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# **Interim Financial Report for the Period 1 January – 30 September 2018**

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## **Brødrene A & O Johansen A/S**

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CVR (Central Business Register) No.: 58 21 06 17

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Today the Board of Directors has approved the Group's interim financial report for the period 1 January – 30 September 2018.

### **Highlights for the third quarter and first nine months of 2018**

- Consolidated revenue for the third quarter of 2018 was DKK 813.2 million, which is the same as for the third quarter of 2017. Consolidated revenue for the first nine months of 2018 was DKK 2,455.8 million, which is DKK 91.6 million or 4 % higher than for the same period last year.
- Operating profit (EBIT) for the third quarter of 2018 was DKK 38.1 million, corresponding to a profit margin of 4.7%, against DKK 35.8 million and 4.4% for the third quarter of 2017. The profit margin increase is attributable to a rise in the gross profit margin. Operating profit (EBIT) for the first nine months of 2018 was DKK 107.4 million, corresponding to a profit margin of 4.4%, against DKK 110.3 million and 4.7% for the first nine months of 2017. High depreciation figures and an increased level of expenses have a negative effect on the profit margin. Initiated and implemented cost-cutting measures will have full effect from 2019.
- Profit before tax for the third quarter of 2018 amounted to DKK 35.4 million, which is DKK 2.4 million more than last year. Profit before tax for the first nine months of 2018 amounted to DKK 105.9 million, which is DKK 3.5 million more than for the same period last year.
- As at 30 September 2018, the Group's total assets totalled DKK 2,255.3 million, which is DKK 53.3 million more than at 30 September 2017. The increase is attributable to a rise in investments and inventories.
- As at 30 September 2018, the Group's equity of DKK 721.0 million, corresponding to a solvency ratio of 32.0%, was DKK 103.4 million higher than last year.
- Cash flow from operating activities for the first three quarters of 2018 totalled DKK 106.6 million, which is DKK 0.8 million less than for the same period of 2017. Investments for the first three quarters of 2018 amounted to DKK 72.1 million against DKK 89.5 million for the first three quarters of 2017.
- Other highlights for the first three quarters of 2018:
  - In the second quarter of 2018 the Group's ERP system was upgraded. In addition, all IT systems were checked to ensure GDPR compliance.
  - A new store opened in Farum. The store in Silkeborg relocated to new own premises. The store in Nyborg closed.
  - The Annual General Meeting approved the consolidated and company financial statements as well as the allocation of profits, including a dividend distribution of DKK 6 per preference share. All shareholder-elected Board members were re-elected. At the election of employee representatives to the Board of Directors of Brødrene A & O Johansen A/S, Mr René Alberg, Mr Carsten Jensen and Mr Jonas Kvist were elected. Afterwards the Board of Directors constituted itself with Mr Henning Dyremose as Chairman and Mr Michael Kjær as Deputy Chairman. The Board of Directors was authorised to acquire own preference shares equivalent to a total of 10 % of the Company's share capital.

### **Expectations for the year**

- As announced in connection with the publication of the annual report for 2017 and the interim financial report for the first half of 2018, the Group expects a profit before tax in the range of DKK 145-155 million. In 2017, Brødrene A & O Johansen A/S realised a profit before tax of DKK 145.5 million.

Albertslund, 19 November 2018

Niels A. Johansen  
CEO

Henrik T. Krabbe  
CFO

## Financial and operating data for the AO Group

(DKKm)

<b>Key figures</b>	<b>Q1-3 2018</b>	<b>Q1-3 2017</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>Full Year 2017</b>
Consolidated revenue	2,455.8	2,364.2	813.2	813.2	3,269.1
Gross margin*	589.0	560.5	193.3	187.9	769.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	171.6	163.6	58.5	55.4	223.1
Operating profit or loss (EBIT)	107.3	110.3	38.1	35.8	147.2
Financial income and expenses, net	(1.5)	(7.9)	(2.7)	(2.8)	(1.7)
Profit or loss before tax (EBT)	105.9	102.4	35.4	33.0	145.5
Tax on profit or loss for the period	(22.9)	(22.8)	(7.6)	(7.1)	(30.7)
Net profit or loss for the period	82.9	79.6	27.8	25.9	114.8

