
Interim Financial Report for the Period 1 January – 30 June 2020



Brødrene A & O Johansen A/S

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Today the Board of Directors has approved the Group's interim financial report for the period 1 January – 30 June 2020.

Highlights for the second quarter and first half of 2020

- Consolidated revenue for the second quarter of 2020 was DKK 1,002.3 million, which is DKK 153.8 million, or 18%, more than for the second quarter of 2019. The second quarter of 2020 had the same number of working days as the year-earlier period. Consolidated revenue for the first half of 2020 was DKK 1,972.6 million, which is DKK 254.5 million, or 15%, more than for the same period last year. Compared with last year, the first half of 2020 had one more working day.
- Operating profit (EBIT) for the second quarter of 2020 was DKK 54.3 million, corresponding to a profit margin of 5.4%, against DKK 41.3 million and 4.9% for the second quarter of 2019. Operating profit (EBIT) for the first half of 2020 was DKK 106.1 million, corresponding to a profit margin of 5.4%, against DKK 83.6 million and 4.9% for the first half of 2019. The earnings growth is attributable to increased sales, whereas the increased profit margin is due to higher efficiency. The gross profit margin declined by 1.3 percentage points in the first half of 2020.
- Profit before tax for the second quarter of 2020 was DKK 54.5 million, which is DKK 14.7 million more than in the second quarter of last year. Profit before tax for the first half of 2020 amounted to DKK 104.1 million, which is DKK 23.8 million more than last year.
- As at 30 June 2020, the Group's total assets amounted to DKK 2,292.7 million, which is DKK 38.5 million more than at 30 June 2019. The increase is mainly due to a rise in receivables caused by sales growth and a reduction in non-current assets due to ordinary depreciation.
- As at 30 June 2020, The Group's equity of DKK 934.7 million, corresponding to a solvency ratio of 40.8%, was DKK 133.0 million higher than for the same period last year.
- Cash flow from operating activities totalled DKK 116.8 million for the second quarter of 2020 and DKK 148.0 million for the first half of 2020, which is DKK 51.7 million and DKK 62.4 million more than for the same periods last year. Investments for the second quarter of 2020 totalled DKK 21.1 million and DKK 32.1 million for the first half of 2020, compared with DKK 16.2 million and DKK 23.3 million in 2019.

Other highlights for the first half of 2020:

- During the partial lockdown of Danish society following the COVID-19 outbreak customers demanded flexibility when choosing sales platforms and trading methods. As an omnichannel company AO was able to provide this service. Existing options will be upgraded where relevant, and testing of the new concept, AO365, started in May. With AO365, customers will have full self-service access to AO's physical stores, including inventories, 24 hours a day.
- On 20 March 2020, 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

Revenue and earnings for the second quarter and July were better than anticipated, so AO increases its pre-tax profit expectations for the year to DKK 185-200 million as announced in Company Announcement No. 7-2020 of 6 August 2020.

Albertslund, 28 May 2020

Niels A. Johansen
CEO

Per Toelstang
CFO

Financial and operating data for the AO Group

(DKKm)

Key figures

	H1 2020	H1 2019	Q2 2020	Q2 2019	Full Year 2019
Consolidated revenue	1,972.6	1,718.1	1,002.3	848.5	3,582.7
Gross margin	441.9	407.6	220.5	203.1	830.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	159.6	137.0	80.7	67.6	281.6
Profit or loss before financial income and expenses (EBIT)	106.1	83.6	54.3	41.3	175.9
Financial income and expenses, net	(2.0)	(3.3)	0.2	(1.5)	(6.4)
Profit or loss before tax (EBT)	104.1	80.3	54.5	39.8	168.4
Tax on profit or loss for the period	(22.6)	(17.5)	(11.9)	(8.6)	(37.4)
Net profit or loss for the period	81.5	62.8	42.6	31.2	131.0
Non-current assets	1,333.0	1,362.4	1,333.0	1,362.4	1,349.2
Current assets	959.8	891.9	959.8	891.9	957.5
Total assets	2,292.7	2,254.2	2,292.7	2,254.2	2,306.7
Share capital	28.0	28.0	28.0	28.0	28.0
Equity	934.7	801.7	934.7	801.7	870.3
Non-current liabilities	340.9	343.4	340.9	343.4	337.4
Current liabilities	1,017.1	1,109.1	1,017.1	1,109.1	1,099.0
Cash flow from operating activities	148.0	85.6	116.8	65.1	302.7
Cash flow from investing activities	(32.1)	(23.3)	(21.1)	(16.2)	(52.7)
Of which investments in property, plant and equipment, net	(14.6)	(16.3)	(12.0)	(11.3)	(26.1)
Cash flow from financing activities	(182.2)	(76.2)	(88.1)	(59.6)	(186.2)
Cash flow for the period	(66.2)	(13.8)	7.5	(10.7)	63.8

