying amount is higher than the recoverable amount.

The recoverable amount is generally calculated as the present value of expected future net cash flows from the activity to which goodwill is allocated. Impairment of goodwill is recognised as a separate item in the income statement.

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

The carrying amount of other non-current assets is subject to an annual test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the asset's fair value less expected costs to sell or its value in use. The value in use is the present value of the future cash flows expected to be derived from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset exceeds the recoverable amount of the asset. Impairment losses are recognised in the income statement under amortisation, depreciation and write-downs.

Impairment of goodwill is not reversed. Impairment of other assets is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation or depreciation had the asset not been impaired.

### **Inventories**

Inventories are measured at cost on the basis of average prices. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Cost comprises purchase price plus delivery costs.

The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale, and is determined taking into account marketability, obsolescence and development in expected selling price.

### **Receivables**

Receivables are measured at amortised cost less write-downs for expected losses. Write-downs are made, if it is assessed that there is objective evidence of impairment. The write-downs are based on individual assessments of each debtor.

### **Prepayments**

Prepayments, recognised as assets, comprise costs incurred concerning subsequent financial years and are measured at cost.

### **Securities**

Shares and bonds classified as current assets are recognised at the trade date and are measured at fair value corresponding to the market price of listed securities. Changes to the fair value are recognised in the income statement under net financials as they occur.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

### 1 Equity

#### **Dividend**

Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting. Dividend expected to be paid for the year is shown as a separate item under equity.

#### **Treasury shares**

Cost of acquisition, consideration received and dividends received from treasury shares are recognised directly as retained earnings in equity. Gains and losses from sale are therefore not recognised in the income statement.

Proceeds from the sale of treasury shares in connection with the exercise of share options are recognised directly in equity.

#### **Reserve for foreign currency translation adjustments**

The reserve for foreign currency translation adjustments comprises currency translation differences arising on translation of financial statements of foreign entities from their functional currencies into DKK.

#### **Employee contributions**

The Group has entered into defined contribution plans with the majority of the Group's employees.

Liabilities related to defined contribution plans, where the Group regularly pays fixed pension contributions to independent pension funds, are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the balance sheet as other payables.

Share options are measured at fair value at the date of grant and recognised in the income statement under staff costs. The offsetting entry is recognised directly in equity. The fair value of the granted share options are calculated using the Black-Scholes option pricing model.

#### **Corporation tax and deferred tax**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance-sheet liability method, providing for all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from acquisitions, arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Deferred tax assets are recognised under non-current assets at the expected value of their utilisation, either as a set-off against deferred tax liabilities or as a set-off against tax on future income.

#### **Financial liabilities**

Amounts owed to mortgage credit institutions and credit institutions are recognised at the date of borrowing at the amount of the proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost, equivalent to the capitalised value, using the effective interest rate method. Accordingly, the difference between the proceeds and the nominal value is recognised under financial expenses over the term of the loan.

Financial liabilities also include capitalised residual lease commitment on finance leases, which is measured at amortised cost.

Other liabilities, including trade payables and other payables, are measured at amortised cost.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

### 1 Leases

For accounting purposes lease commitments are divided into finance and operating leases.

A lease is classified as a financial lease, if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases.

The accounting treatment of assets held under finance leases and lease commitments is described under "Property, plant and equipment" and "Financial liabilities", respectively.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

### Deferred income

Deferred income recognised in liabilities comprises payments received concerning income in subsequent years and is measured at amortised cost.

### CASH FLOW STATEMENT

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from acquisitions of entities are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

### Cash flows from operating activities

Cash flows from operating activities are determined as pre-tax profit or loss adjusted for non-cash operating items, changes in working capital, received and paid interest, and paid corporation tax.

### Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities, and of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

Inception of finance leases are regarded as non-cash transactions.

### Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash flows from assets held under finance leases are recognised as payment of interest and repayment of debt.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

### Segment information

Group activities relating to the trade of technical installation materials take place in an integrated manner and are dealt with as one segment per country.

### Financial ratios

Financial ratios are calculated in accordance with IAS 33 and the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010" ("Anbefalinger og Nøgletal 2010").

*Negative results and deductible items are given in brackets.*



**Here goods for  
AO's customers  
are packed**

ORDERING

PICKING TO TOTE

PACKING



SCHAFFL

14 15

Shawen



SCHAFFL

SORTING

COLLECTING

DELIVERING

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

### 2 ACCOUNTING ESTIMATES AND JUDGEMENTS

#### **Estimation uncertainty**

In determining the carrying amount of certain assets and liabilities, estimates are required of how future events will affect the value of these assets and liabilities at the balance sheet date.

The estimates made are based on historical experience and other factors which Management assesses to be reliable under the circumstances but are by their very nature uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. In addition, the Group is subject to risks and uncertainties that may lead to actual results differing from these estimates. The special risks of Brødrene A & O Johansen A/S are mentioned in the 'Management's Review' and in note 23.

It may be necessary to change previous estimates as a result of changes to the assumptions on which the estimates were based or due to new information or subsequent events.

Estimates material to the financial reporting are made, among other things, through measurement of impairment test of goodwill, receivables, inventories, and in determination of amortisation, depreciation and write-downs.

#### **Land and buildings**

AO's properties are solely used in connection with the Group's operations. Fluctuations in the market value of properties will not have any influence on the use of the properties and thus the valuation of the carrying amount. A changed use of AO's properties could affect the valuation of the carrying amount.

Once the fully automated high-bay warehouse is in operation, the logistics warehouse in Horsens will be rented out on satisfactory terms that will not give rise to impairment.

#### **Impairment test for goodwill**

In connection with the annual impairment test for intangible assets, including goodwill, it is estimated to what extent the individual units of the entity (cash-generating units) to which goodwill relates will be able to generate sufficient positive net cash flows in the future to support the value of goodwill and other net assets.

As a result of the nature of the business, estimates of expected cash flows have to be made for several years into the future which results in a certain amount of uncertainty. The chosen discount rate reflects this uncertainty.

Regarding goodwill allocated to AO Sverige AB, it is a precondition that there is growth in both revenue and results in the prognosis period.

The impairment test and associated sensitive conditions are described in detail in note 13.

#### **Receivables**

An estimate is used to assess the recoverability of receivables. As a result of the financial situation, the risk of losses on doubtful receivables is increasing, a fact that has been taken into account in the assessment of new customers and in the assessment of write-downs on the balance sheet date and in the day-to-day management and control of receivables.

#### **Inventories**

Estimation uncertainty regarding inventories relates primarily to slow-moving products and thus to a write-down to net realisable value.

Reviews for impairment of inventories based on historical sales and assessments of future sales are carried out on a regular basis.

#### **Leasing**

In applying the Group's accounting policies, Management carries out additional assessments beyond those mentioned, which may have a significant impact on the recognised amounts in the annual report. These assessments include, inter alia, whether leases should be treated as operating or finance leases.

The Group has a lease on the property Mossvej, Horsens. On the basis of the conditions of the lease, Management has concluded that the lease should be treated as a finance lease.



# NOTES

(All amounts are in DKK thousands)

COMPANY		CONSOLIDATED	
2013	2014 NOTE:	2014	2013
<b>6 External expenses</b>			
Remuneration for the auditors elected by the annual general meeting:			
Total remuneration may be specified as follows:			
676	620	795	855
71	55	55	71
202	66	109	357
<b>949</b>	<b>741</b>	<b>959</b>	<b>1,283</b>

External expenses of the Company include rent paid to subsidiaries totalling DKK 29,674,000 (2013: DKK 26,066,000).

