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# **Interim Financial Report for the Period 1 January – 30 June 2019**

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## **Brødrene A & O Johansen A/S**

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

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Today the Board of Directors has approved the Group's interim financial report for the period 1 January – 30 June 2019.

### **Highlights for the second quarter of 2019 and first half of 2019**

- Consolidated revenue for the second quarter of 2019 was DKK 848.5 million, which is DKK 18.3 million, or 2%, more than for the second quarter of 2018. Compared with last year, the second quarter of 2019 had two fewer working days. Consolidated revenue for the first half of 2019 was DKK 1,718.1 million, which is DKK 75.5 million or 5% higher than for the same period last year. The first half of 2019 had one fewer working day than the year-earlier period.
- Operating profit (EBIT) for the second quarter of 2019 was DKK 41.3 million, corresponding to a profit margin of 4.9%, against DKK 40.7 million and 4.9% for the second quarter of 2018. Operating profit (EBIT) for the first half of 2019 was DKK 83.6 million, corresponding to a profit margin of 4.9%, against DKK 69.3 million and 4.2% for the first half of 2018. The increased profit margin is attributable to lower costs. The gross profit margin declined by 0.4 percentage point in the first half of 2019.
- Profit before tax for the second quarter of 2019 was DKK 39.8 million, which is DKK 1.5 million more than in the second quarter of 2018. Profit before tax for the first half of 2019 amounted to DKK 80.3 million, which is DKK 9.8 million more than last year.
- As at 30 June 2019, the Group's total assets amounted to DKK 2,254.2 million, which is DKK 25.5 million more than at 30 June 2018. The increase is partly attributable to lease assets (IFRS 16) of DKK 81.1 million, partly to the fact that cash and cash equivalents and software decreased by DKK 19.9 million and DKK 12.6 million respectively.
- As at 30 June 2019, the Group's equity of DKK 801.7 million, corresponding to a solvency ratio of 35.6%, was DKK 109.3 million more than for the same period last year.
- Cash flow from operating activities for the second quarter of 2019 totalled DKK 65.6 million and DKK 86.6 million for the first half of 2019, which is DKK 50.2 million and DKK 49.6 million more than for the same periods last year. Investments for the second quarter of 2019 totalled DKK 16.2 million and DKK 23.2 million for the first half of 2019, compared with DKK 26.0 million and DKK 44.2 million in 2018.

Other highlights for the first half of 2019:

- In May 2019, and for the second time in only four years, AO won the Danish E-commerce Association's (FDIH) e-commerce award for being the best omni-channel business in Denmark. In addition, AO came in a good second in the category "Best B2B Business".
- CFO Henrik T. Krabbe resigned from his post with effect from 31 December 2019.
- IFRS 16 (Leases) was implemented with effect from 1 January 2019. There is no significant earnings impact, whereas the balance sheet as at 30 June 2019 increased by DKK 81.1 million.
- The Annual General Meeting approved the recommended consolidated and parent company financial statements as well as the allocation of profits, including a dividend payment of DKK 6 per preference share of DKK 10. All shareholder-elected Board members were re-elected. Afterwards the Board of Directors constituted itself with Henning Dyremose as Chairman and Michael Kjær as Deputy Chairman. The Board of Directors was authorised to acquire own preference shares equivalent to a total of 10 % of the Company's share capital.

### **Expectations for the year**

- As announced in connection with the publication of the annual report for 2018, the Group expects a profit before tax in the range of DKK 150-160 million for 2019. In 2018, Brødrene A & O Johansen A/S realised a profit before tax of DKK 150.3 million.

Albertslund, 23 August 2019

Niels A. Johansen  
CEO

Henrik T. Krabbe  
CFO

## Financial and operating data for the AO Group

(DKKm)

