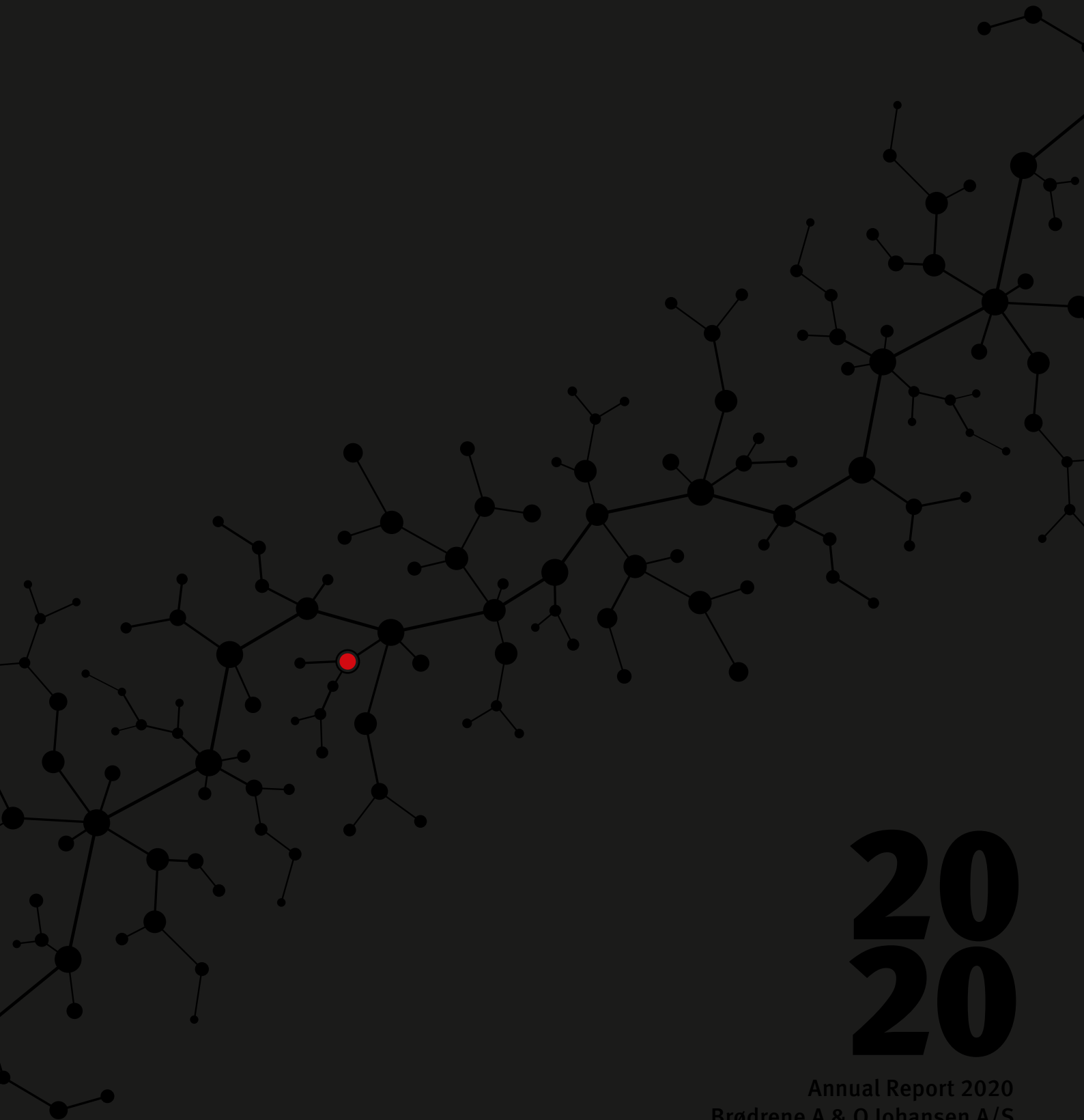


AO



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Annual Report 2020
Brødrene A & O Johansen A/S
Rørvang 3 - DK-2620 Albertslund
Denmark
CVR No.: 58 21 06 17

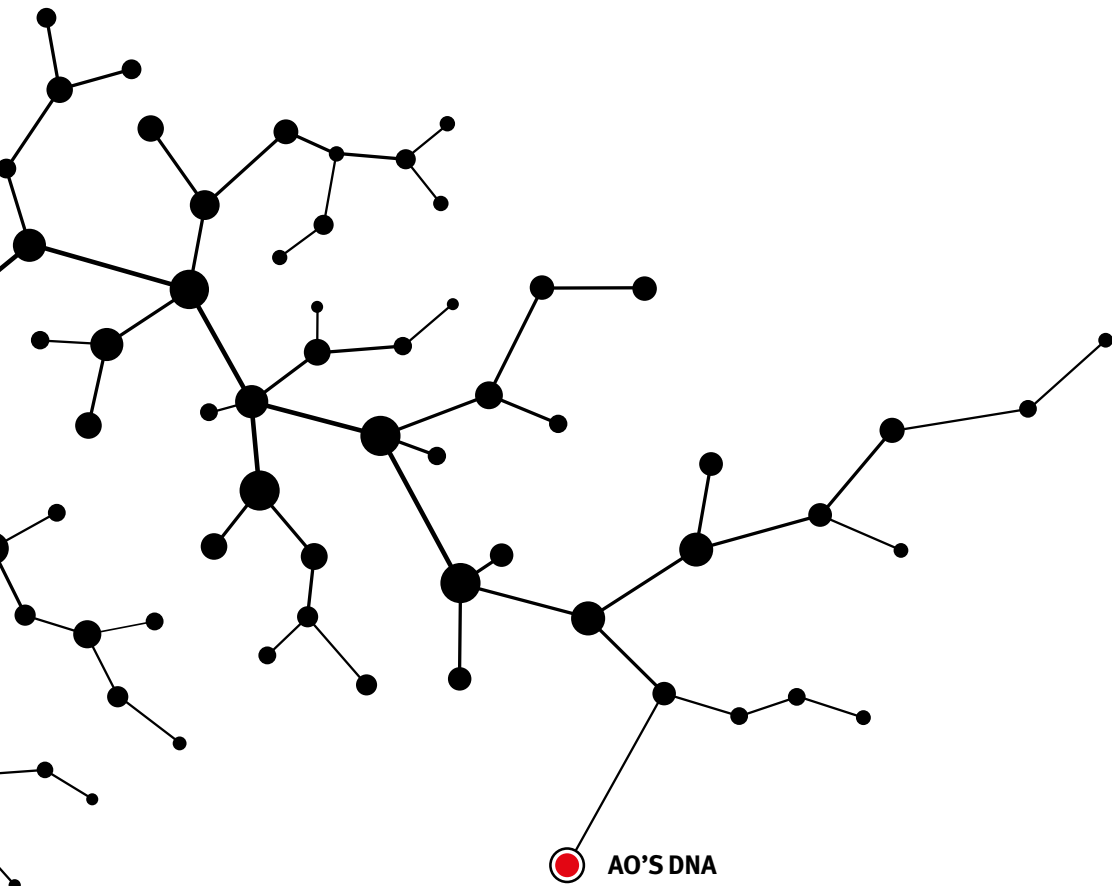


Brødrene A & O Johansen A/S is a Danish-owned business, founded in 1914. We are currently a leading wholesale supplier to the construction industry.

Given our customer base, an award-winning e-commerce platform, 50 stores nationwide, a high-tech logistics set-up and our constant focus on services that make life easier for tradespersons working in Denmark today, we consider ourselves well-equipped for the future and ready to fulfil our role as an IT, knowledge and logistics company.

We run a leading e-commerce platform on the private market that provides inspiration, guidance and sales of products to consumers in Denmark, Sweden and Norway for modernisation projects around the home.

Dividing our attention successfully between B2B and B2C, we are well equipped to deal with the future, and to fulfil the role of an IT-based, knowledge and logistics business.



The front cover of our annual report this year features AO's DNA.

At AO, the customer is king! The customer is the focus of everything we do and develop. We want to create value-added growth for our professional and private customers. That's something we aim to do every single day.

That's why our DNA is a mix of competent, engaged and flexible employees, coupled with a high level of service, digital innovation and knowledge-sharing, supported by user-friendly IT and logistics solutions, with the customer always at the centre.

That's the basis of our continued competitiveness.

AO – we lend a hand!

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



SELF-SERVICE



”I think it’s an easier way of shopping and I avoid standing in a queue at the checkout”

// Henrik, handyman

CONSOLIDATED FIVE-YEAR SUMMARY

(DKKm)

Key figures***	2020	2019	2018	2017	2016
Revenue	4,098.3	3,582.7	3,373.4	3,269.1	2,823.4
Gross margin	914.4	830.6	805.2	769.8	704.7
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	328.2	281.6	241.0	223.1	207.5
Operating profit or loss (EBIT)	223.8	175.9	154.8	147.2	143.3
Financial income and expenses, net	(3.0)	(6.4)	(4.6)	(1.7)	(8.0)
Profit or loss before tax (EBT)	220.8	168.4	150.3	145.5	135.4
Tax on profit or loss for the year	(47.9)	(37.4)	(31.7)	(30.7)	(30.0)
Net profit or loss for the year	172.9	131.0	118.5	114.8	105.4
Non-current assets	1,320.0	1,349.2	1,300.1	1,304.6	1,266.9
Current assets	1,063.2	957.5	843.8	864.5	727.9
Total assets	2,383.2	2,306.7	2,144.0	2,169.1	1,994.8
Share capital	28.0	28.0	28.0	28.0	57.0
Equity	1,030.2	870.3	756.7	655.9	732.1
Non-current liabilities	330.6	337.4	288.6	230.1	339.1
Current liabilities	1,022.4	1,099.0	1,098.7	1,283.1	923.6
Cash flow from operating activities	375.4	302.7	300.8	134.4	235.8
Cash flow from investing activities	(66.3)	(52.7)	(82.3)	(164.2)	(129.7)
Of which investments in property, plant and equipment, net	(37.3)	(26.1)	(60.7)	(86.0)	(61.7)
Cash flow from financing activities	(256.2)	(186.2)	(229.8)	52.1	(110.2)
Cash flow for the year	52.8	63.8	(11.3)	22.3	(4.0)
Financial ratios					
Gross profit margin	22.3%	23.2%	23.9%	23.5%	25.0%
Profit margin	5.5%	4.9%	4.6%	4.5%	5.1%
Return on capital employed	9.5%	7.9%	7.2%	7.1%	7.2%
Return on equity	18.2%	16.1%	16.8%	16.5%	12.0%
Solvency ratio	43.2%	37.7%	35.3%	30.2%	36.7%
Book value*	368	311	270	234	128
Share price at the end of the year	604	348	294	401	337
Price Earnings Basic (P/E Basic)	9.4	7.3	6.7	9.5	12.3
Dividend per DKK 10 share	15.0	6.0	6.0	6.0	6.0
Earnings per share (EPS Basic), DKK	64	48	44	42	27
Diluted earnings per share (EPS-D), DKK	64	48	44	42	27
Number of employees (FTE average)**	741	734	747	718	680

Basic EPS and diluted EPS have been calculated in accordance with IAS 33. Other financial ratios have been prepared in accordance with the CFA Society Denmark's "Recommendations and Financial Ratios". See definition of key figures on page 74

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

**The number of employees includes external temporary workers.

***Comparative figures have not been restated in connection with the implementation of IFRS 9, IFRS 15 and IFRS 16.

MANAGEMENT'S REVIEW

For Brødrene A & O Johansen A/S and the Group (AO), the year 2020 was characterised by higher sales than expected.

Consolidated revenue for 2020 increased by DKK 515.6 million, or 14.4%, to DKK 4,098.3 million. Growth was achieved in both the professional market and the private online market, and the increase is attributable to the business areas of Technical Installation and Construction.

The revenue growth, combined with a focus on cost control, resulted in an increase in profit before tax of DKK 52.4 million, or 31.1%, to a total of DKK 220.8 million. The result is marginally higher than the most recent profit estimate of DKK 210-220 million announced on 13 November 2020.

COVID-19

For the better part of 2020, the COVID-19 outbreak led to a partial lockdown in Denmark and most of the world. The pandemic, and the ensuing feeling of uncertainty in the population, affected the business community significantly, both in Denmark and in other markets where AO has sales activities.

At the first lockdown on 12 March 2020, AO immediately established procedures ensuring that physical shopping in the Group's stores took place in compliance with safety measures so that both customers and employees could feel safe in the shopping situation.

In Denmark, AO has 50 stores, thus ensuring physical proximity to customers in all parts of the country. The physical customer meeting is a key part of AO's business model. 2020 saw a sharp increase in the number of physical customers, reaching more than 7,000 a day in the fourth quarter.

During the period of partial lockdown in many areas of society, customers demanded flexibility in their choice of sales platforms and shopping options. As an omnichannel company, AO has been able to provide that.

Apart from traditional shopping in the Group's stores and online shopping via websites, AO's customers may use a number of digital tools in their purchasing process, e.g., self-service scanning app, immediate Click & Collect, rush deliveries to building sites, etc. All services ensure that the purchase can be made in the preferred way.

In 2020, the digital share of revenue constituted 45.4% against 39.8% in 2019. In addition to the growth in sales through websites, a significant growth in all kinds of digital shopping was registered in 2020.

The existing options will be extended further. The most recent application is AO365, where

customers can have full self-service access to a store and its stock at all hours.

By the end of the year, the solution was implemented in 25% of AO's stores, and more than 400 customers are currently signed up for the solution. AO365 is expected to be implemented in all stores at the end of 2021.

Even though the Danish building and construction sector in general had a high level of activity in 2020, it is assessed that the increased uncertainty in society entails an enhanced risk of bankruptcies, etc., in 2021. Therefore, and in addition to normal provisions, AO increased its provisions for expected bad debts by DKK 8 million in 2020.

THE YEAR IN OUTLINE

Consolidated revenue for 2020 totalled DKK 4,098.3 million. Of this, DKK 3,502.4 million relates to the professional market (B2B) and DKK 595.9 million relates to the private market (B2C). The growth in the professional market totalled 11.6%, whereas the growth in the private market constituted 34.3%. Regarding the private market growth, 7.1% is attributable to the acquisition of LampeGuru ApS on 15 November 2019.

The sales growth, in combination with a significant efficiency improvement, resulted in an increase in profit before tax from DKK 168.4 million in 2019 to DKK 220.8 million in 2020. The increase totalled DKK 52.4 million, or 31.1%.

Gross profit for the year amounted to DKK 914.4 million against DKK 830.6 million in 2019. When compared with 2019, the gross profit margin declined by 0.9 percentage point due to increased price pressure in the market and an increase in project sales with lower margins. 0.4% of the gross profit margin reduction is attributable to increased inventory write-downs and a more prudent recognition of supplier contributions from international purchasing organisations, as COVID-19 has led to a greater degree of uncertainty in estimating the joint bonus.

External expenses increased by DKK 27.0 million, or 16.3%. Of this increase, DKK 8.0 million is attributable to a general provision for bad debts due to COVID-19. The remaining increase can mainly be attributed to sales support expenses and IT/digitisation expenses. DKK 4.9 million of the increase in external expenses is attributable to the acquisition of LampeGuru ApS.

Staff costs increased by DKK 10.2 million, or 2.7%. In 2020, the average number of employees (FTE), including temporary workers, was 741 against 734 in 2019. At the end of 2020, the number of employees was 754 against 735 at

the end of 2019. Of the increase of 19 employees, 14 are temporary workers at the central warehouse.

Total profit margin (EBIT) for the year was 5.5% against 4.9% in 2019.

In 2020, AO made a pre-tax profit of DKK 220.8 million, which is DKK 52.4 million more than last year and marginally higher than the previously announced profit before tax of DKK 210-220 million.

AO's consolidated revenue for the fourth quarter of 2020 was realised at DKK 1,146.0 million, which is DKK 158.8 million, or 16.1%, more than reported for the same quarter of 2019. Operating profit (EBIT) for the fourth quarter of 2020 totalled DKK 67.9 million against DKK 51.7 million for the fourth quarter of 2019. The profit margin for the fourth quarter of 2020 was thus 5.9%, compared with 5.2% for the fourth quarter of 2019.

Cash flow from operating activities for 2020 totalled DKK 375.4 million, compared with DKK 302.7 million for 2019. Investments for the year totalled DKK 66.3 million or DKK 13.6 million more than in 2019, mainly due to investments in digitisation and the acquisition of a store. In 2020, AO continued the reduction of the net interest-bearing debt, which was DKK 247.1 million at the end of 2020 against DKK 493.9 million at year-end 2019. In 2020, net gearing (net interest-bearing debt/EBITDA) was 0.8 against 1.8 in 2019 and 2.7 in 2018.

AO's equity totalled DKK 1,030.2 million at the end of 2020, equivalent to a solvency ratio of 43.2%, against DKK 870.3 million and 37.7% at the end of 2019.

At the Company's Annual General Meeting to be held on 19 March 2021, a dividend distribution of DKK 15 per share of DKK 10 will be proposed, compared with a dividend distribution of DKK 6 per share of DKK 10 a year earlier.

ACTIVITIES OF THE YEAR

The Group's activities are targeted at managing and developing a modern knowledge-based IT and logistics company with focus on selling and distributing technical installation materials and tools by means of a wide product range, a high level of service, and reliable deliveries at market prices.

One of AO's values is to 'lend a hand'. One element in this is how to make different sales platforms available, so that a customer is offered the widest possible flexibility.