<b>7 Staff costs</b>			
262,682	257,508	275,036	281,620
19,630	19,214	20,705	22,016
3,915	3,543	8,351	9,534
1,451	1,861	1,963	1,537
<b>287,677</b>	<b>282,127</b>	<b>306,055</b>	<b>314,706</b>

Wages and salaries include remuneration for:

1,475	1,475	2,028	2,028
11,830	12,338	12,338	11,830
595	572	621	650

The Group only has defined contribution plans.

Share option scheme for the Executive Board of the Company	Number of options (shares)	Fair value on allotment (DKK thousands)	Average exercise price (price)	Average share price (price)	Exercise period
Granted in 2010	4,576	669	496	491	2011-2020
Granted in 2011	6,237	1,001	505	510	2012-2021
Granted in 2012	8,074	2,672	878	878	2013-2022
Exercised/reversed during the year	(2,152)	(327)			
Total number of share options outstanding	16,735	4,015			

The Executive Board of the Company may be granted share options. The value of the granted share options may not exceed the individual executive's annual salary. The value is determined by the Board of Directors according to resolution by the Company's General Meeting. One year after the share options have been granted, one third of the share options is exercisable. Two years after the share options have been granted, another third of the share options is exercisable. Three years after the grant of the share options the remaining third of the share options is exercisable. The options are exercisable in accordance with the Company's internal rules on insider trading. 2,152 share options have been exercised in 2014. The fair value of the granted options is calculated using the Black-Scholes formula, and for all share options the following assumptions have been applied: Estimated life of share options: 5 years, volatility: 30%, dividend: 0%, risk-free interest rate: 0.3% in 2012 and 2.48% in 2010+2011.

# NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2013	2014	NOTE:	2014	2013
		<b>8 Depreciation, amortisation and impairment</b>		
13,836	16,682	Intangible assets	17,230	14,395
16,191	19,347	Property, plant and equipment	27,064	22,555
37	173	Gains from the disposal of assets	149	5
<b>30,063</b>	<b>36,201</b>		<b>44,444</b>	<b>36,955</b>
		<b>9 Other operating expenses</b>		
		This item includes realised losses on receivables and provisions for bad debts.		
		<b>10 Financial income</b>		
2,777	2,430	Interest income from current assets	2,498	2,860
2,860	0	Dividends from group enterprises	0	0
83	26	Other interest income	144	168
574	2,782	Interest income from group enterprises	0	0
<b>6,294</b>	<b>5,238</b>		<b>2,642</b>	<b>3,028</b>
		<b>11 Financial expenses</b>		
3,699	4,222	Interest expenses on liabilities	5,315	4,823
70	47	Other interest expenses	74	90
<b>3,770</b>	<b>4,268</b>		<b>5,390</b>	<b>4,912</b>
		<b>12 Tax on profit or loss for the year</b>		
(23,781)	(14,989)	Current tax for the year	(17,263)	(28,497)
0	6	Adjustments related to previous years	35	(102)
<b>(23,781)</b>	<b>(14,984)</b>		<b>(17,228)</b>	<b>(28,598)</b>
(2,785)	(6,945)	Adjustment of deferred tax for the year	(6,537)	(2,455)
661	0	Danish corporation tax rate reduced from 25% to 22%	0	3,653
(620)	(20)	Adjustment of deferred tax for previous years	(20)	837
<b>(26,525)</b>	<b>(21,949)</b>	Total	<b>(23,785)</b>	<b>(26,564)</b>
		Tax on profit/loss for the year can be explained as follows:		
(27,210)	(22,274)	Calculated tax on profit/loss before tax (EBT)	(24,244)	(30,833)
661	0	Danish corporation tax rate reduced from 25% to 22%	0	3,653
		Tax effect of:		
715	(456)	Non-taxable income	(483)	761
(691)	6	Other non-deductible costs	15	(1,500)
0	775	Adjustment of tax for previous years	927	1,355
<b>(26,525)</b>	<b>(21,949)</b>		<b>(23,785)</b>	<b>(26,564)</b>
24.4%	24.1%	Effective tax rate	24.4%	21.2%
<b>(24,207)</b>	<b>(18,022)</b>	Taxes paid during the financial year	<b>(21,747)</b>	<b>(31,971)</b>

# NOTES

(All amounts are in DKK thousands)

## 13 Non-current assets: (Consolidated)

	Goodwill	Software	Land and buildings	Leasehold improvements	Fixtures and operating equipment
<b>2014</b>					
Cost at 1 January	102,348	148,161	566,239	19,928	233,053
Foreign currency translation adjustment	0	(126)	(1,556)	(91)	(263)
Additions during the year	0	18,464	135,588	688	67,002
Disposals during the year	0	(12,657)	0	(3,793)	(13,990)
Cost at 31 December	102,348	153,842	700,271	16,732	285,802
Amortisation and depreciation at 1 January	0	(96,179)	(110,154)	(16,400)	(125,279)
Foreign currency translation adjustment	0	57	274	0	206
Amortisation and depreciation for the year	0	(17,229)	(9,909)	(675)	(16,478)
Disposals during the year	0	12,537	0	2,985	13,915
Amortisation and depreciation at 31 December	0	(100,814)	(119,789)	(14,090)	(127,636)
<b>Carrying amount at 31 December</b>	<b>102,348</b>	<b>53,028</b>	<b>580,482</b>	<b>2,642</b>	<b>158,166</b>
<b>Carrying amount of assets held under finance leases</b>			<b>101,792</b>		<b>327</b>
<b>2013</b>					
Cost at 1 January	100,446	134,704	516,079	23,598	179,249
Foreign currency translation adjustment	0	(83)	(974)	0	(184)
Reclassification	0	(691)	0	0	691
Additions during the year	1,902	14,660	59,653	1,643	54,220
Disposals during the year	0	(429)	(8,519)	(5,313)	(922)
Cost at 31 December	102,348	148,161	566,239	19,928	233,054
Amortisation and depreciation at 1 January	0	(82,060)	(104,788)	(20,123)	(113,428)
Foreign currency translation adjustment	0	17	128	0	140
Amortisation and depreciation for the year	0	(14,395)	(8,568)	(1,362)	(12,624)
Disposals during the year	0	259	3,074	5,085	634
Amortisation and depreciation at 31 December	0	(96,179)	(110,154)	(16,400)	(125,278)
<b>Carrying amount at 31 December</b>	<b>102,348</b>	<b>51,982</b>	<b>456,085</b>	<b>3,528</b>	<b>107,776</b>
<b>Carrying amount of assets held under finance leases</b>			<b>103,685</b>		<b>479</b>

Apart from goodwill, all intangible assets are considered to have limited useful lives. No changes have been made in significant estimates relating to property, plant and equipment.

The Group has entered into finance lease on IT hardware and buildings. The lease on buildings expires in 2028. Upon expiry of the lease, the Group will acquire the buildings at a favourable price. The leased assets secure the lease liabilities.