Non-current assets	1,311.7	1,301.2	1,311.7	1,301.2	1,304.6
Current assets	943.6	900.8	943.6	900.8	864.5
Total assets	2,255.3	2,202.0	2,255.3	2,202.0	2,169.1
Share capital	28.0	28.0	28.0	28.0	28.0
Equity	721.0	617.5	721.0	617.5	655.9
Non-current liabilities	222.9	330.9	222.9	330.9	230.1
Current liabilities	1,311.4	1,253.7	1,311.4	1,253.7	1,283.1

Cash flow from operating activities	106.6	107.4	69.6	122.7	134.4
Cash flow from investing activities	(72.1)	(89.5)	(27.9)	(13.4)	(164.2)
Of which investments in property, plant and equipment, net	(55.6)	(69.8)	(24.2)	(8.6)	(86.0)
Cash flow from financing activities	(27.1)	(5.7)	(29.5)	(97.6)	52.1
Cash flow for the period	7.5	12.2	12.2	11.7	22.3

### Financial ratios

Gross profit margin	24.0%	23.7%	23.8%	23.1%	23.5%
Profit margin	4.4%	4.7%	4.7%	4.4%	4.5%
Return on capital employed	4.9%	5.3%	1.7%	1.7%	7.1%
Return on equity	12.0%	11.8%	4.0%	3.8%	16.5%
Solvency ratio	32.0%	28.0%	32.0%	28.0%	30.2%

Book value**	257	221	257	221	234
Share price at the end of the period	349	435	349	435	401
Earnings per share (EPS Basic), DKK	31	29	10	10	42
Diluted earnings per share (EPS-D), DKK	31	29	10	10	42

Average number of employees***	747	708	745	724	718
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Basic EPS and diluted EPS have been calculated in accordance with IAS 33. Other financial ratios have been calculated in accordance with the Danish Finance Society's "Recommendations and Financial Ratios".

\* Distribution costs have been reclassified from other external expenses to cost of sales. Comparative figures have been restated accordingly, as described in the accounting policies.

\*\* Financial ratios for the respective periods have been adjusted retroactively for the share split.

\*\*\* The number of employees includes external temporary workers.

## Management's review

The consolidated financial statements include the financial statements of Brødrene A & O Johansen A/S and the wholly owned subsidiaries AO Invest A/S, Greenline A/S, Billig VVS AS (Norway), VVSochBad Sverige AB, AO Sverige AB and Vaga Tehnika Eesti OÜ.

### The Group's financial development

Consolidated revenue for the third quarter of 2018 was DKK 813.2 million, which is the same as for the corresponding period of 2017. The third quarter of 2018 had the same number of working days as the third quarter of 2017.

Consolidated revenue for the first three quarters of 2018 was DKK 2,455.8 million, which is DKK 91.6 million, or 4%, more than for the first three quarters of 2017. The growth is attributable to the professional market in Denmark and private online marketplaces. International revenue accounts for less than 10% of the total revenue.

Gross margin for the third quarter of 2018 was DKK 193.3 million against DKK 187.9 million for the same period of 2017. The gross profit margin increased by 0.7 percentage point to 23.8% compared to the third quarter of 2017. Distribution costs for the quarter ended 30 September 2018 make up 4.0% of revenue, which is 0.2 percentage point more than in the third quarter of 2017.

Gross margin for the first nine months of 2018 amounted to DKK 589.0 million, which is DKK 28.5 million more compared to the same period last year. The gross profit margin increased by 0.3 percentage point to 24.0%. Included in this figure is a distribution cost increase of 0.2 percentage point. The projects launched to optimise processes and conditions aimed at increasing the gross margin will continue.