<b>Key figures</b>	<b>H1 2019</b>	<b>H1 2018</b>	<b>Q2 2019</b>	<b>Q2 2018</b>	<b>Full Year 2018</b>
Consolidated revenue	1,718.1	1,642.6	848.5	830.2	3,373.4
Gross margin	407.6	395.7	203.1	205.4	805.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	137.0	113.1	67.6	63.0	241.0
Operating profit or loss (EBIT)	83.6	69.3	41.3	40.7	154.8
Financial income and expenses, net	(3.3)	1.2	(1.5)	(2.4)	(4.6)
Profit or loss before tax (EBT)	80.3	70.5	39.8	38.3	150.3
Tax on profit or loss for the period	(17.5)	(15.3)	(8.6)	(8.4)	(31.7)
Net profit or loss for the period	62.8	55.2	31.2	29.9	118.5
Non-current assets	1,362.4	1,304.0	1,362.4	1,304.0	1,300.1
Current assets	891.9	924.8	891.9	924.8	843.8
Total assets	2,254.2	2,228.8	2,254.2	2,228.8	2,144.0
Share capital	28.0	28.0	28.0	28.0	28.0
Equity	801.7	692.4	801.7	692.4	756.7
Non-current liabilities	302.1	224.8	302.1	224.8	288.6
Current liabilities	1,150.4	1,311.6	1,150.4	1,311.6	1,098.7
Cash flow from operating activities	86.6	37.1	65.6	15.4	300.8
Cash flow from investing activities	(23.3)	(44.2)	(16.2)	(26.0)	(82.3)
Of which investments in property, plant and equipment, net	(16.3)	(31.4)	(11.3)	(19.4)	(60.7)
Cash flow from financing activities	(76.2)	2.4	(59.6)	(1.5)	(229.8)
Cash flow for the period	(12.8)	(4.7)	(10.2)	(12.1)	(11.3)
<b>Financial ratios*</b>					
Gross profit margin	23.7%	24.1%	23.9%	24.7%	23.9%
Profit margin	4.9%	4.2%	4.9%	4.9%	4.6%
Return on capital employed**	3.8%	3.1%	1.8%	1.8%	7.2%
Return on equity**	8.1%	8.2%	4.0%	4.4%	16.8%
Solvency ratio	35.6%	31.1%	35.6%	31.1%	35.3%
Book value***	286	247	286	247	270
Share price at the end of the period	350	272	250	272	294
Earnings per share (EPS Basic), DKK	23	20	11	11	44
Diluted earnings per share (EPS-D), DKK	23	20	11	11	44
Average number of employees****	734	750	732	745	747

Basic EPS and diluted EPS have been calculated in accordance with IAS 33.

\* Other financial ratios have been calculated in accordance with CFA Society Denmark's "Recommendations and Financial Ratios".

\*\* Not translated into full-year figures.

\*\*\* Financial ratios have been calculated for the respective periods.

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

## Management's review

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

### The Group's financial development

Consolidated revenue for the second quarter of 2019 was DKK 848.5 million, which is DKK 18.3 million, or 2%, more than last year. The second quarter of 2019 had two fewer working days than the corresponding period last year. Consolidated revenue for the first half of 2019 totalled DKK 1,718.1 million against DKK 1,652.6 million for the first half of 2018, corresponding to a growth of DKK 75.5 million or 5%.

The growth in revenue is mainly attributable to the professional market, both in Denmark and abroad, and the private online market. International revenue accounts for less than 10% of total revenue.

Gross margin for the second quarter of 2019 amounted to DKK 203.1 million, compared with DKK 205.4 million for the same period of 2018. When compared with the second quarter of 2018, the gross profit margin decreased by 0.8 percentage point to 23.9%. Distribution costs for the second quarter 2019 constituted 3.9% of revenue, which is 0.1 percentage point more than in the second quarter of 2018. Gross margin for the first half of 2019 amounted to DKK 407.6 million, compared with DKK 395.7 million last year. The gross profit margin decreased by 0.4 percentage point to 23.7%, which is 0.4 percentage point lower than last year. Distribution costs constituted 3.8% of revenue in the first half of both 2019 and 2018.

Total operating expenses for the second quarter of 2019, including depreciation and amortisation, amounted to DKK 161.8 million, which is DKK 3.0 million less than for the same period last year. Total operating expenses for the first half of 2019 totalled DKK 324.0 million, which is DKK 2.5 million less than for the same period last year. IFRS 16 does not significantly affect the comparison of total operating expenses.

In the second quarter of 2019, external expenses totalled DKK 40.5 million, which is DKK 4.2 million less than in the second quarter of 2018. External expenses for the first half of 2019 amounted to DKK 80.4 million, which is DKK 9.4 million less than last year. Following the implementation of IFRS 16 in 2019, rent and lease expenses are categorised as depreciation and interests and amount to DKK 12.1 million in the first half of 2019. Before the implementation of IFRS 16, external expenses have thus increased by DKK 2.7 million, corresponding to 3%.