The Group'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 wide product range and local presence supplemented with user-friendly online systems and an effective central warehouse and distribution system. In this way, the lowest costs are achieved without having to compromise on customer needs.

Self-service and robotics have become a natural part of daily life in AO and have been implemented in both stores and the administration. Another important step in digitisation has been taken with the introduction of AO365. In stores where AO365 have been implemented, it is possible to shop physically 24 hours a day. This gives AO's customers great flexibility and the opportunity to reduce their own inventories.

AO's activities in Sweden developed very well, and today AO is the market leader in Scania and Western Sweden within water supply and drainage products.

In 2020, AO Investments were slightly higher than in 2019. Main focus was on investment in IT, digitisation and e-commerce. In addition, AO acquired the store in Frederikssund in May 2020. AO owns 28 of the Company's 50 stores in Denmark as well as the central warehouses in Albertslund and Horsens.

In order to be able to handle customer demands, the product range stocked in the central warehouse is extended on an ongoing basis to include even more plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools.

BUSINESS FOUNDATION

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

The Group is a knowledge-based IT and logistics enterprise with a wide technical range of heating, plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools. This means that AO aims to offer its customers the most user-friendly and reliable IT systems on the market to handle planning, purchasing and deliveries in accordance with customer needs.

The Group has more than 24,000 business customers (B2B) and roughly 350,000 private customers (B2C) who are offered a stock of more than 400,000 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 2020, 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 characterised by being fragmented with many small customers.
- The private market is characterised by many customers making purchases online. The market is currently served by eight different webshops: BilligVVS.dk, LavprisVVS.dk, LavprisEL.dk, VVSochBad.se, BilligVVS.no, Greenline.dk, LampeGuru.dk, and LampeGuru.no.

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 can 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 50 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, construction companies as well as municipalities, utilities and public institutions.

AO's revenue from the professional market is, in principle, generated via three sales channels:

1. AO stores

With 50 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. To ensure fast and efficient customer service all stores offer self-service solutions. In addition, the customers are offered the opportunity to make use of AO's facilities in their day-to-day running of their businesses.

2. Online trading (PC, tablet, smartphone, and AO365)

At AO.dk and through AO's app for smart-

phones the customers may, among other things, order goods 24 hours a day, see pictures of the goods, and track invoices. AO.dk and AO's app undergo constant development. AO's online sales amount to approximately DKK 1,859.4 million against approximately DKK 1,426.8 million in 2019, which is an increase of 30.3% compared with 2019. Additional digital solutions are being implemented, most recently AO365 has allowed customers to shop physically in the stores at all hours of the day.

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, by email or chat. 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 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 the five stores in Gothenburg, Borås, Malmö, Helsingborg, and Kristianstad plus AOnet.se, and focus is primarily on water supply and drainage products as well as tools.

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

THE PRIVATE MARKET

The private market is served through eight different webshops targeting three different business areas:

- Plumbing, heating and sanitary ware products are sold in Denmark through BilligVVS.dk and LavprisVVS.dk. In Sweden, these products are sold through VVSochBad.se and in Norway through BilligVVS.no.
- Electrical equipment and components are sold in Denmark through Greenline.dk and LavprisEL.dk.
- Lighting is sold in Denmark through LampeGuru.dk and in Norway through Lampeguru.no.

The customers are primarily private consumers and small business enterprises that either need to make small repairs due to failure of existing equipment or a major renovation of an entire room. Whatever the needs, AO's webshops aimed at the private market offer both inspira-

tion and guidance, a wide product range as well as easy trading and fast delivery. Professionally trained staff handles orders and queries received from customers via Facebook, chat, telephone and email. Through video guides, instructional videos and mounting instructions AO also makes it easy to do-it-yourself correctly. By being part of the entire customer journey, the ambition is to be more than just a webshop.

VISION AND STRATEGY

The Group's strategy is to serve the professional market through AO in Denmark and Sweden and through Vaga in Denmark and Estonia and to serve the private markets in Denmark, Norway and Sweden through BilligVVS, LavprisVVS, LavprisEL, VVSochBad, Greenline, and LampeGuru.

• 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.

The key concept is one-stop shopping, both digitally and in the stores, where the customers are offered a complete product range as part of a collection and delivery system, which is supported by strong IT and online trading systems. AO is engaged in international collaboration through WIM and FEGIME, networks of European wholesalers dealing in plumbing, heating and sanitary ware products and electrical equipment and components. The purpose of this collaboration is to exchange experience and purchase goods at competitive prices.

• THE PRIVATE MARKET

In the private market, it is AO's vision to be the leading online trading platform for the sale of technical installation materials in Denmark and one of the leading online trading platforms in Sweden and Norway.

The basis for AO's ability to remain competitive is competent, dedicated, and adaptable employees, combined with a high level of service, innovation and knowledge sharing supported by user-friendly IT and logistics solutions.

AO wants to provide value-added services for its customers, partly by being a trendsetter with new services and digital 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 key to the performance of the Group.

AO has developed a number of IT concepts and online trading solutions in order to strengthen the customers' ability to compete and streamline their business procedures.

At AO.dk and through apps for smartphones the customers may, among other things, order goods 24 hours a day, see pictures of the goods, and track invoices.

The Group's financial objectives are:

- 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%.

Profit before tax for 2020 is DKK 220.8 million, which is 5.4% of revenue compared with 4.7% for 2019. The target for profit before tax in relation to net sales has not yet been achieved despite realised growth in both revenue and profit in recent years.

In 2020, cash flow from operating activities represents 9.2% of revenue against 8.4% in 2019.

In recent years, the focus on working capital improvement has contributed to the target of 6% being achieved.

AO has achieved continuous revenue growth for several years from organic as well as acquisitive growth, and therefore the target has been achieved.

As at 31 December 2020, the solvency ratio is 43.2%, and the target has therefore been achieved. At the Annual General Meeting on 19 March 2021, a dividend distribution of DKK 15 per share of nominally DKK 10 will be recommended against a dividend distribution of DKK 6 per share of nominally DKK 10 in recent years.

FINANCIAL REVIEW

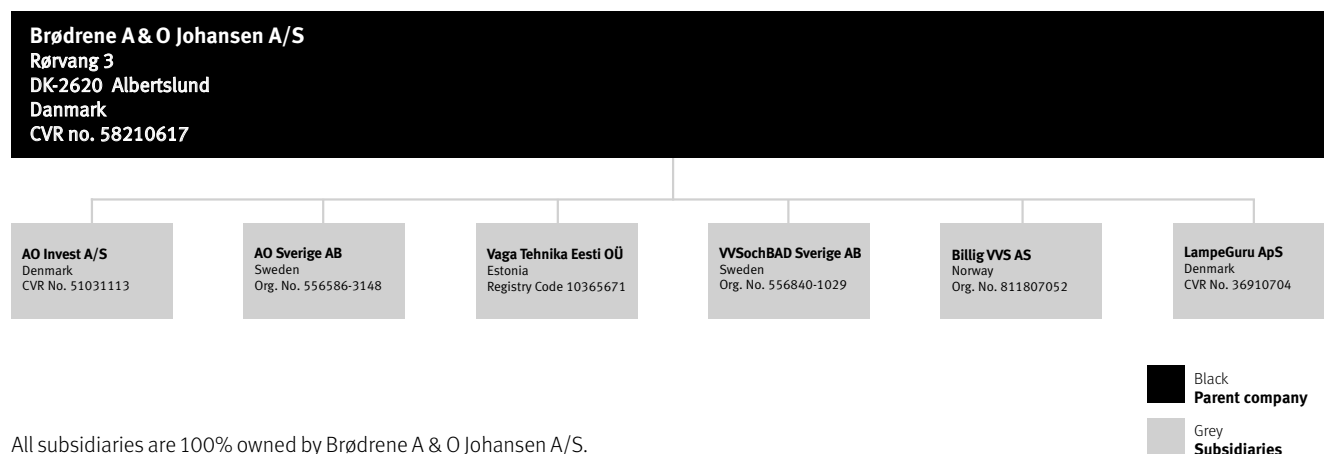
INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

AO's revenue for 2020 was DKK 4,098.3 million against DKK 3,582.7 million in 2019, corresponding to a growth of DKK 515.6 million, or 14.4%. DKK 31.5 million (0.9%) of this increase in revenue is attributable to growth related to the acquisition of LampeGuru ApS on 15 November 2019, while DKK 484.1 million (13.5%) is attributable to organic growth.

In 2020, Danish revenue increased by DKK 491.6 million, or 15.1%, to DKK 3,751.4 million, while international revenue rose by DKK 24.0 million, or 7.4%, to DKK 346.9 million. The growth in revenue has been achieved in both the professional market and the private online market, and the business areas of 'Technical Installation' and 'Construction' have also achieved an increase in sales.

AO realised a gross profit for 2020 of DKK 914.4 million, corresponding to an increase of DKK 83.8 million, or 10.1%, primarily driven by the growth in revenue. The gross profit margin for 2020 was 22.3%, or 0.9 percentage point lower than in

The Group consists of the following companies:



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

"I can pick up my goods when it suits me. That lets me plan my time even better"

// Carsten, electrician

A0365





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TV
[TV icon]
[Small illegible text]

AO 365

[Arrow sign pointing left]



2019, which is attributable mainly to increased project sales with lower margins, inventory write-downs, and a more prudent recognition of supplier contributions from international purchasing organisations, as COVID-19 has led to a greater uncertainty in estimating the joint bonus. The gross profit includes expenses for distribution to customers of DKK 159.7 million or 3.9% of revenue against 3.8% and DKK 134.5 million in 2019.

Total operating expenses for 2020, excluding depreciation and amortisation, amounted to DKK 586.2 million, which is DKK 37.2 million, or 6.8%, more than in 2019. Compared to revenue, total operating expenses for 2020 were 14.3% against 15.3% in 2019. AO continued its focus on strict cost management and investments in digitisation and optimisations, making it possible to complete AO's processes and tasks as efficiently as possible.

External expenses for 2020 increased by DKK 27.0 million, or 16.3%. Of this increase, DKK 8.0 million is attributable to a general provision for bad debts due to COVID-19, whereas the rest is attributable to digital advertising, increased IT expenses, and expenses related to the acquired company, LampeGuru ApS. IT and digitisation expenses increase due to AO's continued transformation from a traditional wholesaler to a knowledge-based IT and logistics enterprise.

Staff costs of DKK 393.8 million are DKK 10.2 million, or 2.7%, higher than in 2019. After staff cuts in 2018, the number of employees in sales and administration has been stable, whereas the number of employees at the central warehouse fluctuates with the activity. The average number of full-time employees (FTEs) totalled 741 in 2020, including temporary workers, against 734 in 2019. At the end of 2020, AO had 754 employees against 735 at year-end 2019.

Depreciation and amortisation for 2020 totalled DKK 104.5 million, DKK 1.3 million less than in 2019. The small decline reflects a continued low level of investment in 2020 compared with previous years.

Profit before financial income and expenses, net (EBIT) for 2020 amounted to DKK 223.8 million or 5.5% of revenue against DKK 175.9 million and 4.9% in 2019.

No financial assets have been impaired as at 31 December 2020. Impairment of financial assets amounted to DKK 1.0 million in 2019.

Net financial expenses for 2020 totalled DKK 3.0 million against DKK 6.4 million in 2019. Included in this amount is DKK 2.4 million in positive foreign currency translation adjustments, primarily related to SEK and NOK. In 2020, the reduction in interest-bearing debt reduced interest expenses on liabilities by DKK 1.7 million to DKK 5.1 million.

The AO Group recorded a pre-tax profit for 2020 of DKK 220.8 million against DKK 168.4 million in 2019, corresponding to an increase of 31.1%. The Group's foreign operations reported a pre-tax profit of DKK 28.2 million, compared with DKK 23.0 million in 2019.

Tax on net profit for the year amounted to DKK 47.9 million, corresponding to an effective tax rate of 21.7%, against DKK 37.4 million and 22.2% in 2019. DKK 53.9 million of tax expenses for the year related to current tax for the year, compared with DKK 39.9 million in 2019. DKK 6.0 million of tax expenses related to a reduction in deferred tax etc. against DKK 2.5 million in 2019. Paid corporation tax for the year totalled DKK 57.6 million against DKK 38.0 million in 2019.

The Group's post-tax profit for the year was DKK 172.9 million, compared with DKK 131.0 million in 2019.

Profit before tax for 2020 of DKK 220.8 million is satisfactory and marginally higher than announced in the latest interim report where profit before tax for the year was expected to be in the range of DKK 210-220 million.

BALANCE SHEET

As at 31 December 2020, Group assets amounted to DKK 2,383.2 million against DKK 2,306.7 million at the end of 2019.

Non-current assets totalled DKK 1,320.0 million, which is DKK 29.2 million less than at the end of 2019. The decrease is primarily attributable to lower book value of fixtures and operating equipment as well as right-of-use assets due to investments being lower than depreciation.

In 2020, investment in software amounted to DKK 23.5 million, which relates to the development of digitisation processes, etc. Amortisation of software totalled DKK 23.4 million, and the net value of software has therefore increased marginally by DKK 0.5 million including a minor reclassification. In 2020, the value of land and buildings of DKK 138.4 million decreased by DKK 19.1 million due to the fact that investment for the year of DKK 17.2 million is DKK 19.2 million lower than depreciation for the year. The value of right-of-use assets totalled DKK 61.5 million and is DKK 10.4 million lower than at year-end 2019. The decrease is due to the fact that the level of leases entered into is lower than the level of depreciation in 2020.

Current assets increased by DKK 105.8 million to DKK 1,063.2 million at the end of 2020. Trade receivables of DKK 428.4 million increased by DKK 33.3 million, or 8.4%, mainly attributable to increased sales activities. As a consequence of the COVID-19 crisis, extra provisions for bad debts totalling DKK 8.0 million were set aside. Inventories of DKK 478.0 million increased by DKK 19.0 million, or 4.1%, due to the increase

in activities in 2020. As at 31 December 2020, the Group's cash and short-term deposits of DKK 133.2 million increased by DKK 52.8 million. The increase in cash and short-term deposits is attributable to cash flows from operations offset by repayment of debt to credit institutions.

As at 31 December 2020, AO's equity was DKK 1,030.2 million corresponding to a solvency ratio of 43.2%. Equity is DKK 159.9 million higher than at the end of 2019, which is attributable to profit for the year of DKK 172.9 million and a positive foreign currency translation adjustment of DKK 3.4 million offset by a dividend distribution of DKK 16.3 million.

At the end of 2020, non-current liabilities of DKK 330.6 million were DKK 10.0 million lower than at year-end 2019. Long-term debt owed to credit institutions decreased by DKK 16.1 million offset by an increase of DKK 21.9 million related to frozen holiday pay. Lease liabilities declined by DKK 5.2 million.

In 2020, AO's current liabilities of DKK 1,022.4 million decreased by DKK 76.7 million. The continued reduction of interest-bearing debt, excluding cash and short-term deposits, has reduced short-term debt owed to credit institutions by net DKK 199.5 million. The general increase in activity resulted in an increase in trade payables of DKK 121.8 million to DKK 826.4 million. At the balance sheet date liabilities related to Supply Chain Finance programmes amount to DKK 184.3 million (2019: DKK 137.7 million).

Payables to Group enterprises of DKK 1.9 million consist of corporation tax administered by Avenir Invest ApS. Corporation tax payable declined by DKK 4.7 million as a result of it now being included in payables to Group enterprises.

Other payables and provisions for liabilities totalled DKK 85.0 million increased by DKK 8.9 million due to deferred payment deadlines in relation to A taxes and labour market contributions partly offset by a reduction in payable holiday pay upon transition to the new Danish Holiday Act.

CASH FLOW STATEMENT

In 2020, cash flow from operating activities was realised at DKK 375.4 million, which is DKK 72.6 million more than last year. The development was driven by a higher operating profit and positive changes in working capital. Changes in working capital amounted to DKK 103.0 million and were driven by a change in trade payables and other payables partly offset by a negative cash flow from an increase in working capital related to inventories and trade receivables. In 2020, the deferral of payment of A taxes and labour market contributions had a positive effect on cash flow from operations by DKK 24.9 million.

In 2020, net financial expenses paid totalled DKK 1.9 million against DKK 5.5 million in 2019.

The reduction is mainly due to lower interest expenses as a result of the decrease in the Group's net interest-bearing debt.

Taxes paid in 2020 amounted to DKK 57.6 million against DKK 38.0 million in 2019.

Net investments for the year totalled DKK 66.3 million, which is DKK 13.6 million more than in 2019. Software investments amounted to DKK 23.5 million against DKK 18.4 million in 2019. Investment in land and buildings as well as leasehold improvements totalled DKK 20.1 million against DKK 4.1 million in 2019. In 2020, investment in fixtures and operating equipment decreased by DKK 5.0 million to DKK 17.2 million, mainly due to efficiency improvements within warehousing and logistics.

DKK 5.5 million relates to remaining acquisition payments in the form of performance-based instalments. These payments were included in the determination of initial acquisition cost for accounting purposes.

In 2020, cash flow from financing activities amounted to DKK 256.2 million, of which reduction of debt owed to credit institutions totalled net DKK 215.5 million. Payment of lease instalments totalled DKK 24.4 million, and payment of dividends amounted to DKK 16.3 million.

Total cash flow for the year was positive at DKK 52.8 million, compared with DKK 63.8 million in 2019. The decrease of DKK 11.0 million is primarily due to temporary bank deposits made in 2019 to accounts in cash pooling arrangements. The amount was recognised in the balance sheet as 'Cash and short-term deposits'.

The Group's net gearing (net interest-bearing debt/EBITDA) for 2020 was 0.8 against 1.8 at the end of 2019.

