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Annual Report 2015  
Brødrene A & O Johansen A/S  
Rørvang 3 - DK-2620 Albertslund - Denmark  
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	2015	2014	2013	2012	2011
Revenue	2,631.2	2,258.7	2,309.7	2,272.7	2,366.1
Gross margin	712.3	646.6	691.1	675.8	669.1
Costs	(593.5)	(546.3)	(564.0)	(548.4)	(550.6)
Operating profit or loss (EBIT)	118.8	100.3	127.1	127.3	118.5
Financial income and expenses, net	(3.3)	(2.7)	(1.9)	(5.4)	(12.6)
Profit or loss before tax (EBT)	115.5	97.5	125.2	121.9	105.9
Tax on profit or loss for the year	(27.7)	(23.8)	(26.6)	(30.8)	(26.1)
Net profit or loss for the year	87.8	73.8	98.6	91.1	79.8
Non-current assets	1,180.0	896.7	721.7	633.7	627.0
Current assets	783.1	694.2	709.5	652.7	649.2
Total assets	1,963.2	1,590.9	1,431.3	1,286.4	1,276.2
Share capital	57.0	57.0	57.0	57.0	57.0
Equity	1,024.6	935.7	863.0	766.3	671.3
Non-current liabilities	217.5	204.5	199.7	203.5	275.9
Current liabilities	721.1	450.7	368.5	316.6	329.1
Cash flow from operating activities	96.1	199.9	165.0	266.6	292.5
Cash flow from investing activities	(301.5)	(197.1)	(126.1)	(42.9)	(29.1)
Of which investments in property, plant and equipment, net	(90.4)	(178.7)	(109.5)	(38.1)	(19.4)
Cash flow from financing activities	142.3	14.8	(2.4)	(207.7)	(265.5)
Cash flow for the year	(63.1)	17.5	36.6	15.9	(2.0)
<b>Financial ratios</b>					
Gross profit margin	27.1%	28.6%	29.9%	29.7%	28.3%
Profit margin	4.5%	4.4%	5.5%	5.6%	5.0%
Return on capital employed	6.7%	6.6%	9.4%	9.9%	8.8%
Return on equity	9.0%	8.2%	12.1%	12.7%	12.6%
Solvency ratio	52.2%	58.8%	60.3%	59.6%	52.6%
Book value	1,797	1,642	1,514	1,344	1,178
Share price at the end of the year	1,750	1,115	1,335	1,050	775
Price Earnings Basic (P/E Basic)	9.8	7.4	6.6	5.6	5.3
Dividend per DKK 100 share	0.0	0.0	0.0	0.0	0.0
Earnings per share (EPS Basic), DKK	178	150	201	186	145
Diluted earnings per share (EPS-D), DKK	175	149	198	183	144
Number of employees	619	621	650	636	639

Basic EPS and diluted EPS have been calculated in accordance with IAS 33 (note 18). Other financial ratios have been calculated in accordance with the Danish Finance Society's "Recommendations and Financial Ratios 2015".

**AO**  
ingång till.



**AO expands in  
Sweden and  
opens a new store  
in Helsingborg.**

January

# MANAGEMENT'S REVIEW

## THE YEAR IN OUTLINE

In many ways, 2015 was a landmark year for Brødrene A&O Johansen A/S (the Group). In spring, the company's professional operation, AO, introduced net prices under the SPOT ON logo, and in August it acquired the online business Billig VVS ApS (BilligVVS).

During the year the Group focused on the following areas:

- Upgrade of AO's stores. During the year the stores in Helsingborg, Køge, Frederiksværk, Holstebro and Viborg were moved to new and better locations, and the store in Kastrup was renovated.
- AO's online trading platform was upgraded and introduced on the Swedish market under the name of AOnet.se.
- The fully automated high-bay warehouse holding 29,000 pallets was commissioned, and an area of 27,500 square metres next to the central warehouse in Albertslund was acquired.
- Preparation of the Group for future growth. In this connection, it has been decided to invest approximately DKK 75 million in an extension of the mini-load system in the central warehouse. The extension is expected to be complete at the beginning of 2017.

Profit before tax of DKK 115.5 million is on par with the previously announced target range, and DKK 17.9 million higher than reported in 2014. The results are considered satisfactory.

The profit margin was 4.5% against 4.4% in 2014.

Consolidated revenue for the year was DKK 2,631.2 million against DKK 2,258.7 million in 2014. The increase of DKK 372.6 million or 17% is attributable to the Danish market and the acquisition of BilligVVS.

Gross profit for the year was DKK 712.3 million, an increase of DKK 65.7 million or 10% compared to last year. The gross profit margin of 27.1% is at the same level as in the previous four quarters, but 1.5 percentage points lower than last year. The decline is attributable to fierce competition in the market and the introduction of SPOT ON net prices.

Total operating expenses for the year amounted to DKK 593.5 million, which is DKK 47.2 million

or 9% more than in 2014, partly due to acquisition and operating expenses related to BilligVVS, partly due to the increase in revenue.

Operating profit (EBIT) for the year was DKK 118.8 million against DKK 100.3 million in 2014.

Net profit for the year of DKK 87.8 million is DKK 14.0 million more than in 2014.

As at 31 December 2015, the Group's total assets amounted to DKK 1,963.2 million against DKK 1,590.9 million in 2014. The increase of DKK 372.3 million is mainly attributable to investment in BilligVVS, acquisition of an adjoining site to the central warehouse in Albertslund and growth in working capital.

Equity totalled DKK 1,024.6 million, corresponding to a solvency ratio of 52.2%.

During the year the interest-bearing debt of DKK 327.5 million increased by DKK 142.3 million, a satisfactory figure considering the high level of investment.

Cash flow from operating activities amounted to DKK 96.1 million, DKK 103.9 million less than last year, primarily due to the fact that the growth in revenue resulted in higher working capital.

In 2015, investments amounted to net DKK 301.5 million, which is DKK 104.4 million more than last year. The investment is, as mentioned above, mainly attributable to the acquisition of BilligVVS and site. The remainder of the payment for BilligVVS totals DKK 40 million.

On average, AO had 619 employees in 2015 against 621 the year before. In addition, AO had on average 48 external temporary workers, compared to 24 last year.

The Management anticipates that profit before tax for 2016 will be in the range of DKK 120-130 million.

In consequence of the Group's large investments, the Board of Directors proposes that no dividend be distributed for 2015.

The Group's financial objectives have been reached with regard to growth and solvency ratio, whereas cash flow and profit margin came under target.

## DEVELOPMENT OF THE FOURTH QUARTER OF 2015

Consolidated revenue for the fourth quarter of 2015 was 750.7 million, which is DKK 137.8 million or 22.5% 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 201.5 million, which is DKK 34.0 million more than reported for the fourth quarter of 2014. Gross profit margin for the quarter was 26.8%, which is 0.5 percentage point lower than last year.

Total operating expenses for the fourth quarter of 2015 totalled DKK 162.4 million, which is DKK 26.8 million or 19.8% more than for the same period last year. Included in total operating expenses are running-in expenses of approximately DKK 5 million related to the high-bay warehouse.

Operating profit was DKK 39.2 million, which is DKK 7.9 million more than last year. The profit margin of 5.2% is at the same level as last year.

A pre-tax profit of DKK 38.0 million was recorded for the fourth quarter of 2015. It is DKK 6.6 million more than for the same quarter last year.

## ACTIVITIES OF THE YEAR

In 2015 the Group continued its transition from being a traditional wholesaler to an IT and logistics business with focus on selling and distributing technical installation materials via a large product range, a high service level and punctual deliveries at competitive prices.

In spring, the net price concept SPOT ON was introduced. SPOT ON is a price concept, where AO matches the prices of webshops for nearly 8,000 of the most popular articles. The advantage is that the tradesmen will save time, as they no longer need to search the web for price comparisons, and the goods may be picked up in one of AO's 49 stores or ordered online for delivery.

In the professional market AO's stores and online trading systems are still 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. In Denmark, AO has over the years built-up a national business model covering all product areas, i.e., plumbing, heating and sanitary ware products, electrical equipment and com-



ponents, water supply and drainage products, and tools. In Sweden a regional strategy focused on water supply and drainage products and tools has been chosen.

In June, an agreement was signed to acquire the online business BilligVVS, which is Denmark's leading online supplier of plumbing, heating and sanitary ware products and among the leading online providers of the same products in Sweden and Norway. The acquisition was subject to the approval of the Danish competition authorities which was received on 27 August. BilligVVS focuses on sales to private individuals and minor business enterprises, whereas the functions related to product selection, purchasing, storage management and distribution are handled in cooperation with AO's existing business.

The Group's online trade was strengthened, partly through AO.dk and AOnet.se where a growth of more than 50% was registered, partly through BilligVVS' various webshops.

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

In order to be able to handle the Group's growth, the product range stocked in the central warehouse has been extended during the year to include even more plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools.

The new fully automated high-bay warehouse holding 29,000 pallets was commissioned in July, and the central warehouse in Albertslund is now able to provide services to all Group units by means of the robot-controlled mini-load system and the high-bay storage system. The mini-load system handles items that are in boxes, while the high-bay storage system handles goods that are on pallets

The pallet warehouse and the offices of the logistics centre in Horsens are no longer used by the Group. The Group still uses the 35,000 square metres outdoor storage area and Vaga's production facilities. Efforts are being made to lease the pallet warehouse and the office building out to another party.