# NOTES

(All amounts are in DKK thousands)

## 13 Non-current assets: (Company)

	Goodwill	Software	Land and buildings	Leasehold improvements	Fixtures and operating equipment
<b>2014</b>					
Cost at 1 January	58,439	145,367	147,883	18,445	219,712
Additions during the year	0	18,464	38,973	268	66,451
Disposals during the year	0	(12,656)	0	(3,792)	(13,737)
Cost at 31 December	58,439	151,175	186,856	14,921	272,426
Amortisation and depreciation at 1 January	0	(95,232)	(15,786)	(16,182)	(113,182)
Amortisation and depreciation for the year	0	(16,682)	(2,637)	(675)	(16,035)
Disposals during the year	0	12,537	0	2,985	13,694
Amortisation and depreciation at 31 December	0	(99,377)	(18,423)	(13,872)	(115,523)
<b>Carrying amount at 31 December</b>	<b>58,439</b>	<b>51,798</b>	<b>168,433</b>	<b>1,049</b>	<b>156,903</b>
<b>Carrying amount of assets held under finance leases</b>			<b>101,792</b>		<b>327</b>
<b>2013</b>					
Cost at 1 January	58,439	132,681	147,706	23,362	165,712
Reclassification	0	(691)	0	0	691
Additions during the year	0	13,806	176	396	53,580
Disposals during the year	0	(429)	0	(5,313)	(271)
Cost at 31 December	58,439	145,367	147,883	18,445	219,712
Amortisation and depreciation at 1 January	0	(81,655)	(13,153)	(19,905)	(101,257)
Amortisation and depreciation for the year	0	(13,836)	(2,633)	(1,362)	(12,196)
Disposals during the year	0	259	0	5,085	271
Amortisation and depreciation at 31 December	0	(95,232)	(15,786)	(16,182)	(113,182)
<b>Carrying amount at 31 December</b>	<b>58,439</b>	<b>50,135</b>	<b>132,097</b>	<b>2,263</b>	<b>106,529</b>
<b>Carrying amount of assets held under finance leases</b>			<b>103,685</b>		<b>479</b>



**AO's system sorts up to  
3,500 cartons per hour**

ORDERING

PICKING TO TOTE

PACKING



**SORTING**

**COLLECTING**

**DELIVERING**

# NOTES

(All amounts are in DKK thousands)

## 13 Non-current assets (continued)

### Goodwill

At 31 December 2014, Management performed an impairment test of the carrying amount of goodwill.

Impairment tests for both the Company's Danish and Swedish entities have been performed as they are two separate cash-generating units. The assumptions mentioned below are applicable for both units.

At 31 December 2014 the carrying amount of goodwill can be specified as follows:

Goodwill determined upon acquisition of Swedish entities	47,016
Goodwill determined upon acquisition of Danish entities	55,332
Total	<u>102,348</u>

The recoverable amount is based on the value in use, which is calculated by means of expected net cash flows on the basis of budgets for 2015 and forecasts for 2016-2019 approved by Management as well as an before-tax discount rate of 10% (2013: 10%). Contribution ratio and market share for the forecast period are expected to be at the same level as realised for 2014. In Sweden, an average annual growth of approximately 10% is expected up until 2019 as a result of an increased sales force, an improved product range and a new online trading system. It is assumed that the market is improving by 3% per annum. The recoverable amount of the Swedish entities is DKK 1,502,000 above the carrying amount. When the expected revenue growth is not achieved or is counterbalanced by savings ensuring profit margins of approximately 4%, there is risk that the carrying amount of goodwill regarding the Swedish entities will exceed the recoverable amount. When the expected revenue growth in the period up until 2019 is one percentage point lower than assumed, there is risk of an impairment loss of approximately DKK 12 million.

The growth rate is not expected to exceed the long-term average growth rate for the markets in which the Company operates.

### Other non-current assets

Management has not identified any factors that would indicate a need to perform an impairment test of other intangible assets or property, plant and equipment.

## 14 Investments in group enterprises (Company)

	<u>2014</u>	<u>2013</u>
Cost at 1 January	132,574	132,574
Additions during the year	0	0
Disposals during the year	0	0
Cost at 31 December	<u>132,574</u>	<u>132,574</u>
Impairment at 1 January	0	0
Impairment for the year	0	0
Impairment at 31 December	<u>0</u>	<u>0</u>
<b>Carrying amount at 31 December</b>	<b><u>132,574</u></b>	<b><u>132,574</u></b>

# NOTES

(All amounts are in DKK thousands)

COMPANY		CONSOLIDATED	
2013	2014 NOTE:	2014	2013
<b>14 Investments in group enterprises (Company)</b>			
<b>Ownership interest</b>	<b>Ownership interest</b>	<b>Name</b>	<b>Registered Office</b>
100%	100%	AO Invest A/S	Albertslund
100%	100%	Vaga Tehnika Eesti OÜ	Estonia
100%	100%	AO Sverige AB	Sweden
AO Sverige AB fully owns the company of Betongkomplement i Stockholm AB, Sweden.			
<b>15 Inventories</b>			
Carrying amount of inventories recognised at net selling price			
0	0	0	0
<b>16 Trade receivables</b>			
At 31 December 2014 the Group's trade receivables include receivables totalling DKK 32,195,000 (2013: DKK 49,558,000), which have been written down to DKK 4,551,000 (2013: DKK 5,175,000) based on individual assessments. The write-downs are attributable to the bankruptcy of customers or their inability to pay and include added interest.			
Write-downs included in the above receivables have developed as follows:			
44,265	40,411	42,383	48,232
(3,853)	(14,232)	(14,739)	(5,849)
40,411	26,180	27,644	42,383
The credit quality of receivables not past due and not written down has, according to the Group's internal credit rating procedures, been assessed to be of good quality with a low risk of losses, see also note 23 for information about credit rating procedures, etc.			
In addition, trade receivables, past due at 31 December but not written down, are recognised as follows:			
Maturity period:			
17,025	6,948	8,265	20,463
2,726	1,748	2,374	4,349
4,391	4,324	3,865	4,523
24,142	13,020	14,504	29,335

# NOTES

(All amounts are in DKK thousands)

COMPANY		CONSOLIDATED	
2013	2014 NOTE:	2014	2013
<b>17 Earnings per share</b>			
		73,756	98,642
		514,005	514,005
		(22,194)	(23,270)
		491,811	490,735
		3,951	8,657
		495,762	499,392
		150	201
		149	198
<b>18 Corporation tax receivable/payable</b>			
28,693	21,414	25,009	32,510
(27,575)	(17,263)	(17,263)	(28,497)
1,118	4,151	7,746	4,014

## 19 Equity

### Capital management

The Group regularly assesses the need for adapting the capital structure with a view to balancing a higher required rate of return on equity with the increased uncertainty associated with loan capital. At the end of 2014, the equity share of total equity and liabilities amounted to 58.8% (2013: 60.3%). The target is to obtain an equity interest of approximately 40%. Capital is managed for the Group as a whole.