External expenses for the third quarter of 2018 totalled DKK 42.4 million, an increase of DKK 0.4 million, or 1%, compared to the third quarter of 2017. External expenses for the first three quarters of 2018 amounted to 132.2 million, which is DKK 6.0 million, or 5%, more than for the same period last year. The difference is attributable to increased distribution from the central warehouse to AO's stores, increased expenses for the maintenance of storage systems and higher expenses for online sales. In the third quarter, the implemented cost-cutting measures resulted in savings on internal distribution and storage maintenance, whereas expenses for online sales continued to be higher than last year.

In the third quarter of 2018, staff costs of DKK 92.4 million increased by 2%, corresponding to DKK 2.0 million compared with the same period last year. In the first nine months of 2018, staff costs amounted to DKK 285.2 million, which is DKK 14.5 million, or 5%, more than in the same period last year. The increase for the first nine months of 2018 is attributable to more employees and a change in the employee mix due to the digitisation. The implemented measures to reduce the number of employees are expected to take full effect in 2019.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for the third quarter of 2018 amounted to DKK 58.5 million or 7.2% of revenue, which is DKK 3.1 million, or 0.4 percentage point, more than for the same period last year. EBITDA for the first nine months of 2018 totalled DKK 171.6 million or 7.0% of revenue. EBITDA for the first nine months of 2017 totalled DKK 163.6 million, or 6.9%, of revenue.

Depreciation, amortisation and write-downs for the third quarter of 2018 was DKK 20.5 million, an increase of DKK 0.8 million or 4% compared to the same period last year. In the first three quarters of 2018, depreciation, amortisation and write-downs amounted to DKK 64.3 million, which is DKK 11.0 million or 21% more than in the first three quarters of 2017. The increase is attributable to investments in software/ERP upgrades and a new miniload system.

Operating profit (EBIT) for the third quarter of 2018 was DKK 38.1 million, which is 4.7% of revenue. Compared to the same period last year, EBIT is DKK 2.3 million higher, and the profit margin is up by 0.3 percentage point due to an increase in the gross profit margin.

EBIT for the first three quarters of 2018 was DKK 107.3 million, which is 4.4% of revenue. Compared to the same period last year, EBIT is DKK 2.9 million lower, and the profit margin is down by 0.3 percentage point due to an increase in depreciation.

Financial income and expenses, net, for the third quarter of 2018 were negative at DKK 2.7 million against a negative of DKK 2.8 million for the same period of 2017. Financial income and expenses, net, for the first three quarters of 2018 were negative at DKK 1.5 million, which is DKK 6.4 million less compared with the first three quarters of 2017 due to a reassessment of the earn-out agreement related to the acquisition of Greenline A/S that led to the reversal of a provision of DKK 6.1 million.

For the third quarter of 2018, the Group recorded a pre-tax profit of DKK 35.4 million against DKK 33.0 million reported for the same period last year. For the first three quarters of 2018, the Group recorded a pre-tax profit of DKK 105.9 million, which is DKK 3.5 million up on figures for the same period in 2017.

Tax is in accordance with applicable tax rates in the areas where the Group is operating, equalling an average tax rate of approximately 22%.

A post-tax profit of DKK 27.8 million was recorded for the third quarter of 2018, compared with DKK 25.9 million for the same period last year. A post-tax profit of DKK 82.9 million was recorded for the first three quarters of 2018, which is DKK 3.3 million more than for the same period last year.

As at 30 September 2018 the Group's total assets amounted to DKK 2,255.3 million, which is DKK 53.3 million more than at the same time last year.

Non-current assets of DKK 1,311.7 million are DKK 10.5 million, net, higher than at the same time last year, which is due to investments in a building site/store in Silkeborg and the refurbishment of the central warehouse offset against depreciation being higher than investments in software and operating equipment. Ongoing building investments were, for the most part, completed in the third quarter of 2018.