In the second quarter of 2019, staff costs of DKK 94.9 million decreased by DKK 2.8 million, or 2.9%, compared with the same period last year. In the first half of 2019, staff costs of DKK 190.2 million decreased by DKK 2.6 million, or 1.4%, compared with the same period last year.

Depreciation, amortisation and write-downs for the second quarter of 2019 was DKK 26.3 million, an increase of DKK 4.0 million. In the first half of 2019, depreciation, amortisation and write-downs amounted to DKK 53.4 million, which is DKK 9.5 million more than in the first half of 2018. In the first half of 2019, IFRS 16 increased depreciation, amortisation and write-downs by DKK 11.8 million, so in reality depreciation, amortisation and write-downs for the first half of 2019 were DKK 2.3 million lower than in the same period last year.

Operating profit (EBIT) for the second quarter of 2019 was DKK 41.3 million, which is 4.9% of revenue. Compared to the same period last year, EBIT is DKK 0.6 million higher, and the profit margin is at the same level as last year due to lower gross margin offset by lower expenses. In the first half of 2019, EBIT was DKK 83.6 million, which is 4.9% of revenue. Compared to the same period last year, EBIT is DKK 14.3 million higher, and the profit margin is up by 0.7 percentage point. The increase in EBIT is due to higher gross margin and lower expenses.

Financial income and expenses, net, for the second quarter of 2019 were negative at DKK 1.5 million, which is DKK 0.9 million lower than in the same period of 2018. Financial income and expenses, net, for the first half of 2019 were negative at DKK 3.3 million, which is DKK 4.5 million more than in the first half of 2018. The difference is partly attributable to lower interest expenses, partly to an income in the first half of 2018 of DKK 6.1 million stemming from a reassessment of the earn-out agreement related to the acquisition of Greenline A/S. IFRS 16 has increased financial expenses by DKK 0.3 million.

For the second quarter of 2019, the Group recorded a pre-tax profit of DKK 39.8 million against DKK 38.3 million reported for the same period last year. For the first half of 2019, the Group recorded a pre-tax profit of DKK 80.3 million, which is DKK 9.8 million higher than in the first half of 2018.

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

A post-tax profit of DKK 62.8 million was recorded for the first half of 2019, compared with DKK 55.2 million for the same period last year.

As at 30 June 2019 the Group's total assets amounted to DKK 2,254.2 million, which is DKK 25.5 million, or 1%, more than at the same time last year.

Non-current assets of DKK 1,362.4 million are DKK 58.4 million, net, higher than at the same time last year. Lease assets (IFRS 16) amount to DKK 81.1 million. As investments for the period were lower than depreciation and amortisation, other non-currents assets are DKK 22.7 million lower than last year.

Current assets decreased by DKK 32.9 million to DKK 891.9 million, when compared to the same period last year. Inventories increased by DKK 14.0 million to DKK 458.9 million due to investment in a wider range of products, and trade receivables went down by DKK 9.1 million to DKK 406.1 million due to fewer working days in June 2019. Cash and cash equivalents of DKK 2.8 million are DKK 19.9 million lower than at 30 June 2018.

Equity of DKK 801.7 million, corresponding to a solvency ratio of 35.6%, is DKK 109.3 million higher than at the same time last year due to earnings after tax minus dividend payments of DKK 16.3 million.

The Group's payables to credit institutions amount to DKK 598.7 million, which is DKK 280.0 million lower than at 30 June 2018 due to lower working capital/cash flow from operations and lower investments than in previous years. Lease liabilities/IFRS 16 amount to DKK 81.1 million.

Trade payables of DKK 610.0 million are DKK 91.3 million higher than at the same time last year due to timing difference and the use of Supply Chain Finance programmes.

Other payables of DKK 86.5 million are DKK 9.3 million higher than at the same time last year

Cash flow from operating activities for the second quarter of 2019 amounted to DKK 65.6 million, which is DKK 50.2 million more than for the same period last year. Cash flow from operating activities for the first half of 2019 amounted to DKK 86.6 million, which is DKK 49.6 million more than for the first half of 2018. The improvement in both periods is primarily attributable to a positive development in working capital.