The share capital consists of the following classes:

#### Ordinary share capital:

44 shares of	DKK 1,000 each	44,000
234 shares of	DKK 4,000 each	936,000
18 shares of	DKK 5,000 each	90,000
22 shares of	DKK 10,000 each	220,000
87 shares of	DKK 50,000 each	4,350,000
		<u>5,640,000</u>

#### Preference share capital:

513,600 shares of	DKK 100 each	<u>51,360,000</u>
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Total share capital 57,000,000

# NOTES

(All amounts are in DKK thousand)

## 19 Equity (continued)

Of the Company's share capital of DKK 57,000,000, DKK 5,640,000 is in the form of ordinary shares and DKK 51,360,000 is in the form of preference shares. Each ordinary share of DKK 1,000 carries 100 votes whereas each preference share of DKK 100 carries one vote. In addition to the the difference in the number of voting rights, the two share classes differ in the following respects:

The ordinary shares are nonnegotiable securities. The preference shares are listed on NASDAQ OMX Copenhagen A/S. The preference share capital has a preferential dividend right of 6%. In case of liquidation, preference shares take precedence over ordinary shares.

An alteration to the Company's Articles of Association requires that two thirds of cast votes and two thirds of the represented capital at a general meeting are in favour of the alteration.

The Company's Board of Directors consists of five members who do not have to be shareholders. They are elected as follows:

Holders of preference shares are entitled to appoint and elect one member of the Board of Directors, while holders of ordinary shares elect the remaining Board members.

Treasury shares	Number of shares		Nominal value (DKK thousands)		% of share capital	
	2014	2013	2014	2013	2014	2013
1 January	23,270	23,270	2,327	2,327	4.1%	4.1%
Acquisition	0	0	0	0	0.0%	0.0%
Sale	(2,152)	0	(215)	0	(0.4%)	0.0%
<b>Holding at 31 December</b>	<b>21,118</b>	<b>23,270</b>	<b>2,112</b>	<b>2,327</b>	<b>3.7%</b>	<b>4.1%</b>

All treasury shares are owned by Brødrene A & O Johansen A/S.

On the authority of the annual general meeting, Brødrene A & O Johansen A/S may acquire a maximum of an additional nominal amount of DKK 3,373,000 of treasury shares, corresponding to 10% of the share capital.

### Dividend

The payment of dividends to the Company's shareholders has no tax implication for Brødrene A & O Johansen A/S.

No dividends will be distributed for 2014.

### Reserve for foreign currency translation adjustment

The reserve for foreign currency translation adjustments includes all translation adjustments that arise as a result of the translation of the financial statements of entities using a functional currency other than Danish kroner.

There are no translation adjustments in connection with assets and liabilities constituting a part of the Group's net investment in such entities.

### Other reserves

Other reserves are distributable reserves that can be used for payment of dividend.

# NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2013	2014	NOTE:	2014	2013
<b>20 Deferred tax</b>				
4,672	7,632	Deferred tax at 1 January	30,505	32,391
0	0	Foreign currency translation adjustment	(40)	(67)
2,785	6,945	Change in deferred tax for the year	6,537	2,455
(661)	0	Danish corporation tax rate reduced from 25% to 22%	0	(3,653)
836	20	Change in deferred tax relating to previous year	20	(621)
<b>7,632</b>	<b>14,597</b>	<b>Deferred tax at 31 December</b>	<b>37,023</b>	<b>30,505</b>
Deferred tax relates to:				
35,572	41,472	Property, plant and equipment	64,968	57,959
(2,753)	(2,099)	Receivables	(2,099)	(2,753)
(25,187)	(24,776)	Liabilities	(24,776)	(24,701)
0	0	Tax losses and interest deduction limitations	(1,070)	0
<b>7,632</b>	<b>14,597</b>	<b>Deferred tax at the end of the year</b>	<b>37,023</b>	<b>30,505</b>
<b>21 Credit institutions</b>				
Payables to credit institutions are recognised in the balance sheet as:				
112,376	110,623	Non-current liabilities	167,483	169,209
2,306	17,727	Current liabilities	17,701	2,280
<b>114,682</b>	<b>128,350</b>		<b>185,184</b>	<b>171,489</b>
0	0	Mortgage loans - floating interest rate - 1 year	56,833	56,807
438	15,961	Bank loans - floating short-term interest rate	15,962	438
114,244	112,389	Lease commitments - floating interest rate	112,389	114,244
<b>114,682</b>	<b>128,350</b>		<b>185,184</b>	<b>171,489</b>
<i>Finance lease</i>				
Liabilities relating to assets held under a finance lease are therefore included in payables to credit institutions:				
1,869	1,766	Less than 1 year	1,766	1,869
112,375	110,623	1 to 5 years	110,623	112,375
0	0	More than 5 years	0	0
<b>114,244</b>	<b>112,389</b>	<b>Total carrying amount</b>	<b>112,389</b>	<b>114,244</b>

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 21 Credit institutions (continued)

According to the lease there is no contingent rent. The contractual cash flows appear from note 23.

The lease is described in detail in note 13. The carrying amount of assets held under a finance lease appears from note 13.

### 22 Contingent liabilities, security, etc.

Land and buildings with a total carrying amount of DKK 308,092,000 (2013: DKK 245,216,000) are provided as security for the Group's payables to mortgage credit institutions.

Land and buildings with a total carrying amount of DKK 109,121,000 (2013: DKK 132,019,000) are provided as security for the Company's payables to mortgage credit institutions.

The parent is jointly taxed with AO Invest A/S. Being the administration company, the parent is unlimited, jointly and severally liable with AO Invest A/S in the joint taxation of Danish corporation taxes on dividends within the joint taxation group. Receivable corporation taxes in the joint taxation group amounted to DKK 7,746,000 at 31 December 2014 (2013: DKK 4,014,000) recognised in the parent's balance sheet. Any subsequent corrections of the taxable income subject to joint taxation could cause a higher liability of the parent. Companies in the joint taxation arrangement are not subject to withholding tax on dividends. Transactions appear from note 25.

### 23 Currency and interest rate risks

#### The Group's risk management policies

As a result of its operations, investments and financing, the Group is exposed to changes in exchange rates and interest-rate levels. It is Group policy not to engage in any active speculation in financial risks. The Group's financial management therefore only concentrates on the management of the financial risks that are directly linked to the Group's operations and financing. Financial risks are managed centrally by the Group's finance function. The overall framework for the financial risk management is laid down in the Group's finance policy, which has been approved by the Board of Directors. The finance policy covers the Group's finance policy as well as its policy relating to credit risks associated with financial counterparties and contains a policy relating to credit risks description of the approved risk framework. Management monitors the Group's risk concentration on customers, currencies and other areas on a regular basis.

#### Currency risks

The Group's currency risk in connection with Danish operations is limited as revenue is generated in Danish kroner and goods are primarily purchased in DKK or EUR.



ORDERING

PICKING TO TOTE

PACKING



**AO's store in Albertslund  
– a customer is picking up  
his goods**

SORTING

COLLECTING

DELIVERING

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 23 Currency and interest rate risks (continued)

The Group's foreign operations are not much affected by currency fluctuations, as income and expenses are largely paid in local currency. When translating the results of foreign operations, the Group is affected by changes in the exchange rates.

The Group does not use derivative instruments to hedge currency risks.

As regards investments in foreign entities the Group's equity at 31 December 2014 would be reduced by DKK 6.5 million (2013: DKK 7.7 million), if the SEK exchange rate was 10% lower than the current rate. Other currency risks relating to investments in foreign entities are insignificant.

The Group had no significant currency risks relating to receivables or payables in foreign currencies at 31 December 2014, and the consolidated results would therefore not be affected to any major extent by changes in exchange rates at 31 December 2014.