DEVELOPMENT IN THE FOURTH QUARTER OF 2020

Revenue for the fourth quarter amounted to DKK 1,146.0 million, which is DKK 158.8 million, or 16.1%, more than for the fourth quarter of 2019. The growth is attributable to both the Danish and international market, and the increase is related to the business areas 'Technical Installation' and 'Construction'.

Gross profit for the quarter was DKK 254.0 million, which is DKK 26.7 million, or 11.7%, more than in the fourth quarter of 2019. The gross profit margin was realised at 22.2%, which is 0.8% percentage point lower than last year.

Operating expenses for the fourth quarter of 2020, excluding depreciation and amortisation, amounted to DKK 160.4 million against DKK 148.9 million for the same quarter of last year. The increase of DKK 11.5 million is attributable to full recognition of LampeGuru ApS and higher

sales promotion expenses as well as digitisation expenses.

Depreciation and amortisation amounted to DKK 25.8 million, which is DKK 1.0 million less than for the fourth quarter of 2019 due to a continued low level of investment.

Profit before financial income and expenses, net (EBIT) was DKK 67.9 million, which is DKK 16.1 million more than last year. The profit margin of 5.9% increased by 0.7 percentage point compared with the same quarter of 2019.

Net financial income and expenses were negative at DKK 1.4 million, which is DKK 1.2 million less than for the fourth quarter of 2019, driven by the low interest-bearing debt and the writing down of financial assets in the fourth quarter of 2019.

Profit before tax for the fourth quarter totalled DKK 66.5 million against DKK 49.1 million for the same quarter of 2019.

EVENTS AFTER THE BALANCE SHEET DATE

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 as at 31 December 2020.

OUTLOOK

Management expects continued growth in 2021, albeit more moderately than in 2020.

In 2021, the Group will focus on streamlining and adapting the business to the future market, where digitisation and transparency will continue to increase competition.

In addition, focus will be on creating the central warehouse of the future, and therefore it has been decided to expand the capacity of the central warehouse in Albertslund. The investment is expected to amount to approximately DKK 200 million, and most of it is expected to be incurred in 2021. Apart from expanding the capacity of the central warehouse in Albertslund significantly, this investment will aim at providing individual logistics solutions for the professional and private market as well as improving the efficiency even more. The capacity increase is expected to be complete in 2022.

Management expects a profit before tax for 2021 in the range of DKK 240-260 million. Earnings projections are based on expectations of a continued high level of activity in the building and construction industry. Extraordinarily high growth in B2C sales is expected at the beginning of the year. This growth is expected to slow over the year.

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 report-

ing 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

On 23 November 2017, the Danish Committee on Corporate Governance issued updated recommendations for corporate governance based on the 'comply-or-explain' principle. The revised recommendations have been implemented by Nasdaq Copenhagen A/S 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 CEO is a member of the Board of Directors.
- 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. For the time being 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 Audit Committee consists solely of members of the Board of Directors of the Company, and therefore there are no independence requirements.
- 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 qualifications of the Board members, it has been decided neither to establish a nomination committee nor a remuneration committee. Instead, the chairmanship is responsible for the recommended preparatory tasks.
- The Board of Directors has decided that there is no need for establishing a whistleblower scheme, as the Company's internal control environment is at a high level.

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 2020 financial year, which can be viewed or downloaded from https://ao.dk/globalassets/download/regnskabsdata/2020/corporate_governance_2020_report.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. In addition, there is risk of software impairment and impairment of intellectual property rights in case 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 and e-commerce 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 complies with current legislation and international conventions in the countries and communities in which the Group operates. AO operates primarily in Denmark, and most purchases are made in Europe.

AO is a responsible company. Responsibility

is an integral part of the Group's culture and is expressed in relations with customers, suppliers and business partners, in the day-to-day management of employees and towards the community of which AO is a part and to which it wants to contribute.

AO respects the UN Global Compact's Ten Principles on human rights, labour, environment, and anti-corruption in all parts of the Group's business.

In 2020, AO has also worked on getting the UN's world goals embedded in the Group's policies and goals for social responsibility, and AO has chosen to focus primarily on the areas of environment and climate, plus social and working conditions as the most important areas.

ENVIRONMENT AND CLIMATE

AO has an environmental and climate policy, which focuses on the continued improvement of the Group's environmental and climate performance. As a Group, AO wants to protect the environment and climate, and therefore the Group strives to be at the forefront of development within the areas that AO has prioritised as focus areas, so that the development of society can take place on a sustainable basis.

The Group's focus areas within environment and climate are the following:

- waste – reduction and recycling
- energy consumption – electricity and heat
- transport – bigger consignments, less haulage, and less driven kilometres in the service of the Group

AO is environmentally certified according to DS/EN ISO 14001:2015 in Denmark and Sweden.

SOCIAL AND WORKING CONDITIONS

AO wants to be a socially responsible business focusing on competent and respectful management, motivation, development/training, and work environment.

The employees are the Group's most important asset and vital to AO's success and results. AO intends to be a socially responsible business. Therefore, AO seeks to ensure a responsible, safe, and healthy working environment without work-related injuries and stress.

A working environment, where employees thrive, and where there is a focus on continuous development of the employees' personal and professional skills to meet the changing needs of the market.

AO has set target figures for the gender composition of the supreme management body and prepared a policy to increase the proportion of the underrepresented gender at the Group's other management levels. In the long term, it is AO's plan that the gender composition at the Group's management levels shall reflect the overall gender composition of the workforce.

The full statutory report on the gender composition of management, cf. section 99b of the Danish Financial Statements Act, can be viewed or downloaded from https://ao.dk/globalassets/download/regnskabsdata/2020/gender_composition_of_management_2020_report.pdf.

SUPPLIERS AND BUSINESS PARTNERS

AO complies with current legislation and international conventions regarding sound business practice, including anti-corruption and bribery, in the countries and local communities where the Group operates. It is AO's assessment that the countries in which the Group operates are all well regulated in relation to environment, social and working conditions, human rights, corruption, and bribery.

AO is, however, aware of the fact that the Group's trade with suppliers may constitute a potential risk of violating one or more of the above principles, especially when it comes to direct and indirect purchases from countries where local legislation on the area is not clear, or where such legislation is not recognised, respected and enforced.

To obtain an overall picture of AO's risk in relation to the procurement of goods, the Group analyses, on a regular basis, AO's purchases by country of origin. This analysis shows that 12% of AO's total purchases has a country of origin outside of Europe.

The Group has drawn up a Supplier Code of Conduct, which is discussed with the supplier prior to the conclusion of a business agreement or in connection with the renewal of an agreement, and which is an integral part of the business agreement with AO. This set of rules, approved by the Board of Directors, is available at https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct_2021.

The full statutory report on corporate social responsibility for the 2020 financial year, cf. section 99a of the Danish Financial Statements Act, can be viewed or downloaded from https://ao.dk/globalassets/download/regnskabsdata/2020/corporate_social_responsibility_2020_report.pdf.

SHAREHOLDER INFORMATION

DIVIDEND

The Board of Directors proposes that a dividend of DKK 15 per DKK 10 share be distributed for 2020.

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 28 million. Of this, DKK 5,640,000 are in the form of ordinary shares and DKK 22,360,000 are in the form of preference shares. Each ordinary share of DKK 100 carries 100 votes, whereas each preference share of DKK 10 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 DK0060803831.
- 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 AT 31 DECEMBER 2020 IS SHOWN BELOW:

	Number of ordinary shares (DKK 100)	Number of preference shares (DKK 10)	Number of shares – nominal value	Capital in %	Votes in %
Avenir Invest ApS	56,220	20,800	5,830,000	20.82 %	71.65 %
Niels A. Johansen	160	270,640	2,722,400	9.72 %	3.64 %
Other registered shares	20	1,462,591	14,627,910	52.25 %	18.59 %
Unregistered shares	0	399,579	3,995,790	14.27 %	5.07 %
Total, excl. own shares	56,400	2,153,610	27,176,100	97.06 %	98.95 %
Own shares	0	82,390	823,900	2.94 %	1.05 %
Total	56,400	2,236,000	28,000,000	100.00 %	100.00 %

SHARES OWNED BY TOP MANAGEMENT IN BRØDRENE A & O JOHANSEN A/S AT THE END OF DECEMBER 2020

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.

ID code: DK0060803831	Total holding of preference shares	Market value ¹⁾
Board of Directors ^{2) + 4)}	17,487	10,562,148
Executive Board ^{2) + 3) + 4) + 6)}	317,040	191,492,160
Other insiders	590	356,360
Total insiders ²⁾	335,117	202,410,668

NOTE:

- 1) The calculated share price of DKK 604 is based on the closing price on 30 December 2020.
- 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) As at 31 December 2020 the Company's holding of own shares totalled 82,390 shares.
- 6) Lili and Niels A. Johansen's direct and indirect ownership in the Company totals 31.46% of the Company's share capital.



EV CHARGING STATION IN FRONT OF THE STORE



”Being able to charge my electric vehicle while collecting my goods helps me to do more in my day”

// Mike, plumber

BOARD MEETINGS HELD IN 2020

DATE	TEXT
21 February 2020	Annual report for 2019.
20 March 2020	Annual General Meeting and constituent Board meeting, including adoption of merger plan.
21 April 2020	Vertical merger between Brødrene A & O Johansen A/S and Greenline A/S.
28 May 2020	Interim financial report for the first quarter of 2020.
27 August 2020	Interim financial report for the first half of 2020 and strategy.
13 November 2020	Interim financial report for the first three quarters of 2020.
8 December 2020	Budget for 2021.

In addition, five Audit Committee meetings have been held.

PARTICIPATION IN BOARD MEETINGS IN 2020

PARTICIPANTS	21 February	AGM 20 March	20 March	Merger 21 April	28 May	27 August	Strategy 27 August	13 November	8 December
BOARD OF DIRECTORS									
Henning Dyremose	YES	YES	YES	YES	YES	YES	YES	YES	YES
Michael Kjær	YES	YES	YES	YES	YES	YES	YES	YES	YES
Erik Holm	NO	YES	YES	YES	YES	YES	YES	YES	YES
Preben Damgaard	YES	NO	NO	YES	YES	YES	YES	YES	YES
Niels A. Johansen	YES	YES	YES	YES	YES	YES	YES	YES	YES
René Alberg	YES	YES	YES	YES	YES	YES	YES	YES	YES
Carsten Jensen	YES	YES	YES	YES	NO	YES	YES	YES	YES
Jonas Kvist	YES	YES	YES	YES	YES	YES	YES	YES	YES
EXECUTIVE BOARD									
Stefan Funch Jensen	YES	YES	YES	YES	YES	YES	YES	YES	YES
Lili Johansen	YES	YES	YES	YES	YES	YES	YES	YES	YES
Gitte Lindeskov	YES	YES	YES	YES	YES	YES	YES	YES	YES
Per Toelstang	YES	YES	YES	YES	YES	YES	YES	YES	YES
AUDITOR									
Kennet Hartmann	YES	YES	-	-	-	-	-	-	-

PARTICIPATION IN AUDIT COMMITTEE MEETINGS IN 2020

PARTICIPANTS	6 February	28 May	27 August	13 November	8 December
REVISIONSUDVALG					
Henning Dyremose	YES	YES	YES	YES	YES
Michael Kjær	YES	YES	YES	YES	YES
Erik Holm	YES	YES	YES	YES	YES
Preben Damgaard	YES	YES	YES	YES	YES
DIREKTION					
Niels A. Johansen	YES	YES	YES	YES	YES
Per Toelstang	YES	YES	YES	YES	YES
REVISOR					
Kennet Hartmann	YES	YES	YES	YES	YES

BOARD EVALUATION PROCEDURE.

Once a year the Board of Directors perform an evaluation on the basis of a questionnaire regarding the following:

- Board management and composition
- Board experience and competencies
- Work method of the board of directors
- Board chemistry
- The Board's evaluation of the Executive Board.

The conclusion of the evaluation is that the Board of Directors and the Executive Board possess the competencies and qualifications deemed sufficient and necessary to run AO both in the short and long term.

COMPANY ANNOUNCEMENTS IN 2020

DATE	NO.	TEXT
20 February 2020	1	Major shareholder announcement – Nordea Funds Ltd.
21 February 2020	2	Annual report for 2019.
21 February 2020	3	Notice convening the Annual General Meeting of Brødrene A & O Johansen A/S.
20 March 2020	4	Result of Annual General Meeting.
20 March 2020	5	Articles of Association.
28 May 2020	6	Interim financial report for the first quarter of 2020.
6 August 2020	7	AO raises its full-year pre-tax profit guidance.
27 August 2020	8	Interim financial report for the first half of 2020.
31 August 2020	9	Notification of transactions of persons discharging managerial responsibilities.
13 November 2020	10	Interim financial report for the first three quarters of 2020.
8 December 2020	11	Financial calendar for 2021.

FINANCIAL CALENDAR FOR 2021

DATE	TEXT
4 February 2021	Deadline for shareholders to propose items for the agenda of the Annual General Meeting.
25 February 2021	Annual report for 2020.
19 March 2021	The Annual General Meeting of Brødrene A & O Johansen A/S will be held electronically at 1 p.m.
29 April 2021	Interim financial report for the first quarter of 2021.
20 August 2021	Interim financial report for the first half of 2021.
28 October 2021	Interim financial report for the first three quarters of 2021.

PROPOSALS FOR THE ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held completely electronically on Friday, 19 March 2021, at 1.00 p.m.

1. ALLOCATION OF PROFITS

Brødrene A & O Johansen A/S' net profit for the year amounts to DKK 172,873 thousand.

In accordance with Article 3, paragraph 10, cf. Article 18, paragraph 2, of the Articles of Association, the preferred stock holders are entitled to an advance cumulative dividend of 6%. Subsequently, the percentage dividend for the ordinary share capital holders is determined, and if additional dividend is declared, the ordinary shareholders and the preference shareholders are entitled to receive the same percentage dividend.

The Board of Directors proposes to distribute a dividend of DKK 15 per DKK 10 share, corresponding to 150% of the share capital

2. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Board of Directors proposes that the Articles of Association be amended as follows: Article 7, paragraph 3, get the following new wording:

“A shareholder owning ordinary shares and/or preference shares may exercise his or her voting rights, if the shareholder has registered his or her attendance at the general meeting no later than three days prior to it being held.”

A new Article 11, paragraph 1, is inserted to read as follows:

“If the Board of Directors deems it appropriate, and if the general meeting can be conducted in a satisfactory manner, the Board of Directors may decide that the general meeting is to be held completely electronically. If this is decided, the shareholders can attend, speak and vote at the general meeting electronically. Detailed information regarding registration and procedures for electronic participation will be made available on the Company's website and in the notice conven-

ing the general meeting in question, and the shareholders listed in the Company's register of shareholders will receive separate notification if they have requested it.”

3. AUTHORISATION TO ACQUIRE OWN SHARES

The Board of Directors proposes that it be authorised by the General Meeting during the period until 1 May 2022 to let the Company acquire own preference shares equivalent to a total of 10% of the Company's share capital at the time of being granted authorisation, provided that the Company's total holding of own shares at no point exceeds 10% of the Company's share capital. The consideration must not deviate by more than 10% from the official price quoted at Nasdaq Copenhagen at the time of acquisition.

4. AUTHORISATION OF THE CHAIRMAN

The Board of Directors proposes that the chairman of the General Meeting (with the right of substitution) be authorised to register the resolutions passed by the General Meeting with the Danish Business Authority and to make such alterations as the Danish Business Authority may require for registration or approval.

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 2020.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities, and financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020.

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

The annual report is submitted to the Annual General Meeting for approval.

Albertslund, 25 February 2021

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
Næstformand



René Alberg*



Erik Holm



Carsten Jensen*



Niels A. Johansen



Jonas Kvist*



Preben Damgaard Nielsen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Brødrene A & O Johansen A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of Brødrene A & O Johansen A/S for the financial year 1 January – 31 December 2020, which comprise an income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Brødrene A & O Johansen A/S before 1995 and must therefore withdraw from the audit at the annual general meeting in 2021. We have been reappointed annually by resolution of the general meeting for a total consecutive period of more than 26 years up until and including the financial year 2020.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2020. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Measurement of goodwill and other IP rights acquired in connection with acquisitions

The Group and the Parent Company have recognised goodwill and other IP rights acquired in connection with acquisitions totalling DKK 430,946 thousand and DKK 371,411 thousand, respectively, in the balance sheet at 31 December 2020. Pursuant to the International Financial Reporting Standards as adopted by the EU, annual impairment testing of goodwill is required. The annual impairment test is key to our audit, as it includes assumptions and estimates relating to, for instance, future earnings.

During our audit, we verified the impairment test prepared by Management, which was performed based on the discounted cash flow model, and assessed whether the assumptions applied by Management are reasonable, including whether the calculation model selected is relevant, and assessed the level of the discount factor and growth rate applied for extrapolation in relation to the market and the Company's expected development. The expected net cash flows are based on budgets for the years 2021-2025 and a terminal value. We examined proce-

dures for the budget preparation and compared budgets with the Group's strategic work within the individual areas. We also assessed the adequacy of disclosures on goodwill and other intangible assets in note 12 in relation to the requirements of the International Financial Reporting Standards as adopted by the EU.

Measurement of inventories

The Group and the Parent Company have recognised inventories totalling DKK 478,002 thousand and DKK 448,757 thousand, respectively, in the balance sheet at 31 December 2020. Inventories are measured at the lower of cost and net realisable value. The valuation of inventories involves significant estimates and assessments, and consequently, the area is key to our audit.