When compared to the same period last year, current assets increased by DKK 42.8 million to DKK 943.6 million. Inventories increased by DKK 22.1 million to DKK 448.2 million due to investments in a more comprehensive range of products, and trade receivables went up by DKK 1.2 million to DKK 423.9 million. Cash and cash equivalents of DKK 35.4 million are DKK 16.1 million higher than at 30 September 2017.

Equity of DKK 720.9 million, corresponding to a solvency ratio of 32.0%, is DKK 103.4 million higher than at the same time last year due to earnings after tax minus dividend payments of DKK 16.3 million.

The Group's total payables to credit institutions amounted to DKK 849.2 million, which is DKK 47.3 million higher than at 30 September 2017 due to the 2017 fourth-quarter payment of the remaining purchase sum for Greenline A/S and dividend distribution.

Trade payables of DKK 536.8 million are DKK 27.8 million lower than at the same time last year due to timing differences.

When compared to the same time last year, other payables decreased by DKK 65.8 million to DKK 83.5 million, mainly due to the 2017 fourth-quarter payment of the remaining purchase sum of DKK 48 million and provision adjustments related to the acquisition of Greenline A/S. The remaining earn-out provision of DKK 4.0 million related to the acquisition of Greenline A/S is expected to be paid in 2019 and 2020.

Cash flow from operating activities for the first three quarters of 2018 amounted to DKK 106.6 million, which is DKK 0.8 million less than for the same period last year. The difference is mainly attributable to increased EBITDA and timing differences in working capital.

Net investments for the first three quarters of 2018 totalled DKK 72.1 million, which is DKK 17.4 million less than for the same period last year. In the period, DKK 15.5 million was invested in software, which is DKK 2.6 million less than in the first three quarters of 2017. DKK 37.0 million was invested in land and buildings due to the acquisition of a building site in Silkeborg and the rebuilding of the central warehouse. Investment in operating equipment totalled DKK 18.6 million, DKK 20.3 million less than in the first three quarters of 2017, where investments were made in a new miniload system.

Shareholders received dividend payments of DKK 16.8 million. In the period ended 30 September 2018, the Group's total payables to credit institutions increased by DKK 10.5 million, net, to DKK 849.2 million. A cash pool agreement was entered into, meaning that cash and cash equivalents are offset against payables to credit institutions on calculation of interest.

Total cash flows for the first three quarters of 2018 were positive at DKK 7.5 million. As a result, the Group's cash and cash equivalents totalled DKK 35.4 million at 30 September 2018, which is DKK 16.1 million more than at 30 September 2017.

### **Significant risks**

As mentioned in the annual report for 2017, under the paragraph "Internal controls and risk management", the Company assesses on an ongoing basis the most significant risks in connection with the Company's activities. In addition to the risks mentioned in the annual report, the Group is sensitive to the overall development in Danish and Swedish economy as well as business trends in the building industries of these countries.

### **Incentive programme and treasury shares**

An incentive programme may be prepared in accordance with the general guidelines for incentive pay approved by the annual general meeting on 22 March 2012. The guidelines are available in full on the Company's website [www.ao.dk](http://www.ao.dk).

At present, there are no share-based incentive programmes.

On 30 September 2018, the Company held a total of 82,390 treasury shares.

### **Outlook**

As announced in connection with the publication of the annual report for 2017, and as reiterated in the interim financial report for the first half of 2018, the Group expects a profit before tax in the range of DKK 145-155 million for the year ending 31 December 2018. There is no change to this expectation

In 2017, the Group realised a profit before tax of DKK 145.5 million.

### **Events after the end of the interim period**

No significant events have occurred after the end of the reporting period.