The Group has the following currency exposure at 31 December:

CONSOLIDATED	2014			2013		
	EUR	OTHER* CURRENCIES	TOTAL	EUR	OTHER* CURRENCIES	TOTAL
Trade payables	23,136	10,089	33,225	27,018	10,300	37,318
Payables to credit institutions	13,249	1,308	14,557	17,826	3,698	21,524
<b>Net exposure</b>	<b>36,385</b>	<b>11,397</b>	<b>47,782</b>	<b>44,844</b>	<b>13,998</b>	<b>58,842</b>
Risk in exchange rate fluctuation	1%	10%		1%	10%	
<b>Estimated effect on income statement and equity</b>	<b>364</b>	<b>1,140</b>	<b>1,504</b>	<b>448</b>	<b>1,400</b>	<b>1,848</b>

The Group's currency exposure related to financial instruments is primarily a result of the Group's financing activities.

The Company's currency exposure is identical to that of the Group.

\* Mainly SEK

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 23 Currency and interest rate risks (continued)

#### Interest rate risks

As a result of its investing and financing activities, the Group has a risk exposure relating to fluctuations in the interest-rate level in Denmark. The main interest rate exposure is related to fluctuations in CIBOR.

In 2014, the Group's interest-bearing debt, determined as payables to credit institutions less negotiable securities and cash decreased to DKK 112.5 million from DKK 116.4 million in 2013. Based on the net debt, an increase of one percentage point in the general interest-rate level would result in an increase in the Group's annual interest expenses before tax of approximately DKK 1.1 million (2013: approximately DKK 1.2 million).

#### Liquidity risks

In connection with borrowing, it is the Group's policy to ensure the greatest possible flexibility by spreading the loans on different maturity/renewal dates and on different lenders to ensure the best possible terms. The Group's cash resources comprise cash and cash equivalents, securities and undrawn credit facilities. It is the Group's aim to have sufficient cash resources in order to make appropriate decisions also in connection with unforeseen liquidity fluctuations.

The Group's payables fall due as follows:

CONSOLIDATED	Carrying amount	Contractual cash flows	2014		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	56,833	67,909	1,052	6,107	60,750
Bank loans	15,962	15,961	15,961	0	0
Lease commitments	112,389	134,952	14,576	120,376	0
<b>31 December</b>	<b>185,184</b>	<b>218,822</b>	<b>31,589</b>	<b>126,483</b>	<b>60,750</b>

CONSOLIDATED	Carrying amount	Contractual cash flows	2013		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	56,807	68,595	1,051	3,769	63,775
Bank loans	438	438	438	0	0
Lease commitments	114,244	131,104	5,316	125,788	0
<b>31 December</b>	<b>171,489</b>	<b>200,137</b>	<b>6,805</b>	<b>129,557</b>	<b>63,775</b>

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 23 Currency and interest rate risks (continued)

The Company's payables fall due as follows:

COMPANY	2014				
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	1 to 5 years 5 years
Mortgage loans	0	0	0	0	0
Bank loans	15,961	15,961	15,961	0	0
Lease commitments	112,389	134,952	14,576	120,376	0
<b>31 December</b>	<b>128,350</b>	<b>150,913</b>	<b>30,537</b>	<b>120,376</b>	<b>0</b>

COMPANY	2013				
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	0	0	0	0	0
Bank loans	438	438	438	0	0
Lease commitments	114,244	131,104	5,316	125,788	0
<b>31 December</b>	<b>114,682</b>	<b>131,542</b>	<b>5,754</b>	<b>125,788</b>	<b>0</b>

Assumptions regarding the maturity analysis:

\* The maturity analysis is based on all undiscounted cash flows, including estimated interest payments.

\* Interest payments are estimated on the basis of current market conditions.

Based on the Group's expectations for future operations and the Group's current cash resources, no material liquidity risks have been identified.

Group loans and committed credit facilities are not subject to any special terms or conditions (covenants).

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 23 Currency and interest rate risks (continued)

#### Credit risks

The Group's credit risks relate to receivables and cash at bank and in hand. The maximum credit risk associated with financial assets corresponds to the values recognised in the balance sheet.

The Group has no material risks relating to individual customers or business partners. Credit rating is based on an individual assessment of customers and business partners and their respective financial situation. The management of the credit risk is based on internal credit limits determined according to the customers' credit rating. As a result of the current market conditions, the Group has amended its credit limits for a number of customers. If the credit rating of a customer is assessed as being insufficient, the terms of payment are amended or security is provided.

The Group's credit exposure to customers is monitored on an ongoing basis as part of the Group's risk management.

In general, no security has been received for overdue or impaired receivables.

#### Categories of financial instruments, and methods and assumptions for determining fair values

The carrying amount and fair value is identical with the exception of loans measured at amortised cost, and where the carrying amount at 31 December 2014 amounts to DKK 185.1 million (2013: DKK 171.5 million). Both figures correspond to the fair value.

The methods and assumptions applied in determining fair values of financial instruments are presented below for each class of financial instrument. The methods used have not been changed compared to last year.

The fair value of mortgage debt is determined on the basis of the underlying bonds. Short-term floating-rate bank loans are measured at nominal value.

The fair value of bank loans and finance lease liabilities is determined on the basis of discount models, where all estimated and fixed cash flows are discounted using zero-coupon yield curves.

Trade receivables, cash and cash equivalents, and trade payables are subject to a short credit period and are considered to have a fair value that corresponds to the carrying amount. No further fair value information for financial assets is given when the carrying amount is assumed to be a proper measure of the fair value of the assets.

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 24 Operating leases

Non-cancellable operating minimum lease payments are determined on a nominal basis and can be specified as follows:

	Consolidated		Company	
	2014	2013	2014	2013
0-1 year	19,898	20,513	46,970	45,513
1-5 years	23,115	30,432	20,377	27,733
>5 years	2,118	1,163	2,118	1,163
	<b>45,131</b>	<b>52,108</b>	<b>69,465</b>	<b>74,409</b>

The Group leases buildings and operating equipment under operating leases. The lease term varies from six months to 10 years with the possibility of extending at the end of the term. None of the leases contain contingent rent.

In 2014, the consolidated income statement recognised DKK 27,422,000 (2013: DKK 21,161,000) concerning operating leases.

In 2014, the income statement of the Company recognised DKK 53,773,000 (2013: DKK 50,551,000) concerning operating leases.

### 25 Related parties

The Group's related parties comprise Evoleska Holding AG, the Board of Directors, the Executive Board and management employees.

Evoleska Holding AG has a controlling interest in the Company via its ownership of the majority of the votes. No transactions were carried out with Evoleska Holding AG in the course of the year.

During the year, no transactions were carried out with the Board of Directors, the Executive Board, management employees or major shareholders apart from normal management remuneration, cf. note 7.

In addition, group enterprises also constitute related parties to the Company.

Trading with group enterprises comprises the following:

	Consolidated		Company	
	2014	2013	2014	2013
Sale of goods	0	0	2,557	4,319
Rental expenses	0	0	32,720	26,066

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 25 Related parties (continued)

Transactions with group enterprises are eliminated in the consolidated financial statements in accordance with the accounting policies.