Net investments for the second quarter of 2019 totalled DKK 16.2 million, which is DKK 9.8 million less than for the same period last year. In the period, DKK 4.9 million was invested in software, which is DKK 0.7 million less than for the same period last year. Investment in operating equipment totalled DKK 11.0 million and is DKK 1.8 million higher than in the second quarter of 2018. No investments in land and buildings have been made in the second quarter of 2019, compared to DKK 10.1 million in the second quarter of 2018. Net investments for the first half of 2019 totalled DKK 23.3 million, which is DKK 20.9 million less than for the same period last year. In the period, DKK 7.0 million was invested in software, which is DKK 4.8 million less than for the same period last year. Investment in operating equipment totalled DKK 16.3 million and is DKK 2.6 million more than in the first half of 2018. No investments in land

and buildings have been made in the first half of 2019, compared to DKK 17.7 million in the first half of 2018.

Shareholders received dividend payments of DKK 16.3 million. In the half-year ended 30 June 2019, the Group's total payables to credit institutions decreased by net DKK 47.8 million to DKK 598.7 million. A cash pool agreement has been entered into, meaning that cash and cash equivalents are offset against payables to credit institutions on calculation of interest. Lease payments covered by IFRS 16 amount to DKK 11.8 million in the first half of 2019.

Total cash flow for the first half of 2019 is negative at DKK 12.8 million. At 30 June 2019 the Group's cash and cash equivalents totalled DKK 2.8 million, which is DKK 19.9 million less than at 30 June 2018.

### **Significant risks**

As mentioned in the annual report for 2018, under the paragraph "Internal controls and risk management", the Company assesses on an ongoing basis the most significant risks in connection with the Company's activities. In addition to the risks mentioned in the annual report, the Group is sensitive to the overall development in Danish and Swedish economy as well as business trends in the building industries of these countries.

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

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

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

On 30 June 2019, the Company held a total of 82,390 treasury shares.

### **Outlook**

As announced in connection with the publication of the annual report for 2018, the Group expects a profit before tax in the range of DKK 150-160 million for the year ending 31 December 2019. This expectation was confirmed in the interim financial report for the first quarter of 2019, and it remains unchanged for the second half of 2019 due to the uncertainty of Brexit and the US-China trade war.

In 2018, the Group realised a profit before tax of DKK 150.3 million.

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

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

### **Additional information**

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

## **Company announcements in 2019**

Announcement no. 1	Annual report 2018	22 February 2019
Announcement no. 2	Notice convening the Annual General Meeting of Brødrene A & O Johansen A/S	22 February 2019
Announcement no. 3	Notification of transactions of persons discharging Managerial responsibilities	14 March 2019
Announcement no. 4	Result of the Annual General Meeting of Brødrene A & O Johansen A/S	20 March 2019
Announcement no. 5	Interim financial report for the first quarter of 2019	22 May 2019
Announcement no. 6	Management – Henrik T. Krabbe resigns from his post	27 June 2019



## Management's statement

Today the Board of Directors and the Executive Board have discussed and approved the interim financial report of Brødrene A & O Johansen A/S for the period 1 January - 30 June 2019.

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

In our opinion the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 June 2019 and of the results of the Group's operations and cash flows for the period 1 January – 30 June 2019.

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

Albertslund, 23 August 2019

### **Executive Board**

Niels A. Johansen  
CEO

Henrik T. Krabbe  
CFO

Stefan Funch Jensen  
CDO

Lili Johansen  
CHRO

Gitte Lindeskov  
CIO

### **Board of Directors**

Henning Dyremose  
Chairman of the Board

Michael Kjær  
Deputy Chairman

René Alberg

Erik Holm

Carsten Jensen

Niels A. Johansen

Jonas Kvist

Preben Damgaard Nielsen

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## Income statement and statement of comprehensive income