Financial ratios*

Gross profit margin	22.4%	23.7%	22.0%	23.9%	23.2%
Profit margin	5.4%	4.9%	5.4%	4.9%	4.9%
Return on capital employed**	4.6%	3.8%	2.4%	1.8%	7.9%
Return on equity**	9.0%	8.1%	4.7%	4.0%	16.1%
Solvency ratio	40.8%	35.6%	40.8%	35.6%	37.7%
Book value	334	286	334	286	311
Share price at the end of the period	407	350	407	350	348
Earnings per share (EPS Basic), DKK***	30	23	16	11	48
Diluted earnings per share (EPS-D), DKK***	30	23	16	11	48
Average number of employees****	733	734	734	732	734

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

** Not translated into full-year figures.

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

**** 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, Billig VVS AS (Norway), VVSochBad Sverige AB, AO Sverige AB, Vaga Tehnika Eesti OÜ (Estonia) and LampeGuru ApS. Greenline A/S was merged into Brødrene A & O Johansen A/S effective as of 1 January 2020.

The Group's financial development

Consolidated revenue for the second quarter of 2020 totalled DKK 1,002.3 million, which is DKK 153.8 million, or 18%, more than last year. The second quarter of 2020 had the same number of working days as the year-earlier period. Consolidated revenue for the first half of 2020 totalled DKK 1,972.6 million against DKK 1,718.1 million for the first half of 2019, corresponding to a growth of DKK 254.5 million or 15%.

For the first half of 2020, sales growth in the professional market was 12%, both in Denmark and abroad, and 34% in the private online market. International revenue accounts for less than 10% of total revenue.

Gross margin for the second quarter of 2020 amounted to DKK 220.5 million, compared with DKK 203.1 million for the same period of 2019. When compared with the second quarter of 2019, the gross profit margin decreased by 1.9 percentage points to 22.0%. The reduction is mainly attributable to an increase in project sales, sales to lower margin customers, and the sale of lower margin products. Compared with last year's figures, the margin reduction is also attributable to a lower recognition of supplier bonuses from international purchasing organisations due to the uncertainty regarding purchase volumes made primarily by the southern European members of the purchasing organisations. Distribution costs for the second quarter 2020 constituted 4.0% of revenue, which is 0.1 percentage point more than in the second quarter of 2019. Gross margin for the first half of 2020 amounted to DKK 441.9 million, compared with DKK 407.6 million last year. The gross profit margin of 22.4% is 1.3 percentage points lower than last year. Distribution costs constituted 3.8% of revenue in the first half of both 2020 and 2019.

Total operating expenses for the second quarter of 2020, including depreciation and amortisation, amounted to DKK 166.2 million, which is DKK 4.4 million more than for the same period last year. Total operating expenses for the first half of 2020 totalled DKK 335.8 million, which is DKK 11.8 million more than for the same period last year. The increase is mainly attributable to higher marketing expenses and expenses related to the acquired business of LampeGuru.

In the second quarter of 2020, external expenses totalled DKK 42.5 million, which is DKK 2.0 million more than in the second quarter of 2019. External expenses for the first half of 2020 amounted to DKK 87.8 million, which is DKK 7.4 million more than last year. The increase is mainly attributable to a provision of DKK 4.0 million made in the first quarter of 2020 to meet a higher credit risk on receivables and expenses related to LampeGuru which was acquired in November 2019.