The Company's balances with group enterprises at 31 December can be seen in the balance sheet. Balances with group enterprises comprise ordinary trading balances related to the sale of goods. Ordinary trading balances attract no interest and are subject to the same terms of trade as other customers of the Company. Balances with group enterprises also comprise the construction and conversion of buildings. Return on balances appears from notes 10 and 11.

The Company has entered into building leases with AO Invest A/S, cf. note 24.

The Company is jointly taxed with AO Invest A/S. Liability is unlimited, joint and several. No separate guarantee has been provided or received in connection with this liability. Included in the Company's tax on taxable income for the year is an amount of DKK 2,274,000 (2013: DKK 3,794,000) relating to AO Invest A/S at the balance sheet date, cf. note 18.

### 26 Subsequent events

No events have occurred after 31 December 2014 that are considered to have any significant effect on the annual report for 2014.

### 27 New accounting regulation

At the time of the publication of this annual report, the IASB has issued the following new and revised accounting standards and interpretations that are not compulsory for Brødrene A & O Johansen A/S in the preparation of the annual report for 2014: IFRS 9, IFRS 14 and IFRS 15, amendments to IAS 1, IAS 16, IAS 19, IAS 27, IAS 28, IAS 38 and IAS 41, IFRS 10, IFRS 11 and IFRS 12, certain parts of the Annual Improvements to IFRSs 2010-2012 Cycle, Improvements to IFRSs 2011-2013 Cycle and Annual Improvements to IFRSs 2010-2014 Cycle.

Amendments to IAS 9, Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle have been endorsed by the EU.

The endorsed but not yet effective standards and interpretations are expected to be implemented when they become mandatory for Brødrene A & O Johansen A/S.

None of the new accounting standards and interpretations have had any significant impact on Brødrene A & O Johansen A/S's financial reporting.

# COMPANY INFORMATION

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CVR number: 58 21 06 17  
ID code: DK0010231018

Founded: 1914  
Registered office: Albertslund, Denmark

## Board of Directors

Henning Dyremose, Chairman  
Michael Kjær, Deputy Chairman  
René Alberg  
Erik Holm  
Leif Hummel  
Carsten Jensen  
Niels A. Johansen  
Preben Damgaard Nielsen

## Executive Board

Niels A. Johansen, Chief Executive Officer  
Henrik T. Krabbe, Chief Operating Officer and Chief Financial Officer

## Auditors

Ernst & Young Godkendt Revisionspartnerselskab  
Peter Gath

## Annual General Meeting

The annual general meeting is scheduled for 20 March 2015.



SORTING

COLLECTING

DELIVERING

# AO's OUTLETS AND OFFICES

## HEAD OFFICE

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TELEPHONE: +45 70 28 07 02 • TELEFAX: +45 70 28 08 02

**AO-NYKØBING F** • HERNINGVEJ 23 • DK-4800 NYKØBING F •  
DENMARK  
TELEPHONE: +45 70 28 07 32 • TELEFAX: +45 70 28 08 32

**AO-NÆSTVED** • HOLSTED PARK 6 • DK-4700 NÆSTVED • DENMARK  
TELEPHONE: +45 70 28 07 27 • TELEFAX: +45 70 28 08 27

**AO-NØRREBRO** • GLASVEJ 11 • DK-2400 KØBENHAVN NV • DENMARK  
TELEPHONE: +45 70 28 07 12 • TELEFAX: +45 70 28 08 12

**AO-RINGSTED** • INDUSTRIPARKEN 1 • DK-4100 RINGSTED • DENMARK  
TELEPHONE: +45 70 28 07 28 • TELEFAX: +45 70 28 08 28

**AO-ROSKILDE** • KØBENHAVNSVEJ 170 • DK-4000 ROSKILDE •  
DENMARK  
TELEPHONE: +45 70 28 07 29 • TELEFAX: +45 70 28 08 29

**AO-RØDOVRE** • ISLEVDALVEJ 142, ST. TH. • DK-2610 RØDOVRE •  
DENMARK  
TELEPHONE: +45 70 28 07 08 • TELEFAX: +45 70 28 08 08

**AO-RØNNE** • SANDEMANDSVEJ 10 • DK-3700 RØNNE • DENMARK  
TELEPHONE: +45 70 28 07 31 • TELEFAX: +45 70 28 08 31

**AO-SLAGELSE** • JAPANVEJ 16 • DK-4200 SLAGELSE • DENMARK  
TELEPHONE: +45 70 28 07 26 • TELEFAX: +45 70 28 08 26

**AO-SØBORG** • SYDMARKEN 32C • 2860 SØBORG • DENMARK  
TELEPHONE: +45 70 28 07 15 • TELEFAX: +45 70 28 08 15

**AO-VESTERBRO** • INGERSLEVSGADE 54 • DK-1705 KØBENHAVN V •  
DENMARK  
TELEPHONE: +45 70 28 07 09 • TELEFAX: +45 70 28 08 09

**AO-VORDINGBORG** • KRONDREVET 1 • DK-4760 VORDINGBORG •  
DENMARK  
TELEPHONE: +45 70 28 07 36 • TELEFAX: +45 70 28 08 36

**AO-ØSTERBRO** • ØSTBANEGADE 169 • DK-2100 KØBENHAVN Ø •  
DENMARK  
TELEPHONE: +45 70 28 07 03 • TELEFAX: +45 70 28 08 03

## OUTLETS, WEST

**AO-ESBJERG** • KATTEGATVEJ 1 • DK-6705 ESBJERG Ø • DENMARK  
TELEPHONE: +45 70 28 07 41 • TELEFAX: +45 70 28 08 41

**AO-FREDERICIA** • PRANGERVEJ 143 • DK-7000 FREDERICIA • DENMARK  
TELEPHONE: +45 70 28 07 42 • TELEFAX: +45 70 28 08 42

**AO-HADERSLEV** • NORGESVEJ 41 • DK-6100 HADERSLEV • DENMARK  
TELEPHONE: +45 70 28 07 67 • TELEFAX: +45 70 28 08 67

**AO-HERNING** • LØLLANDSVEJ 1 • DK-7400 HERNING • DENMARK  
TELEPHONE: +45 70 28 07 43 • TELEFAX: +45 70 28 08 43

**AO-HJØRRING** • LÆSØVEJ 3 • DK-9800 HJØRRING • DENMARK  
TELEPHONE: +45 70 28 07 63 • TELEFAX: +45 70 28 08 63

**AO-HOBRO** • SMEDEVEJ 4 • DK-9500 HOBRO • DENMARK  
TELEPHONE: +45 70 28 07 44 • TELEFAX: +45 70 28 08 44

**AO-HOLSTEBRO** • JENS BAGGESSENSVEJ 12 • DK-7500 HOLSTEBRO •  
DENMARK  
TELEPHONE: +45 70 28 07 45 • TELEFAX: +45 70 28 08 45