In connection with our audit, we examined the Group's business procedures for the area just as we assessed the cost calculations made by Management. We examined the analysis made by Management of age distribution and write-down for obsolescence on inventories, and we verified on a sample basis whether any inventories are expected to be sold at a value lower than the carrying amount.

Measurement of trade receivables

The Group and the Parent Company have recognised trade receivables totalling DKK 428,431 thousand and DKK 400,723 thousand, respectively, in the balance sheet at 31 December 2020. Trade receivables are measured at amortised cost less write-down for bad debt losses. The valuation of trade receivables involves significant estimates and assessments, and consequently, the area is key to our audit.

During our audit, we examined the Group's business procedures in the area, including credit rating of customers. We examined the age-specific analysis prepared by Management, obtained documentation evidencing payments received after the balance sheet date, examined on a sample basis payment patterns and verified documentation available for payment agreements. We also assessed the adequacy of disclosures on trade receivables, including write-downs, in note 17 in relation to the requirements of the International Financial Reporting Standards as adopted by the EU.

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act. Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclo-

tures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

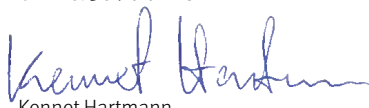
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation prohibits public disclosure of the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 25 February 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Kennet Hartmann
State Authorised Public Accountant
mne40036



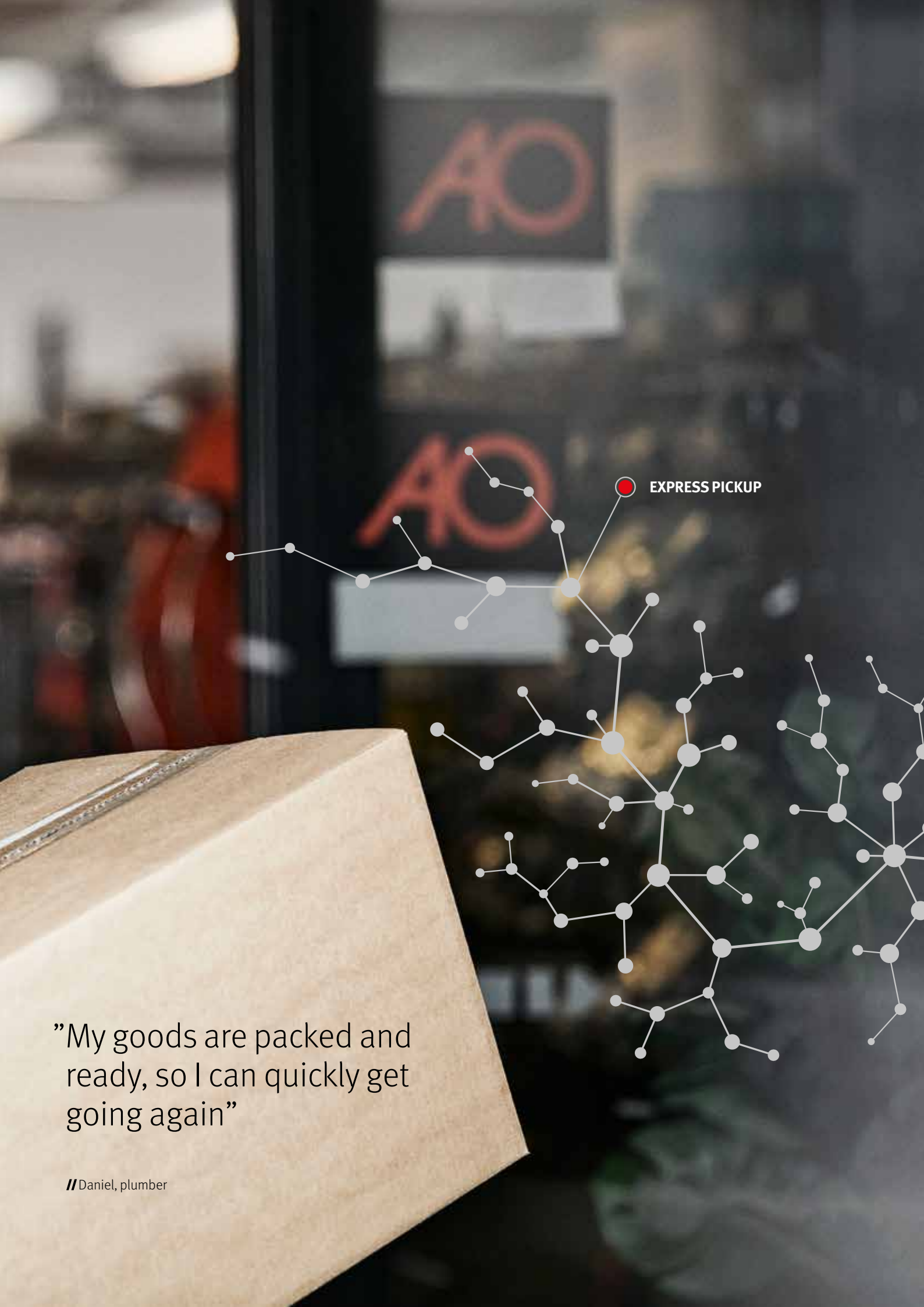
Majken Bech Larsen
State Authorised Public Accountant
mne46623

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

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2019	2020	NOTE:	2020	2019
3.274.382	3.831.704	3 Revenue	4.098.328	3.582.683
(2.537.929)	(2.995.945)	4 Cost of sales	(3.184.197)	(2.752.578)
736.453	835.759	Gross profit	914.131	830.105
0	0	5 Other operating income	282	472
736.453	835.759	Gross margin	914.413	830.577
(136.283)	(172.212)	6 External expenses	(192.366)	(165.382)
(347.718)	(366.080)	7 Staff costs	(393.806)	(383.569)
252.451	297.467	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	328.241	281.626
(128.409)	(130.032)	8 Depreciation and amortisation	(104.463)	(105.761)
124.043	167.435	Operating profit or loss (EBIT)	223.778	175.866
40.310	43.758	15 Subsidiaries' profit after tax	0	0
(1.000)	0	Write-down of financial assets	0	(1.000)
3.047	3.762	9 Financial income	3.929	2.366
(8.530)	(6.275)	10 Financial expenses	(6.942)	(8.794)
157.870	208.680	Profit or loss before tax (EBT)	220.765	168.437
(26.869)	(35.807)	11 Tax on profit or loss for the year	(47.892)	(37.437)
131.001	172.873	Net profit or loss for the year	172.873	131.001
		Other comprehensive income		
		Items which will be reclassified to the income statement		
(1.092)	3.378	Foreign currency translation adjustment relating to foreign entities	3.378	(1.092)
0	0	Tax on other comprehensive income	0	0
(1.092)	3.378	Other comprehensive income after tax	3.378	(1.092)
129.909	176.251	Total comprehensive income	176.251	129.909
		Proposal for the distribution of net profit		
16.800	42.000	Proposed dividend		
114.201	130.873	Retained earnings		
131.001	172.873			
		18 Earnings per share		
48	64	Earnings per share (EPS)		
48	64	Diluted earnings per share (EPS-D)		





EXPRESS PICKUP

”My goods are packed and ready, so I can quickly get going again”

// Daniel, plumber

BALANCE SHEET AS AT 31 DECEMBER

ASSETS

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2019	2020	NOTE:	2020	2019
Non-current assets				
12 Intangible assets				
258.269	327.617	Goodwill	384.932	384.932
41.477	43.794	Intellectual property rights	46.014	49.287
35.173	35.994	Software	36.036	35.566
<u>334.919</u>	<u>407.405</u>		<u>466.982</u>	<u>469.785</u>
13 Property, plant and equipment				
151.161	147.522	Land and buildings	652.048	649.324
3.707	3.368	Leasehold improvements	1.120	697
155.363	136.256	Fixtures and operating equipment	138.381	157.526
194.568	172.005	14 Right-of-use assets	61.513	71.884
<u>504.799</u>	<u>459.151</u>		<u>853.062</u>	<u>879.431</u>
Other non-current assets				
432.155	368.523	15 Investments in subsidiaries	0	0
<u>432.155</u>	<u>368.523</u>		<u>0</u>	<u>0</u>
1.271.873	1.235.079	Total non-current assets	1.320.044	1.349.216
Current assets				
423.115	448.757	4, 16 Inventories	478.002	458.969
366.870	400.723	17 Trade receivables	428.431	395.112
67.282	100.217	17 Receivables from subsidiaries	0	0
26.406	26.830	Other receivables	9.193	8.959
13.359	13.494	Prepayments and accrued income	14.332	14.015
69.718	85.913	Cash and short-term deposits	133.223	80.407
<u>966.749</u>	<u>1.075.934</u>	Total current assets	1.063.181	957.462
2.238.622	2.311.013	Total assets	2.383.225	2.306.678

BALANCE SHEET AS AT 31 DECEMBER

EQUITY AND LIABILITIES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2019	2020	NOTE:	2020	2019
		20 Equity		
28.000	28.000	Share capital	28.000	28.000
200.416	218.473	Reserve according to the equity method	0	0
24.710	25.399	Reserve for development costs	0	0
0	0	Reserve for foreign currency translation adjustments	879	(2.499)
600.376	716.375	Retained earnings	959.368	828.001
16.800	42.000	Proposed dividend for the financial year	42.000	16.800
870.302	1.030.247	Total equity	1.030.247	870.302
		Non-current liabilities		
27.010	21.339	21 Deferred tax	52.578	58.497
58.397	51.960	23 Credit institutions	199.281	215.355
134.182	115.938	14, 23 Lease liabilities	43.899	49.088
9.923	31.581	Frozen holiday pay	31.856	9.923
4.500	3.000	Other non-current liabilities	3.000	4.500
234.011	223.818	Total non-current liabilities	330.614	337.362
		Current liabilities		
277.661	97.171	23 Credit institutions	87.638	287.107
60.386	56.067	14, 23 Lease liabilities	17.614	22.796
678.081	793.099	23 Trade payables	826.419	704.652
51.490	38.483	Amounts owed to subsidiaries	0	0
0	0	Joint tax contribution	1.948	0
4.304	0	19 Corporation tax payable	3.759	8.393
1.816	1.216	Provisions for liabilities	1.216	1.816
60.571	70.912	22 Other payables	83.770	74.249
1.134.309	1.056.948	Total current liabilities	1.022.364	1.099.014
1.368.320	1.280.766	Total liabilities	1.352.978	1.436.376
2.238.622	2.311.013	Total equity and liabilities	2.383.225	2.306.678
		3 Segment information		
		25 Contingent liabilities, security, etc.		
		26-29 Notes without reference		

CASH FLOW STATEMENT

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2019	2020	NOTE:	2020	2019
		Cash flow from operating activities		
124.043	167.435	Operating profit or loss (EBIT)	223.778	175.866
128.409	130.032	8 Depreciation and amortisation	104.463	105.761
0	0	Other non-cash operating items, net	3.624	(501)
		Cash flow from operations before change in working capital	331.865	281.126
252.452	297.467			
		Change in inventories	(19.100)	(18.962)
(20.384)	(17.803)	Change in receivables	(33.542)	(26.690)
(21.865)	(33.423)	Change in trade payables and other current payables	155.668	110.763
106.013	145.771	Change in working capital	103.026	65.111
63.764	94.545			
316.216	392.012	Cash flow from operations	434.891	346.237
(4.563)	(1.436)	Net financials paid	(1.935)	(5.508)
(35.756)	(51.240)	Corporation tax paid	(57.573)	(37.980)
275.897	339.336	Cash flow from operating activities	375.383	302.749
		Cash flow from investing activities		
(18.305)	(23.505)	Purchase of intangible assets	(23.531)	(18.356)
(24.839)	(17.292)	Purchase of property, plant and equipment	(37.299)	(26.126)
10.368	(32.973)	Change in receivables from subsidiaries	0	0
(10.000)	(5.500)	24 Acquisition of enterprise	(5.500)	(8.254)
(42.776)	(79.270)	Cash flow from investing activities	(66.330)	(52.736)
		Cash flow from financing activities		
(158.937)	(186.965)	Repayment of debt to credit institutions	(215.543)	(171.195)
25.000	0	Raising of loans from credit institutions	0	25.000
(61.758)	(63.445)	Repayment of lease liabilities	(24.388)	(23.738)
(16.306)	(16.306)	Dividends paid	(16.306)	(16.306)
36.250	17.000	Dividends received	0	0
0	5.845	Adjustment related to previous years	0	0
(175.751)	(243.871)	Cash flow from financing activities	(256.237)	(186.239)
57.370	16.195	Cashflow for the year	52.816	63.774
12.348	69.718	Cash and short-term deposits at beginning of year	80.407	16.633
69.718	85.913	Cash and short-term deposits at end of year	133.223	80.407



”When I need a bit of input, the store personnel are there to help”

// Mogens, joiner

IN-STORE ADVICE



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

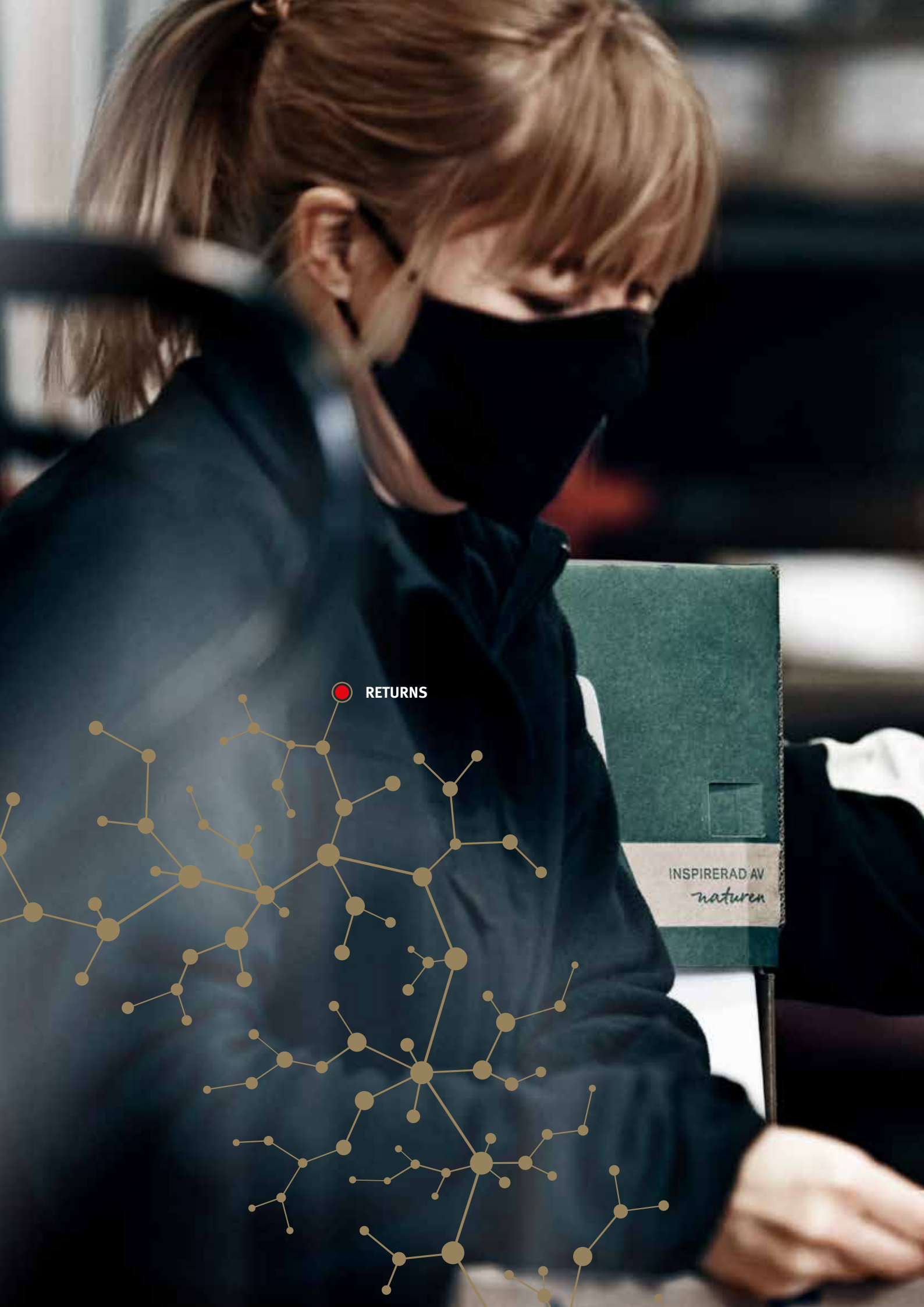
(All amounts are in DKK thousands)

	Share capital	Foreign currency translation adjustment	Proposed dividend for the year	Retained earnings	Total equity
Equity at 1 January 2020	28.000	(2.499)	16.800	828.001	870.302
Net profit for the year	0	0	42.000	130.873	172.873
Foreign currency translation adjustment	0	3.378	0	0	3.378
Total comprehensive income	0	3.378	42.000	130.873	176.251
Dividend distribution	0	0	(16.306)	0	(16.306)
Dividend, own shares	0	0	(494)	494	0
Total transactions with owners	0	0	(16.800)	494	(16.306)
Equity at 31 December 2020	28.000	879	42.000	959.368	1.030.247
Equity at 1 January 2019	28.000	(1.407)	16.800	713.306	756.699
Net profit for the year	0	0	16.800	114.201	131.001
Foreign currency translation adjustment	0	(1.092)	0	0	(1.092)
Total comprehensive income	0	(1.092)	16.800	114.201	129.909
Dividend distribution	0	0	(16.306)	0	(16.306)
Dividend, own shares	0	0	(494)	494	0
Total transactions with owners	0	0	(16.800)	494	(16.306)
Equity at 31 December 2019	28.000	(2.499)	16.800	828.001	870.302

COMPANY STATEMENT OF CHANGES IN EQUITY

(All amounts are in DKK thousands)

	Share capital	Equity method	Reserve for development costs	Proposed dividend for the year	Retained earnings	Total equity
Equity at 1 January 2020	28.000	200.416	24.710	16.800	600.376	870.302
Net profit for the year	0	43.758	0	42.000	87.115	172.873
Movement for the year	0	0	689	0	(689)	0
Foreign currency translation adjustment	0	3.378	0	0	0	3.378
Total comprehensive income	0	47.136	689	42.000	86.426	176.251
Movement due to merger		(12.079)			12.079	
Dividend distribution	0	0	0	(16.306)	0	(16.306)
Dividend own shares	0	0	0	(494)	494	0
Dividend received	0	(17.000)	0	0	17.000	0
Total transactions with owners	0	(29.079)	0	(16.800)	29.573	(16.306)
Equity at 31 December 2020	28.000	218.473	25.399	42.000	716.375	1.030.247
Equity at 1 January 2019	28.000	197.448	46.078	16.800	468.373	756.699
Net profit for the year	0	40.310	0	16.800	73.891	131.001
Movement for the year	0	0	(21.368)	0	21.368	0
Foreign currency translation adjustment	0	(1.092)	0	0	0	(1.092)
Total comprehensive income	0	39.218	(21.368)	16.800	95.259	129.909
Dividend distribution	0	0	0	(16.306)	0	(16.306)
Dividend own shares	0	0	0	(494)	494	0
Dividend received	0	(36.250)	0	0	36.250	0
Total transactions with owners	0	(36.250)	0	(16.800)	36.744	(16.306)
Equity at 31 December 2019	28.000	200.416	24.710	16.800	600.376	870.302



RETURNS

INSPIRERAD AV
naturen



”I can return the goods to the store closest to me. That’s a big help when I’m busy”

//Claus, electrician

NOTES

(All amounts are in DKK thousands)

NOTE:

1 ACCOUNTING POLICIES

Brødrene A & O Johansen A/S is a limited company domiciled in Denmark. The financial part of the annual report for the period 1 January to 31 December 2020 comprises both the consolidated financial statements of Brødrene A & O Johansen A/S and its subsidiaries (the Group) and separate annual financial statements for the parent company.