## BUSINESS FOUNDATION

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

The Group 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 business customers (B2B) and roughly 150,000 private customers (B2C) who are offered a stock of approximately 40,000 different items. As the Group wants to stock products required by the customers, the product range is improved continuously in accordance with the customers' needs.

The Group is active in Denmark, Sweden, Norway and Estonia. In 2015, international revenue constituted less than 10% of the Group's total revenue.

The Group supplies goods to the following markets:

- The professional market (the PROF market) served by AO is fragmented, with many small customers.
- The do-it-yourself market (the DIY market) served by AO is characterised by relatively few, large customers.
- The private market served by BilligVVS is characterised by many customers making few purchases online.

### 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 stores 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.

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 from 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. 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 by more than 50% in 2015.

#### 3. 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.

In Sweden, AO's revenue from the professional market is generated through AO.se and 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.

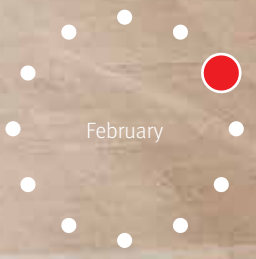


**The final games of the AO Cup tournament are played at a high pace. The players are in high spirits, very motivated and perform excellently.**





CUP 15



February

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

#### THE DIY MARKET

AO offers a large product range to the DIY market, with primary focus on electrical equipment and components as well as heating, plumbing and sanitary ware products. The main customer groups are retailers, DIY centres and specialised stores.

#### THE PRIVATE MARKET

The private market is served through BilligVVS which offers a number of online trading solutions in Denmark, Sweden and Norway. The customers are primarily private consumers and small business enterprises.

#### VISION AND STRATEGY

The Group's strategy is to serve the professional market via AO and the private market via BilligVVS.

#### THE PROFESSIONAL MARKET

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. 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.

A high service level, innovation, knowledge sharing as well as dedicated and adaptable 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 PRIVATE MARKET

In the private market, it is BilligVVS' vision to be the leading online trading platform for the sale of plumbing, heating and sanitary ware products in Denmark, Sweden and Norway.

#### 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 2015, AO achieved revenue of DKK 2,631.2 million against DKK 2,258.7 million in 2014, corresponding to a growth of DKK 372.6 million or 17%. The increase is attributable to AO's Danish operations, including the acquisition of BilligVVS. International revenue is at the same level as last year.

AO realised a gross profit of DKK 712.3 million against DKK 646.6 million in 2014. The increase of DKK 65.7 million or 10.2% is attributable to a growth in revenue and a decline in the gross profit margin by 1.5 percentage points to 27.1%. The decline in the gross profit margin started in the fourth quarter of 2014 and has ever since been at a constant level of 27%.

Total operating expenses amounted to DKK 593.5 million, which is DKK 47.2 million or 9% more than the year before. The increase is attributable to external expenses, staff costs, and depreciation, amortisation and write-downs.

External expenses totalling DKK 213.3 million are DKK 23.0 million more than last year, partly due to acquisition and operating expenses related to Billig VVS ApS, partly as a result of the increased revenue.

Staff costs of DKK 320.1 million are DKK 14.1 million or 4.6% higher than in 2014, mainly as a result of increased resources in relation to the commissioning of the high-bay warehouse and the acquisition of BilligVVS. During the year the

#### The Group consists of the following companies:

All subsidiaries are 100% owned by Brødrene A & O Johansen A/S.



average number of employees decreased by two persons to 619. Costs for temporary labour are included in staff costs. During the year AO employed, on average, 48 temporary workers against 24 in 2014.

Depreciation, amortisation and write-downs of DKK 53.5 million are DKK 9.1 million higher than last year due to investments in the central warehouse and an upgrade of the online trading platform.

Other operating expenses (bad debts) of DKK 6.6 million constitute 0.3% of revenue. The loss is DKK 1.0 million higher than last year.

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 2.3 million. At the same time, financial expenses increased by DKK 0.2 million to a total of DKK 5.6 million.

In 2015, the Group recorded a pre-tax profit of DKK 115.5 million against DKK 97.5 million in 2014.

In 2015, the Group's foreign operations reported a loss of DKK 4.2 million, compared to a loss of DKK 9.9 million last year. Included in the loss for the year is an inventory write-down of DKK 2 million related to the phasing out of the inventory of the Stockholm branch.

Tax on net profit for the year amounted to DKK 27.7 million against DKK 23.8 million in 2014.

The Group's post-tax profit for the year was DKK 87.8 million, compared to DKK 73.8 million in 2014.

Profit before tax for 2015 is satisfactory and in line with expectations announced in the latest interim financial report. Here profit before tax for the year was expected to be approximately DKK 115 million. Compared with the annual report for 2014, results for the year are DKK 17.9 million higher.

#### **BALANCE SHEET**

As at 31 December 2015, Group assets amounted to DKK 1,963.2 million against DKK 1,590.9 million in 2014.

Non-current assets totalled DKK 1,180.0 million, which is DKK 283.3 million more than in 2014. The increase is mainly attributable to the investment in BilligVVS, which increases goodwill by DKK 200.0 million, and intellectual property rights are recognised at DKK 52.1 million. In addition, DKK 35.0 million was invested in an adjoining site to the central warehouse in Albertslund.

Current assets amounted to DKK 783.1 million against DKK 694.2 million in 2014. The increase of DKK 89.0 million is attributable to the growth in revenue, increasing inventories by DKK 67.0 million to DKK 374.3 million and trade receivables by DKK 87.8 million to DKK 365.5 million compared to last year. The Group's cash and cash equivalents decreased by DKK 62.3 million to DKK 10.4 million.

As at 31 December 2015, AO's equity totalled DKK 1,024.6 million corresponding to a solvency ratio of 52.2%.

Non-current liabilities of DKK 217.4 million are DKK 13.0 million higher than in 2014. The increase is attributable to a change in deferred tax of DKK 14.6 million counterbalanced by debt to credit institutions which were reduced by DKK 1.7 million during the year.

AO's current liabilities of DKK 721.1 million increased by DKK 270.5 million, mainly as a result of the fact that trade payables increased by DKK 110.3 million to DKK 454.3 million. Short-term debt owed to credit institutions increased by DKK 143.9 million to DKK 161.6 million, and other payables increased by DKK 16.7 million to DKK 103.1 million. Included in other payables is payment of the remaining balance of DKK 40.0 million in relation to the investment in BilligVVS. In 2014, other payables included a remaining balance of DKK 23.8 million in relation to the high-bay warehouse investment, and final payment was made in 2015.

#### **CASH FLOW STATEMENT**

Cash flow from operating activities was positive at DKK 96.1 million, which is DKK 103.9 million less than last year. The deviation is primarily attributable to increased working capital as a result of growth in revenue.

Net investments, including the acquisition of BilligVVS, totalled DKK 301.5 million, compared to DKK 197.1 million in 2014. During the year DKK 12 million was invested in software, including the development of a new CRM system and an upgrade of the ERP and e-commerce system. Investment in land and buildings of DKK 42.2 million is attributable to the acquisition of a site with buildings in Albertslund, the renovation of the central warehouse and the stores in Næstved, Køge and Kastrup. Investment of DKK 52.6 million in operating equipment is primarily attributable to the payment of remaining balance, the extension of the high-bay warehouse and the layout of the new stores in Helsingborg, Køge, Frederiksværk, Holstebro and Viborg as well as the renovation of the store in Kastrup

Cash flow from financing activities includes a DKK 143.9 million draw on the Group's credit

facilities counterbalanced by mortgage debt repayments of DKK 1.7 million.

Total cash flow was negative at DKK 63.1 million, and the Group's cash totalled DKK 10.4 million as at 31 December 2015.

#### **Events after the balance sheet date**

On 4 February 2016, an agreement regarding the acquisition of treasury shares from Sanistål A/S was reached. The agreement is subject to the approval of the annual general meeting on 18 March 2016. The purchase price for the shares is determined as 39,12% of Brødrene A&O Johansen A/S' estimated equity value at 31 December 2015, equalling a purchase price of DKK 400,844,000 which corresponds to a price of DKK 1,797 per nominal share of DKK 100. The company will pay the purchase price in cash in connection with the completion of the transfer. The transfer is expected to be complete on 21 March 2016.

In addition to the above, no events have occurred after the balance sheet date that could have a material effect on the financial position of the Group and the company at 31 December 2015.

#### **OUTLOOK**

In 2016, the Management expects that the activity on the relevant markets will be at the same level as in 2015.

The Group will in 2016 focus on optimising the efficiency of the warehouse, continued restructuring in Sweden, and the development of the Group's online activities.

The Management anticipates that profit before tax for 2016 will be in the range of DKK 120-130 million.

#### **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 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 Copenhagen 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.
- A majority of the members of the Board of Directors elected by the general meeting are not independent, as they have been members for more than 12 years.
- 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.
- A majority of the members of the Audit Committee are not independent.
- 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 exercisable. 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.