<i>(All amounts are in DKK thousands)</i>	Note:	H1 2019	H1 2018	Q2 2019	Q2 2018	Full Year 2018
<b>Revenue</b>	<b>3</b>	<b>1,718,089</b>	<b>1,642,575</b>	<b>848,523</b>	<b>830,205</b>	<b>3,273,373</b>
Cost of sales		(1,246,246)	(1,184,811)	(612,444)	(593,957)	(2,439,481)
Distribution costs		(64,601)	(62,783)	(33,081)	(31,169)	(130,113)
Gross profit		407,242	394,981	202,999	205,079	803,779
Other operating income		330	729	64	363	1,454
<b>Gross margin</b>		<b>407,572</b>	<b>395,710</b>	<b>203,063</b>	<b>205,442</b>	<b>805,234</b>
External expenses		(80,361)	(89,760)	(40,532)	(44,698)	(177,024)
Staff costs		(190,243)	(192,848)	(94,921)	(97,726)	(387,211)
<b>Earnings before interest, taxes, depreciation and amortisation (EBITDA)</b>		<b>136,968</b>	<b>113,102</b>	<b>67,609</b>	<b>63,018</b>	<b>240,999</b>
Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets		(53,370)	(43,843)	(26,347)	(22,349)	(86,161)
<b>Operating profit or loss (EBIT)</b>		<b>83,598</b>	<b>69,259</b>	<b>41,262</b>	<b>40,669</b>	<b>154,838</b>
Financial income		878	7,255	470	623	8,061
Financial expenses		(4,177)	(6,039)	(1,948)	(2,988)	(12,646)
<b>Profit or loss before tax (EBT)</b>		<b>80,298</b>	<b>70,475</b>	<b>39,784</b>	<b>38,305</b>	<b>150,253</b>
Tax on profit or loss for the period		(17,487)	(15,314)	(8,632)	(8,360)	(31,739)
<b>Net profit or loss for the period</b>		<b>62,811</b>	<b>55,161</b>	<b>31,152</b>	<b>29,945</b>	<b>118,514</b>
<b>Other comprehensive income</b>						
<b>Items reclassified to the income statement</b>						
Foreign currency translation adjustment relating to foreign entities		(1,470)	(2,106)	(903)	(703)	(1,175)
Tax on other comprehensive income		0	0	0	0	0
Other comprehensive income after tax		<b>(1,470)</b>	<b>(2,106)</b>	<b>(903)</b>	<b>(703)</b>	<b>(1,175)</b>
<b>Total comprehensive income</b>		<b>61,341</b>	<b>53,055</b>	<b>30,249</b>	<b>29,242</b>	<b>117,339</b>
<b>Earnings per share</b>						
Earnings per share (EPS)		23	20	11	11	44
Diluted earnings per share (EPS-D)		23	20	11	11	44

## Balance sheet as at 30 June

(All amounts are in DKK thousands)

<b>ASSETS</b>	Note:	<b>H1 2019</b>	<b>H1 2018</b>	<b>Full Year 2018</b>
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Goodwill	4	371,334	371,334	371,334
Intellectual property rights		48,202	51,094	49,609
Software		35,773	48,353	42,168
		<b>455,309</b>	<b>470,782</b>	<b>463,111</b>
<b>Property, plant and equipment</b>				
Land and buildings		654,532	648,848	663,803
Leasehold improvements		637	634	517
Fixtures and operating equipment		169,830	182,725	171,717
Lease assets		81,066	0	0
		<b>906,065</b>	<b>832,207</b>	<b>836,037</b>
<b>Other non-current assets</b>				
Other Investments		1,000	1,000	1,000
		<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Total non-current assets</b>		<b>1,362,374</b>	<b>1,303,989</b>	<b>1,300,147</b>
<b>Current assets</b>				
Inventories	5	458,870	444,880	435,364
Trade receivables	6	406,099	415,225	370,008
Corporation tax receivable		0	4,004	0
Other receivables		9,684	23,492	13,077
Prepayments and accrued income		14,421	14,533	8,736
Cash at bank and in hand		2,798	22,654	16,633
<b>Total current assets</b>		<b>891,872</b>	<b>924,787</b>	<b>843,819</b>
<b>Total assets</b>		<b>2,254,246</b>	<b>2,228,776</b>	<b>2,143,966</b>

## Balance sheet as at 30 June

(All amounts are in DKK thousands)

<b>EQUITY AND LIABILITIES</b>	Note:	<b>H1 2019</b>	<b>H1 2018</b>	<b>Full Year 2018</b>
<b>Equity</b>				
Share capital		28,000	28,000	28,000
Reserve for foreign currency translation adjustments		(2,877)	(2,338)	(1,407)
Retained earnings		776,612	666,751	730,106
<b>Total equity</b>		<b>801,735</b>	<b>692,413</b>	<b>756,699</b>
<b>Non-current liabilities</b>				
Deferred tax		60,442	61,674	60,472
Credit institutions		221,792	163,108	228,129
Lease liabilities		19,869	0	0
<b>Total non-current liabilities</b>		<b>302,103</b>	<b>224,782</b>	<b>288,601</b>
<b>Current liabilities</b>				
Credit institutions		376,867	715,528	418,339
Lease liabilities		61,197	0	0
Trade payables		609,974	518,703	589,259
Corporation tax		15,896	0	6,107
Other payables		86,474	77,191	84,961
Accruals and deferred income		0	158	0
<b>Total current liabilities</b>		<b>1,150,408</b>	<b>1,311,580</b>	<b>1,098,666</b>
<b>Total liabilities</b>		<b>1,452,511</b>	<b>1,536,363</b>	<b>1,387,266</b>
<b>Total equity and liabilities</b>		<b>2,254,246</b>	<b>2,228,776</b>	<b>2,143,966</b>

