
Interim Financial Report for the Period 1 January – 31 March 2015



Brødrene A & O Johansen A/S

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Company Announcement No. 5/2015

Today the Board of Directors has approved the Group's interim financial report for the period 1 January – 31 March 2015.

Summary

- AO's pre-tax profit for the first quarter of 2015 was DKK 22.2 million, which is DKK 5.7 million more than last year.
- Consolidated revenue for the period was DKK 587.0 million against DKK 541.7 million for the same period of 2014, equalling an increase of DKK 45.3 million or 8.4%. The increase is attributable to the Danish market where market shares have been gained.
- Gross margin for the period amounted to DKK 160.4 million, which is DKK 0.6 million more than for the same period last year. The gross profit margin came in at 27.3%, which is 2.2 percentage points less than in the same period last year. The gross profit margin is at the same level as in the fourth quarter of 2014.
- Operating profit (EBIT) for the period was DKK 22.7 million, equalling a profit margin of 3.9%, compared to DKK 17.2 million and 3.2% for the first quarter of 2014.
- As at 31 March 2015, the Group's total assets amounted to DKK 1,599.1 million, which is DKK 177.2 million more than at 31 March 2014. The increase is attributable to the investment in the central warehouse in Albertslund.
- Cash flow from operating activities totalled DKK 7.3 million, which is DKK 14.2 million less than for the same period last year. The difference is attributable to more funds being tied up in working capital as a result of an increase in revenue.

Important events

- "Spot On", a new net price concept, has been implemented.
- In the first quarter of 2015 the high-bay warehouse underwent testing, and it will be put into operation in the second quarter of 2015.
- The logistics warehouse in Horsens is currently being phased out. Leasing is in progress.
- The stores in Køge and Helsingborg have been moved to new and better located premises.
- In Company Announcement No. 3 of 20 March 2015 the main points of the annual general meeting were disclosed. The recommended financial statements and the distribution of profit for the year were approved. All shareholder-elected Board members were re-elected. The Board of Directors' authority to acquire treasury shares up to a nominal value of 10 % of the Company's share capital was renewed.

Expectations for the year

- As previously announced, profit before tax for 2015 is expected to be approximately DKK 100 million.

Albertslund, 26 May 2015

Niels A. Johansen
CEO

Henrik T. Krabbe
COO & CFO

Financial highlights for the AO Group

(DKKm)

Key figures	Q1 2015	Q1 2014	Full year 2014
Consolidated revenue	587.0	541.7	2,258.7
Gross margin	160.4	159.8	646.6
Operating profit or loss (EBIT)	22.7	17.3	100.3
Financial income and expenses, net	(0.4)	(0.7)	(2.7)
Profit or loss before tax (EBT)	22.2	16.5	97.5
Tax on profit or loss for the period	(5.2)	(4.3)	(23.8)
Net profit or loss for the period	17.0	12.2	73.8
Non-current assets	896.2	745.5	896.7
Current assets	702.9	676.4	694.2
Total assets	1,599.1	1,421.9	1,590.9
Share capital	57.0	57.0	57.0
Equity	953.4	875.6	935.7
Non-current liabilities	204.1	199.3	204.5
Current liabilities	441.6	347.0	450.7
Average number of employees	595	646	621
Cash flow from operating activities	7.3	21.4	199.9
Cash flow from investing activities	(11.2)	(34.7)	(197.1)
Of which investments in property, plant and equipment	(8.0)	(31.5)	(178.7)
Cash flow from financing activities	(11.7)	(0.1)	14.8
Cash flow for the period	(15.6)	(13.4)	17.5
Financial ratios			
Gross profit margin	27.3%	29.5%	28.6%
Profit margin	3.9%	3.2%	4.4%
Return on capital employed	1.4%	1.2%	6.6%
Return on equity	1.8%	1.4%	8.2%
Solvency ratio	59.6%	61.6%	58.8%
Book value	1,673	1,536	1,642
Share price at the end of the period	1,400	1,486	1,115
Earnings per share (EPS Basic), DKK	35	25	150
Diluted earnings per share (EPS-D), DKK	34	24	149

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

Figures given in brackets are negative results or deductible items.