- The remuneration of the Board of Directors is disclosed in the annual report. 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 2015 financial year, which can be viewed or downloaded from <https://ao.dk/globalassets/1-om-ao/investor-relations/english/financial-statements/2015/statutory-report-on-corporate-governance-2015.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. Viewed in the light of the negative results of AO Sverige, there is risk of impairment if the present turnaround is not realised. In addition, there is 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 primarily 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 2015 financial year, cf. sections 99a and 99b of the Danish Financial Statements Act, can be viewed or downloaded from



**AO launches its new price concept SPOT ON which at present contains 8,000 items at spot price.**





<https://ao.dk/globalassets/1-om-ao/investor-relations/english/financial-statements/2015/mandatory-report-on-corporate-social-responsibility-2015.pdf>.

## SHAREHOLDER INFORMATION

### DIVIDEND

In consequence of the company's large investments, the Board of Directors proposes that no dividend be distributed for 2015.

### 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 Copenhagen 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 eight members who do not have to be shareholders. Five members are elected by the general meeting, and three members are elected by the staff. 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	151,833	15,201,300	26.67%	14.26%
Unregistered shares	0	44,213	4,421,300	7.76%	4.10%
Total, excl. treasury shares	5,640	492,482	54,888,200	96.30 %	98.04 %
Treasury shares	0	21,118	2,111,800	3.70 %	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 2015**

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.

<b>ID code: DK0010231018</b>	<b>Total holding of preference shares <sup>4)</sup></b>	<b>Share price <sup>1)</sup></b>
Board of Directors <sup>2) + 4)</sup>	1,731	3,029,250
Executive Board <sup>2) + 3) + 4) + 5)</sup>	25,123	43,965,250
Other insiders <sup>2)</sup>	6,505	11,383,750
<b>Total insiders <sup>2)</sup></b>	<b>33,359</b>	<b>58,378,250</b>

**NOTE:**

- 1) The calculated share price of DKK 1,750 is based on the closing price on 31 December 2015.
- 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, 16,735 share options matured on 31 December 2015. As at 31 December 2015 the company's holding of treasury shares totalled 21,118 shares.

## BOARD MEETINGS HELD IN 2015

DATE	TEXT
24 February 2015	Annual report for 2014.
20 March 2015	Annual general meeting and constituent board meeting.
26 May 2015	Interim financial report for the first quarter of 2015.
26 May 2015	Strategy.
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.
11 December 2015	Budget for 2016.

In addition, four audit committee meetings have been held.

## COMPANY ANNOUNCEMENTS IN 2015

DATE	NO.	TEXT
24 February 2015	1	Annual report for 2014.
24 February 2015	2	Notice convening the annual general meeting.
20 March 2015	3	Results of annual general meeting.
20 March 2015	4	Articles of association.
26 May 2015	5	Interim financial report for the first quarter of 2015.
23 June 2015	6	Brødrene A & O Johansen A/S acquires online company Billig VVS ApS.
26 August 2015	7	The Danish competition authorities have approved AO's acquisition of Billig VVS ApS.
27 August 2015	8	Brødrene A & O Johansen A/S has now completed its acquisition of Billig VVS ApS.
28 August 2015	9	Interim financial report for the first half of 2015.
20 November 2015	10	Interim financial report for the first three quarters of 2015.
11 December 2015	11	Financial calendar for 2016.

## FINANCIAL CALENDAR FOR 2016

DATE	TEXT
4 February 2016	Deadline for shareholders to propose items for the agenda of the annual general meeting.
22 February 2016	Annual report for 2015.
18 March 2016	The annual general meeting of Brødrene A & O Johansen A/S will be held at 10 a.m. at the company's head office.
26 August 2016	Interim financial report for the first half of 2016.

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, 18 March 2016, at 10.00 a.m. 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 annual general meeting authorises the Board of Directors to let the company acquire Sanistål A/S' holding of the company's preference shares at a nominal value of DKK 22,300,500 (corresponding to 43.42% of the company's preference share capital and 39.12% of the total share capital of the company). The total purchase price amounts to DKK 400,844,000, which corresponds to a price of DKK 1,797.47 (rounded off) per nominal share of DKK 100. The authority will expire on 1 July 2016 but is expected to be exercised as soon as possible after the annual general meeting.

In addition to the above-mentioned authority of the Board of Directors to complete the announced acquisition of own preference shares at a nominal value of DKK 22,300,500 from Sanistål A/S, the Board of Directors will at the annual general meeting propose that the annual general meeting also authorises the Board of Directors to let the company acquire treasury shares until 1 May 2017 up to a total nominal value of 10 per cent of the company's share capital at the time of authorisation. The total number of shares held by the company may, however, at no time exceed the aforesaid 10 per cent, not including the preference shares that may be acquired in relation to the authority mentioned above. 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. ARTICLES OF ASSOCIATION

As a result of an amendment to the Danish Companies Act, the Board of Directors will, at the annual general meeting, propose to alter the Articles of Association so that the company's preference shares be changed from bearer shares to registered shares.

### 3. DISTRIBUTION OF NET PROFIT

The Board of Directors proposes that the profit for the year, DKK 69,455,000, cf. the income statement and statement of comprehensive income of the company page 19, be transferred to retained earnings.

# 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 2015.

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 2015 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2015.

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, 22 February 2016

## EXECUTIVE BOARD



Niels A. Johansen  
CEO



Henrik T. Krabbe  
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 2015. 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 2015 and of the results of the Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2015 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, 22 February 2016

Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR No. 30 70 02 28

  
Peter Gath  
State Authorised Public Accountant

  
Kennet Hartmann  
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.



# INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME FOR 1 JANUARY - 31 DECEMBER

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2014	2015	NOTE:	2015	2014
<b>2,068,124</b>	<b>2,407,753</b>		<b>2,631,206</b>	<b>2,258,656</b>
(1,459,387)	(1,754,029)	4	(1,919,729)	(1,612,179)
608,737	653,724		711,478	646,476
0	0	5	864	144
<b>608,737</b>	<b>653,724</b>	<b>Gross margin</b>	<b>712,342</b>	<b>646,621</b>
(195,842)	(223,528)	6	(213,265)	(190,225)
(282,127)	(292,629)	7	(320,110)	(306,055)
(36,201)	(39,903)	8	(53,530)	(44,444)
(4,624)	(6,132)	9	(6,636)	(5,609)
(518,793)	(562,192)		(593,540)	(546,331)
<b>89,944</b>	<b>91,532</b>	<b>Operating profit or loss (EBIT)</b>	<b>118,802</b>	<b>100,289</b>
5,238	4,060	10	2,293	2,642
(4,268)	(4,331)	11	(5,618)	(5,390)
<b>90,914</b>	<b>91,261</b>	<b>Profit or loss before tax (EBT)</b>	<b>115,477</b>	<b>97,542</b>
(21,949)	(21,805)	12	(27,707)	(23,785)
<b>68,965</b>	<b>69,455</b>	<b>Net profit or loss for the year</b>	<b>87,770</b>	<b>73,756</b>
		<b>Other comprehensive income</b>		
		<b>Items reclassified to the income statement</b>		
0	0	Foreign currency translation adjustment relating to foreign entities	1,087	(2,138)
0	0	Tax on other comprehensive income	0	0
0	0	Other comprehensive income after tax	1,087	(2,138)
<b>68,965</b>	<b>69,455</b>	<b>Total comprehensive income</b>	<b>88,857</b>	<b>71,618</b>
		<b>Proposal for the distribution of net profit</b>		
0	0	Proposed dividend		
68,965	69,455	Retained earnings		
<b>68,965</b>	<b>69,455</b>			
		<b>18 Earnings per share</b>		
		Earnings per share (EPS)	178	150
		Diluted earnings per share (EPS-D)	175	149







**'We want to be where you are'  
was AO's message at the 2015  
Plumbing Trade Fair held at  
Odense Congress Center.**

April



# BALANCE SHEET AS AT 31 DECEMBER

## ASSETS

(All amounts are in DKK thousands)

COMPANY		NOTE:	CONSOLIDATED	
2014	2015		2015	2014
<b>Non-current assets</b>				
<b>13 Intangible assets</b>				
58,439	58,439	Goodwill	302,324	102,348
0	0	Intellectual property rights	52,123	0
51,798	45,981	Software	52,818	53,029
<u>110,237</u>	<u>104,420</u>		<u>407,264</u>	<u>155,377</u>
<b>13 Property, plant and equipment</b>				
168,433	165,295	Land and buildings	604,559	580,482
1,049	1,070	Leasehold improvements	1,088	2,642
156,904	163,784	Fixtures and operating equipment	167,107	158,166
<u>326,385</u>	<u>330,148</u>		<u>772,754</u>	<u>741,290</u>
<b>Other non-current assets</b>				
132,574	389,492	14 Investments in subsidiaries	0	0
<u>132,574</u>	<u>389,492</u>		<u>0</u>	<u>0</u>
<b><u>569,196</u></b>	<b><u>824,060</u></b>	<b>Total non-current assets</b>	<b><u>1,180,018</u></b>	<b><u>896,666</u></b>
<b>Current assets</b>				
276,204	344,913	16 Inventories	374,306	307,336
263,035	344,841	17 Trade receivables	365,495	277,700
110,558	95,070	Receivables from subsidiaries	0	0
4,151	(1,788)	19 Corporation tax receivable	1,929	7,746
35,335	37,293	Other receivables	23,668	23,933
3,898	6,356	Prepayments and accrued income	7,373	4,798
67,586	162	Cash at bank and in hand	10,368	72,690
<u>760,767</u>	<u>826,847</u>	<b>Total current assets</b>	<b><u>783,138</u></b>	<b><u>694,203</u></b>
<b><u>1,329,964</u></b>	<b><u>1,650,907</u></b>	<b>Total assets</b>	<b><u>1,963,157</u></b>	<b><u>1,590,870</u></b>