### **Additional information**

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

**Company announcements in 2018**

Announcement no. 1	Annual report 2017	22 February 2018
Announcement no. 2	Notice convening the Annual General Meeting of Brødrene A & O Johansen A/S	22 February 2018
Announcement no. 3	Election of employee representatives to the Board of Directors of Brødrene A & O Johansen A/S	19 March 2018
Announcement no. 4	Result of the Annual General Meeting of Brødrene A & O Johansen A/S	23 March 2018
Announcement no. 5	Articles of association	23 March 2018
Announcement no. 6	Revised financial calendar for 2018	23 March 2018
Announcement no. 7	Interim financial report for the first quarter of 2018	25 May 2018
Announcement no. 8	Interim financial report for the first half of 2018	24 August 2018



## Management's statement

Today the Board of Directors and the Executive Board have discussed and approved the interim financial report of Brødrene A & O Johansen A/S for the period 1 January - 30 September 2018.

The interim financial report, which has not been audited or reviewed by the Company's auditor, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 September 2018 and of the results of the Group's operations and cash flows for the period 1 January – 30 September 2018.

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

Albertslund, 19 November 2018

### **Executive Board**

Niels A. Johansen  
CEO

Henrik T. Krabbe  
CFO

Stefan Funch Jensen  
CDO

Lili Johansen  
CHRO

Gitte Lindeskov  
CIO

### **Board of Directors**

Henning Dyremose  
Chairman of the Board

Michael Kjær  
Deputy Chairman

René Alberg

Erik Holm

Carsten Jensen

Niels A. Johansen

Jonas Kvist

Preben Damgaard Nielsen

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## Income statement and statement of comprehensive income

<i>(All amounts are in DKK thousands)</i>	Note:	Q1-3 2018	Q1-3 2017	Q3 2018	Q3 2017	Full Year 2017
<b>Revenue</b>	<b>3</b>	<b>2,455,795</b>	<b>2,364,176</b>	<b>813,220</b>	<b>813,199</b>	<b>3,269,081</b>
Cost of sales		(1,772,719)	(1,717,746)	(587,962)	(594,803)	(2,378,419)
Distribution costs		(95,155)	(87,241)	(32,318)	(30,831)	(122,584)
Gross profit		587,920	559,190	192,939	187,565	768,077
Other operating income		1,091	1,348	362	286	1,714
<b>Gross margin</b>		<b>589,011</b>	<b>560,538</b>	<b>193,301</b>	<b>187,851</b>	<b>769,792</b>
External expenses		(132,784)	(126,202)	(42,595)	(42,030)	(175,384)
Staff costs		(284,579)	(270,708)	(92,160)	(90,377)	(371,315)
<b>Earnings before interest, taxes, depreciation amortisation (EBITDA)</b>		<b>171,648</b>	<b>163,628</b>	<b>58,547</b>	<b>55,444</b>	<b>223,093</b>
Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets		(64,299)	(53,337)	(20,456)	(19,629)	(75,875)
<b>Operating profit or loss (EBIT)</b>		<b>107,349</b>	<b>110,291</b>	<b>38,091</b>	<b>35,815</b>	<b>147,218</b>
Financial income		7,713	1,494	458	490	10,959
Financial expenses		(9,173)	(9,362)	(3,134)	(3,264)	(12,663)
<b>Profit or loss before tax (EBT)</b>		<b>105,889</b>	<b>102,423</b>	<b>35,415</b>	<b>33,041</b>	<b>145,513</b>
Tax on profit or loss for the period		(22,941)	(22,794)	(7,627)	(7,113)	(30,701)
<b>Net profit or loss for the period</b>		<b>82,948</b>	<b>79,629</b>	<b>27,788</b>	<b>25,928</b>	<b>114,812</b>
<b>Other comprehensive income</b>						
<b>Items reclassified to the income statement</b>						
Foreign currency translation adjustment relating to foreign entities		(1,353)	(406)	0	0	(1,692)
Tax on other comprehensive income		0	0	0	0	0
Other comprehensive income after tax		<b>(1,353)</b>	<b>(406)</b>	<b>0</b>	<b>0</b>	<b>(1,692)</b>
<b>Total comprehensive income</b>		<b>81,595</b>	<b>79,223</b>	<b>27,788</b>	<b>25,928</b>	<b>113,120</b>
<b>Earnings per share</b>						
Earnings per share (EPS)		31	29	10	10	42
Diluted earnings per share (EPS-D)		31	29	10	10	42