In the second quarter of 2020, staff costs of DKK 97.4 million increased by DKK 2.5 million, or 2.6%, compared with the same period last year. In the first half of 2020, staff costs of DKK 194.5 million increased by DKK 4.3 million, or 2.3%, compared with the same period last year. The increase is, among other things, attributable to LampeGuru.

Depreciation and amortisation totalled DKK 26.4 million in the second quarter of 2020 and DKK 53.3 million in the first half of 2020. These figures are at the same level as last year.

Operating profit (EBIT) for the second quarter of 2020 was DKK 54.3 million, which is 5.4% of revenue. Compared to the same period last year, EBIT is DKK 13.0 million higher, and the profit margin is up by 0.5 percentage point. In the first half of 2020, EBIT was DKK 106.1 million, corresponding to 5.4% of revenue. Compared to the same period last year, EBIT is DKK 22.5 million higher, and the profit margin is up by 0.5 percentage point. The increase in EBIT is mainly attributable to higher sales and gross profit.

Financial income and expenses, net, for the second quarter of 2020 were positive at DKK 0.2 million against a negative of DKK 1.5 million in the second quarter of 2019. Financial income and expenses, net, for the first half of 2020 were negative at DKK 2.0 million, which is DKK 1.3 million less than in the first half of 2019. The difference is partly attributable to lower interest expenses, partly to foreign currency translation adjustments.

For the second quarter of 2020, the Group recorded a pre-tax profit of DKK 54.5 million against DKK 39.8 million reported for the same period last year. For the first half of 2020, the Group recorded a pre-tax profit of DKK 104.1 million, which is DKK 23.8 million higher than in the first half of 2019.

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 81.5 million was recorded for the first half of 2020, compared with DKK 62.8 million for the same period last year.

As at 30 June 2020 the Group's total assets amounted to DKK 2,292.7 million, which is DKK 38.5 million, or 2%, more than at the same time last year.

Non-current assets of DKK 1,333.0 million are DKK 29.4 million, net, lower than at the same time last year, as investments have been lower than depreciation. Lease assets (IFRS 16) amount to DKK 70.3 million.

Current assets increased by DKK 67.9 million to DKK 959.8 million, when compared to the same period last year. Inventories increased by DKK 3.5 million to DKK 462.4 million, and trade receivables went up by DKK 53.4 million to DKK 459.5 million due to sales growth. Cash and short-term deposits of DKK 14.2 million are DKK 11.4 million higher than at 30 June 2019.

Equity of DKK 934.7 million, corresponding to a solvency ratio of 40.8%, is DKK 133.0 million more 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 348.9 million, which is DKK 249.8 million less than at 30 June 2019. Lease liabilities/IFRS 16 amount to DKK 70.3 million.

Trade payables of DKK 730.2 million are DKK 120.2 million higher than at the same time last year due to the increase in activities and more extensive use of Supply Chain Finance programs.

Other payables of DKK 98.7 million are DKK 13.9 million higher than at the same time last year

Cash flow from operating activities for the second quarter of 2020 amounted to DKK 116.8 million, which is DKK 51.7 million more than for the same period last year. Cash flow from operating activities for the first half of 2020 amounted to DKK 148.0 million, which is DKK 62.4 million more than for the first half of 2019. The improvement in both periods is primarily attributable to higher earnings and a positive development in working capital.

Net investments for the second quarter of 2020 totalled DKK 21.1 million, which is DKK 4.9 million more than for the same period last year. In the period, investments have primarily been made in properties, operating equipment, and software. Net investments for the first half of 2020 totalled DKK 32.1 million, which is DKK 8.8 million more than for the same period last year.

Shareholders received dividend payments of DKK 16.3 million. In the half-year ended 30 June 2020, the Group's total payables to credit institutions decreased by net DKK 153.6 million to DKK 348.9 million. A cash pool agreement has been entered into, meaning that cash and short-term deposits are offset against payables to credit institutions on calculation of interest. Lease payments covered by IFRS 16 amount to DKK 12.2 million in the first half of 2020.