# BALANCE SHEET AS AT 31 DECEMBER

## EQUITY AND LIABILITIES

(All amounts are in DKK thousands)

COMPANY		NOTE:	CONSOLIDATED	
2014	2015		2015	2014
		<b>20 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	2,778	1,610
514,002	583,457	Retained earnings	764,780	677,090
<b>771,002</b>	<b>840,457</b>	<b>Total equity</b>	<b>1,024,557</b>	<b>935,700</b>
		<b>Non-current liabilities</b>		
14,597	17,228	21 Deferred tax	51,631	37,023
110,623	108,945	22 Credit institutions	165,831	167,483
<b>125,220</b>	<b>126,173</b>	<b>Total non-current liabilities</b>	<b>217,462</b>	<b>204,506</b>
		<b>Current liabilities</b>		
17,727	161,646	22 Credit institutions	161,619	17,701
337,047	431,161	Trade payables	454,316	343,994
78,968	91,470	Other payables	103,149	86,443
0	0	Accruals and deferred income	2,053	2,526
<b>433,742</b>	<b>684,277</b>	<b>Total current liabilities</b>	<b>721,138</b>	<b>450,664</b>
<b>558,962</b>	<b>810,450</b>	<b>Total liabilities</b>	<b>938,599</b>	<b>655,170</b>
<b>1,329,964</b>	<b>1,650,907</b>	<b>Total equity and liabilities</b>	<b>1,963,157</b>	<b>1,590,870</b>
		3 Segment information		
		23 Contingent liabilities, security, etc.		
		24-28 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 2015</b>	<b>57,000</b>	<b>200,000</b>	<b>1,610</b>	<b>677,090</b>	<b>935,700</b>
Net profit for the year	0	0	0	87,770	87,770
Foreign currency translation adjustment relating to foreign entities	0	0	1,168	(81)	1,087
Total comprehensive income	0	0	1,168	87,689	88,857
<b>Equity at 31 December 2015</b>	<b>57,000</b>	<b>200,000</b>	<b>2,778</b>	<b>764,780</b>	<b>1,024,557</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 of 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>COMPANY</b>					
<b>Equity at 1 January 2015</b>	<b>57,000</b>	<b>200,000</b>	<b>0</b>	<b>514,002</b>	<b>771,002</b>
Net profit for the year	0	0	0	69,455	69,455
Total comprehensive income	0	0	0	69,455	69,455
<b>Equity at 31 December 2015</b>	<b>57,000</b>	<b>200,000</b>	<b>0</b>	<b>583,457</b>	<b>840,457</b>
<b>Equity at 1 January 2014</b>	<b>57,000</b>	<b>200,000</b>	<b>0</b>	<b>443,970</b>	<b>700,970</b>
Net profit for the year	0	0	0	68,965	68,965
Total comprehensive income	0	0	0	68,965	68,965
Disposal of 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>514,003</b>	<b>771,003</b>

# CASH FLOW STATEMENT

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2014	2015	NOTE:	2015	2014
<b>Cash flow from operating activities</b>				
89,944	91,532		118,802	100,289
970	(271)		(3,324)	(2,747)
90,914	91,261		115,477	97,542
36,201	39,903	8 Depreciation, amortisation and write-downs:	53,530	44,444
Change in working capital:				
4,551	(81,806)	Change in trade receivables	(77,985)	11,358
2,175	(4,417)	Change in other receivables	441	3,683
15,281	(68,708)	Change in inventories	(61,690)	21,642
25,877	94,114	Change in trade payables	88,579	28,506
(63,138)	15,488	Change in receivables from subsidiaries	0	0
9,910	(3,748)	Change in other current liabilities	(2,446)	14,453
(5,344)	(49,078)		(53,101)	79,641
(18,022)	(13,235)	Corporation tax paid	(19,823)	(21,747)
<b>103,748</b>	<b>68,851</b>	<b>Cash flow from operating activities</b>	<b>96,083</b>	<b>199,880</b>
<b>Cash flow from investing activities</b>				
(18,464)	(10,092)	Software	(11,944)	(18,464)
(38,973)	(179)	Land and buildings	(42,218)	(135,588)
(268)	(500)	Leasehold improvements	(500)	(688)
(42,701)	(51,178)	Fixtures and operating equipment	(52,607)	(43,252)
803	349	Disposal of property, plant and equipment	4,968	854
0	(216,917)	15 Acquisition of Billig VVS ApS	(199,187)	0
<b>(99,604)</b>	<b>(278,517)</b>	<b>Cash flow from investing activities</b>	<b>(301,488)</b>	<b>(197,138)</b>
<b>Cash flow from financing activities</b>				
13,668	142,241	Net repayment of debt to/raising of loans with credit institutions	142,267	13,696
1,067	0	Acquisition/disposal of treasury shares	0	1,067
<b>14,735</b>	<b>142,241</b>	<b>Cash flow from financing activities</b>	<b>142,267</b>	<b>14,764</b>
<b>18,880</b>	<b>(67,425)</b>	<b>Net change in cash and cash equivalents</b>	<b>(63,138)</b>	<b>17,506</b>
48,707	67,586	Cash and cash equivalents at beginning of year	72,690	55,082
0	0	Foreign currency translation adjustment	816	102
<b>67,586</b>	<b>162</b>	<b>Cash and cash equivalents at end of year</b>	<b>10,368</b>	<b>72,690</b>

# 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 2015 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 2015 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 22 February 2016, the Board of Directors and the Executive Board discussed and approved the annual report of Brødrene A & O Johansen A/S for 2015. The annual report will be submitted for approval by Brødrene A & O Johansen A/S's shareholders at the annual general meeting held on 18 March 2016.

#### 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 2015, Brødrene A & O Johansen A/S has implemented:

- IAS 19 Defined Benefit Plans: Employee Contributions - Amendments to IAS 19
- Parts of Annual Improvements to IFRSs 2010-12 Cycle
- Annual Improvements to IFRSs 2011-12 Cycle.

Amendments to IAS 19 concern employee and third party contributions to pension plans.

Annual Improvements to IFRSs 2010-12 Cycle involve amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The amendments are narrow-scope amendments. The amendments to IFRS 2 and IFRS 3 apply to transactions where the grant date and the date of acquisition, respectively, is on or after 1 July 2014. These parts of Annual Improvements to IFRSs 2010-12 have therefore already been implemented in the financial year 2014.

Annual Improvements to IFRSs 2011-13 Cycle involve amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40. As is the case with the above Annual Improvements to IFRSs, these amendments are narrow-scope amendments.

None of the new accounting standards and interpretations have had any effect on recognition and measurement in 2015, 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 10.

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



Deadline:

AO

Köp varor

Favoriter

Ditt konto

Måndag 10 september

AO Sverige

AO HELSINGBORG



PP-ma  
EN/18

AO introduces  
online trading  
on aonet.se.

May

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

- 1 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.

Intellectual property rights are measured at cost less accumulated amortisation and impairment losses. Intellectual property rights are amortised on a straight-line basis over the expected useful lives. Max. 20 years

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 system and high-bay system 10 years.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

### 1 Land is not depreciated.

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

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

- 1 financials as they occur.

### **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 are measured at amortised cost and other payables at net realisable value.

### **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.

# NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

## NOTE:

- 1 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 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.

### **Financial ratios**

Financial ratios are calculated in accordance with IAS 33 and the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015" ("Anbefalinger og Nøgletal 2015").

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



# BRØDRENE A&O JOHANSEN A/S



BilligVVS.dk

**Brødrene A & O Johansen A/S  
acquires the online business  
Billig VVS ApS.**

AO

June



# 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 24.

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.

The logistics warehouse in Horsens will be rented out partially and 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	
2014	2015 NOTE:	2015	2014

### 3 Segment information

Group activities relating to the sale of technical installation materials take place in an integrated manner and are regarded as one operating segment.

#### Geographical information

The Group operates primarily in Denmark. Less than 10% of its revenue relates to foreign countries, and the same applied in 2014.

#### Important customers

The Group has not traded with any individual customer representing more than 10% of the Group's total revenue for 2015, and the same applied in 2014.