## Balance sheet as at 30 September

(All amounts are in DKK thousands)

<b>ASSETS</b>	Note:	<b>Q1-3 2018</b>	<b>Q1-3 2017</b>	<b>Full Year 2017</b>
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Goodwill	4	371,334	371,538	371,334
Intellectual property rights		51,352	53,322	52,579
Software		44,369	47,993	51,685
		<u>466,055</u>	<u>472,853</u>	<u>475,598</u>
<b>Property, plant and equipment</b>				
Land and buildings		665,267	640,724	640,966
Leasehold improvements		573	862	797
Fixtures and operating equipment		178,804	186,799	187,197
		<u>844,643</u>	<u>828,384</u>	<u>828,960</u>
<b>Financial assets</b>				
Other Investments		1,000	0	0
		<u>1,000</u>	<u>0</u>	<u>0</u>
<b>Total non-current assets</b>	5	<b><u>1.311,698</u></b>	<b><u>1,301,237</u></b>	<b><u>1,304,559</u></b>
<b>Current assets</b>				
Inventories	6	448,183	426,140	414,053
Trade receivables	7	423,913	422,736	381,379
Corporation tax receivable		0	0	12,217
Other receivables		24,192	23,049	27,010
Prepayments and accrued income		11,953	9,619	1,332
Cash at bank and in hand		35,373	19,252	28,553
<b>Total current assets</b>		<b><u>943,624</u></b>	<b><u>900,795</u></b>	<b><u>864,543</u></b>
<b>Total assets</b>		<b><u>2,255,322</u></b>	<b><u>2,202,032</u></b>	<b><u>2,169,102</u></b>

## Balance sheet as at 30 September

(All amounts are in DKK thousands)

<b>EQUITY AND LIABILITIES</b>	Note:	<b>Q1-3 2018</b>	<b>Q1-3 2017</b>	<b>Full Year 2017</b>
<b>Equity</b>				
Share capital		28,000	28,000	28,000
Reserve for foreign currency translation adjustments		0	1,054	(232)
Retained earnings		692,953	588,414	628,099
<b>Total equity</b>		<b>720,953</b>	<b>617,467</b>	<b>655,867</b>
<b>Non-current liabilities</b>				
Deferred tax	8	61,678	54,745	61,963
Credit institutions		161,262	276,132	168,152
<b>Total non-current liabilities</b>		<b>222,940</b>	<b>330,877</b>	<b>230,115</b>
<b>Current liabilities</b>				
Credit institutions		687,917	525,790	691,568
Trade payables		536,780	564,570	516,620
Corporation tax		3,050	13,688	0
Other payables		83,525	149,323	74,773
Accruals and deferred income		158	316	158
<b>Total current liabilities</b>		<b>1,311,430</b>	<b>1,253,687</b>	<b>1,283,119</b>
<b>Total liabilities</b>		<b>1,534,369</b>	<b>1,584,564</b>	<b>1,513,235</b>
<b>Total equity and liabilities</b>		<b>2,255,323</b>	<b>2,202,032</b>	<b>2,169,102</b>

## Cash flow statement

(All amounts are in DKK thousands)