Management's review

The consolidated financial statements include the financial statements of Brødrene A & O Johansen A/S and the wholly owned subsidiaries AO Invest A/S, AO Sverige AB in Sweden and Vaga Tehnika Eesti OÜ in Estonia.

Activities of the period

Consolidated revenue for the period ended 31 March 2015 was DKK 587.0 million against DKK 541.7 million for the same period of 2014, equalling an increase of DKK 45.3 million or 8.4%. The increase is attributable to market share gains in Denmark.

Gross margin for the period amounted to DKK 160.4 million, compared to DKK 159.8 million in 2014. The gross profit margin declined by 2.2 percentage points to 27.3%, equalling the gross profit margin realised in the fourth quarter of 2014. The increased competition in the market continues.

Total operating expenses for the period were DKK 137.7 million, which is DKK 4.9 million or 3.4% less than reported for the same period last year. External expenses declined by DKK 2.6 million. Total staff costs declined by DKK 3.0 million. Depreciation, amortisation and write-downs increased by DKK 1.1 million as a result of depreciation on refurbishment of the central warehouse. Depreciation on the high-bay warehouse will commence in the second quarter of 2015. The logistics warehouse in Horsens is currently being phased out, and efforts are being made to lease it out to another party.

The item of "Other operating expenses" includes losses on receivables of DKK 1.0 million, which is at the same level as for the same period in 2014.

Operating profit (EBIT) for the period was DKK 22.7 million, which is 3.9% of revenue. Compared to the same period last year, EBIT is DKK 5.4 million higher and the profit margin is up by 0.7 percentage point due to a reduced level of expenses.

Financial income and expenses, net, for the period were negative at DKK 0.4 million against DKK 0.7 million reported for the same quarter in 2014. The reduced financial expenses are attributable to the current low level of interest rates.

For the first quarter 2015, the Group recorded a pre-tax profit of DKK 22.2 million against DKK 16.5 reported for the same period last year.

Tax is in accordance with applicable tax rates in the areas where the Group is operating, equalling an average tax rate of approximately 23.5%.

A post-tax profit of DKK 17.0 million was recorded for the period, compared to DKK 12.2 million for the first quarter of 2014.

As at 31 March 2015 the Group's total assets amounted to DKK 1,599.1 million, which is DKK 177.2 million more than last year at the same time.

When compared to the same period last year, non-current assets increased by DKK 150.7 million to DKK 896.2 million as a result of the central warehouse investment in Albertslund, whereby the value of land and buildings increased by DKK 100.9 million and the value of 'Fixtures and operating equipment' increased by DKK 50.8 million.

When compared to the same period last year, current assets increased by DKK 26.5 million to DKK 702.9 million. Inventories decreased by DKK 12.3 million to DKK 313.7 million due to timing differences, whereas trade receivables went up by DKK 19.0 million to DKK 290.6 million due to revenue growth. Corporation tax receivable totalled DKK 8.7 million and is DKK 5.2 million higher than last year, whereas other receivables, prepayments and accrued income are at the same level as last year. Cash and cash equivalents increased by DKK 15.3 million to DKK 57.2 million.

Equity of DKK 953.4 million, equalling a solvency ratio of 59.6%, is DKK 77.9 million higher than at the same time last year.

Trade payables of DKK 348.4 million are DKK 57.1 million higher than at the same time last year due to revenue growth. Other payables increased by DKK 33.6 million to DKK 84.1 million, when compared to the same time last year. This is due to the fact that the final payment, already put aside, for the high-bay warehouse will only fall due after the completion of a successful operational test.