**AO-HORSENS** • ALLÉGADE 40 • DK-8700 HORSENS • DENMARK  
TELEPHONE: +45 70 28 07 46 • TELEFAX: +45 70 28 08 46

**AO-KOLDING** • MØNTEN 5 • DK-6000 KOLDING • DENMARK  
TELEPHONE: +45 70 28 07 47 • TELEFAX: +45 70 28 08 47

**AO-NYBORG** • FALSTERVEJ 10 E • DK-5800 NYBORG • DENMARK  
TELEPHONE: +45 70 28 07 49 • TELEFAX: +45 70 28 08 49

**AO-ODENSE** • MIDDELFARTVEJ 8 • DK-5000 ODENSE C • DENMARK  
TELEPHONE: +45 70 28 07 50 • TELEFAX: +45 70 28 08 50

**AO-RANDERS** • TOLDBODGADE 24 • DK-8930 RANDERS • DENMARK  
TELEPHONE: +45 70 28 07 52 • TELEFAX: +45 70 28 08 52

**AO-RISSKOV** • RAVNSØVEJ 7 • DK-8240 RISSKOV • DENMARK  
TELEPHONE: +45 70 28 07 55 • TELEFAX: +45 70 28 08 55

**AO-SILKEBORG** • STAGEHØJVEJ 27 • DK-8600 SILKEBORG • DENMARK  
TELEPHONE: +45 70 28 07 53 • TELEFAX: +45 70 28 08 53

**AO-SKIVE** • VIBORGVEJ 21 C • DK-7800 SKIVE • DENMARK  
TELEPHONE: +45 70 28 07 68 • TELEFAX: +45 70 28 08 68

**AO-SØNDERBORG** • NØRRREKOBEL 7 D • DK-6400 SØNDERBORG •  
DENMARK  
TELEPHONE: +45 70 28 07 54 • TELEFAX: +45 70 28 08 54

**AO-VEJLE** • IBÆK STRANDVEJ 12 • DK-7100 VEJLE • DENMARK  
TELEPHONE: +45 70 28 07 58 • TELEFAX: +45 70 28 08 58

**AO-VIBORG** • VÆRVEJ 2 • DK-8800 VIBORG • DENMARK  
TELEPHONE: +45 70 28 07 62 • TELEFAX: +45 70 28 08 62

**AO-VIBY** • JENS JUULSVEJ 7 • DK-8260 VIBY • DENMARK  
TELEPHONE: +45 70 28 07 69 • TELEFAX: +45 70 28 08 69

**AO-AABENRAA** • NÆSTMARK 21 • DK-6200 AABENRAA • DENMARK  
TELEPHONE: +45 70 28 07 34 • TELEFAX: +45 70 28 08 34

**AO-AALBORG** • SØNDERBRO 2 A • DK-9000 AALBORG • DENMARK  
TELEPHONE: +45 70 28 07 40 • TELEFAX: +45 70 28 08 40

**AO-ÅRHUS** • SØREN FRICHSVEJ 24 • DK-8000 ÅRHUS C • DENMARK  
TELEPHONE: +45 70 28 07 70 • TELEFAX: +45 70 28 08 70

## AO-VAGA

**VAGA TEHNIK** • MOSSVEJ 2 • DK-8700 HORSENS • DENMARK  
TELEPHONE: +45 70 28 07 77 • TELEFAX: +45 70 28 08 88  
TELEFAX: +45 70 28 08 99 (WORKSHOP)

## VAGA TEHNIKA EESTI OÜ

**VAGA TEHNIKA EESTI OÜ** • AKADEEMIA TEE 39 • EE-12618 TALLINN  
• ESTONIA  
TELEPHONE: +372 67 10 300 • TELEFAX: +372 67 10 301

## AO SVERIGE AB

**AO SVERIGE AB** • BRODALSVÄGEN 15 • SE-433 38 PARTILLE • SWEDEN  
TELEPHONE: +46 10 480 96 00 • TELEFAX: +46 10 480 96 01

**AO SVERIGE AB** • BRONSXYEGATAN 6A • SE-213 75 MALMÖ • SWEDEN  
TELEPHONE: +46 10 480 95 00 • TELEFAX: +46 10 480 97 10

**AO SVERIGE AB** • REGEMENTSGATAN 24 • SE-504 31 BORÅS • SWEDEN  
TELEPHONE: +46 10 480 96 50 • TELEFAX: +46 10 480 96 51

**AO SVERIGE AB** • SVETSAREVÄGEN 1 • SE-291 36 KRISTIANSTAD •  
SWEDEN  
TELEPHONE: +46 10 480 95 50 • TELEFAX: +46 10 480 97 30

**AO SVERIGE AB** • DEPÅGATAN 125 • SE-254 64 HELSINGBORG •  
SWEDEN  
TELEPHONE: +46 10 480 95 30 • TELEFAX: +46 418 505 94

**AO SVERIGE AB** • RÖRVÄGEN 55 • SE-136 50 JORDBRO • SWEDEN  
TELEPHONE: +46 10 480 97 50 • TELEFAX: +46 10 480 97 99

## RENTAL SERVICE

**BRØDRENE A & O JOHANSEN A/S • RENTAL SERVICE** •  
HERSTEDVANG 6 • DK-2620 ALBERTSLUND • DENMARK  
TELEPHONE: +45 70 28 05 61 • TELEFAX: +45 70 28 02 08

## REPAIR WORKSHOP

**BRØDRENE A & O JOHANSEN A/S • REPAIR WORKSHOP** •  
HERSTEDVANG 6 • DK-2620 ALBERTSLUND • DENMARK  
TELEPHONE: +45 70 28 02 45 • TELEFAX: +45 70 28 02 08

## LASER WORKSHOP

**BRØDRENE A & O JOHANSEN A/S • LASER WORKSHOP** •  
KATTEGATVEJ 1 • DK-6705 ESBJERG Ø • DENMARK  
TELEPHONE: +45 70 28 06 61 • TELEFAX: +45 70 28 02 08

# INFORMATION ABOUT THE BOARD OF DIRECTORS' MANAGERIAL POSTS

## • Henning Baunbæk Dyremose Chairman of the Board

- Born 1945.
- Nationality: Danish.
- Chairman of the Board since 2007.
- Member of the Board since 1997.
- Chairman of Brødrene A & O Johansen A/S's Audit Committee.
- Elected by the ordinary shareholders.
- As Henning Dyremose has been a member of the Board for more than 12 years, he cannot, according to the 'Danish Recommendations on Corporate Governance', be characterised as being independent of special interests.

### Qualifications

- Broad leadership experience in business, finance and politics.
- Experience as managing director of a wholesale company with the same customers as Brødrene A & O Johansen A/S.
- Former Minister of Finance.

### Managerial Posts

- Chairman of the boards of:  
KRB Holding A/S  
Rosendahls A/S - Print Media Design.

## • Michael Kjær Deputy Chairman of the Board

- Managing Director of FGROUPE A/S.
- Born 1956.
- Nationality: Danish.
- Deputy Chairman of the Board since 2007.
- Member of the Board since 2002.
- Member of Brødrene A & O Johansen A/S's Audit Committee.
- Elected by the ordinary shareholders.
- Considered to be independent of special interests.

### Qualifications

- Management (CEO) of major retail chain.
- Expertise in strategy, sales, marketing and accounting.
- Experience with business organisations and employers' associations.

### Managerial Posts

- Chairman of the boards of:  
Dansk Erhverv (The Danish Chamber of Commerce).  
Artha Holding A/S.
- Deputy Chairman of the board of:  
Interdan A/S.
- Member of the boards of:  
Kraks Fond  
The Confederation of Danish Employers.
- Ad hoc expert judge at the Danish Maritime and Commercial Court.

## • René Alberg

- Key Account Sales Assistant.
- Born 1971.
- Nationality: Danish.
- Staff-elected member of the Board.
- Member of the Board since 2006.
- Re-elected in 2014, term expires in 2018.