COMPANY		CONSOLIDATED	
2014	2015 NOTE:	2015	2014
1,447,606	1,822,981		
291,485	276,204		
(2,730)	1,735		
(770)	(1,979)		
(276,204)	(344,913)		
11,781	(68,952)		
<b>1,459,387</b>	<b>1,754,029</b>		
		1,988,260	1,595,089
		307,336	328,978
		(275)	(3,274)
		(1,286)	(1,278)
		(374,306)	(307,336)
		(68,531)	17,090
		<b>1,919,729</b>	<b>1,612,179</b>
(281)	(907)	(963)	(331)
677	4,493	4,560	767

### 4 Cost of sales

Cost of goods purchased during the year

Change in inventories:

Inventory at beginning of the year

Change in cost during the year

Reversal of inventory writedown

Inventory at end of the year

Change in inventory for the year

**Cost of sales for the year**

Cost of sales includes:

Realised foreign exchange gains, total

Unrealised foreign exchange gains, total

Reversal of inventory writedown relates to the sale/scraping of written-down inventory.

### 5 Other operating income

The item includes property rental income.

# NOTES

(All amounts are in DKK thousands)

COMPANY		CONSOLIDATED	
2014	2015 NOTE:	2015	2014
<b>6 External expenses</b>			
Remuneration for the auditor elected by the annual general meeting:			
Total remuneration may be specified as follows:			
620	585	814	795
55	50	60	55
66	341	350	109
<b>741</b>	<b>976</b>	<b>1,224</b>	<b>959</b>

External expenses of the Company include rent paid to subsidiaries totalling DKK 35,362,000 (2014: DKK 29,674,000).

<b>7 Staff costs</b>			
257,508	269,025	289,969	275,036
19,214	18,902	20,689	20,705
3,543	3,306	7,971	8,351
1,861	1,396	1,480	1,963
<b>282,127</b>	<b>292,629</b>	<b>320,110</b>	<b>306,055</b>

Wages and salaries include remuneration for:

1,475	1,475	2,028	2,028
12,338	12,890	12,890	12,338
572	543	619	621

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	3,500	512	496	491	2011-2020
Granted in 2011	5,161	831	511	515	2012-2021
Granted in 2012	8,074	2,672	878	878	2013-2022
Exercised/reversed during the year	0	0			
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. 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	
2014	2015 NOTE:		2015	2014
		<b>8 Depreciation, amortisation and impairment</b>		
16,682	15,910	Intangible assets	18,269	17,230
19,347	24,345	Property, plant and equipment	35,915	27,064
173	(352)	Gains from the disposal of assets	(655)	149
<b>36,201</b>	<b>39,903</b>		<b>53,530</b>	<b>44,444</b>
		<b>9 Other operating expenses</b>		
		This item includes realised losses on receivables and provisions for bad debts.		
		<b>10 Financial income</b>		
2,430	2,226	Interest income from current assets	2,286	2,498
26	46	Other interest income	7	144
2,782	1,788	Interest income from subsidiaries	0	0
<b>5,238</b>	<b>4,060</b>		<b>2,293</b>	<b>2,642</b>
		<b>11 Financial expenses</b>		
4,222	4,317	Interest expenses on liabilities	5,547	5,315
47	14	Other interest expenses	53	74
<b>4,268</b>	<b>4,331</b>		<b>5,618</b>	<b>5,390</b>
		<b>12 Tax on profit or loss for the year</b>		
(14,989)	(19,126)	Current tax for the year	(25,795)	(17,263)
6	(48)	Adjustments related to previous years	(48)	35
<b>(14,984)</b>	<b>(19,174)</b>		<b>(25,843)</b>	<b>(17,228)</b>
(6,945)	(2,631)	Adjustment of deferred tax for the year	(1,864)	(6,537)
(20)	0	Adjustment of deferred tax for previous years	0	(20)
<b>(21,949)</b>	<b>(21,804)</b>	Total	<b>(27,707)</b>	<b>(23,785)</b>
		Tax on profit/loss for the year can be explained as follows:		
(22,274)	(21,446)	Calculated tax on profit/loss before tax	(27,062)	(24,244)
		Tax effect of:		
(456)	11	Non-taxable income	32	(483)
6	(501)	Other non-deductible costs	(808)	15
0	179	Reduction of tax rate from 23.5% to 22%	179	0
775	(48)	Adjustment of tax for previous years	(48)	927
<b>(21,949)</b>	<b>(21,805)</b>		<b>(27,707)</b>	<b>(23,785)</b>
24.1%	23.9%	Effective tax rate	24.0%	24.4%
<b>(18,022)</b>	<b>(13,235)</b>	Taxes paid during the financial year	<b>(19,823)</b>	<b>(21,747)</b>

# NOTES

(All amounts are in DKK thousands)

## 13 Non-current assets: (Consolidated)

	Goodwill	Intellectual property rights	Software	Land and buildings	Leasehold improvements	Fixtures and operating equipment
<b>2015</b>						
Cost at 1 January	102,348	0	153,842	700,271	16,732	285,801
Foreign currency translation adjustment	0	0	(43)	666	0	111
Additions relating to acquisitions	199,976	53,232	5,000	0	0	0
Additions during the year	0	0	11,944	42,218	500	28,857
Disposals during the year	0	0	0	(9,476)	(2,003)	(551)
Cost at 31 December	302,324	53,232	170,743	733,679	15,229	314,219
Amortisation and depreciation at 1 January	0	0	(100,813)	(119,789)	(14,090)	(127,636)
Foreign currency translation adjustment	0	0	50	175	1	(129)
Amortisation and depreciation for the year	0	(1,109)	(17,162)	(14,114)	(480)	(21,366)
Disposals during the year	0	0	0	4,608	428	2,019
Amortisation and depreciation at 31 December	0	(1,109)	(117,925)	(129,120)	(14,141)	(147,112)
<b>Carrying amount at 31 December</b>	<b>302,324</b>	<b>52,123</b>	<b>52,818</b>	<b>604,559</b>	<b>1,088</b>	<b>167,107</b>
<b>Carrying amount of assets held under finance leases</b>				<b>99,598</b>		<b>176</b>
<b>2014</b>						
Cost at 1 January	102,348	0	148,161	566,239	19,928	233,053
Foreign currency translation adjustment	0	0	(126)	(1,556)	(91)	(263)
Additions during the year	0	0	18,464	135,588	688	67,002
Disposals during the year	0	0	(12,657)	0	(3,793)	(13,990)
Cost at 31 December	102,348	0	153,842	700,271	16,732	285,802
Amortisation and depreciation at 1 January	0	0	(96,179)	(110,154)	(16,400)	(125,279)
Foreign currency translation adjustment	0	0	58	274	0	206
Amortisation and depreciation for the year	0	0	(17,229)	(9,909)	(675)	(16,478)
Disposals during the year	0	0	12,537	0	2,985	13,915
Amortisation and depreciation at 31 December	0	0	(100,813)	(119,789)	(14,090)	(127,636)
<b>Carrying amount at 31 December</b>	<b>102,348</b>	<b>0</b>	<b>53,029</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>

Apart from goodwill, all intangible assets are considered to have limited useful lives. No significant changes have been made in estimates relating to property, plant and equipment. Intellectual property rights relate to BilligVVS' trademarks, domain names, etc.

The Group has entered into a finance lease on IT hardware and buildings. The lease on buildings may be paid off in 2018 and expires in 2028. Upon expiry of the lease, the Group will acquire the buildings at an agreed price corresponding to the carrying amount.

The leased assets secure the lease liabilities.



**The high-bay warehouse is commissioned and can at present deliver up to 300 pallets per hour.**



# NOTES

(All amounts are in DKK thousands)

## 13 Non-current assets: (Company)

	Goodwill	Intellectual property rights	Software	Land and buildings	Leasehold improvements	Fixtures and operating equipment
<b>2015</b>						
Cost at 1 January	58,439	0	151,175	186,856	14,921	272,426
Additions during the year	0	0	10,092	179	500	27,428
Disposals during the year	0	0	0	0	(428)	(1,793)
Cost at 31 December	58,439	0	161,267	187,035	14,993	298,061
Amortisation and depreciation at 1 January	0	0	(99,377)	(18,423)	(13,872)	(115,523)
Amortisation and depreciation for the year	0	0	(15,910)	(3,317)	(480)	(20,548)
Disposals during the year	0	0	0	0	428	1,793
Amortisation and depreciation at 31 December	0	0	(115,287)	(21,740)	(13,924)	(134,278)
<b>Carrying amount at 31 December</b>	<b>58,439</b>	<b>0</b>	<b>45,980</b>	<b>165,295</b>	<b>1,070</b>	<b>163,783</b>
<b>Carrying amount of assets held under finance leases</b>				<b>99,598</b>		<b>176</b>
<b>2014</b>						
Cost at 1 January	58,439	0	145,367	147,883	18,445	219,712
Additions during the year	0	0	18,464	38,973	268	66,451
Disposals during the year	0	0	(12,656)	0	(3,792)	(13,737)
Cost at 31 December	58,439	0	151,175	186,856	14,921	272,426
Amortisation and depreciation at 1 January	0	0	(95,232)	(15,786)	(16,182)	(113,182)
Amortisation and depreciation for the year	0	0	(16,682)	(2,637)	(675)	(16,035)
Disposals during the year	0	0	12,537	0	2,985	13,694
Amortisation and depreciation at 31 December	0	0	(99,377)	(18,423)	(13,872)	(115,523)
<b>Carrying amount at 31 December</b>	<b>58,439</b>	<b>0</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>

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

The Group has entered into a finance lease on IT hardware and buildings. The lease on buildings may be paid off in 2018 and expires in 2028. Upon expiry of the lease, the Group will acquire the buildings at an agreed price corresponding to the carrying amount. The leased assets secure the lease liabilities.