The consolidated financial statements of Brødrene A & O Johansen A/S for 2020 are presented in accordance with International Financial Reporting Standards (IFRS) as approved by the EU and additional disclosure requirements in the Danish Financial Statements Act.

On 25 February 2021, the Board of Directors and the Executive Board discussed and approved the annual report for 2020 for Brødrene A & O Johansen A/S. The annual report will be presented to the shareholders of Brødrene A & O Johansen A/S for approval at the annual general meeting on 19 March 2021.

BASIS OF PREPARATION

The annual report is presented in Danish kroner, rounded to the nearest DKK 1,000.

The annual report has been prepared in accordance with the historical cost principle except financial instruments presented at fair value.

The accounting policies as described below have been applied consistently throughout the financial year and to the comparative figures. For standards implemented prospectively, the comparative figures will not be restated.

CHANGES IN ACCOUNTING POLICIES

Effective as of 1 January 2020, Brødrene A & O Johansen A/S has implemented:

- Amendments to References to the Conceptual Framework in IFRS
- Amendments to IFRS 3 related to the definition of a business combination
- Amendments to IAS 1 and IAS 8 definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform
- Amendments to IFRS 16 COVID-19 related rent concessions.

The changed standards have had no effect on recognition and measurement in the annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements consist of the parent company Brødrene A & O Johansen A/S and subsidiaries in which Brødrene A & O Johansen A/S has a controlling influence.

The Group has a controlling influence over a company if the Group is exposed or entitled to variable returns from its involvement in the company and has the ability to influence these returns through its control over the company.

In assessing whether the Group exercises a controlling influence, account is taken of de facto control and potential voting rights, which are real and have substance at the balance sheet date.

A Group chart can be found in the Management Review.

The consolidated financial statements have been prepared as a summary of the parent company's and the individual subsidiaries' financial statements, prepared according to the Group's accounting policies, with intra-group income and expenses, shareholdings, internal balances and dividends, as well as realised and unrealised gains on transactions between the consolidated companies, all eliminated.

BUSINESS COMBINATIONS

Newly acquired or newly established companies are recognised in the consolidated financial statements as of the date of acquisition. Companies sold or liquidated are recognised in the consolidated financial statements as of the date of disposal. Comparative figures are not corrected for newly acquired companies. Discontinued activities are presented separately.

The acquisition method is applied when the Group acquires control over the newly acquired company. The acquired companies' identifiable assets, liabilities, and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they can be segregated or arise from a contractual right. Deferred tax is recognised on the revaluations made.

The acquisition date is the point at which control is actually gained over the acquired company.

Positive differences (goodwill) between the purchase price and the fair value of acquired identifiable assets, and the liabilities and contingent liabilities, are recognised as goodwill under intangible assets. Goodwill is not amortised but is tested for impairment at least annually. The first impairment test is performed before the end of the year of acquisition.

Upon acquisition, goodwill is allocated to cash-generating units, which subsequently form the basis for impairment testing. Negative differences (negative goodwill) are recognised in profit/(loss) for the year as at the acquisition date.

NOTES

(All amounts are in DKK thousands)

NOTE:

- 1 The purchase price for a company consists of the fair value of the agreed price. If parts of the purchase price are contingent on future events, this part of the price is recognised at fair value as at the acquisition date and is classified as either a financial liability or equity according to its content. A contingent purchase price, which is classified as a financial liability, is regularly remeasured at fair value and adjusted directly in the income statement.

Costs attributable to business combinations are recognised in profit/(loss) for the year when incurred.

If, at the time of acquisition, there is uncertainty about the measurement of the acquired identifiable assets, liabilities, and contingent liabilities, initial recognition takes place on the basis of preliminarily calculated fair values. If subsequently it turns out that identifiable assets, liabilities, and contingent liabilities had a different fair value at the time of acquisition than first assumed, goodwill is adjusted for up to 12 months after the acquisition. The effect of the adjustments is recognised in opening equity and the comparative figures are adjusted.

Gains or losses on the disposal or liquidation of subsidiaries are calculated as the difference between the sales price or the settlement amount, and the carrying amount of net assets including goodwill at the time of sale and costs of the sale or liquidation.

FOREIGN CURRENCY TRANSLATION

A functional currency is set for each of the reporting companies in the Group. The functional currency is the currency used in the primary economic environment in which each reporting company operates. Transactions in currencies other than the functional currency are foreign currency transactions.

Foreign currency transactions are initially translated into the functional currency at the exchange rate on the transaction date.

Receivables, payables, and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the time of the occurrence or recognition of the receivable or payable in the latest annual report is recognised in the income statement under financial items.

When recognised in the consolidated financial statements of companies with a functional currency other than Danish kroner, the income statements are translated at the exchange rate on the transaction date, and the balance sheet items are translated at the exchange rates at the balance sheet date. The average rate for the individual month in question is used for the exchange rate on the transaction date to the extent that this does not give a significantly different picture.

Exchange rate differences arising from the translation of the equity of these companies at the beginning of the year at the exchange rates at the balance sheet date and when translating income statements from average exchange rates to the exchange rates at the balance sheet date are recognised in other comprehensive income on a separate provision for exchange rate adjustments under equity.

Exchange rate adjustments of outstanding balances which are considered part of the total net investment in companies with a functional currency other than Danish kroner are recognised in the consolidated financial statements in other comprehensive income on a separate provision for exchange rate adjustments under equity.

Derivative financial instruments are recognised on the trade date and measured at fair value in the balance sheet. Positive and negative fair values of derivative financial instruments are included in other receivables and other payables, respectively, and the offsetting of positive and negative values is only made when the company is entitled to and intends to settle several financial instruments net. Fair values of derivative financial instruments are calculated on the basis of current market data and recognised valuation methods.

Hedge accounting is not used.

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue consist of the sale of merchandise that is recognised in the income statement. Revenue is recognised when the control of the individual identifiable delivery obligation is transferred to the customer, and if the income can be calculated reliably and is expected to be received. The recognised revenue is measured at the fair value of the agreed consideration excluding VAT and taxes, and after the deduction of discounts made in connection with the sale.

Revenue consists of contracts with a single delivery obligation, and where the individual components of the transaction price are separately identifiable.

Discounts are deducted from the consideration based on an estimate of the total discounts during the measurement period.

Cost of sales

Cost of sales consists of the cost price of goods sold during the financial year, as well as distribution costs, which are variable in direct relation to revenue.

External expenses

External expenses include costs for internal transport, administration, advertising and exhibition costs, etc., including costs for the operation of real estate and losses to debtors.

NOTES

(All amounts are in DKK thousands)

NOTE:

1 Financial income and expenses

Financial income and expenses include interest and realised and unrealised capital gains and losses, as well as write-downs on securities and debt, the amortisation of financial assets and liabilities, including supplements and reimbursements under the advance tax scheme, etc.

Borrowing costs from general or specific loans attributable to the construction period of qualifying assets are recognised at the cost price of the relevant assets.

Result of investments in subsidiaries

In the parent company's income statement, the proportionate share of the individual subsidiaries' profit/(loss) after tax is recognised after the full elimination of internal gains/losses.

Tax on profit/(loss) for the year

Brødrene A & O Johansen A/S is taxed jointly with all Danish subsidiaries as well as with the associated company Avenir Invest ApS.

The current Danish corporation tax is distributed by settling joint tax contributions between the jointly taxed companies in proportion to their taxable income. In connection with this, companies with a tax loss receive a joint tax contribution from companies that have been able to use these losses to reduce their own taxable profits. (Full distribution). The jointly taxed companies are included in the Danish Tax Prepayment Scheme.

Tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement for tax attributed to profit/(loss) for the year, and in equity for tax attributable to items directly in equity.

BALANCE SHEET

Intangible assets

Goodwill is initially recognised in the balance sheet at cost price as described under 'Business combinations'. Goodwill is subsequently measured at cost price 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. The determination of cash-generating units follows the management structure and internal financial management.

Rights are measured at cost price less accumulated amortisation and impairment losses. Rights are amortised on a straight-line basis over their expected useful life, for a maximum of 20 years.

Software is measured at cost price less accumulated amortisation and impairment losses. Software is amortised on a straight-line basis over its expected useful life, for a maximum of 10 years.

Property, plant and equipment, including leases

Land and buildings, leasehold improvements, operating equipment, and fixtures and fittings are measured at their cost price less accumulated depreciation and impairment losses.

The cost price consists of the acquisition price and costs directly related to the acquisition until the time when the asset is ready for use. The cost price of a total asset is divided into separate components, which are depreciated separately if the useful life of the individual component is different.

Subsequent costs, such as when replacing components of a tangible asset, are recognised in the carrying amount of the asset in question when it is probable that the holding will result in future economic benefits for the Group. All other general repair and maintenance costs are recognised in the income statement as they are incurred.

The assets are depreciated on a straight-line basis over its expected useful life, based on the following assessment of the expected life of assets:

- | | |
|-------------------------------------|--|
| • Buildings: | 50 years |
| • Installations: | 10 years |
| • Leasehold improvements: | Maximum 5 years |
| • Fixtures and operating equipment: | Normally 5 years. 10 years for mini-load storage systems and high bay systems. |

Land is not depreciated.

The basis for depreciation is calculated by taking into account the asset's scrap value and is reduced by any impairment losses. The depreciation period and the scrap value are determined at the time of acquisition and are reviewed annually. If the scrap value exceeds the carrying amount, depreciation ceases.

Gains and losses on the disposal of property, plant, and equipment are calculated as the difference between the sale price less selling costs and the carrying amount at the time of sale. Gains or losses are recognised in the income statement under depreciation.

NOTES

(All amounts are in DKK thousands)

NOTE:

1 Leases

Right-of-use assets and lease liabilities are recognised in the balance sheet at the time when a lease for a specific identifiable asset is made available to the Group for the lease term and when the Group obtains the right to most of the financial benefits from the use of the identified asset and the right to decide the use of the identified asset.

On initial recognition, lease liabilities are measured at the present value of future lease payments using the incremental borrowing rate as the discount factor. The following lease payments are recognised as part of the lease liability:

- Fixed payments.
- Changes in variable lease payments which fluctuate with changes in an index or interest rate based on the current index or interest rate.
- Amounts payable under a residual value guarantee.
- The exercise price of call options reasonably certain to be exercised by the Group.
- Payments made in periods covered by an option to extend the lease which the Group is reasonably certain to exercise.
- Penalties related to a termination option, unless the Group is reasonably certain not to exercise the option.

Lease liabilities are measured at amortised cost using the effective interest rate method. A remeasurement is made when changes in the cash flow as a result of changes in an index or interest rate is identified, if the estimate of a residual guarantee is changed or if the Group is changing the assessment of whether it is reasonably certain to exercise an extension or termination option, or a call option.

Initially right-of-use assets are recognised at cost which is equal to the lease liabilities adjusted for prepaid lease payments and estimated cost of demolition, repairs etc less received discounts or other types of incentive payments from lessor.

Subsequently, right-of-use assets are measured at cost less accumulated depreciation. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the right-of-use asset. The depreciation is recognised on a straight-line basis in the income statement.

Adjustments are made to the right-of-use asset in case of changes in the lease liability due to changes in the conditions of the leases or changes in the cash flow from fluctuations in an index or an interest rate.

The right-of-use 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.

Right-of-use assets and leasing liabilities are presented separately in the Group's balance sheet.

The Group has chosen not to recognise leases with a term of less than 12 months or a present value of less than DKK 30,000 instead lease payments are recognised on a straight-line basis in the income statement.

Furthermore, the Group has chosen to determine a discount rate on a portfolio of lease agreements with uniform characteristics.

Investments in subsidiaries in the parent company's financial statements

Investments in subsidiaries are measured according to the equity method.

Investments in subsidiaries are measured at the proportionate share of the companies' net worth calculated according to the Group's accounting policies with the addition or deduction of unrealised intra-group profits and losses, and the addition or deduction of the remaining value of positive or negative goodwill calculated according to the acquisition method.

Impairment of non-current assets

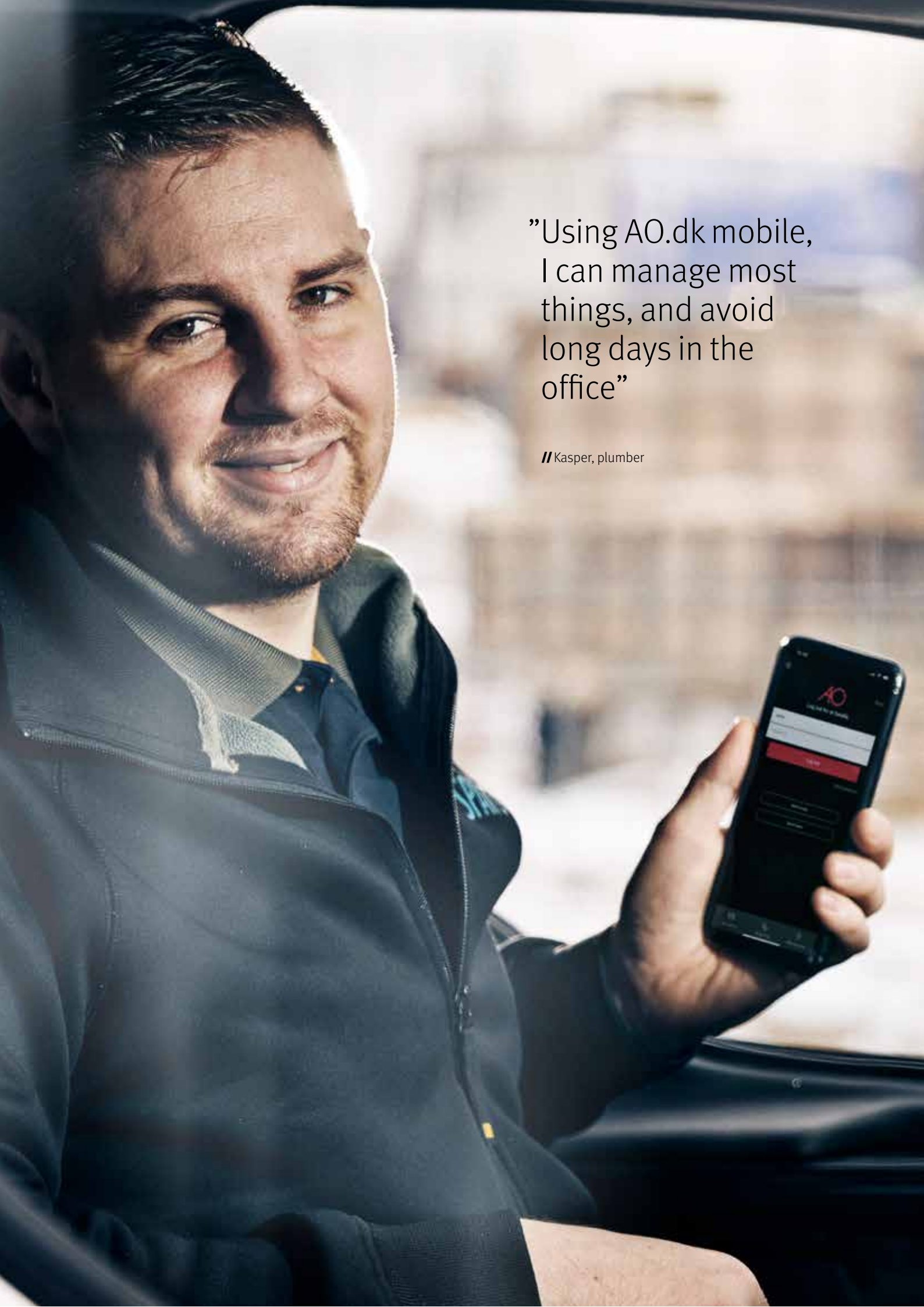
Goodwill and intangible assets with indefinite useful lives are tested annually for impairment, the first time before the end of the year of acquisition.

