
Interim Financial Report for the Period 1 January – 31 March 2014



Brødrene A & O Johansen A/S

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Company Announcement No. 7/2014

Today the Board of Directors has approved the Group's interim financial report for the period 1 January – 31 March 2014.

Summary

- AO's pre-tax profit for the first quarter of 2014 was DKK 16.5 million, which is DKK 4.4 million less than in the first quarter of 2013.
- Consolidated revenue for the period was DKK 541.7 million against DKK 523.3 million for the same period of 2013, equalling an increase of DKK 18.4 million or 3.5%. The increase is attributable to more days of sales in 2014.
- Gross margin for the period amounted to DKK 159.8 million, which is DKK 0.5 million more than last year. The gross profit margin came in at 29.5%, which is 0.9 percentage point less than last year.
- Operating profit (EBIT) for the period was DKK 17.3 million, equalling a profit margin of 3.2%, compared to DKK 21.3 million and 4.1% for the first quarter of 2013.
- As at 31 March 2014, the Group's total assets amounted to DKK 1,421.9 million, which is DKK 72.7 million more than last year. The increase is attributable to the ongoing construction of a new high-bay warehouse in Albertslund.
- Cash flow from operating activities totalled DKK 21.4 million, which is at the same level as profit after tax plus depreciation and amortisation. Compared to last year the cash flow is DKK 26.8 million lower.

Important events

- In January 2014, AO marked its 100th anniversary with a party for its employees.
- The construction of the new high-bay warehouse for 29,000 pallets has been launched and proceeds according to plan.
- In Company Announcement No. 5 of 21 March 2014 the main points of the annual general meeting were disclosed. The recommended financial statements and the distribution of profit for the year were approved. All external members of the Board of Directors were re-elected. The staff elected Leif Hummel instead of Michael Delcke Jensen to the Board of Directors. All other employee representatives were re-elected. The Board of Directors' authority to acquire treasury shares up to a nominal value of 10 % of the Company's share capital was renewed.

Expectations for the year

- Due to increased competition and uncertain market forecasts, AO's expectations for the pre-tax profit for 2014 are downgraded from approximately DKK 125 million, as previously announced, to approximately DKK 75-100 million.

Albertslund, 20 May 2014

Niels A. Johansen
CEO

Henrik T. Krabbe
COO & CFO

Financial highlights for the AO Group

(DKKm)

Key figures	Q1 2014	Q1 2013	Full year 2013
Consolidated revenue	541.7	523.3	2,309.7
Gross margin	159.8	159.3	691.1
Operating profit or loss (EBIT)	17.3	21.3	127.1
Financial income and expenses, net	(0.7)	(0.4)	(1.9)
Profit or loss before tax (EBT)	16.5	20.9	125.2
Tax on profit or loss for the period	(4.3)	(5.2)	(26.6)
Net profit or loss for the period	12.2	15.6	98.6
Non-current assets	745.5	649.8	721.7
Current assets	676.4	699.5	709.5
Total assets	1,421.9	1,349.2	1,431.3
Share capital	57.0	57.0	57.0
Equity	875.6	783.3	863.0
Non-current liabilities	199.3	203.0	199.7
Current liabilities	347.0	362.9	368.5
Average number of employees	646	639	650
Cash flow from operating activities	21.4	48.2	165.0
Cash flow from investing activities	(34.7)	(23.9)	(126.1)
Of which investments in property, plant and equipment	(31.5)	(20.1)	(109.5)
Cash flow from financing activities	(0.1)	(0.1)	(2.4)
Cash flow for the period	(13.4)	24.2	36.6

Financial ratios

Gross profit margin	29.5%	30.4%	29.9%
Profit margin	3.2%	4.1%	5.5%
Return on capital employed	1.2%	1.6%	9.4%
Return on equity	1.4%	2.0%	12.1%
Solvency ratio	61.6%	58.1%	60.3%
Book value	1,536	1,374	1,514
Share price at the end of the period	1,486	1,260	1,335
Earnings per share (EPS Basic), DKK	25	32	201
Diluted earnings per share (EPS-D), DKK	24	31	198

Basic EPS and diluted EPS have been calculated in accordance with IAS. Other financial ratios have been calculated in accordance with the Danish Society of Financial Analysts' "Recommendations and Financial Ratios 2010". The financial ratios have been calculated on the basis of the respective periods.

Figures given in brackets are negative results or deductible items.

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, AO Sverige AB in Sweden and Vaga Tehnika Eesti OÜ in Estonia.