## Cash flow statement

(All amounts are in DKK thousands)

	H1 2019	H1 2018	Q2 2019	Q2 2018	Full year 2018
<b>Cash flow from operating activities</b>					
Operating profit or loss	83,598	69,259	41,262	40,669	154,838
Financial income and expenses, net (interest paid)	(3,013)	(4,887)	(1,192)	(8,468)	(10,687)
Profit or loss before tax	80,584	64,372	40,069	32,201	144,151
Depreciation and amortisation:					
Intangible assets	14,889	16,637	7,139	8,553	32,873
Property, plant and equipment	38,481	27,206	19,208	13,796	53,288
	53,370	43,843	26,347	22,349	86,161
Change in working capital:					
Change in trade receivables	(36,091)	(33,846)	27,364	(33,422)	11,371
Change in other receivables	(2,292)	(9,681)	1,321	(2,497)	6,531
Change in inventories	(23,506)	(30,827)	14,931	11,678	(21,312)
Change in trade payables	20,715	2,083	(43,840)	(15,501)	72,639
Change in other current liabilities	1,512	8,519	369	1,374	16,132
	(39,661)	(63,752)	146	(38,368)	85,360
Corporation tax paid	(7,644)	(7,406)	(956)	(784)	(14,912)
<b>Cash flow from operating activities</b>	<b>86,650</b>	<b>37,057</b>	<b>65,607</b>	<b>15,398</b>	<b>300,761</b>
<b>Cash flow from investing activities</b>					
Software	(6,981)	(11,821)	(4,925)	(5,591)	(20,653)
Land and buildings	0	(17,693)	0	(10,130)	(39,775)
Leasehold improvements	(212)	0	(212)	0	0
Fixtures and operating equipment	(16,307)	(13,676)	(11,006)	(9,267)	(21,106)
Disposal of property, plant and equipment	242	18	(68)	18	225
Other investments	0	(1,000)	0	(1,000)	(1,000)
<b>Cash flow from investing activities</b>	<b>(23,258)</b>	<b>(44,172)</b>	<b>(16,211)</b>	<b>(25,970)</b>	<b>(82,309)</b>
<b>Cash flow from financing activities</b>					
Repayment of debt to credit institutions	(46,695)	(5,444)	(23,293)	(2,728)	(176,244)
Raising of loans with credit institutions	(1,114)	24,360	(30,206)	952	(37,008)
Lease payments	(12,056)	0	(6,057)	0	0
Dividend distribution	(16,306)	(16,306)	0	494	(16,306)
Adjustment related to previous years	0	(202)	0	(202)	(202)
<b>Cash flow from financing activities</b>	<b>(76,171)</b>	<b>2,408</b>	<b>(59,556)</b>	<b>(1,484)</b>	<b>(229,761)</b>
<b>Cash flow for the period</b>	<b>(12,779)</b>	<b>(4,708)</b>	<b>(10,160)</b>	<b>(12,056)</b>	<b>(11,309)</b>
Cash and cash equivalents at beginning of period	16,633	28,553	13,467	35,120	28,553
Foreign currency translation adjustment	(1,056)	(1,191)	(509)	(410)	(609)
<b>Cash and cash equivalents at end of period</b>	<b>2,798</b>	<b>22,654</b>	<b>2,798</b>	<b>22,654</b>	<b>16,633</b>

## Statement of changes in equity

(All amounts are in DKK thousands)