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 over the income statement if the carrying amount is higher than the recoverable amount.

The recoverable amount is generally calculated as the present value of the expected future net cash flow from the activity to which goodwill is linked. The impairment of goodwill is recognised in a separate item in the income statement.

Deferred tax assets are assessed annually and recognised only to the extent that it is probable that they will be utilised.

The carrying amount of the other non-current assets is assessed annually to determine whether there is any indication of impairment. When such an indication is present, the asset's recoverable amount is calculated. The recoverable amount is the asset's fair value less the expected cost of disposal or net present value. The net present value is calculated as the present value of expected future cash flows from the asset or the cash-generating unit which the asset is part of.

A man with short dark hair and a light beard is sitting in the driver's seat of a car. He is wearing a dark blue or black jacket over a grey shirt. He is looking towards the camera with a slight smile. In his left hand, he holds a black smartphone. The phone's screen displays the AO.dk mobile application interface, which includes a red 'AO' logo at the top, a white input field, a red button, and several other UI elements. The background is a blurred view of a city street through the car window.

”Using AO.dk mobile,
I can manage most
things, and avoid
long days in the
office”

//Kasper, plumber



AO.DK MOBILE ON THE ROAD

NOTES

(All amounts are in DKK thousands)

NOTE:

- 1 An impairment loss is recognised when the carrying amount exceeds the asset's recoverable amount. Impairment losses are recognised in the income statement under depreciation.

Impairment losses on goodwill are not reversed. Impairment losses on other assets are reversed to the extent that changes have occurred in the assumptions and estimates that led to the impairment. Impairment losses are reversed only to the extent that the new carrying amount does not exceed the carrying amount after depreciation if an impairment loss has not been recognised for the asset.

Inventories

Inventories are measured at cost price, which is calculated on the basis of average prices. If the net realisable value is lower than the cost price, an impairment loss is made to the net realisable value.

The cost price includes the acquisition price plus the cost of repatriation.

The net realisable value is calculated as the expected sale price less costs to execute the sale and is determined on the basis of marketability, obsolescence, and expected development in the sales price.

Receivables

Receivables are measured at their amortised cost price. Impairment to counter losses is conducted according to the simplified expected credit loss model, after which the total loss is recognised immediately in the income statement at the same time as the receivable is recognised in the balance sheet on the basis of the expected loss over the total life of the receivable.

Prepayments

Prepayments recognised under assets consist of costs paid for subsequent financial years and are measured at cost price.

Equity

Dividend

Proposed dividend is recognised as a liability at the time of adoption at the annual general meeting. Dividend that is expected to be paid for the year is shown as a separate item under equity.

Own shares

Acquisition and disposal amounts and dividends for own shares are recognised directly in retained earnings under equity. Gains and losses on sales are thus not recognised in the income statement.

Proceeds from the sale of own 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 consists of exchange rate differences arising on translation of the financial statements of foreign companies from their functional currency to DKK.

Employee benefits

The Group has entered into agreements to provide defined contribution pension schemes for the majority of the Group's employees.

Liabilities relating to defined contribution pension schemes for which the Group regularly pays fixed pension contributions to independent pension companies are recognised in the income statement during the period in which they are earned, and payments due are recognised in the balance sheet under other liabilities.

Share options are measured at fair value at the date of issue and are recognised in the income statement under staff costs. The counter item is recognised directly in equity. The fair value of the granted share options is calculated using the option price model (Black & Scholes).

Corporation tax and deferred tax

Current tax liabilities and receivables are recognised in the balance sheet as calculated tax on taxable income for the year, adjusted for tax on previous years' taxable income and tax paid on account.

Deferred tax is measured according to the balance sheet liability method of all temporary differences between the net asset value and tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to non-deductible goodwill and other items where temporary differences - other than business acquisitions - have arisen at the time of acquisition without affecting profit/(loss) or taxable income.

Deferred tax is measured on the basis of the tax rules and at the tax rate that will apply as per the legislation on the balance sheet date when the tax liability is expected to be triggered as current tax. Changes in deferred tax as a result of changes in the tax rate are recognised in the income statement.

Deferred tax assets are recognised under non-current assets at the value that is expected to be realised, either by set-off against deferred tax liabilities or by offsetting tax on future earnings.

NOTES

(All amounts are in DKK thousands)

NOTE:

1 Financial liabilities

Debt to mortgage-credit institutions and credit institutions is recognised at the time of borrowing at the value of the proceeds received less transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost corresponding to the capitalised value using the effective interest rate, so that the difference between the proceeds and the nominal value is recognised in the income statement over the loan period.

Financial liabilities also include the capitalised residual lease obligation on finance leases, measured at their amortised cost price.

Other payables, which include debt to suppliers, are measured at their amortised cost price, and other liabilities at net realisable value.

Accruals and deferred income

Accrued expenses recognised under liabilities consist of deferred income and are measured at their cost price.

CASH FLOW STATEMENT

The cash flow statement shows cash flows from operating, investing, and financing activities for the year, the change in cash and cash equivalents for the year, and cash and cash equivalents at the beginning and end of the year.

The liquidity effect of business acquisitions and sales is shown separately under cash flow from investing activities. Cash flow from acquired companies is recognised in the cash flow statement from the date of acquisition, and cash flows from sold companies are recognised up to the point of sale

Cash flow from operating activities

Cash flows from operating activities are calculated as profit/(loss) before tax adjusted for non-cash operating items, changes in working capital, interest received and paid, and corporate taxes paid.

Cash flow from investing activities

Cash flows from investing activities include payments in connection with: the purchase and sale of companies and activities; the purchase and sale of intangible, tangible, and other non-current assets; and the purchase and sale of securities that are not included as cash and cash equivalents.

The conclusion of finance leases is considered a non-cash transaction.

Cash flow from financing activities

Cash flows from financing activities include changes in the size or composition of share capital and related costs, as well as the raising of loans, the repayment of interest-bearing debt, the purchase and sale of own shares, and the payment of dividends to shareholders.

Cash flows from assets held under finance leases are recognised as the payment of interest and repayment of debt.

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term deposits.

Segment information

The Group's activities relating to the trade of 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) are operated in an integrated manner and assessed as a total operating segment.

Financial ratios

Financial ratios have been prepared in accordance with IAS 33 and the CFA Society Denmark's 'Recommendations and Financial Ratios'.

When presenting figures, parentheses are used to indicate negative results and deductions.

NOTES

(All amounts are in DKK thousands)

NOTE:

2 SIGNIFICANT ESTIMATED UNCERTAINTIES AND ASSUMPTIONS

When calculating the carrying amount of certain assets and liabilities, estimates are made of how future events affect the value of these assets and liabilities at the balance sheet date.

The estimates and assumptions may have a significant effect on the financial reporting and can be categorised as significant accounting judgements or significant accounting estimates and assumptions.

The estimates made are based on historical experience and other factors that the management considers reasonable in the circumstances, but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. Furthermore, the company is subject to risks and uncertainties that may cause actual results to differ from those estimates.

It may be necessary to change previous estimates due to changes in the circumstances underlying them or due to new knowledge or subsequent events.

Significant accounting judgements, estimates and assumptions

Significant accounting estimates and judgements include assumptions and estimates of the future and other uncertainty, that could potentially affect the company within the next 12 months. Estimates that are material to the financial reporting are made, inter alia, by valuing the impairment testing of goodwill, receivables, and inventories and by calculating depreciation and impairment.

Land and buildings

AO's properties are primarily used in connection with the Group's operating activities. Fluctuations in the market value of the properties will not affect their use nor thus the accounting valuation.

A change of use of AO's properties could affect the carrying amount.

Impairment testing for goodwill and other intangible assets

In the annual impairment tests of intangible assets, including goodwill and rights, estimates are made of how the parts of the business (cash-generating units) to which goodwill and rights are attributed will be able to generate sufficient positive net cash flows in the future to support the value of the goodwill and rights.

Due to the nature of the business, expected cash flows must be estimated for many years to come, leading to some uncertainty. This uncertainty is reflected by the chosen discount rate.

Impairment testing and the special sensitive conditions in this regard are described in more detail in note 12.

Receivables

Estimates are used when assessing the probability of receivables. Due to the financial situation in society, the risk of losses on doubtful receivables remains high, which has been taken into account when assessing new customers, by way of impairment losses at the balance sheet date, and in the day-to-day governance and control of the receivables as described in note 26.

Inventories

The estimated uncertainty of inventories relates primarily to slow-moving goods and thus to impairment to the net realisable value.

Impairment requirements are continuously assessed on inventories based on historical sales and the assessment of future sales.

NOTES

(All amounts are in DKK thousands)

COMPANY		CONSOLIDATED	
2019	2020 NOTE:	2020	2019

3 Segment information

The Group's activities relating to the trade of 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 and corporate customers are operated in an integrated manner and assessed as a total operating segment.

According to IFRS 15, the 2020 revenue can be categorised as Technical Installation of DKK 2,969.1 million (2019: DKK 2,578.0 million) and Construction of DKK 1,129.2 million (2019: DKK 1,004.7 million).

Revenue from the professional segment amounts to DKK 3,502.4 million (2019: DKK 3,139.2 million) and revenue from the private segment amounts to DKK 595.9 million (2019: DKK 443.5 million).

Online sales (PC, tablet and smartphone) amount to DKK 1,859.4 million (2019: DKK 1,426.8 million).

Geographical information

The Group operates primarily in Denmark. International revenue amounts DKK 346.9 million (2019: DKK 322.9 million) or less than 10% of the total Group's revenue relates to foreign countries, and the same applied in 2019.

Major customers

Just as in 2019, the Group has not traded with any individual customer representing more than 10% of the Group's total revenue for 2020.

Essential conditions

No credit is allowed to customers on the private market. B2B sales are made on short term and therefore no difference between revenue and cash flows is recognized.

As a wholesaler, Brødrene A & O Johansen A/S does not have any substantial warranty obligations, and the return obligations are considered immaterial.

There are no significant estimates other than the recognition of bonus which is based on an estimated annual discount rate.

4 Cost of sales

(2.431.673)	(2.882.651)	Cost of goods purchased during the year	(3.047.419)	(2.631.708)
(115.050)	(144.354)	Distribution costs	(159.703)	(134.522)
(2.546.722)	(3.027.005)		(3.207.122)	(2.766.230)
		Change in inventories:		
402.731	423.115	Inventory at the beginning of the year	458.969	435.364
14.630	1.712	Change in cost during the year	1.580	14.620
(3.039)	(7.130)	Inventory writedown, net	(5.472)	(4.667)
423.115	448.757	Inventory at the end of the year	478.002	458.969
8.793	31.060	Change in inventory for the year	22.925	13.652
(2.537.929)	(2.995.945)	Cost of sales for the year	(3.184.197)	(2.752.578)

”Express delivery is just great for me. If I need anything, I can avoid having to drive over there, and can just continue working”

//Andreas, plumber





STRAKSLEVERING
- fra din lokale grossist

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2019	2020 NOTE:		2020	2019
		5 Other operating income		
		The item includes property rental income.		
		6 External expenses		
		Remuneration for the auditor elected by the annual general meeting:		
		Total remuneration may be specified as follows:		
(838)	(680)	Statutory audit	(1.004)	(1.203)
(86)	(117)	Tax and VAT related advisory services	(117)	(90)
(166)	(598)	Other services	(604)	(226)
(1.090)	(1.395)		(1.725)	(1.519)
		7 Staff costs		
(320.120)	(335.882)	Wages and salaries	(358.594)	(349.470)
(22.590)	(23.494)	Pension contributions	(24.924)	(25.085)
(3.531)	(4.224)	Other social security costs	(7.799)	(7.488)
(1.477)	(2.480)	Other staff expenses	(2.489)	(1.526)
(347.718)	(366.080)		(393.806)	(383.569)
		Wages and salaries include remuneration for:		
(2.250)	(2.250)	Board of Directors	(3.225)	(3.225)
(22.037)	(22.466)	Executive Board	(22.466)	(22.037)
(2.670)	(2.557)	Pension contributions	(2.557)	(2.670)
(26.957)	(27.273)		(28.248)	(27.932)
668	690	Average number of full-time employees	741	734

The Group only has defined contribution plans.

The increase in full time employees for the Company is driven by the merger between Brødrene A & O Johansen A/S and Greenline A/S in 2020.

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. There are no unexercised share options at 31 December 2020.

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2019	2020	NOTE:	2020	2019
		8 Depreciation and amortisation		
(27.332)	(26.179)	Intangible assets	(26.307)	(27.995)
(39.311)	(40.411)	Property, plant and equipment	(53.846)	(54.042)
(21.604)	(23.291)	Right-of-use assets, external	(24.388)	(23.738)
(40.154)	(40.154)	Right-of-use assets, subsidiaries	0	0
(7)	2	Gains/losses from the disposal of assets	78	14
(128.409)	(130.032)		(104.463)	(105.761)
		9 Financial income		
1.626	1.400	Interest income from current assets	1.507	1.665
643	324	Interest income from subsidiaries	0	0
777	2.037	Foreign exchange gains, net	2.422	701
3.047	3.762		3.929	2.366
		10 Financial expenses		
(5.329)	(3.538)	Interest expenses on liabilities	(5.099)	(6.769)
(543)	(599)	Expenses, lease liabilities, external	(596)	(577)
(1.026)	(1.027)	Expenses, lease liabilities, subsidiaries	0	0
(920)	0	Other financial expenses	0	(1.067)
(182)	(1.111)	Other interest expenses	(1.247)	(382)
(530)	0	Interest expense to subsidiaries	0	0
(8.530)	(6.275)		(6.942)	(8.794)
		11 Tax on profit or loss for the year		
(29.460)	(43.496)	Current tax for the year	(54.963)	(39.907)
0	778	Adjustment related to previous years	1.113	(7)
(29.460)	(42.718)		(53.850)	(39.913)
2.591	6.911	Adjustment of deferred tax for the year	6.300	2.470
0	0	Adjustment of deferred tax for previous years	(342)	7
(26.869)	(35.807)	Total	(47.892)	(37.437)
		Tax on profit/loss for the year can be explained as follows:		
		Calculated tax on profit/loss before tax, not incl.		
(25.865)	36.520	subsidiaries' profits	48.588	(36.414)
		Tax effect of:		
0	(29)	Non-taxable income	(29)	10
(1.004)	94	Other non-deductible costs	103	(1.032)
0	(778)	Adjustment of tax for previous years	(770)	(1)
(26.869)	35.807		47.892	(37.437)
22,9%	21,7%	Effective tax rate	21,7%	22,2%
(35.756)	(51.240)	Taxes paid during the financial year	(57.573)	(37.980)

NOTES

(All amounts are in DKK thousands)

COMPANY				CONSOLIDATED				
				NOTE:				
Intellectual property			12 Intangible assets			Intellectual property		
Goodwill	rights	Software			Goodwill	rights	Software	
258.269	52.123	245.782	Cost at 1 January 2020		384.932	61.766	252.160	
0	0	0	Foreign currency translation adjustment		0	0	0	
0	0	0	Reclassification		0	0	0	
69.348	6.165	2.596	Additions from merger		0	0	0	
0	0	23.505	Additions during the year		0	0	23.531	
0	0	0	Disposals during the year		0	0	0	
327.617	58.288	271.883	Cost at 31 December 2020		384.932	61.766	275.691	
0	(10.647)	(210.609)	Amortisation and depreciation at 1 January 2020		0	(12.479)	(216.594)	
0	0	(1)	Foreign currency translation adjustment		0	(1)	(26)	
0	0	0	Reclassification		0	(308)	308	
0	(1.001)	(1.946)	Additions from merger		0	0	0	
0	(2.846)	(23.333)	Amortisation and depreciation for the year		0	(2.964)	(23.343)	
0	0	0	Disposals during the year		0	0	0	
0	(14.494)	(235.889)	Amortisation and depreciation at 31 December		0	(15.752)	(239.655)	
327.617	43.794	35.994	Carrying amount at 31 December 2020		384.932	46.014	36.036	
Intellectual property			Intellectual property			Intellectual property		
Goodwill	rights	Software			Goodwill	rights	Software	
258.269	52.123	227.477	Cost at 1 January 2019		371.334	59.397	233.459	
0	0	0	Foreign currency translation adjustment		0	0	2	
0	0	0	Reclassification		0	0	343	
0	0	18.305	Additions during the year		13.598	2.369	18.356	
0	0	0	Disposals during the year		0	0	0	
258.269	52.123	245.782	Cost at 31 December 2019		384.932	61.766	252.160	
0	(7.985)	(185.939)	Amortisation and depreciation at 1 January 2019		0	(9.788)	(191.291)	
0	0	0	Foreign currency translation adjustment		0	0	0	
0	0	0	Reclassification		0	0	0	
0	(2.662)	(24.670)	Amortisation and depreciation for the year		0	(2.691)	(25.303)	
0	0	0	Disposals during the year		0	0	0	
0	(10.647)	(210.609)	Amortisation and depreciation at 31 December 2018		0	(12.479)	(216.594)	
258.269	41.477	35.173	Carrying amount at 31 December 2019		384.932	49.287	35.566	

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

NOTES

(All amounts are in DKK thousands)

NOTE:

12 Intangible assets (continued)

Goodwill

At 31 December 2020, 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:

	Goodwill	Pre-tax WACC	Terminal growth rate
AO Danmark	324.510	10 %	1,5 %
AO Sverige	46.824	10 %	1,5 %
LampeGuru ApS	13.598	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 2021 and forecasts for 2022-2025 approved by Management, an unchanged discount rate and a terminal growth rate as in 2020. 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 Danmark and AO Sverige expect that profit margins and market shares will be at the same level as in 2020, and that the recoverable amount will be considerably higher than the carrying amount.