Activities of the period

Consolidated revenue for the period ended 31 March 2014 was DKK 541.7 million against DKK 523.3 million for the same period of 2013, equalling an increase of DKK 18.4 million or 3.5%. The increase is generally attributable to more days of sales in the period due to the positioning of Easter.

Gross margin for the period amounted to DKK 159.8 million, compared to DKK 159.3 million in 2013. The gross profit margin has declined by 0.9 percentage point to 29.5% as a result of increased competition in the market.

Total operating expenses for the period were DKK 142.5 million, which is DKK 4.5 million or 3.3% more than reported for the same period last year. External expenses declined by DKK 0.3 million. Total staff costs increased by DKK 1.9 million. Depreciation, amortisation and write-downs increased by DKK 2.5 million as a result of a higher number of own stores and increased software amortisation in connection with the Movex upgrade.

The item of "Other operating expenses" includes losses on receivables of DKK 1.4 million, which is at the same level as for the same period last year.

Operating profit (EBIT) for the period was DKK 17.3 million, which is 3.2% of revenue. Compared to the same period last year, EBIT is DKK 4.0 million lower and the profit margin is down by 0.9 percentage point, corresponding to the decline in the gross profit margin. The difference in profit is attributable to a lower gross margin and increased expenses.

Financial income and expenses, net, for the period were negative at DKK 0.8 million against DKK 0.4 million reported for the same quarter in 2013. Increased financial expenses are attributable to an increased draw on the Group's credit facilities as a result of ongoing investment in a high-bay warehouse and the higher number of own stores.

For the first quarter 2014, the Group recorded a pre-tax profit of DKK 16.5 million. The results are DKK 4.4 million lower than reported for the same period last year.

Tax is in accordance with applicable tax rates in the areas where the Group is operating, equalling an average tax rate of approximately 25%.

A post-tax profit of DKK 12.2 million was recorded for the period, compared to DKK 15.6 million for the first quarter of 2013.

As at 31 March 2014 the Group's total assets amounted to DKK 1,421.9 million, which is DKK 72.7 million more than last year at the same time.

The increase is attributable to investment in new stores and ongoing renovation of the central warehouse in Albertslund for which reason the value of land and buildings increased by DKK 61.0 million. The present investment in a new high-bay warehouse has caused an increase of DKK 41.6 million in 'Fixtures and operating equipment'. Approximately another DKK 140 million remains to be invested in the renovation of the central warehouse and the construction of the high-bay warehouse

Current assets declined by DKK 23.1 million, mainly due to the fact that a prepayment of corporation tax has been made in 2013. Other current assets are at the same level as last year.

Equity of DKK 875.6 million, equalling a solvency ratio of 61.6%, is DKK 92.3 million higher than last year. Other liabilities are at the same level as last year.

After payment of DKK 3.8 million in corporation taxes, the Group's cash flow from operating activities totalled DKK 21.4 million, which is DKK 26.8 million less than in the same period last year mainly as a result of lower cash flow from trade creditors.

Net investments for the period totalled DKK 34.7 million against DKK 23.9 million for the same period last year. The major part of the investments is attributable to investment in new stores and renovation of the central warehouse in Albertslund.

Cash flow from operating and investing activities for the first quarter was negative at DKK 13.3 million. In addition, DKK 0.1 million was spent on repayments of the Group's credit facilities. At 31 March 2014, total payables to credit institutions amounted to DKK 171.4 million. The Group's cash and cash equivalents for the period decreased by DKK 13.3 million and totalled DKK 41.9 million.

Significant risks

As mentioned in the annual report for 2013, 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

The present incentive programme is 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.

A total of 18,887 share options have been granted in connection with the existing incentive programme. Of the above-mentioned number of share options, 14,243 matured on 31 March 2014. On 31 March 2014, the Company holds a total of 23,270 treasury shares. No options have been granted in 2014.

Outlook

At present the market for 2014 is difficult to predict. Private consumption is still low, and contractors have announced postponements of projects. In addition, competition in the market has increased, and therefore the gross margin is on the decline.

Profit before tax for 2014 is therefore expected to be approximately DKK 75-100 million, which is a downward adjustment compared to previous estimates of DKK 125 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.

Financial calendar for 2014

Interim financial report for the first half of 2014	29 August 2014
Interim financial report for the first three quarters of 2014	21 November 2014
The financial calendar for 2015 will be released in December of 2014.	