	Share capital	Foreign currency translation adjustment	Retained Earnings	Total Equity
Equity at 1 January 2019	28,000	(1,407)	730,106	756,699
Net profit or loss for the period	0	0	62,811	62,811
Foreign currency translation adjustment relating to foreign entities	0	(1,407)	0	(1,470)
Total comprehensive income	0	(1,407)	62,811	61,341
Dividend distribution	0	0	(16,306)	(16,306)
Total transactions with owners	0	0	(16,306)	(16,306)
<b>Equity at 30 June 2019</b>	<b>28,000</b>	<b>(2,877)</b>	<b>776,612</b>	<b>801,735</b>
Equity at 1 January 2018	28,000	(232)	628,099	655,867
Net profit or loss for the period	0	0	55,161	55,161
Foreign currency translation adjustment relating to foreign entities	0	(2,106)	0	(2,106)
Total comprehensive income	0	(2,106)	55,161	53,055
Dividend distribution	0	0	(16,306)	(16,306)
Adjustment related to previous years	0	0	(202)	(202)
Total transactions with owners	0	0	(16,508)	(16,508)
<b>Equity at 30 June 2018</b>	<b>28,000</b>	<b>(2,338)</b>	<b>666,751</b>	<b>692,413</b>
Equity at 1 January 2018	28,000	(232)	628,099	655,867
Net profit or loss for the period	0	0	118,514	118,514
Foreign currency translation adjustment relating to foreign entities	0	(1,175)	0	(1,175)
Total comprehensive income	0	(1,175)	118,514	117,339
Dividend distribution	0	0	(16,306)	(16,306)
Adjustment related to previous years	0	0	(201)	(201)
Total transactions with owners	0	0	(16,507)	(16,507)
<b>Equity at 31 December 2018</b>	<b>28,000</b>	<b>(1,407)</b>	<b>730,106</b>	<b>756,699</b>

# Notes

## 1 Accounting policies

The interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act. Except for the changes mentioned below, the accounting policies are unchanged from the accounting policies applied in the consolidated and parent company financial statements for 2018, to which reference is made. The consolidated and parent company financial statements for 2018 contain a full description of the accounting policies.

### Changes in accounting policies

Effective as of 1 January 2019, the Group has implemented the following new or amended accounting standards and interpretations: IFRS 16 *Leases*, Amendments to IFRS 9 on prepayments, Amendments to IAS 19 on changes to pension schemes over the course of the accounting period, Amendments to IAS 28 on long-term interests in associates and joint ventures, IFRIC 23 on uncertain tax positions and Annual Improvements to IFRSs 2015-2017.

Of the above, only IFRS 16 has had an effect on recognition and measurement in the interim financial report. This effect is detailed in the section below.

Effective as of 1 January 2019, Brødrene A & O Johansen A/S has implemented the new leasing standard IFRS 16 using the modified retrospective transition method with no restatement of comparative figures. Comparative figures are still presented in accordance with the rules of IAS 17 and IFRIC 4.

In comparison to past practices, the Group shall now, with a few exceptions, recognise all lease agreements, including operational lease contracts, in its balance sheet. This means that a lease liability shall be recognised, measured at the present value of the future lease payments, which are described below, and a corresponding lease asset corrected for payments made to the lessor prior to commencement of the lease agreement, and received incentive payments from the lessor, must be recognised. The Group has chosen not to recognise costs that are directly related to the lease asset.

In accordance with the transition provisions in IFRS 16 and in connection with implementation of the standard, the Group has chosen:

- not to recognise lease agreements with a term of less than 12 months or a present value of less than DKK 30.000
- to determine a discount rate on a portfolio of lease agreements with uniform characteristics.

Upon assessment of the future lease payments, the Group has reviewed the Group's operational lease agreements and identified those lease payments which are related to a single lease component, and which are fixed or variable, but which change in line with fluctuations in an index or rate. The Group has chosen not to recognise payments related to service components as part the lease liability.

In its assessment of the anticipated lease period, the Group has identified the non-terminable lease period in the agreement in addition to periods covered by an option for extension which the management may, with a reasonable degree of probability, be expected to use, and in addition to periods covered by an option for termination which management may, with a reasonable degree of probability, be expected not to use. For leases that can be terminated, the Group has assessed that the expected lease period will be approximately three years corresponding to the Group's strategy horizon.

In the case of lease agreements for operating equipment, the Group has assessed that the anticipated lease period is the same as the non-terminable lease period in the agreements as the Group does not have any historic information for the use of extension options in similar agreements.

For the discounting of lease payments to the present value, the Group has used its alternative borrowing rate which constitutes the cost by recording external financing for an equivalent asset with a financing period that is equivalent to the term of the lease agreement in the currency that the lease payments are made in. The Group has documented the alternative borrowing rate for each portfolio of lease agreements that have uniform characteristics.