# NOTES

(All amounts are in DKK thousands)

## 13 Non-current assets (continued)

### Goodwill

At 31 December 2015, Management performed an impairment test of goodwill. Separate cash-generating units (CGUs) were tested for impairment. The carrying amount of goodwill, key assumptions and sensitivity analysis for future cash flows may be specified per CGU in the following way:

	<u>Goodwill</u>	<u>Pre-tax WACC</u>	<u>Terminal Growth Rate</u>
Danish units, including DKK 55,750,00 relating to synergies from the acquisition of BilligVVS	111,082	10%	1.5%
BilligVVS	144,226	10%	1.5%
Swedish AO units	47,016	10%	1.5%

The recoverable amount is based on the value in use, which is determined by means of expected net cash flows on the basis of budgets for 2016 and forecasts for 2017-2020 approved by Management, an unchanged discount rate and a terminal growth rate as in 2014. The applied discount rate reflects the specific risks related to the respective CGUs, including geography, capital structure, etc. The applied terminal growth rate is not expected to exceed the long-term average growth rate of the markets in which the company operates.

In the forecast period, AO Denmark expects that profit margins and market shares will be at the same level as in 2015, and that the recoverable amount will be considerably higher than the carrying amount.

BilligVVS expects market growth. In the forecast period, profit margins and market shares are expected to be at the same level as in 2015, and the recoverable amount is expected to be considerably higher than the carrying amount.

The realised revenue is in all material aspects at the level of the business case registered at the time of acquisition.

Towards 2020, AO Sweden expects an average annual growth of approximately 6%, which is approximately 3% higher than the expected market development. Management has based the expected growth on the historic activity level of the business and on profit margins of comparable entities of the Group. It is, in particular, the restructuring of the inventories of the company, automations, and online sales initiatives that are to boost an increase in revenue and profit margins.

The recoverable amount of the Swedish entities is DKK 32,492,000 above the carrying amount. If the mentioned initiatives do not materialise in profit margins of 4%, or if pre-tax WACC increases to 12%, a need for goodwill impairment will occur.

### 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 subsidiaries (Company)

	<u>2015</u>	<u>2014</u>
Cost at 1 January	132,574	132,574
Additions during the year	256,918	0
Disposals during the year	0	0
Cost at 31 December	<u>389,492</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>

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 14 Investments in subsidiaries (Company)

Ownership interest	Ownership interest	Name	Registered Office
100%	100%	AO Invest A/S	Albertslund
100%	100%	Vaga Tehnika Eesti OÜ	Estonia
100%	100%	AO Sverige AB	Sweden
100%	100%	Betongkomplement i Stockholm AB	Sweden
100%	100%	Billig VVS ApS	Egå
100%	100%	LavprisVVS ApS	Egå
100%	100%	VVSochBAD Sverige AB	Sweden
100%	100%	Billig VVS AS	Norway

### 15 Acquisition of subsidiaries and activities

In 2015, Brødrene A & O Johansen A/S took over the controlling interest in the internet company Billig VVS ApS through the acquisition of all existing shares. Billig VVS ApS is in the same segment as the rest of the Group. With the acquisition of Billig VVS ApS, synergies with regard to product ranges, inventories/logistics, and AO's existing business are created.

Billig VVS ApS' revenue of DKK 91,492,000 and profit before tax of DKK 10,322,000 are recognised in the annual report. Revenue for the year is DKK 218,791,000, and profit before tax is DKK 21,827,000. Costs of purchase totalling DKK 1,954,000 are expensed in the year of acquisition.

The deferred purchase price will, subject to the terms of the agreement, fall due for payment in February 2016.

The fair value of the acquired assets, liabilities and purchase consideration are determined and may be allocated as follows:

	Recognised value at the date of acquisition
Intangible assets	58,232
Property, plant and equipment	3,303
Inventories	5,280
Trade receivables	9,810
Other receivables	2,750
Net cash	17,730
Deferred tax liabilities	(12,811)
Trade payables	(21,744)
Other payables	(2,429)
Acquired net assets	60,121
Goodwill	196,796
Purchase consideration	256,917
Deferred contingent purchase consideration	40,000
Cash purchase consideration, including net cash	216,917

# NOTES

(All amounts are in DKK thousands)

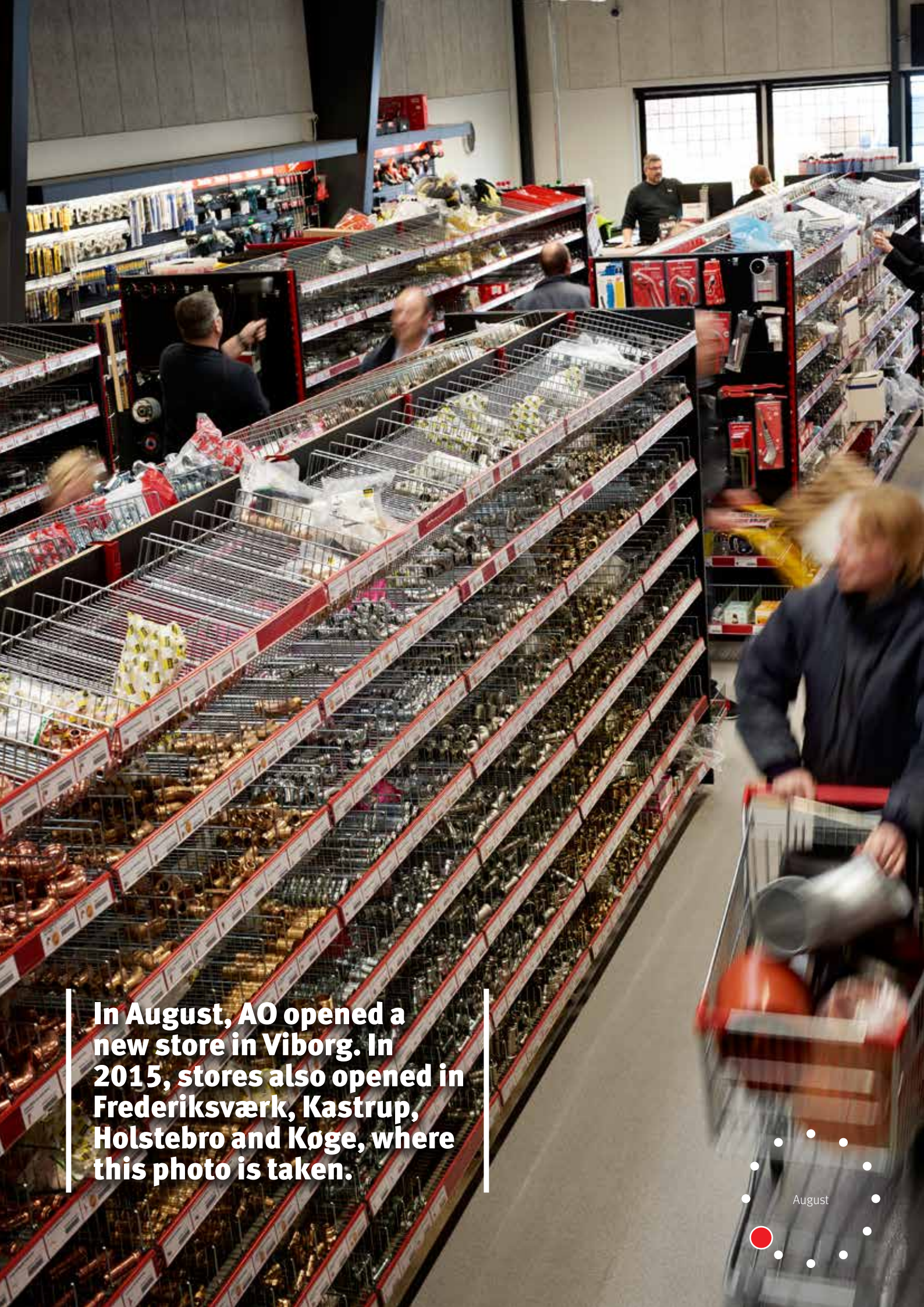
COMPANY			CONSOLIDATED	
2014	2015 NOTE:		2015	2014
		<b>16 Inventories</b>		
		Carrying amount of inventories recognised at net selling price		
0	0		0	0
		<b>17 Trade receivables</b>		
		At 31 December 2015 the Group's trade receivables include receivables totalling DKK 21,999,000 (2014: DKK 32,195,000), which have been written down to DKK 1,486,000 (2014: DKK 4,551,000) 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:		
40,411	26,180	Write-downs at 1 January	27,644	42,383
(14,232)	(6,447)	Change during the year	(7,130)	(14,739)
26,180	19,732	Write-downs at 31 December	20,513	27,644
		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 24 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:		
6,948	8,600	Up to 30 days	11,487	8,265
1,748	1,321	Between 30 and 60 days	1,223	2,374
4,324	1,714	Over 60 days	1,641	3,865
13,020	11,635		14,351	14,504