Total cash flow for the first half of 2020 is negative at DKK 66.2 million. At 30 June 2020 the Group's cash and short-term deposits totalled DKK 14.2 million, which is DKK 11.4 million more than at 30 June 2019.

Significant risks

As mentioned in the annual report for 2019, 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 remuneration policy approved by the Annual General Meeting on 20 March 2020. The remuneration policy is available in full on the Company's website www.ao.dk.

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

On 30 June 2020, the Company held a total of 82,390 treasury shares.

Outlook

Revenue and earnings for the second quarter and July were better than anticipated, so AO increases its pre-tax profit expectations for the year to DKK 185-200 million as announced in Company Announcement No. 7-2020 of 6 August 2020.

The present situation regarding COVID-19 continues to lead to uncertainty over the future level of activity, for which reason the upward adjustment is subject to moderate revenue growth throughout the second half of 2020.

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 2020

Announcement no. 1	Major shareholder announcement – Nordea Funds Ltd.	20 February 2020
Announcement no. 2	Annual report 2019	21 February 2020
Announcement no. 3	Notice convening the Annual General Meeting of Brødrene A & O Johansen A/S	21 February 2020
Announcement no. 4	Result of the Annual General Meeting of Brødrene A & O Johansen A/S	20 March 2020
Announcement no. 5	Articles of Association	20 March 2020
Announcement no. 6	Interim financial report for the first quarter of 2020	27 May 2020
Announcement no. 7	Upward adjustment of expectations for 2020	6 August 2020

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 2020.

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 2020 and of the results of the Group's operations and cash flows for the period 1 January – 30 June 2020.

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, 27 August 2020

Executive Board

Niels A. Johansen
CEO

Per Toelstang
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

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Income statement and statement of comprehensive income

(All amounts are in DKK thousands)	Note:	H1 2020	H1 2019	Q2 2020	Q2 2019	Full Year 2019
Revenue	3	1,972,601	1,718,089	1,002,283	848,523	3,582,683
Cost of sales		(1,455,103)	(1,246,246)	(742,077)	(612,444)	(2,618,056)
Distribution costs		(75,769)	(64,601)	(39,787)	(33,081)	(134,522)
Gross profit		441,729	407,242	220,419	202,999	830,105
Other operating income		143	330	70	64	472
Gross margin		441,872	407,572	220,489	203,063	830,577
External expenses		(87,789)	(80,361)	(42,464)	(40,532)	(165,382)
Staff costs		(194,509)	(190,243)	(97,358)	(94,921)	(383,569)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		159,574	136,968	80,667	67,359	281,626
Depreciation and amortisation		(53,456)	(53,370)	(26,393)	(26,347)	(105,761)
Operating profit or loss (EBIT)		106,118	83,598	54,274	41,262	175,866
Write-down of financial assets		-	-	-	-	(1,000)
Financial income		994	878	855	470	2,366
Financial expenses		(2,997)	(4,177)	(610)	(1,948)	(8,794)
Profit or loss before tax (EBT)		104,115	80,298	54,519	39,784	168,437
Tax on profit or loss for the period		(22,639)	(17,487)	(11,877)	(8,632)	(37,437)
Net profit or loss for the period		81,476	62,811	42,642	31,152	131,001
Other comprehensive income						
Items reclassified to the income statement						
Foreign currency translation adjustment relating to foreign entities		(809)	(1,470)	2,764	(903)	(1,092)
Tax on other comprehensive income		-	-	-	-	-
Other comprehensive income after tax		(809)	(1,470)	(2,764)	(903)	(1,092)
Total comprehensive income		80,667	61,341	45,406	30,249	129,909
Earnings per share						
Earnings per share (EPS)		30	23	16	11	48
Diluted earnings per share (EPS-D)		30	23	16	11	48

Balance sheet

(All amounts are in DKK thousands)