### **Effect of the implementation of IFRS 16**

Upon implementation of IFRS 16 with effect as of 1 January 2019, the Group has recognised a lease asset of DKK 89,970 thousand and a lease liability of DKK 89,970 thousand. The equity effect is thereby DKK 0.

Lease assets consist primarily of property and operating equipment. On the transition date, total lease assets correspond to DKK 89,970 thousand (previously operational lease agreements).

The lease assets are amortised on a straight-line basis over their expected lease periods which constitute:

Operating equipment	3 - 10 years
Warehouse properties with associated administration	3 - 10 years
Stores	3 - 10 years

When measuring the lease liability, the Group has used a weighted average alternative borrowing rate for the discounting of future lease payments at 1.2% for property and 1.2% for operating equipment respectively.

## **2 Accounting estimates and judgements**

### **Estimation uncertainty**

In preparing these interim financial statements, management has made accounting estimates and assumptions which affect the application of accounting policies and recognised assets, liabilities, income and expenses. Actual results may deviate from these estimates.

The most significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements and parent company financial statements for 2018. For a more detailed description of the estimation uncertainty, reference is made to the consolidated and parent company financial statements for 2018.

In addition to the above, management has also made the following estimates and assumptions with regard to leasing as a result of the implementation of IFRS 16.

#### *The lease period:*

The lease period contains the lease agreement's non-terminable lease period, periods covered by an option for extension which the Group may, with a reasonable degree of certainty, be expected to use, and periods covered by an option for termination which the Group may, with a reasonable degree of certainty, be expected not to use.

A share of the Group's lease agreements for properties contain options which entitle the Group to extend the agreement for a further lease period of an indefinite duration. Upon the initial recognition of the lease asset, the Group makes an assessment as to whether the option for extension can, with a reasonable degree of probability, be expected to be used. The Group reassesses this estimate in the case of any significant events or changes in circumstances which are within the control of the Group. When the period during which the lease cannot be terminated has lapsed, the individual tenancy is assessed with a horizon of approximately three years, corresponding to the Group's normal strategy period.

#### *Alternative borrowing rate:*

The Group uses its alternative borrowing rate for measurement of lease payments to the present value. When assessing the alternative borrowing rate, the Group divides its portfolios of lease assets into three categories whereby the Group assesses the lease agreements and underlying assets in each category to have the same characteristics and risk profiles. The categories are as follows.

- Warehouse properties with associated administration
- Stores
- Operating equipment.

The Group establishes the alternative borrowing rate for the above categories of lease agreements in connection with the first recognition of a lease agreement. Moreover, it is established in connection with subsequent amendments in the underlying contractual cash flows from amendments in the Group's estimate of a residual value guarantee, if the Group changes its assessment as to whether a purchase, extension or termination can, with reasonable probability, be expected to be used or in the case that the agreement is modified.



### **3 Segment information**

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

According to IFRS 15, revenue for the second quarter of 2019 is categorised into Technical Installation totalling DKK 596.5 million (2018: DKK 532.8 million) and Construction totalling DKK 251.9 million (2018: DKK 257.4 million). According to IFRS 15, revenue for the first half of 2019 is categorised into Technical Installation totalling DKK 1,232.6 million (2018: DKK 1,127.9 million) and Construction totalling DKK 485.5 million (2018: DKK 474.7 million).

The Group operates primarily in Denmark, and less than 10% of its revenue relates to foreign countries. This was also the case in the first half of 2018.

The Group has not traded with any individual customer representing more than 10% of the Group's total revenue. This was also the case in the first half of 2018.

Revenue from the private market segment totals DKK 200.1 million or 12% against DKK 172.3 million or 11% in the first half of 2018.

### **4 Goodwill and intangible assets**

The annual impairment test of intangible assets, including goodwill and intellectual property rights, is performed at 31 December 2019, after the completion of budgets and strategy plans for the coming period. At 30 June 2019, Management is of the opinion that there has been no indication of impairment of the carrying amount of goodwill and intellectual property rights, and therefore no impairment test of goodwill and intellectual property rights has been performed at 30 June 2019. For a more detailed description of impairment tests, reference is made to the consolidated and parent company financial statements for 2018.

### **5 Inventories**

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

### **6 Trade receivables**

An estimate is used to assess the recoverability of receivables according to the same principles as applied in the financial statements for 2018.