# NOTES

(All amounts are in DKK thousands)

COMPANY		CONSOLIDATED	
2014	2015 NOTE:	2015	2014
<b>18 Earnings per share</b>			
		87,770	73,756
		514,005	514,005
		(21,118)	(22,194)
		492,887	491,811
		9,613	3,951
		502,500	495,762
		178	150
		175	149
<b>19 Corporation tax receivable/payable</b>			
21,414	24,008	27,725	25,009
(17,263)	(25,795)	(25,795)	(17,263)
0	0	0	0
4,151	(1,788)	1,929	7,746
<b>20 Equity</b>			
<i>Capital management</i>			
<p>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 2015, the equity share of total equity and liabilities amounted to 52.5% (2014: 58.8%). The target is to obtain an equity interest of approximately 40%. Capital is managed for the Group as a whole.</p>			
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	
		5,640,000	
Preference share capital:			
513,600 shares of	DKK 100 each	51,360,000	
Total share capital		57,000,000	





**In August, AO opened a new store in Viborg. In 2015, stores also opened in Frederiksværk, Kastrup, Holstebro and Køge, where this photo is taken.**

August





# NOTES

(All amounts are in DKK thousand)

## 20 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 Copenhagen. 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 entitles 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	
	2015	2014	2015	2014	2015	2014
1 January	21,118	23,270	2,112	2,327	3.7%	4.1%
Acquisition	0	0	0	0	0.0%	0.0%
Sale	0	(2,152)	0	(215)	0.0%	(0.4%)
<b>Holding at 31 December</b>	<b>21,118</b>	<b>21,118</b>	<b>2,112</b>	<b>2,112</b>	<b>3.7%</b>	<b>3.7%</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 2015.

### 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	
2014	2015 NOTE:		2015	2014
<b>21 Deferred tax</b>				
7,632	14,597	Deferred tax at 1 January	37,023	30,505
0	0	Foreign currency translation adjustment	38	(40)
6,945	2,630	Change in deferred tax for the year	1,864	6,537
0	0	Deferred tax relating to the acquisition of Billig VVS ApS	12,811	0
20	0	Change in deferred tax relating to previous year	(104)	20
<b>14,597</b>	<b>17,227</b>	<b>Deferred tax at 31 December</b>	<b>51,631</b>	<b>37,023</b>
Deferred tax relates to:				
0	0	Intangible assets	13,151	0
41,472	43,615	Property, plant and equipment	67,101	64,968
(2,099)	(1,999)	Receivables	(1,999)	(2,099)
(24,776)	(24,387)	Liabilities	(24,387)	(24,776)
0	0	Tax losses and interest deduction limitations	(2,235)	(1,070)
<b>14,597</b>	<b>17,229</b>	<b>Deferred tax at the end of the year</b>	<b>38,480</b>	<b>37,023</b>
<b>22 Credit institutions</b>				
Payables to credit institutions are recognised in the balance sheet as:				
110,623	108,945	Non-current liabilities	165,831	167,483
17,727	161,646	Current liabilities	161,619	17,701
<b>128,350</b>	<b>270,591</b>		<b>327,450</b>	<b>185,184</b>
0	0	Mortgage loans - floating interest rate - 1 year	56,859	56,833
15,961	159,921	Bank loans - floating short-term interest rate	159,921	15,962
112,389	110,670	Lease commitments - floating interest rate	110,670	112,389
<b>128,350</b>	<b>270,591</b>		<b>327,450</b>	<b>185,184</b>
<i>Finance lease</i>				
Liabilities relating to assets held under a finance lease are therefore included in payables to credit institutions:				
1,766	1,725	Less than 1 year	1,725	1,766
110,623	108,945	1 to 5 years. Including repayment.	108,945	110,623
0	0	More than 5 years	0	0
<b>112,389</b>	<b>110,670</b>	<b>Total carrying amount</b>	<b>110,670</b>	<b>112,389</b>



**The distance between Denmark and Sweden was reduced with the introduction of daily deliveries from the central warehouse in Albertslund to Sweden.**





# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 22 Credit institutions (continued)

According to the lease there is no contingent rent. The contractual cash flows appear from note 24.

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

### 23 Contingent liabilities, security, etc.

Land and buildings with a total carrying amount of DKK 302,430,000 (2014: DKK 308,092,000) are provided as security for the Group's payables to mortgage credit institutions and assets held under a finance lease.

Land and buildings with a total carrying amount of DKK 106,902,000 (2014: DKK 109,121,000) are provided as security for the Company's payables to mortgage credit institutions and assets held under a finance lease.

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 and Billig VVS Aps in the joint taxation of Danish corporation taxes on dividends within the joint taxation group. Payable corporation taxes in the joint taxation group amounted to DKK 1,788,000 at 31 December 2015 (2014: receivable of DKK 7,746,000) 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 26.

### 24 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.

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 24 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 2015 would be reduced by DKK 6.5 million (2014: DKK 6.5 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 2015, and the consolidated results would therefore not be affected to any major extent by changes in exchange rates at 31 December 2015.

The Group has the following currency exposure at 31 December:

CONSOLIDATED	2015			2014		
	EUR	OTHER* CURRENCIES	TOTAL	EUR	OTHER* CURRENCIES	TOTAL
Trade payables	36,590	13,728	50,318	23,136	10,089	33,225
Payables to credit institutions	52,400	1,705	54,105	13,249	1,308	14,557
<b>Net exposure</b>	<b>88,990</b>	<b>15,433</b>	<b>104,423</b>	<b>36,385</b>	<b>11,397</b>	<b>47,782</b>
Risk in exchange rate fluctuation	1%	10%		1%	10%	
<b>Estimated effect on income statement and equity</b>	<b>890</b>	<b>1,543</b>	<b>2,433</b>	<b>364</b>	<b>1,140</b>	<b>1,504</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:

### 24 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 2015, the Group's interest-bearing debt, determined as payables to credit institutions less negotiable securities and cash increased to DKK 317.1 million from DKK 112.5 million in 2014. 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 3.2 million (2014: approximately DKK 1.1 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	2015		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	56,859	67,910	1,054	8,081	58,775
Bank loans	159,921	159,921	159,921	0	0
Lease commitments	110,670	119,722	4,713	115,009	0
<b>31 December</b>	<b>327,450</b>	<b>347,553</b>	<b>165,688</b>	<b>123,090</b>	<b>58,775</b>

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>



**AO acquires a site at Herstedvang in order to secure sufficient storage space for all items and to make room for an extension of the mini-load system.**

# NOTES

(All amounts are in DKK thousands)

## NOTE:

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

The Company's payables fall due as follows:

COMPANY	2015				
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Bank loans	159,921	159,921	159,921	0	0
Lease commitments	110,670	119,722	4,713	115,009	0
<b>31 December</b>	<b>270,591</b>	<b>279,643</b>	<b>164,634</b>	<b>115,009</b>	<b>0</b>

COMPANY	2014				
	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
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>

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:

### 24 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 of financial instruments are identical with the exception of loans measured at amortised cost, and where the carrying amount at 31 December 2015 amounts to DKK 327.4 million (2014: DKK 185.1 million).

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.

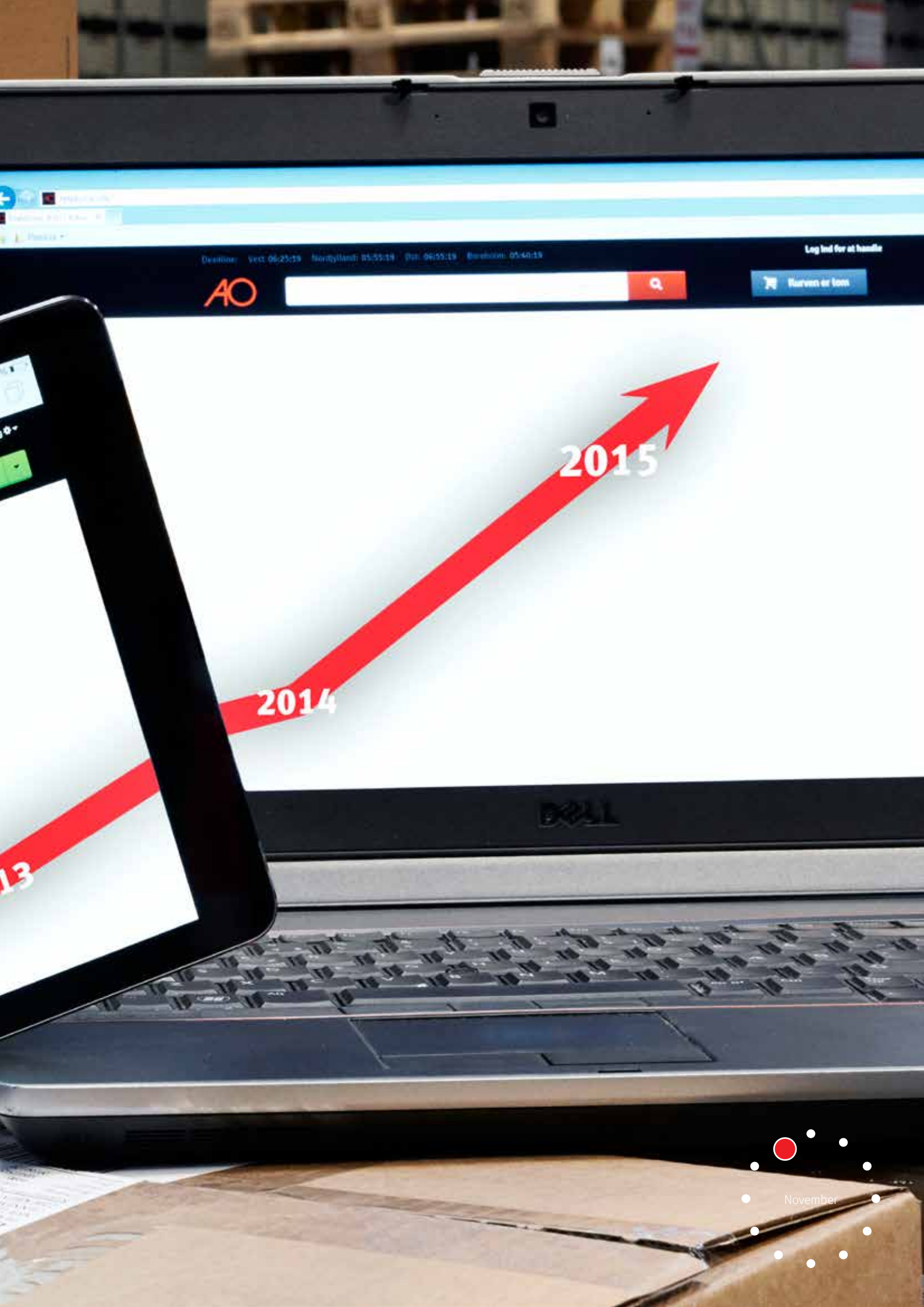
The fair value of mortgage debt is determined on the basis of the underlying bonds. Short-term floating-rate bank loans are measured at nominal value.