Company announcements in 2014

Announcement no. 1	Annual report for 2013	24 February 2014
Announcement no. 2	Notice convening the annual general meeting	24 February 2014
Announcement no. 3	Revised financial calendar for 2014	24 February 2014
Announcement no. 4	Election of employee representatives to the Board of Directors of Brødrene A & O Johansen A/S	17 March 2014
Announcement no. 5	Results of annual general meeting	21 March 2014
Announcement no. 6	Articles of association	21 March 2014

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 - 31 March 2014.

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

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

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, 20 May 2014

Executive Board

Niels A. Johansen
CEO

Henrik T. Krabbe
COO & 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

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Income statement and statement of comprehensive income

<i>(All amounts are in DKK thousands)</i>	Q1 2014	Q1 2013	Full Year 2013
Revenue	541,740	523,280	2,309,707
Cost of sales	(381,899)	(364,005)	(1,618,825)
Gross profit	159,841	159,276	690,882
Other operating income	0	46	234
Gross margin	159,841	159,322	691,117
External expenses	(51,720)	(52,021)	(206,323)
Staff costs	(78,327)	(76,405)	(314,706)
Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets	(11,095)	(8,552)	(36,955)
Other operating expenses	(1,413)	(1,063)	(6,042)
Total operating expenses	(142,555)	(138,041)	(564,027)
Operating profit or loss (EBIT)	17,286	21,281	127,090
Financial income	836	807	3,028
Financial expenses	(1,583)	(1,232)	(4,912)
Profit or loss before tax (EBT)	16,539	20,856	125,205
Tax on profit or loss for the period	(4,311)	(5,214)	(26,564)
Net profit or loss for the period	12,228	15,643	98,642
Other comprehensive income			
Foreign currency translation adjustment relating to foreign entities	324	1,366	(1,884)
Tax on other comprehensive income	0	0	0
Other comprehensive income after tax	324	1,366	(1,884)
Total comprehensive income	12,552	17,009	96,759
Earnings per share			
Earnings per share (EPS)	25	32	201
Diluted earnings per share (EPS-D)	24	31	198

Balance sheet as at 31 March

(All amounts are in DKK thousands)

ASSETS	Note:	Q1 2014	Q1 2013	Full Year 2013
Non-current assets				
Intangible assets				
Goodwill	4	102,348	102,162	102,348
Software		50,632	54,748	51,982
		152,980	156,910	154,330
Property, plant and equipment				
Land and buildings	5	478,471	417,439	456,085
Leasehold improvements		3,521	6,518	3,528
Fixtures and operating equipment		110,512	68,915	107,774
		592,504	492,872	567,387
Total non-current assets		745,484	649,782	721,717
Current assets				
Inventories	6	325,930	320,728	328,978
Trade receivables	7	271,512	279,973	289,057
Corporation tax receivable		3,503	21,365	4,014
Other receivables		22,589	27,816	21,583
Prepayments		11,007	5,581	10,832
Cash at bank and in hand		41,848	44,002	55,082
Total current assets		676,388	699,466	709,545
Total assets		1,421,872	1,349,248	1,431,263

Balance sheet as at 31 March

(All amounts are in DKK thousands)

EQUITY AND LIABILITIES	Note:	Q1 2014	Q1 2013	Full Year 2013
Equity				
Share capital		57,000	57,000	57,000
Other reserves		200,000	200,000	200,000
Reserve for foreign currency translation adjustments		4,088	7,013	3,763
Retained earnings		614,478	519,252	602,252
Proposed dividend		0	0	0
Total equity		875,566	783,265	863,015
Non-current liabilities				
Deferred tax	8	30,536	32,440	30,506
Credit institutions		168,731	170,598	169,209
Total non-current liabilities		199,267	203,038	199,715
Current liabilities				
Credit institutions		2,651	3,118	2,280
Trade payables		291,348	303,938	315,488
Other payables		50,512	53,206	48,415
Deferred income		2,526	2,684	2,351
Total current liabilities		347,038	362,945	368,533
Total liabilities		546,306	565,983	568,248
Total equity and liabilities		1,421,872	1,349,248	1,431,263