	Q1-3 2018	Q1-3 2017	Q3 2018	Q3 2017	Full year 2017
<b>Cash flow from operating activities</b>					
Operating profit or loss	107,349	110,294	38,090	35,815	147,218
Financial income and expenses, net (interest paid)	(7,562)	(7,869)	(2,676)	(2,775)	(10,642)
Profit or loss before tax	99,788	102,426	35,415	33,041	136,576
Depreciation and amortisation:					
Intangible assets	24,623	19,041	7,986	7,238	26,586
Property, plant and equipment	39,677	34,293	12,471	12,391	49,289
	64,299	53,334	20,456	19,629	75,875
Change in working capital:					
Change in trade receivables	(42,534)	(116,774)	(8,688)	16,042	(75,417)
Change in other receivables	(7,801)	(7,056)	1,880	3,392	(2,732)
Change in inventories	(34,141)	(38,021)	(3,314)	(9,611)	(25,934)
Change in trade payables	20,160	96,368	18,077	46,088	48,417
Change in other current liabilities	14,854	25,309	6,335	14,922	7,538
	(49,462)	(40,174)	14,290	70,833	(48,129)
Corporation tax paid	(7,988)	(8,177)	(582)	(764)	(29,911)
<b>Cash flow from operating activities</b>	<b>106,636</b>	<b>107,408</b>	<b>69,579</b>	<b>122,738</b>	<b>134,411</b>
<b>Cash flow from investing activities</b>					
Software	(15,531)	(18,144)	(3,710)	(4,764)	(28,589)
Land and buildings	(36,977)	(30,739)	(19,284)	(3,388)	(37,646)
Leasehold improvements	0	(430)	0	(346)	(400)
Fixtures and operating equipment	(18,596)	(38,903)	(4,920)	(5,018)	(48,054)
Disposal of property, plant and equipment	18	289	0	122	51
Acquisition of Greenline A/S	0	(1,571)	0	0	(49,571)
Other investments	1,000	0	0	0	0
<b>Cash flow from investing activities</b>	<b>(72,086)</b>	<b>(89,498)</b>	<b>(27,914)</b>	<b>(13,394)</b>	<b>(164,209)</b>
<b>Cash flow from financing activities</b>					
Repayments of long-term debt	(8,183)	(6,099)	(2,739)	(2,048)	(8,145)
Raising of loans with/repayment of debt to credit institutions	(2,359)	194,192	(26,719)	(95,558)	254,036
Dividends distributed	(16,306)	(16,306)	0	0	(16,306)
Adjustment related to previous years	(202)	0	0	0	0
Acquisition of treasury shares	0	(185,513)	0	0	(185,513)
Disposal of treasury shares	0	7,989	0	0	7,989
<b>Cash flow from financing activities</b>	<b>(27,050)</b>	<b>(5,737)</b>	<b>(29,458)</b>	<b>97,606</b>	<b>52,061</b>
<b>Cash flow for the period</b>	<b>7,500</b>	<b>12,174</b>	<b>12,207</b>	<b>11,739</b>	<b>22,263</b>
Cash and cash equivalents at beginning of period	28,553	7,303	22,654	7,324	7,303
Foreign currency translation adjustment	(680)	(225)	512	189	(1,013)
<b>Cash and cash equivalents at end of period</b>	<b>35,373</b>	<b>19,252</b>	<b>35,373</b>	<b>19,252</b>	<b>28,553</b>

## Statement of changes in equity

(All amounts are in DKK thousands)