After payment of DKK 6.0 million in corporation taxes, the Group's cash flow from operating activities totalled DKK 7.3 million which is DKK 14.2 million less than in the same period last year. The difference is attributable to increased funds tied up in working capital; primarily trade receivables have increased due to revenue growth.

Net investments for the period totalled DKK 11.2 million against DKK 34.7 million for the same period last year, mainly as a result of less investment in land and buildings. Investment in software of DKK 3.1 million is at the same level as last year. Investment in fixtures and operating equipment of DKK 6.5 million is attributable to additional investments in the high-bay warehouse.

Cash flow from operating and investing activities for the first quarter of 2015 was negative at DKK 3.9 million, which is an improvement of DKK 9.4 million compared to the same period last year. DKK 11.7 million was spent on repayments of the Group's credit facilities. At 31 March 2015, total payables to credit institutions amounted to DKK 173.5 million. The Group's cash and cash equivalents for the period decreased by DKK 15.6 million and totalled DKK 57.2 million.

Significant risks

As mentioned in the annual report for 2014, under the paragraph "Internal controls and risk management", the Company assesses on an ongoing basis the most significant risks in connection with the Company's activities. In addition to the risks mentioned in the annual report, the Group is sensitive to the overall development in Danish and Swedish economy as well as business trends in the building industries of these countries.

Incentive programme

The present incentive programme is in accordance with the general guidelines for incentive pay approved by the annual general meeting on 22 March 2012. The guidelines are available in full on the Company's website www.ao.dk.

A total of 16,735 share options have been granted in connection with the existing incentive programme. Of the above-mentioned number of share options, 14,782 matured on 31 March 2015. On 31 March 2015, the Company held a total of 21,118 treasury shares. No options have been granted or exercised in 2015.

Outlook

The financial ratios for the first quarter of 2015 suggest that the Danish economy is slowly picking up speed. In the first three months of 2015 the market for technical installation materials is also showing signs of weak growth, but as competition in the market is still strong the gross profit margins remain under pressure.

Profit before tax for 2015 is, as previously announced, expected to be approximately DKK 100 million which is at the same level as last year.

Events after the end of the interim period

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

Additional information

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

Financial calendar for 2015

Interim financial report for the first half of 2015	28 August 2015
Interim financial report for the first three quarters of 2015	20 November 2015
The financial calendar for 2016 will be released in December of 2015.	

Company announcements in 2015

Announcement no. 1	Annual report for 2014	24 February 2015
Announcement no. 2	Notice convening the annual general meeting	24 February 2015
Announcement no. 3	Results of annual general meeting	20 March 2015
Announcement no. 4	Articles of association	20 March 2015

Management's statement

Today the Board of Directors and the Executive Board have discussed and approved the interim financial report of Brødrene A & O Johansen A/S for the period 1 January - 31 March 2015.

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

In our opinion the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 31 March 2015 and of the results of the Group's operations and cash flows for the period 1 January – 31 March 2015.

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

Albertslund, 26 May 2015

Executive Board

Niels A. Johansen
CEO

Henrik T. Krabbe
COO & CFO

Board of Directors

Henning Dyremose
Chairman of the Board

Michael Kjær
Deputy Chairman

René Alberg

Erik Holm

Leif Hummel

Carsten Jensen

Niels A. Johansen

Preben Damgaard Nielsen

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Income statement and statement of comprehensive income