Statement of changes in equity

<i>(All amounts are in DKK thousands)</i>	Share capital	Other reserves	Foreign currency translation adjustment	Retained earnings	Total Equity
Equity at 1 January 2014	57,000	200,000	3,763	602,251	863,014
Net profit or loss for the period	0	0	0	12,228	12,228
Foreign currency translation adjustment relating to foreign entities	0	0	324	0	324
Total comprehensive income	0	0	324	12,228	12,552
Share-based payment	0	0	0	0	0
Dividends paid	0	0	0	0	0
Total transactions with owners	0	0	0	0	0
Equity at 31 March 2014	57,000	200,000	4,087	614,479	875,566
Equity at 1 January 2013	57,000	200,000	5,647	503,609	766,256
Net profit or loss for the period	0	0	0	15,643	15,643
Foreign currency translation adjustment relating to foreign entities	0	0	1,366	0	1,366
Total comprehensive income	0	0	1,366	15,643	17,009
Share-based payment	0	0	0	0	0
Dividends paid	0	0	0	0	0
Total transactions with owners	0	0	0	0	0
Equity at 31 March 2013	57,000	200,000	7,013	519,252	783,265
Equity at 1 January 2013	57,000	200,000	5,647	503,609	766,256
Net profit or loss for the period	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
Share-based payment	0	0	0	0	0
Dividends paid	0	0	0	0	0
Total transactions with owners	0	0	0	0	0
Equity at 31 December 2013	57,000	200,000	3,763	602,252	863,015

Consolidated cash flow statement

<i>(All amounts are in DKK thousands)</i>	Q1 2014		Q1 2013		Full year 2013
Cash flow from operating activities					
Operating profit or loss		17,286		21,281	127,090
Financial income and expenses, net (interest paid)		(747)		(425)	(1,884)
Profit or loss before tax		16,539		20,856	125,205
Adjustment of non-cash operating items		0		0	0
Depreciation and amortisation:					
Intangible assets		4,524		2,838	14,395
Property, plant and equipment		6,572	11,095	5,714	8,552
				22,560	36,955
Change in working capital:					
Change in trade receivables		17,545		16,740	7,656
Change in other receivables		(1,180)		(375)	607
Change in inventories		3,048		(17,574)	(25,823)
Change in trade payables		(24,140)		45,033	56,583
Change in other current liabilities		2,273	(2,454)	943	44,768
				(4,181)	34,842
Corporation tax paid		(3,757)		(25,988)	(31,971)
Cash flow from operating activities		21,424		48,189	165,032
Cash flow from investing activities					
Goodwill		0		(1,716)	(1,902)
Software		(3,160)		(2,082)	(14,660)
Land and buildings		(24,536)		(7,520)	(59,654)
Leasehold improvements		(170)		(3,413)	(1,643)
Fixtures and operating equipment		(6,817)		(9,345)	(54,220)
Disposal of property, plant and equipment		0		193	6,025
Cash flow from investing activities		(34,683)		(23,883)	(126,054)
Cash flow from financing activities					
Repayment of debt to/raising of loans with credit institutions, net		(106)		(137)	(2,363)
Acquisition/sale of treasury shares		0		0	0
Cash flow from financing activities		(106)		(137)	(2,363)
Cash flow for the period		(13,365)		24,169	36,616
Cash and cash equivalents at beginning of period		55,082		19,202	19,202
Foreign currency translation adjustment		131		632	(736)
Cash and cash equivalents at end of period		41,848		44,002	55,082

Notes

1 Accounting policies

The interim financial report has been prepared in accordance with IAS 34 "Preparation of Interim Financial Statements" as adopted by the EU and Danish disclosure requirements for listed companies. Except for the changes mentioned below, the accounting policies are unchanged from the accounting policies applied in the consolidated and company financial statements for 2013. Reference is made to note 1, which contains a full description of the accounting policies.

Changes in accounting policies

With effect from 1 January 2014, the Group has implemented IFRS 10-12 (including amendments), IAS 27 (2011), IAS 28 (2011), amendments to IAS 27 (2011), amendments to IAS 32, amendments to IAS 39 and IFRIC 21. The new accounting standards and interpretations have not had any effect on recognition and measurement.

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 expense. 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 2013. For a more detailed description of the estimation uncertainty, reference is made to the consolidated and company financial statements for 2013.

3 Segment information

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

4 Impairment test

The annual impairment test of intangible assets, including goodwill, is performed at 31 December 2014, after the completion of budgets and strategy plans for the coming period. At 31 March 2014, Management is of the opinion that there has been no indication of impairment of the carrying amount of goodwill, and therefore no impairment test of goodwill has been performed at 31 March 2014. For a more detailed description of impairment tests, reference is made to the consolidated and company financial statements for 2013.

5 Non-current assets

Acquisition and disposal of non-current assets

During the reporting period the Group has invested DKK 34.7 million (2013: DKK 24.1 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 2013.

8 Deferred tax

At 31 March 2014 net deferred tax liabilities were DKK 30.5 million, compared to DKK 32.4 million at 31 March 2013.