	Share capital	Foreign Currency translation adjustment	Retained Earnings	Total Equity
Equity at 1 January 2018	28,000	(232)	628,099	655,867
Net profit or loss for the period	0	0	82,948	82,948
Foreign currency translation adjustment relating to foreign entities	0	(1,353)	0	(1,353)
Total comprehensive income	0	(1,353)	82,948	81,595
Dividends distributed	0	0	(16,306)	(16,306)
Adjustment related to previous years	0	0	(203)	(203)
Total transactions with owners	0	0	(16,509)	(16,509)
<b>Equity at 30 September 2018</b>	<b>28,000</b>	<b>(1,585)</b>	<b>694,538</b>	<b>720,953</b>
Equity at 1 January 2017	57,000	1,460	673,611	732,071
Net profit or loss for the period	0	0	79,632	79,632
Foreign currency translation adjustment relating to foreign entities	0	(406)	0	(406)
Total comprehensive income	0	(406)	79,632	79,226
Acquisition/disposal of treasury shares	0	0	(185,513)	(185,513)
Capital reduction	(29,000)		29,000	0
Share option exercise	0	0	7,989	7,989
Dividends distributed	0	0	(16,306)	(16,306)
Total transactions with owners	(29,000)	0	(164,830)	(193,830)
<b>Equity at 30 September 2017</b>	<b>28,000</b>	<b>1,054</b>	<b>588,413</b>	<b>617,467</b>
Equity at 1 January 2017	57,000	1,460	673,611	732,071
Net profit or loss for the period	0	0	114,812	114,812
Foreign currency translation adjustment relating to foreign entities	0	(1,692)	0	(1,692)
Total comprehensive income	0	(1,692)	114,812	113,120
Capital reduction	(29,000)	0	29,000	0
Merger adjustment	0	0	(199)	(199)
Share option exercise	0	0	12,694	12,694
Dividends distributed	0	0	(16,306)	(16,306)
Acquisition/disposal of treasury shares	0	0	(185,513)	(185,513)
Total transactions with owners	(29,000)	0	(160,324)	(189,325)
<b>Equity at 31 December 2017</b>	<b>28,000</b>	<b>(232)</b>	<b>628,099</b>	<b>655,867</b>

## Notes

### 1 Accounting policies

The interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. Except for the changes mentioned below, the accounting policies are unchanged from the accounting policies applied in the consolidated and company financial statements for 2017, to which reference is made. The consolidated and company financial statements for 2017 contain a full description of the accounting policies.

#### Changes in accounting policies

With effect from 1 January 2018, the Group has implemented the following new or amended accounting standards and interpretations: IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers (full retrospective approach)*, Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*, Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4*, Amendments to IAS 40 *Transfers of Investment Property*, IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, and part of *Annual Improvements to IFRSs 2014-2016*.

In *Annual Improvements to IFRSs 2014-2016* it is the remaining part relating to IFRS 1 and IAS 28 that will apply from January 1, 2018.

None of the above amendments have affected recognition and measurement in the interim report.

### 2 Accounting estimates and judgements

#### Estimation uncertainty

The preparation of the interim financial statements requires Management to make accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant estimates made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated and company financial statements for 2017. For a more detailed description of the estimation uncertainty, reference is made to the consolidated and company financial statements for 2017.

### 3 Segment information

Group activities relating to the trade in technical installation materials (Technical Installation: electrical equipment and components as well as plumbing, heating and sanitary ware) and construction materials (Construction: water supply and drainage, Vaga and tools) with private, public and corporate customers take place in an integrated manner and are dealt with as one operating segment.

According to IFRS 15, revenue for the third quarter of 2018 is categorised into Technical Installation totalling DKK 573.2 million (2017: DKK 557.4 million) and Construction totalling DKK 240.0 million (2017: DKK 255.8 million). Revenue for the first three quarters of 2018 is categorised into Technical Installation totalling DKK 1,741.1 million (2017: DKK 1,656.1 million) and Construction totalling 714.7 million (2017: DKK 708.1 million).

### 4 Goodwill

The annual impairment test of intangible assets, including goodwill, is performed at 31 December 2018, after the completion of budgets and strategy plans for the coming period. At 30 September 2018, Management is of the opinion that there has been no indication of impairment of the carrying amount of goodwill and intellectual property rights, and therefore no impairment test of goodwill and intellectual property rights has been performed at 30 September 2018. For a more detailed description of impairment tests, reference is made to the consolidated and company financial statements for 2017.

### 5 Non-current assets

During the reporting period the Group has invested DKK 72.1 million (2017: DKK 89.8 million) in non-current assets.

**6 Inventories**

No unusual inventory write-downs or reversals of inventory write-downs have been recorded in the period.

**7 Trade receivables**

An estimate is used to assess the recoverability of receivables according to the same principles as applied in the financial statements for 2017.

**8 Deferred tax**

At 30 September 2018, net deferred tax liabilities were DKK 61.7 million, compared with DKK 54.8 million at 30 September 2017.