Until 2025 LampeGuru ApS expects an average annual growth of 6%, which is lower than the expected growth in online sales in general. Earnings are expected to be at the same level as in 2020, and therefore the recoverable amount is higher than the carrying amount.

Development costs

Development costs are included in "Software". The net value of capitalised development costs may be illustrated as follows:

Consolidated/Company	2020		2019	
	Completed	Work in progress	Completed	Work in progress
Cost at 1 January	72.837	538	55.653	149
Additions during the year	19.557	1.302	17.035	538
Transfer	538	(538)	149	(149)
Cost at 31 December	92.932	1.302	72.837	538
Amortisation and depreciation at 1 January	(41.696)	0	(24.134)	0
Amortisation and depreciation for the year	(19.976)	0	(17.562)	0
Amortisation and depreciation at 31 December	(61.672)	0	(41.696)	0
Carrying amount at 31 December	31.260	1.302	31.141	538



”It’s great getting qualified help when there’s a problem”

// Milan, private customer

GREENLINE’S CUSTOMER SERVICE



NOTES

(All amounts are in DKK thousands)

COMPANY			NOTE:	CONSOLIDATED		
13 Property, plant and equipment						
Land and buildings	Leasehold improvements	Fixtures and operating equipment		Land and buildings	Leasehold improvements	Fixtures and operating equipment
188.216	12.472	390.357	Cost at 1 January 2020	842.951	9.252	407.568
0	0	0	Foreign currency translation adjustment	545	17	33
0	0	31	Additions from merger	0	0	0
0	0	0	Reclassification	(297)	297	0
90	577	16.625	Additions during the year	19.515	577	17.208
0	0	0	Disposals during the year	0	0	(291)
188.306	13.049	407.013	Cost at 31 December 2020	862.714	10.143	424.518
(37.055)	(8.765)	(234.994)	Amortisation and depreciation at 1 January 2020	(193.628)	(8.555)	(250.042)
0	0	21	Foreign currency translation adjustment	0	0	(24)
0	0	0	Reclassification	(510)	510	0
0	0	(18)	Additions from merger	0	0	0
(3.729)	(916)	(35.766)	Amortisation and depreciation for the year	(16.527)	(978)	(36.341)
0	0	0	Disposals during the year	0	0	270
(40.784)	(9.681)	(270.757)	Amortisation and depreciation at 31 December 2020	(210.665)	(9.023)	(286.137)
147.522	3.368	136.256	Carrying amount at 31 December 2020	652.048	1.120	138.381
Land and buildings	Leasehold improvements	Fixtures and operating equipment		Land and buildings	Leasehold improvements	Fixtures and operating equipment
188.120	8.662	369.431	Cost at 1 January 2019	839.281	9.053	386.468
0	0	0	Foreign currency translation adjustment	(254)	0	0
0	0	0	Reclassification	0	0	(343)
96	3.810	20.949	Additions during the year	3.924	199	22.159
0	0	(23)	Disposals during the year	0	0	(716)
188.216	12.472	390.357	Cost at 31 December 2019	842.951	9.252	407.568
(33.330)	(8.243)	(199.930)	Amortisation and depreciation at 1 January 2019	(175.478)	(8.536)	(214.751)
0	0	0	Foreign currency translation adjustment	(8)	0	0
0	0	0	Reclassification	0	0	0
(3.725)	(522)	(35.064)	Amortisation and depreciation for the year	(18.142)	(19)	(35.881)
0	0	0	Disposals during the year	0	0	590
(37.055)	(8.765)	(234.994)	Amortisation and depreciation at 31 December 2019	(193.628)	(8.555)	(250.042)
151.161	3.707	155.363	Carrying amount at 31 December 2019	649.323	697	157.526

NOTES

(All amounts are in DKK thousands)

COMPANY			NOTE:	CONSOLIDATED		
14 Right-of-use assets and lease liabilities						
Land and buildings	Fixtures and operating equipment	Total	Right-of-use assets	Land and buildings	Fixtures and operating equipment	Total
177.125	17.443	194.568	Balance at 1 January 2020	53.629	18.255	71.884
0	0	0	Foreign currency translation adjustment	16	10	26
9.532	5.306	14.838	Additions during the year	3.150	5.773	8.923
(1.281)	(733)	(2.014)	Disposals during the year	(1.281)	(733)	(2.014)
28.058	0	28.058	Remeasurement of lease liability	7.082	0	7.082
(54.900)	(8.545)	(63.445)	Amortisation and depreciation for the year	(15.389)	(8.999)	(24.388)
158.534	13.471	172.005	Carrying amount at 31 December 2020	47.207	14.306	61.513
Land and buildings	Fixtures and operating equipment	Total	Right-of-use assets	Land and buildings	Fixtures and operating equipment	Total
0	0	0	Balance at 1 January 2019	0	0	0
230.805	19.775	250.580	Effect, transition to IFRS16 at 1 January 2019	68.775	21.133	89.908
0	5.937	5.937	Additions during the year	0	5.937	5.937
0	(191)	(191)	Disposals during the year	0	(223)	(223)
(53.680)	(8.078)	(61.758)	Amortisation and depreciation for the year	(15.146)	(8.592)	(23.738)
177.125	17.443	194.568	Carrying amount at 31 December 2019	53.629	18.255	71.884

NOTES

(All amounts are in DKK thousands)

COMPANY

CONSOLIDATED

NOTE:

14 Right-of-use assets and lease liabilities (continued)

2019	2020	Lease liabilities	2020	2019
		Maturity of lease liabilities		
63.360	63.673	0-1 year	22.233	23.566
119.515	105.289	1-5 years	42.541	41.504
22.172	19.972	>5 years	6.723	9.950
205.047	188.934	Total un-discounted lease liabilities at 31 December 2019	71.497	75.020
60.386	56.067	Short-term lease liabilities, less than 1 year	17.614	22.796
134.182	115.938	Long-term lease liabilities, more than 1 year	43.899	49.088
194.568	172.005	Lease liabilities recognised in the balance sheet	61.513	71.884
		Amounts recognised in the income statement		
(1.570)	(3.538)	Interest expenses on lease liabilities	(596)	(577)
(61.758)	(63.445)	Depreciation related to right-of-use assets	(24.388)	(23.738)
(63.328)	(66.983)	Total	(24.985)	(24.315)

NOTES

(All amounts are in DKK thousands)

NOTE:

15 Investments in subsidiaries (Company)

	2020	2019
Cost at 1 January	231.740	214.240
Additions during the year	0	17.500
Disposal due to merger	(80.612)	0
Cost at 31 December	151.128	231.740
Value adjustment at 1 January	200.416	197.448
Disposal due to merger	(12.079)	0
Dividends	(17.000)	(36.250)
Foreign currency translation adjustments	2.301	(1.092)
Subsidiaries' results	43.758	40.310
Value adjustment at 31 December	217.395	200.416
Carrying amount at 31 December	368.523	432.155

2019	2020		
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 %	VVSochBAD Sverige AB	Sweden
100 %	100 %	Billig VVS AS	Norway
100 %	100 %	LampeGuru ApS	Denmark


16 Inventories

COMPANY		Consolidated	
2019	2020	2020	2019
847	8.718	8.845	1.015

Carrying amount of inventories recognised at net selling price





LAVPRIS VVS 

”When I decide to buy something, it’s important that I can get it quickly and cheaply”

// Filip, private customer

NOTES

(All amounts are in DKK thousands)

NOTE:

17 Trade receivables

Trade receivables consist of sale of goods to business customers and which, in essence, have the same risk profile. Provisions for bad debts are made in accordance with the simplified expected credit loss model, taking into account AO's credit policy and debt collection procedure.

Calculated on the basis of a weighted loss ratio, the Group's expected credit losses on trade receivables are as follows:

CONSOLIDATED	Loss ratio	2020		Total
		Receivable amount	Expected loss	
Not yet due	2,5%	416.889	(10.597)	406.292
Due within 1-30 days	3,9%	19.303	(755)	18.548
Due within 31-60 days	49,0%	1.035	(507)	528
Due in more than 60 days	88,4%	26.378	(23.315)	3.063
Total at 31 December 2020		463.605	(35.174)	428.431

CONSOLIDATED	Loss ratio	2019		Total
		Receivable amount	Expected loss	
Not yet due	0,2%	380.368	(590)	379.778
Due within 1-30 days	4,1%	14.774	(604)	14.170
Due within 31-60 days	42,4%	1.195	(507)	688
Due in more than 60 days	97,8%	21.287	(20.811)	476
Total at 31 December 2019		417.624	(22.512)	395.112

COMPANY	Loss ratio	2020		Total
		Receivable amount	Expected loss	
Not yet due	2,7%	395.518	(10.523)	384.995
Due within 1-30 days	5,0%	13.774	(692)	13.082
Due within 31-60 days	50,3%	608	(306)	302
Due in more than 60 days	90,7%	25.156	(22.812)	2.344
Total at 31 December 2020		435.056	(34.333)	400.723

COMPANY	Loss ratio	2019		Total
		Receivable amount	Expected loss	
Not yet due	0,2%	358.132	(588)	357.544
Due within 1-30 days	6,8%	8.808	(599)	8.209
Due within 31-60 days	54,3%	929	(504)	425
Due in more than 60 days	96,6%	20.633	(19.941)	692
Total at 31 December 2019		388.502	(21.632)	366.870

Historically, the Group has incurred no losses on receivables from subsidiaries, and is not expected to going forward.

In 2020 an additional bad debt provision of DKK 8 million has been recognised. The provision is related to perceived increased risk on trade receivables as a result of the COVID-19 pandemic. The provision has been fully allocated to the part of trade receivables that is not yet due.

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2019	2020 NOTE:		2020	2019
17 Trade receivables (continued)				
Provision for losses on receivables:				
15.465	17.575	Provision for losses on receivables at 1 January excl. VAT	18.455	17.736
(3.377)	(1.932)	Realised loss during the year	(1.967)	(4.524)
5.487	13.994	- use of previous provision	13.990	5.243
		Adjustment of provisions for losses		
17.575	29.637	Provision for losses on receivables at 31 December	30.478	18.455
(223)	(226)	Recognised previously written-off receivables	(227)	(223)
12	140	Losses recognised in the year and not previously provided for	140	314
5.276	13.908	Operating effect, net from loss and provision for losses on receivables	13.903	5.334
18 Earnings per share				
131.001	172.873	Net profit or loss for the year		
2.800.000	2.800.000	Average number of shares in circulation		
(82.390)	(82.390)	Average number of own shares		
2.717.610	2.717.610	Average number of shares in circulation		
0	0	The average dilution effect of outstanding share options		
2.717.610	2.717.610	Diluted average number of outstanding share options		
48	64	Earnings per share (EPS) of DKK 10.		
48	64	Diluted earnings per share (EPS-D) of DKK 10		
19 Corporation tax receivable/payable				
31.240	0	Corporation tax paid on account during the year	4.742	33.356
(35.544)	0	Tax on taxable profit for the year	(6.044)	(39.907)
0	0	Tax payable relating to previous years	(2.457)	(1.842)
(4.304)	0	Total corporation tax receivable/payable	(3.759)	(8.393)

NOTES

(All amounts are in DKK thousands)

NOTE:

20 Equity

Capital management

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 2020, the equity share of total equity and liabilities amounted to 43.2% (2019: 37.7%). The target is to obtain an equity ratio of approximately 40%. Capital is managed for the Group as a whole.

The share capital consists of the following classes:

Ordinary share capital:

440 shares of	DKK 100 each	44.000
2340 shares of	DKK 400 each	936.000
180 shares of	DKK 500 each	90.000
220 shares of	DKK 1,000 each	220.000
870 shares of	DKK 5,000 each	4.350.000
		<u>5.640.000</u>

Preference share capital:

2,236,000 shares of	DKK 10 each	<u>22.360.000</u>
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Total share capital

28.000.000

Of the Company's share capital of DKK 28,000,000 DKK 5,640,000 is in the form of ordinary shares and DKK 22,360,000 is in the form of preference shares. Each ordinary share of DKK 100 carries 100 votes whereas each preference share of DKK 10 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.

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.

Own shares	Number of shares		Nominal value (DKK thousands)		% of share capital	
	2020	2019	2020	2019	2020	2019
1 January	82.390	82.390	824	824	2,9%	2,9%
Holding at 31 December	82.390	82.390	824	824	2,9%	2,9%

All own shares are held by Brødrene A & O Johansen A/S.

According to the authorisation of the annual general meeting, Brødrene A & O Johansen A/S is allowed to acquire own shares up to a total holding of 10% of the share capital.

NOTES

(All amounts are in DKK thousands)

NOTE:

20 Equity (continued)

Dividend

The payment of dividends to the Company's shareholders has no tax implication for Brødrene A & O Johansen A/S. Proposed dividend for 2020 amounts to DKK 42,000,000.

Other reserves

Reserve for net revaluation according to the equity method contains value adjustments related to investments in subsidiaries. Included in reserve for development costs is an amount corresponding to capitalised intangible assets meeting the criteria for being defined as a development project.

Reserve for net revaluation according to the equity method and reserve for development costs are unavailable for distribution to shareholders.

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.

COMPANY			CONSOLIDATED	
2019	2020 NOTE:		2020	2019
		21 Deferred tax		
29.601	27.010	Deferred tax at 1 January	58.497	60.472
0	0	Foreign currency translation adjustment	44	(18)
0	1.239	Acquisition of enterprise	0	520
(2.591)	(6.910)	Change in deferred tax for the year	(6.305)	(2.470)
0	0	Change in deferred tax relating to previous years	342	(7)
27.010	21.339	Deferred tax at 31 December	52.578	58.497
		Deferred tax relates to:		
9.033	0	Intangible assets	10.156	11.437
19.205	9.668	Property, plant and equipment	48.395	48.322
(1.229)	17.625	Receivables	(5.965)	(1.240)
0	(3.809)	Liabilities	(8)	(22)
0	(2.145)	Tax deficit	0	0
27.010	21.339	Deferred tax at the end of the year	52.578	58.497
		22 Other payables		
30.510	13.015	Holiday allowance	14.462	33.165
5.299	33.161	Salary related items	35.446	7.292
5.500	1.500	Acquisition of enterprise and earn-out	1.500	5.500
7.222	12.399	VAT and taxes	21.325	14.760
12.040	10.837	Other payables	11.037	13.532
60.571	70.912		83.770	74.249



”I bought this lamp
a month ago, but
decided that it just
doesn’t fit in”

// Line Nadja, private customer

LAMPEGURU – 365 DAYS
RIGHT OF RETURN



NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2019	2020	NOTE:	2020	2019
23 Financing activities				
61.802	58.397	Mortgage loans - floating interest rate - 5 years	215.370	228.206
274.256	90.734	Bank loans - floating short-term interest rate	71.549	274.256
194.568	172.005	Lease liabilities - floating interest rate	61.513	71.884
530.626	321.136		348.432	574.346
<i>Payables relating to financing activities:</i>				
469.996	530.626	Beginning-of-year	574.346	646.468
250.580	0	Addition, lease liabilities per 1 January 2019, IFRS 16	0	89.908
0	0	Addition, debt credit institutions from acquisition	0	2.189
(158.937)	(186.965)	Repayment of debt	(215.543)	(171.195)
25.000	0	Raising of loans from credit institutions	0	25.000
5.745	40.882	Addition, lease liabilities, net	14.017	5.714
(61.758)	(63.445)	Installment, lease liabilities	(24.388)	(23.738)
530.626	321.098	Year-end	348.432	574.346

According to the leases there are no contingent rents. The contractual cash flows appear from note 26.

NOTE:

24 Acquisition of enterprise

There has been no acquisitions of enterprises in 2020. In 2020 earn-out to the amount of TDKK 5,500 related to earlier acquisitions have been paid out. The remaining earn-out related to the acquisition of LampeGuru ApS amounts to TDKK 4,500. The earn-out is expected to be paid out and a liability of TDKK 4,500 is recognised on the balance sheet.

Acquisition of enterprise 2019

In 2019, Brødrene A & O Johansen A/S obtained control over the online company LampeGuru ApS through the acquisition of all existing shares.

In Denmark and Norway, LampeGuru is a leading online provider of lamps, and is in the same segment as the rest of the Group. The acquisition of LampeGuru ApS allows synergies to be created with regard to product range, warehouse/logistics and the existing business of the group.

LampeGuru's revenue of TDKK 11,279 and profit before tax of TDKK 948 are recognised in the annual report for 2019. Acquisition cost of TDKK 340 have been expensed in 2019. Revenue for the entire year 2019 amounts to TDKK 30,900 and profit before tax to TDKK 2,100.