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.

**The customers have really embraced online trading, and AO's online sales passed the DKK 0.5 billion mark in November.**





Deadline: Vest 06:25:19 Nordjylland: 05:55:19 Ost: 06:05:19 Bornholm: 05:40:19

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AO

Q

Kurven er tom

2014

2015

13



November

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 25 Operating leases

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

	Consolidated		Company	
	2015	2014	2015	2014
0-1 year	20,329	19,898	52,319	46,970
1-5 years	15,012	23,115	10,083	20,377
>5 years	1,418	2,118	1,272	2,118
	<b>36,759</b>	<b>45,131</b>	<b>63,674</b>	<b>69,465</b>
Recognised lease payments	<b>28,406</b>	<b>27,422</b>	<b>59,434</b>	<b>53,773</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 extension at the end of the term. None of the leases contain contingent rent.

### 26 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 significant 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 subsidiaries comprises the following:

	Consolidated		Company	
	2015	2014	2015	2014
Sale of goods	0	0	59,714	2,557
Rental expenses	0	0	35,362	32,720

# NOTES

(All amounts are in DKK thousands)

## NOTE:

### 26 Related parties (continued)

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

The Company's balances with subsidiaries at 31 December can be seen in the balance sheet. Balances with subsidiaries 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 subsidiaries 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 25.

The Company is jointly taxed with AO Invest A/S and Billig VVS ApS. 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 5,988,000 (2014: DKK 2,274,000) relating to AO Invest A/S and Billig VVS ApS at the balance sheet date, cf. note 18.

### 27 Subsequent events

On 4 February 2016, an agreement regarding the acquisition of treasury shares from Sanistål A/S was reached. The agreement is subject to the approval of the annual general meeting on 18 March 2016. The purchase price for the shares is determined as 39.12% of Brødrene A & O Johansen A/S' estimated equity value at 31 December 2015, equalling a purchase price of DKK 400,844,000, which corresponds to a price of DKK 1,797 per nominal share of DKK 100. The company will pay the purchase price in cash in connection with the completion of the transfer. The transfer is expected to be complete on 21 March 2016.

In addition to the above, no events have occurred after 31 December 2015 that are considered to have a material effect on the annual report for 2015.



# NOTES

(All amounts are in DKK thousands))

## NOTE:

### 28 New accounting regulation

At the time of the publication of this annual report, the IASB has issued the following new accounting standards and interpretations that are not compulsory for Brødrene A & O Johansen A/S in the preparation of the annual report for 2015:

IFRS 9 and subsequent amendments to IFRS 9, IFRS 7 and IAS 39. IFRS 14, IFRS 15, IFRS 16. Amendments to IAS 16, IAS 38, IAS 16, IAS 41, IAS 27, IFRS 11, IFRS 10, IFRS 12, IAS 28, IFRS 10, IAS 28 and IAS 1. Annual improvements to IFRSs 2012-2014 Cycle.

The above-mentioned amendments to IAS 16 and IAS 38, Amendments to IAS 16 and IAS 41, Amendments to IAS 27, Amendments to IFRS 11, Amendments to IAS 1 and Annual Improvements to IFRSs 2012-2014 Cycle have been endorsed by the EU.

The endorsed but not yet effective standards and interpretations will be implemented when they become mandatory for Brødrene A & O Johansen A/S. None of the new accounting standards and interpretations are expected to have any material impact on Brødrene A & O Johansen A/S' recognition and measurement policies as the analysis of the expected impact of the IFRS 16 implementation has not yet been finished, cf. below.

IFRS 16 'Leases' was issued in mid-January. The standard, which is effective for financial years beginning on or after 1 January 2019, will significantly change the accounting for leases that are currently treated as operating leases. The standard requires that all leases regardless of type - with a few exceptions - be recognised in the lessee's balance sheet as an asset with a related lease obligation. At the same time the lessee's income statement will be affected, as the future annual rental expenses will consist of two elements - depreciation expense and interest expense - contrary to today where the annual operating lease expenses are recognised in an amount under operating expenses.

Brødrene A & O Johansen A/S has yet to make an in-depth analysis of the impact of the new standard on the Group's financial statements. It is, however, estimated that it will have some impact, as the Group has operating leases with minimum lease commitments of DKK 76,279,000 in 2015, corresponding to 4% of the balance sheet total, and potentially, these commitments are to be recognised in the balance sheet in future periods.

# COMPANY INFORMATION

## Brødrene A & O Johansen A/S

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Telefax: +45 70 28 01 01  
Web site: www.ao.dk

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 Financial Officer

## Auditors

Ernst & Young Godkendt Revisionspartnerselskab

## Annual General Meeting

The annual general meeting is scheduled for 18 March 2016.

# MONSTER

## & SOFIE &





**AO's Christmas event is a nearly 20-year-old tradition appreciated by the customers.**

**OSTERGAARD**



December

# AO's STORES AND OFFICES

## HEAD OFFICE

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## COMPETENCY CENTRES:

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AND SANITARY WARE PRODUCTS:** TELEPHONE: +45 70 28 24 40

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**CONTRACTOR SUPPLIES AND  
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**ONLINE SALES/SEKO:** TELEPHONE: +45 70 28 01 74

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## RENTAL SERVICE

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## BILLIG VVS APS

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**BILLIGVVS.NO** • HTTP://WWW.BILLIGVVS.NO •  
TELEPHONE: +47 21 64 88 20



# 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' 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 whole-sale 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 F GROUP 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' Audit Committee.
- Elected by the ordinary shareholders.
- As Michael Kjær 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

- 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 Manager of Maj Invest Holding A/S, Manager of Fondsmæglerselskabet Maj Invest A/S and Erik Holm ApS, Managing Director of Maj Invest Equity A/S and Interbuild ApS.
- 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 whole-sale 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:  
KK-Group A/S  
Sticks'n'Sushi A/S  
Sticks'n'Sushi Holding A/S  
Vega Sea A/S  
Vernal A/S.
- Deputy Chairman of the boards of:  
SP Group A/S  
SP Moulding A/S  
Arvid Nilssons Fond.
- Member of the boards of:  
Fonden Maj Invest Equity General Partner  
Maj Invest Equity A/S  
Muuto A/S  
Muuto Holding 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 staff management, logistics and warehouse management.
- Experience of national and international distribution and transport planning.
- 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, Damgaard Group A/S, Damgaard Group Holding ApS, Damgaard Group Holding II ApS, Ejendomsselskabet Oktanten ApS, The Closet ApS, Katrine Damgaard Invest ApS, Olivia Damgaard Invest ApS, Markus Damgaard Invest ApS, Damgaard Family Invest ApS, Damgaard Family Invest II ApS, Galleri BB Holding ApS, Galleri Bo Bjerggaard International ApS, PD International Invest ApS.
- Born 1963.
- Nationality: Danish.
- Member of the Board since 2007.
- Member of Brødrene A & O Johansen A/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  
Proactive Holding 2008 A/S  
Proactive Innovation A/S  
7N A/S  
Cirque A/S  
Cirque Holding A/S  
Cirque Bredbånd A/S  
Cirque Systems A/S.
- **Member of the boards of:**  
Skolebordet.dk A/S  
Damgaard Company A/S  
Damgaard Company II A/S  
Damgaard Group A/S  
Templafy ApS.
- Member of the Investment Committee for Seed Denmark.



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