<i>(All amounts are in DKK thousands)</i>	Q1 2015	Q1 2014	Full Year 2014
Revenue	586,964	541,740	2,258,656
Cost of sales	(426,672)	(381,899)	(1,612,179)
Gross profit	160,292	159,841	646,476
Other operating income	65	0	144
Gross margin	160,358	159,841	646,621
External expenses	(49,131)	(51,720)	(190,225)
Staff costs	(75,329)	(78,327)	(306,055)
Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets	(12,214)	(11,095)	(44,444)
Other operating expenses	(1,023)	(1,413)	(5,609)
Total operating expenses	(137,697)	(142,555)	(546,331)
Operating profit or loss (EBIT)	22,660	17,286	100,289
Financial income	712	836	2,642
Financial expenses	(1,157)	(1,583)	(5,390)
Profit or loss before tax (EBT)	22,215	16,539	97,542
Tax on profit or loss for the period	(5,200)	(4,311)	(23,785)
Net profit or loss for the period	17,015	12,228	73,756
Other comprehensive income			
Foreign currency translation adjustment relating to foreign entities	718	324	(2,153)
Tax on other comprehensive income	0	0	0
Other comprehensive income after tax	718	324	(2,153)
Total comprehensive income	17,733	12,552	71,603
Earnings per share			
Earnings per share (EPS)	35	25	150
Diluted earnings per share (EPS-D)	34	24	149

Balance sheet as at 31 March

(All amounts are in DKK thousands)

ASSETS	Note:	Q1 2015	Q1 2014	Full Year 2014
Non-current assets				
Intangible assets				
Goodwill	4	102,347	102,348	102,348
Software		52,217	50,632	53,029
		154,564	152,980	155,377
Property, plant and equipment				
Land and buildings		579,389	478,471	580,482
Leasehold improvements		949	3,521	2,642
Fixtures and operating equipment		161,281	110,512	158,166
		741,618	592,504	741,290
Total non-current assets	5	896,183	745,484	896,666
Current assets				
Inventories	6	313,668	325,930	307,336
Trade receivables	7	290,555	271,512	277,700
Corporation tax receivable		8,660	3,503	7,746
Other receivables		21,366	22,589	23,933
Prepayments		11,473	11,007	4,798
Cash at bank and in hand		57,160	41,848	72,690
Total current assets		702,881	676,388	694,203
Total assets		1,599,063	1,421,872	1,590,870

Balance sheet as at 31 March

(All amounts are in DKK thousands)

EQUITY AND LIABILITIES	Note:	Q1 2015	Q1 2014	Full Year 2014
Equity				
Share capital		57,000	57,000	57,000
Other reserves		200,000	200,000	200,000
Reserve for foreign currency translation adjustments		1,610	4,088	1,610
Retained earnings		694,824	614,478	677,090
Proposed dividend		0	0	0
Total equity		953,433	875,566	935,700
Non-current liabilities				
Deferred tax	8	37,019	30,536	37,023
Credit institutions		167,035	168,731	167,483
Total non-current liabilities		204,054	199,267	204,506
Current liabilities				
Credit institutions		6,491	2,651	17,701
Trade payables		348,413	291,348	343,994
Other payables		84,146	50,512	86,443
Deferred income		2,526	2,526	2,526
Total current liabilities		441,576	347,038	450,664
Total liabilities		645,630	546,306	655,170
Total equity and liabilities		1,599,063	1,421,872	1,590,870

Statement of changes in equity

<i>(All amounts are in DKK thousands)</i>	Share capital	Other reserves	Foreign currency translation adjustment	Retained earnings	Total Equity
Equity at 1 January 2015	57,000	200,000	1,610	677,090	935,700
Net profit or loss for the period	0	0	0	17,015	17,015
Foreign currency translation adjustment relating to foreign entities	0	0	718	0	718
Total comprehensive income	0	0	718	17,015	17,733
Acquisition/disposal of treasury shares	0	0	0	0	0
Dividends paid	0	0	0	0	0
Total transactions with owners	0	0	0	0	0
Equity at 31 March 2015	57,000	200,000	2,327	694,106	953,433
Equity at 1 January 2014	57,000	200,000	3,763	602,252	863,015
Net profit or loss for the period	0	0	0	12,228	12,228
Foreign currency translation adjustment relating to foreign entities	0	0	324	0	324
Total comprehensive income	0	0	324	12,228	12,552
Acquisition/disposal of treasury shares	0	0	0	0	0
Dividends paid	0	0	0	0	0
Total transactions with owners	0	0	0	0	0
Equity at 31 March 2014	57,000	200,000	4,087	614,480	875,566
Equity at 1 January 2014	57,000	200,000	3,763	602,252	863,015
Net profit or loss for the period	0	0	0	73,756	73,756
Foreign currency translation adjustment relating to foreign entities	0	0	(2,153)	15	(2,138)
Total comprehensive income	0	0	(2,153)	73,771	71,618
Acquisition/disposal of treasury shares	0	0	0	1,067	1,067
Dividends paid	0	0	0	0	0
Total transactions with owners	0	0	0	1,067	1,067
Equity at 31 December 2014	57,000	200,000	1,610	677,090	935,700