The acquisition price amounts to TDKK 17,500, of which TDKK 10,000 is paid in cash. The Group is obligated to pay an additional TDKK 7,500, of which TDKK 3,000 is expected to be paid in Q1 2020, while TDKK 4,500 is dependent on future earnings in LampeGuru. On the date of acquisition, it is expected that TDKK 7,500 will be paid in full, thus a financial liability of TDKK 7,500 has been recognised in the Group's annual report 2019.

NOTES

(All amounts are in DKK thousands)

NOTE:

24 Acquisition of enterprise (continued)

The fair value of acquired assets, liabilities and contingent liabilities, and acquisition price for LampeGuru ApS has been finally calculated and can be specified as follows in TDKK:

	2019 TDKK
Property, plant and equipment	13
Deposits	31
Inventories	4.643
Trade receivables	465
Cash	1.746
Interest-bearing debt	(2.189)
Trade payables	(1.648)
Other payables	(1.007)
Acquired net assets	<u>2.054</u>
Goodwill	13.598
Intellectual property rights	2.369
Deferred tax liabilities	(521)
Price of acquisition	17.500
Contingent acquisition	(7.500)
Cash paid on acquisition	10.000
Cash acquired from LampeGuru ApS	(1.746)
Net cash effect 2019 from acquisition of LampeGuru ApS	<u>8.254</u>

25 Contingent liabilities, security, etc.

Land and buildings with a total carrying amount of TDKK 516,913 (2019: TDKK 529,711) are provided as security for the Group's payables to mortgage credit institutions and finance lease liabilities.

Land and buildings with a total carrying amount of TDKK 115,007 (2019: TDKK 117,383) are provided as security for the Company's payables to mortgage credit institutions and finance lease liabilities.

A bank guarantee totalling TDKK 257 (2019: TDKK 370) has been provided for the Group's rent deposits, and for the Company's rent deposits a bank guarantee totalling TDKK 203 (2019: TDKK 313) has been provided.

The company is jointly taxed with AO Invest A/S, LampeGuru ApS and the ultimate Danish parent company Avenir Invest ApS, which is the administration company for joint taxation purposes. The company is unlimited, jointly and severally liable with other jointly taxed companies towards the Danish tax authorities for the total corporation tax. Payable corporation taxes within the joint taxation group amounted to TDKK 1,601 at 31 December 2020 (2019: TDKK 4,304).

Any adjustment to the taxable income subject to joint taxation might entail an increase in the Company's liability. Group companies are not subject to withholding tax on dividends. Transactions appear from note 27.

The company manages a cash pooling for the Group entities and is jointly and severally liable for this. At 31 December 2020, the cash-pool arrangement amounts to TDKK 125,506 (2019: TDKK 69,537).

NOTES

(All amounts are in DKK thousands)

NOTE:

26 Financial 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 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.

The Group's foreign operations are not much affected by currency fluctuations, as income and expenses are largely paid in local currency. Consolidated results will be affected by exchange differences arising on translation of foreign operations' results and on translation of net assets.

The Group uses derivative financial instruments to a very limited extent. The derivative financial instruments consist of forward exchange contracts for the purchase of EUR. The fair value of the forward exchange contracts amounts to DKK -1.5 million at 31 December 2020, and therefore no further information is provided.

With regard to investments in Sweden, the Group's equity at 31 December 2020 would be reduced by DKK 5.1 million (2019: DKK 3.5 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 2020, and the consolidated results would therefore not be affected to any major extent by changes in exchange rates at 31 December 2020.

The Group has the following currency exposure at 31 December:

Consolidated/Company	2020			2019		
	EUR	OTHER*	TOTAL	EUR	OTHER*	TOTAL
Trade payables	42.245	34.213	76.458	32.925	27.360	60.285
Payables to credit institutions	41.650	24.853	66.503	40.870	30.045	70.915
Net exposure	83.895	59.066	142.961	73.795	57.405	131.200
Risk in exchange rate fluctuation	1%	10%		1%	10%	
Estimated	839	5.907	6.746	738	5.741	6.478

* Mainly SEK

The Group's currency exposure related to financial instruments is primarily a result of the Group's financing activities.

NOTES

(All amounts are in DKK thousands)

NOTE:

26 Financial 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 2020, the Group's interest-bearing debt, determined as payables to credit institutions and lease liabilities less negotiable securities and cash decreased by DKK 246.8 million to DKK 247.1 million at the end of the year.

Based on the net debt, a decrease of one percentage point in the general interest-rate level would result in a decrease in the Group's annual interest expenses before tax of approximately DKK 2.5 million (2019: approximately DKK 4.9 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 short-term deposits, 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	2020		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	215.370	225.983	14.750	57.086	154.147
Bank loans	71.549	71.549	71.549	0	0
Lease liabilities	61.513	71.497	22.233	42.541	6.723
Trade payables	826.419	826.419	826.419	0	0
31 December	1.174.851	1.195.448	934.951	99.627	160.870

CONSOLIDATED	Carrying amount	Contractual cash flows	2019		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	228.206	242.658	15.067	58.110	169.481
Bank loans	274.256	274.256	274.256	0	0
Lease liabilities	71.885	75.068	23.586	41.532	9.950
Trade payables	704.652	704.652	704.652	0	0
31 December	1.278.999	1.296.634	1.017.561	99.642	179.431

NOTES

(All amounts are in DKK thousands)

NOTE:

26 Financial risks (continued)

The Company's payables fall due as follows:

COMPANY	Carrying amount	Contractual cash flows	2020		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	58.397	61.483	3.934	15.169	42.380
Bank loans	90.734	90.734	90.734	0	0
Lease liabilities	172.005	188.934	63.673	105.289	19.972
Trade payables	793.099	793.099	793.099	0	0
Intra-group balances	38.483	38.483	0	38.483	0
31 December	1.152.718	1.172.733	951.440	158.941	62.352

COMPANY	Carrying amount	Contractual cash flows	2019		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	61.802	65.715	3.981	15.446	46.288
Bank loans	274.256	274.256	274.256	0	0
Lease liabilities	194.568	205.047	63.360	119.515	22.172
Trade payables	678.081	678.081	678.081	0	0
Intra-group balances	51.490	51.490	0	51.490	0
31 December	1.260.197	1.274.589	1.019.678	186.451	68.460

Assumptions regarding the maturity analysis:

- * The maturity analysis is based on all undiscounted cash flows, including estimated interest payments according to contractual basis.
- * 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. Agreements containing Supply Chain Finance programmes have been concluded. At the balance sheet date liabilities related to Supply Chain Finance programmes amount to DKK 184.3 million (2019: DKK 137.7 million)

Group loans and committed credit facilities are not subject to any special terms or conditions (covenants).

NOTES

(All amounts are in DKK thousands)

NOTE:

26 Financial risks (continued)

Credit risks

The Group's credit risks relate to receivables and cash and short-term deposits. 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 2020 amounts to DKK 348.4 million (2019: DKK 574.3 million) incl. lease liabilities at the end of the year.

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 short-term deposits, 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.

NOTES

(All amounts are in DKK thousands)

NOTE:

27 Related parties

The Group's related parties comprise the parent company Avenir Invest ApS (Axeltorv 2, DK-1607 Copenhagen V, Denmark), Evoleska Holding AG (Switzerland), the Board of Directors, the Executive Board and management employees.

Avenir Invest ApS has control over the company through its ownership of the majority of the voting rights. During the year, no transactions were carried out with Avenir Invest ApS apart from payment of dividends and corporate tax.

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, and dividend payments.

In addition, related parties are the Company's subsidiaries to whom letters of subordination have been submitted. Trading with subsidiaries comprises the following:

Company		TDKK	Consolidated	
2019	2020		2020	2019
125.495	114.854	Sale of goods	0	0
41.180	42.230	Rental expenses	0	0
5.687	6.113	Management fee	0	0

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 note 9 and 10.

The Company has entered into building leases with AO Invest A/S, cf. note 13.

As the Company is jointly taxed with other Danish group entities, it is liable to pay taxes of TDKK -3,896 (2019: TDKK 6,084).

28 Subsequent events

No events have occurred after 31 December 2020 that are considered to have a material effect on the annual report for 2020.

29 New accounting regulation

At the time of publication of this annual report, IASB has issued the following new and amended financial reporting standards and interpretations that are not compulsory for Brødrene A & O Johansen A/S in preparing the annual report for 2020:

- ▶ IFRS 17 Insurance Contracts
- ▶ IAS 1 Presentation of Financial Statements - Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- ▶ IFRS 3: Business Combinations - Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework
- ▶ IAS 16 Property, Plant and Equipment - Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use Reference to the Conceptual Framework
- ▶ IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Costs of Fulfilling a Contract
- ▶ Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2
- ▶ Annual Improvements to IFRSs 2018-2020 Cycle.



”I use the Inspiration Universe when I need inspiration to find new things for my home”

**BILLIGVVS'S
INSPIRATION UNIVERSE**

// Stine, private customer



NOTES

(All amounts are in DKK thousands)

NOTE:

29 New accounting regulation (continued)

None of the standards and interpretations mentioned on the previous page have been adopted by the EU.

The adopted standards and interpretations that have not yet come into effect will be implemented as they become compulsory for Brødrene A & O Johansen A/S. It has been assessed that none of the above-mentioned standards and interpretations will affect recognition and measurement for Brødrene A & O Johansen A/S.

FINANCIAL RATIO DEFINITIONS AS RECOMMENDED BY CFA SOCIETY DENMARK

Gross profit margin	$(\text{Gross margin} / \text{Revenue}) * 100$
Profit margin	$(\text{Operating profit or loss (EBIT)} / \text{Revenue}) * 100$
Return on capital employed	$(\text{EBIT} / \text{Average total assets}) * 100$
Return on equity	$(\text{Net profit or loss for the year} / \text{Average equity}) * 100$
Solvency ratio	$(\text{Equity} / \text{Total assets}) * 100$
Price Earnings Basic (P/E Basic)	Share price at the end of the year / Earnings per share
Earnings per share (EPS Basic), DKK	Profit after tax / Average number of shares in circulation
Diluted earnings per share (EPS-D), DKK	Profit after tax / Diluted average number of outstanding share options
Book value	Equity at the end of the year / Average number of shares in circulation

COMPANY INFORMATION

Brødrene A & O Johansen A/S

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DK-2620 Albertslund
Denmark

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Telefax: +45 70 28 01 01

Web site: www.ao.dk

CVR number: 58 21 06 17

ID code: DK0060803831

Founded: 1914

Registered office: Albertslund, Denmark

Board of Directors

Henning Dyremose, Chairman
Michael Kjær, Deputy Chairman
René Alberg
Erik Holm
Carsten Jensen
Niels A. Johansen
Jonas Kvist
Preben Damgaard Nielsen

Executive Board

Niels A. Johansen, Chief Executive Officer
Stefan Funch Jensen, Chief Development Officer
Lili Johansen, Chief Human Resources Officer
Gitte Lindeskov, Chief Information Officer
Per Toelstang, Chief Financial Officer

Auditors

EY Godkendt Revisionspartnerselskab

Annual General Meeting

The Annual General Meeting is scheduled for 19 March 2021.

AO's STORES AND OFFICES

HEAD OFFICE

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CONTRACTOR SUPPLIES AND EQUIPMENT:
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VAGA:
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STORES, EAST

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INFORMATION ABOUT THE BOARD OF DIRECTORS' MANAGERIAL POSTS

• Henning Baunbæk Dyremose Chairman of the Board

- Manager of Henning Dyremose ApS, HD Invest, Virum ApS, HCE Invest, Virum ApS, CD Invest, Virum ApS, Elly Dyremose ApS.
- 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

- **Deputy Chairman of the boards of:** Aveny-T Fonden, AO Invest A/S.

• Michael Kjær Deputy Chairman of the Board

- Manager of Invest 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

- Qualifications in retail management at CEO level.
- Expertise in strategy, marketing and finance.
- Many years of experience with board work.
- Experience with business organisations and employers' associations.

Managerial Posts

- **Chairman of the boards of:** Artha Holding A/S, Artha Kapitalforvaltning A/S, Artha Fondsmæglerselskab A/S, Investeringselskabet Artha Safe A/S, Investeringselskabet Artha Optimum A/S, Investeringselskabet Artha Responsible A/S, Investeringselskabet Artha Max A/S, Investeringselskabet Artha DMax A/S, Realfiction Holding AB, Realfiction ApS, Realfiction Lab ApS, CORE Leasing A/S, Theis Vine ApS, Telecenteret A/S, TC-Go A/S.
- **Deputy Chairman of the board of:** AO Invest A/S.
- **Member of the boards of:** PWT Group A/S, Kraks Fond, Ove K. Invest A/S, PR Trading A/S, MenuPay Holding A/S, MenuPay AB, MenuPay ApS, Dansk Erhverv, Jacobsgaard Investment Advisory ApS, Invest Group A/S, Kjær 11-11-11 ApS, Paul Kjær Invest ApS, Paul Kjær 1991 ApS.
- **Ad hoc expert judge at the Danish Maritime and Commercial Court.**

• René Alberg

- Product Manager.
- Born 1971.
- Nationality: Danish.
- Staff-elected member of the Board.
- Member of the Board since 2006.
- Re-elected in 2018, term expires in 2022.

• Erik Holm

- Managing Director of Maj Invest Equity A/S, Manager of Maj Invest Holding A/S, Fondsmæglerselskabet Maj Invest A/S, Erik Holm Holding ApS, MIE5 Holding 4 ApS.
- Born 1960.
- Nationality: Danish.
- Member of the Board since 2009.
- Member of Brødrene A & O Johansen A/S' Audit Committee.
- 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:** Sticks'n'Sushi UK Limited, United Kingdom, Cenex ApS, Sovino Brands Holding ApS, Sovino Brands ApS.
- **Deputy Chairman of the boards of:** SP Group A/S, Arvid Nilssons Fond.
- **Member of the boards of:** Fonden Maj Invest Equity General Partner, Maj Invest Equity A/S, Maj Invest South America S.A., Maj Invest Singapore Private Ltd., Wendelbo Møbel Design A/S, Wendelbo Interiors A/S, AO Invest A/S, Sticks'n'Sushi A/S, Sticks'n'Sushi Holding A/S, MIE5 Datterholding 8 ApS.

• Carsten Jensen

- Logistics Coordinator.
- Born 1955.
- Nationality: Danish.
- Staff-elected member of the Board.
- Member of the Board since 1990.
- Re-elected in 2018, term expires in 2022.

• 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 on 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.

Managerial Posts

- **Chairman of the board of:**
Avenir Invest ApS.
- **CEO and member of the board of AO Invest A/S:**
AO Invest A/S.

• Jonas Kvist

- Sales Manager.
- Born 1986.
- Nationality: Danish.
- Staff-elected member of the Board.
- Member of the Board since 2018.
- Elected in 2018, term expires in 2022.

• Preben Damgaard Nielsen

- Managing Director of Damgaard Company A/S, Damgaard Group A/S, Damgaard Group Holding A/S, Katrine Damgaard Invest ApS, Olivia Damgaard Invest ApS, Markus Damgaard Invest ApS, Damgaard Family Invest ApS, Damgaard Family Invest IV ApS, Galleri Bo Bjerggaard International ApS, PD International Invest ApS, Ejendomselskabet Tesch Alle ApS, DGH I 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.
- As Preben Damgaard Nielsen 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.
- Long-time experience as CEO.
- Long-time experience as board member.
- Worked as CEO of a listed company from 1999 to 2003.
- In-depth knowledge of accounting and IT systems.
- In-depth knowledge and experience of business acquisitions and disposals.

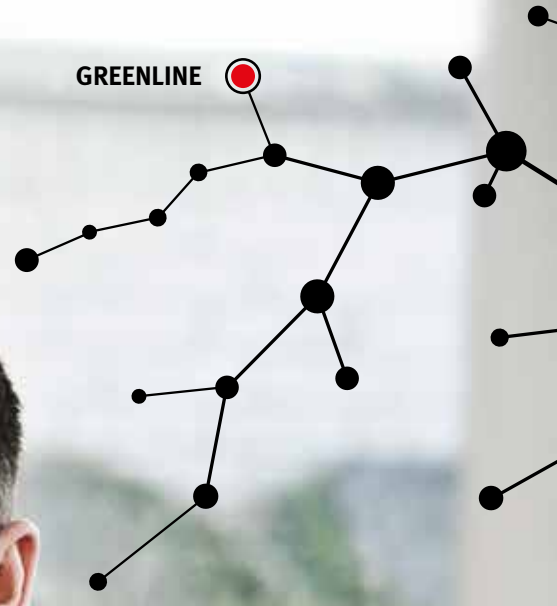
Managerial Posts

- **Chairman of the boards of:**
Musceteers Holding A/S,
7N A/S,
Too Good To Go ApS,
Too Good To Go Holding ApS,
Templafy ApS,
Dixa ApS.
- **Member of the boards of:**
ProActive A/S
Skolebordet.dk ApS,
Damgaard Company A/S,
Damgaard Group A/S,
Damgaard Group Holding A/S,
Katrine Damgaard Invest ApS,
Olivia Damgaard Invest ApS,
Markus Damgaard Invest ApS,
Damgaard Family Invest IV ApS,
Scalepoint Technologies Holding A/S,
Scalepoint Technologies Denmark A/S,
Configit A/S,
Configit Holding A/S,

OrderYOYO ApS,
Saxo Bank A/S,
AO Invest A/S,
Formuepleje Holding A/S,
Fellowmind.

- Member of the Investment Committee for Seed Denmark.

GREENLINE



"I get my goods on time, and always with a little bag of candy. Something the whole family loves"

//Mattias, private customer

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