ASSETS	Note:	2020.06.30	2019.06.30	2019.12.31
Non-current assets				
Intangible assets				
Goodwill	4	384,932	371,334	384,932
Intellectual property rights		47,435	48,202	49,287
Software		35,450	35,773	35,566
		467,817	455,309	469,785
Property, plant and equipment				
Land and buildings		649,608	654,532	649,324
Leasehold improvements		770	637	697
Fixtures and operating equipment		144,488	169,830	157,526
Right-of-use assets		70,278	81,066	71,884
		865,144	906,065	879,431
Other non-current assets				
Other Investments		-	1,000	-
		-	1,000	-
Total non-current assets		1,332,961	1,362,374	1,349,216
Current assets				
Inventories	5	462,397	458,870	458,969
Trade receivables	6	459,469	406,099	395,112
Other receivables		9,308	9,684	8,959
Prepayments and accrued income		14,383	14,421	14,015
Cash and short-term deposits		14,197	2,798	80,407
Total current assets		959,754	891,872	957,462
Total assets		2,292,715	2,254,246	2,306,678

Balance sheet

(All amounts are in DKK thousands)

EQUITY AND LIABILITIES

Note:	2020.06.30	2019.06.30	2019.12.31
Equity			
Share capital	28,000	28,000	28,000
Reserve for foreign currency translation adjustments	(3,308)	(2,876)	(2,499)
Retained earnings	909,971	776,611	828,001
Proposed dividend for the financial year	-	-	16,800
Total equity	934,663	801,735	870,302
Non-current liabilities			
Deferred tax	58,448	60,442	58,497
Credit institutions	205,279	221,792	215,355
Lease liabilities	48,024	61,197	49,088
Frozen holiday pay	26,193	-	9,923
Other non-current liabilities	3,000	-	4,500
Total non-current liabilities	340,944	343,431	337,362
Current liabilities			
Credit institutions	143,582	376,867	287,107
Lease liabilities	22,254	19,869	22,796
Trade payables	730,154	609,974	704,652
Corporation tax	2,646	15,896	8,393
Amounts owed to subsidiaries	18,171	-	-
Other payables	98,685	84,833	74,249
Provisions for liabilities	1,616	1,641	1,816
Total current liabilities	1,017,108	1,109,080	1,099,014
Total liabilities	1,358,052	1,452,511	1,436,376
Total equity and liabilities	2,292,715	2,254,246	2,306,678

Cash flow statement

(All amounts are in DKK thousands)

	H1 2020	H1 2019	Q2 2020	Q2 2019	Full year 2019
Operating profit or loss	106,118	83,598	54,273	41,262	175,866
Depreciation and amortisation	53,456	53,370	26,393	26,347	105,761
Other non-cash operating items, net	(669)	(1,056)	2,901	(509)	(501)
Cash flow from operations before change in working capital	158,904	135,912	83,567	67,100	281,126
Change in inventories	(3,428)	(23,506)	15,826	14,931	(18,962)
Change in receivables	(65,074)	(38,383)	(28,187)	28,685	(26,690)
Change in trade payable and other payables	70,009	22,228	46,531	(43,470)	110,763
Total change in working capital	1,507	(39,661)	34,170	146	65,111
Cash flow from operations	160,411	96,251	117,737	67,246	346,237
Net financials paid	(2,004)	(3,013)	245	(1,192)	(5,508)
Corporation tax paid	(10,404)	(7,644)	(1,277)	(956)	(37,980)
Cash flow from operating activities	148,003	85,594	116,755	65,098	302,749
Purchase of intangible assets	(11,959)	(6,981)	(9,103)	(4,925)	(18,356)
Purchase of property, plant and equipment, net	(14,604)	(16,277)	(12,041)	(11,286)	(26,126)
Acquisition of enterprise	(5,500)	-	-	-	(8,254)
Cash flow from investing activities	(32,063)	(23,258)	(21,144)	(16,211)	(52,736)
Change in payables to credit institutions	(153,601)	(47,809)	(78,924)	(53,499)	(171,195)
Raising of loans from credit institutions	-	-	-	-	25,000
Repayment of lease liabilities	(12,243)	(12,056)	(6,108)	(6,057)	(23,738)
Dividends paid	(16,306)	(16,306)	(3,069)	-	(16,306)
Cash flow from financing activities	(182,150)	(76,171)	(88,101)	(59,556)	(186,239)
Cash flow for the period	(66,210)	(13,835)	7,510	(10,669)	63,774
Cash and short-term deposits at beginning of period	80,407	16,633	6,687	13,467	16,633
Cash and short-terms deposits at end of period	14,197	2,798	14,197	2,798	80,407