## • Erik Holm

- Managing Partner and Managing Director of Maj Invest Equity A/S, Managing Director of Fondsmæglerselskabet Maj Invest A/S and Managing Director of Maj Invest Holding A/S.
- Born 1960.
- Nationality: Danish.
- Member of the Board since 2009.
- Elected by the ordinary shareholders.
- Considered to be independent of special interests.

### Qualifications

- Experience as managing director of a wholesale company with the same customers as Brødrene A & O Johansen A/S.
- Broad leadership experience in sales, finance and logistics, both in Denmark and internationally.
- Experience of Board work in other listed companies.

### Managerial Posts

- Chairman of the boards of:  
KKWind Solutions A/S  
Sticks'n'Sushi A/S  
Sticks'n'Sushi Holding A/S  
Vega Sea A/S.
- Deputy Chairman of the boards of:  
SP Group A/S  
SP Moulding A/S  
Arvid Nilssons Fond.
- Member of the boards of:  
Palsgaard Gruppen A/S  
Lilleheden A/S  
Plus A/S  
Vernal A/S  
Muuto A/S  
Maj Invest Equity A/S  
Maj Invest Holding A/S  
Fondsmæglerselskabet Maj Invest A/S.

### • Leif Hummel

- Distribution Manager.
- Born 1963.
- Nationality: Danish.
- Staff-elected member of the Board.
- Member of the Board since 2014.
- Elected in 2014, term expires in 2018.

#### Qualifications

- Leadership experience in logistics and warehouse management.
- Experience with national distribution.
- Experience with environmental management and working environment assessment.
- Experience in finance and accounting.
- Experience of board work in private institutions.

### • Carsten Jensen

- Logistics Coordinator.
- Born 1955.
- Nationality: Danish.
- Staff-elected member of the Board.
- Member of the Board since 1990.
- Re-elected in 2014, term expires in 2018.

### • Niels Axel Johansen

- Chief Executive Officer of Brødrene A & O Johansen A/S.
- Born 1939.
- Nationality: Danish.
- Member of the Board since 1979.
- Elected by the ordinary shareholders.
- As Niels A. Johansen has been a member of the Board for more than 12 years and is a member of the Executive Board, he cannot, according to the 'Danish Recommendations of Corporate Governance', be characterised as being independent of special interests.

#### Qualifications

- Long-time managerial experience as CEO.
- In-depth knowledge of the wholesale industry of installation materials in Denmark and the rest of Europe.

### • Preben Damgaard Nielsen

- Managing Director of Damgaard Company A/S.
- Born 1963.
- Nationality: Danish.
- Member of the Board since 2007.
- Member of Brødrene A & O Johansen A/S's Audit Committee.
- Elected by the preference shareholders.
- Considered to be independent of special interests.

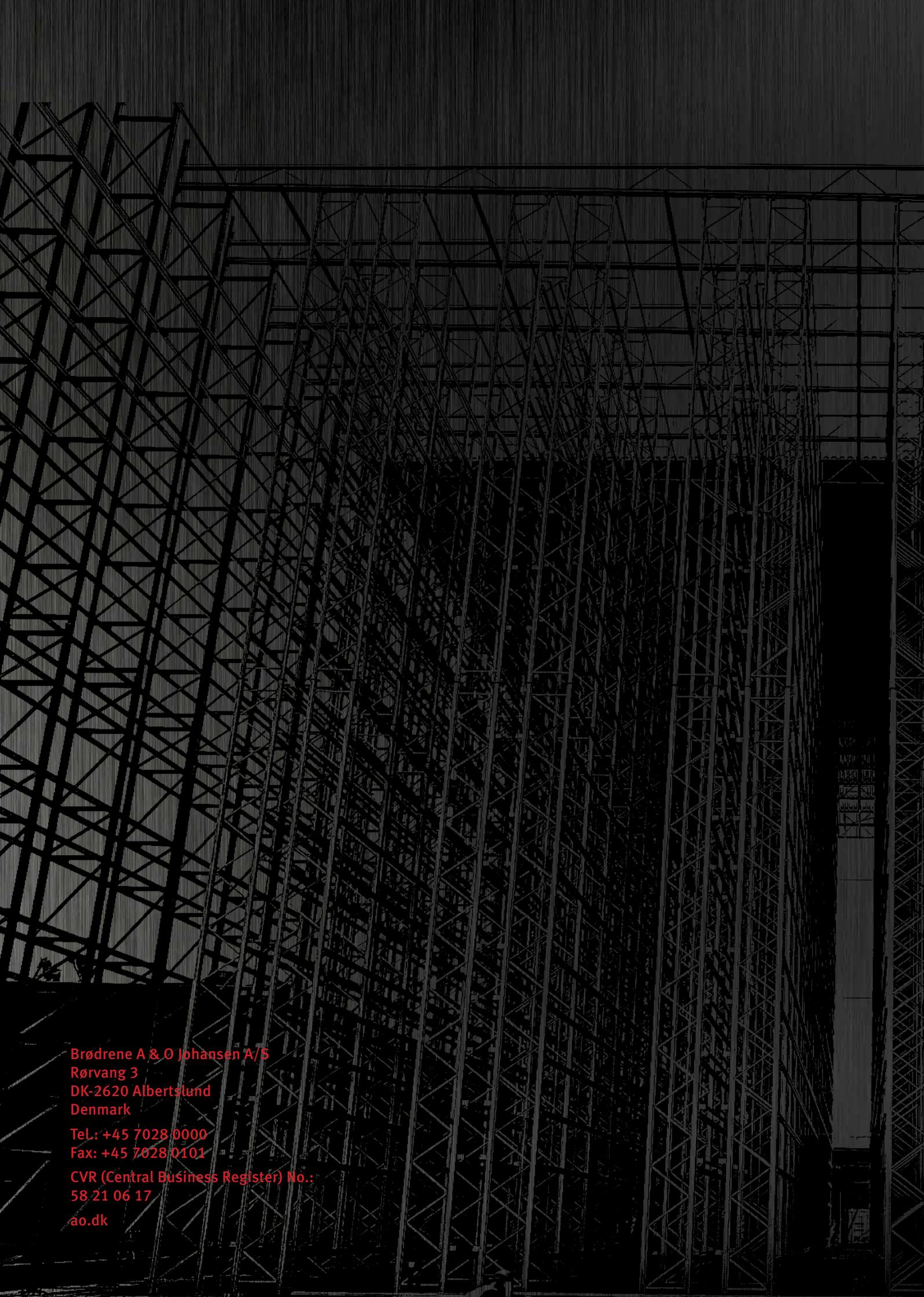
#### Qualifications

- Broad leadership experience.
- Long-time experience as CEO.
- Worked as CEO of a listed company from 1999 to 2003.
- In-depth knowledge of accounting and IT systems.

#### Managerial Posts

- **Chairman of the boards of:**
  - Proactive A/S
  - 7NA/S
  - Cirque A/S
  - Endomondo ApS.
- **Member of the boards of:**
  - Secunia A/S
  - Scalepoint A/S
  - Axcess A/S
  - Damgaard Company A/S
  - Damgaard Company II A/S
  - Damgaard Group A/S
  - Skolebordet.dk.
- Member of the Investment Committee for Seed Denmark.
- Advisor for Ordbogen.com A/S.





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