Statement of changes in equity

(All amounts are in DKK thousands)

	Share capital	Foreign currency translation adjustment	Proposed dividend for the financial year	Retained earnings	Total equity
Equity at 1 January 2020	28,000	(2,499)	16,800	828,001	870,302
Net profit or loss for the period	-	-	-	81,476	81,476
Foreign currency translation adjustment	-	(809)	-	-	(809)
Total comprehensive income	-	(809)	-	81,476	80,667
Dividend distribution	-	-	(16,306)	-	(16,306)
Dividend, own shares	-	-	(494)	494	-
Total transactions with owners	-	-	(16,800)	494	(16,306)
Equity at 30 June 2020	28,000	(3,308)	-	909,971	934,663
Equity at 1 January 2019	28,000	(1,407)	16,800	713,306	756,699
Net profit or loss for the period	-	-	-	62,811	62,811
Foreign currency translation adjustment	-	(1,470)	-	-	(1,470)
Total comprehensive income	-	(1,470)	-	62,811	61,341
Dividend distribution	-	-	(16,306)	-	(16,306)
Dividend, own shares	-	-	(494)	494	-
Total transactions with owners	-	-	(16,800)	494	(16,306)
Equity at 30 June 2019	28,000	(2,876)	-	776,612	801,735
Equity at 1 January 2019	28,000	(1,407)	16,800	713,306	756,699
Net profit or loss for the year	-	-	16,800	114,201	131,001
Foreign currency translation adjustment	-	(1,092)	-	-	(1,092)
Total comprehensive income	-	(1,092)	16,800	114,201	129,909
Dividend distribution	-	-	(16,306)	-	(16,306)
Dividend, own shares	-	-	(494)	494	-
Total transactions with owners	-	-	(16,800)	494	(16,306)
Equity at 31 December 2019	28,000	(2,499)	16,800	828,001	870,302

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.

The accounting policies are unchanged from the accounting policies applied in the consolidated and parent company financial statements for 2019, to which reference is made. The consolidated and parent company financial statements for 2019 contain a full description of the accounting policies.

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 2019. For a more detailed description of the estimation uncertainty, reference is made to the consolidated and parent company financial statements for 2019.

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 2020 is categorised into Technical Installation totalling DKK 712.3 million (2019: DKK 596.5 million) and Construction totalling DKK 290.1 million (2019: DKK 251.9 million).

According to IFRS 15, revenue for the first half of 2020 is categorised into Technical Installation totalling DKK 1,416.0 million (2019: DKK 1,232.6 million) and Construction totalling DKK 556.6 million (2019: DKK 485.5 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 2019.

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 2019.

In the first half of 2020, revenue from the private market segment totals DKK 268.2 million or approximately 14% of total sales against DKK 200.1 million or approximately 12% in the first half of 2019.

4 Goodwill and intangible assets

The annual impairment test of intangible assets, including goodwill and intellectual property rights, is performed at 31 December 2020, after the completion of budgets and strategy plans for the coming period.

At 30 June 2020, 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 2020.

5 Inventories

In order to meet the assessed higher risk associated with COVID-19, an inventory write-down of DKK 5.5 million was recorded for 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 2019.

Due to the increased risk associated with the COVID-19 outbreak and the subsequent reduction in business activity in many industries and sectors, additional reserves of approximately 1% of the total debtor balances have been made in the first quarter of 2020, corresponding to approximately DKK 4 million. On 30 June 2020, these reserves are still in place.