Consolidated cash flow statement

<i>(All amounts are in DKK thousands)</i>	Q1 2015	Q1 2014	Full year 2014
Cash flow from operating activities			
Operating profit or loss	22,660	17,286	100,289
Financial income and expenses, net (interest paid)	<u>(445)</u>	<u>(747)</u>	<u>(2,747)</u>
Profit or loss before tax	22,215	16,539	97,542
Depreciation and amortisation:			
Intangible assets	3,941	4,524	17,230
Property, plant and equipment	<u>8,274</u>	<u>12,214</u>	<u>44,444</u>
Change in working capital:			
Change in trade receivables	(12,855)	17,545	11,358
Change in other receivables	(4,107)	(1,180)	3,683
Change in inventories	(6,332)	3,048	21,642
Change in trade payables	4,419	(24,140)	28,506
Change in other current liabilities	<u>(2,296)</u>	<u>2,273</u>	<u>14,453</u>
Corporation tax paid	<u>(6,007)</u>	<u>(3,757)</u>	<u>(21,747)</u>
Cash flow from operating activities	<u>7,252</u>	<u>21,424</u>	<u>199,880</u>
Cash flow from investing activities			
Software	(3,133)	(3,160)	(18,464)
Land and buildings	(1,575)	(24,536)	(135,588)
Leasehold improvements	0	(170)	(688)
Fixtures and operating equipment	(6,467)	(6,817)	(43,252)
Disposal of property, plant and equipment	<u>16</u>	<u>0</u>	<u>854</u>
Cash flow from investing activities	<u>(11,160)</u>	<u>(34,683)</u>	<u>(197,138)</u>
Cash flow from financing activities			
Repayment of debt to/raising of loans with credit institutions, net	(11,657)	(106)	13,696
Acquisition/disposal of treasury shares	<u>0</u>	<u>0</u>	<u>1,067</u>
Cash flow from financing activities	<u>(11,657)</u>	<u>(106)</u>	<u>14,763</u>
Cash flow for the period	<u>(15,565)</u>	<u>(13,365)</u>	<u>17,506</u>
Cash and cash equivalents at beginning of period	72,690	55,082	55,082
Foreign currency translation adjustment	<u>35</u>	<u>131</u>	<u>102</u>
Cash and cash equivalents at end of period	<u>57,160</u>	<u>41,848</u>	<u>72,690</u>

Notes

1 Accounting policies

The interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and Danish disclosure requirements for listed companies. Except for the changes mentioned below, the accounting policies are unchanged from the accounting policies applied in the consolidated and company financial statements for 2014. Reference is made to note 1, which contains a full description of the accounting policies.

Changes in accounting policies

With effect from 1 January 2015, the Group has implemented Amendments to IAS 19, certain parts of the Annual Improvements to IFRSs 2010-12 Cycle and Annual Improvements to IFRSs 2011-13 Cycle. None of the new amendments and improvements have had any impact on recognition and measurement.

2 Accounting estimates and judgements

Estimation uncertainty

The preparation of the interim financial statements requires Management to make accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant estimates made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated and company financial statements for 2014. For a more detailed description of the estimation uncertainty, reference is made to the consolidated and company financial statements for 2014.

3 Segment information

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

4 Impairment test

The annual impairment test of intangible assets, including goodwill, is performed at 31 December 2015, after the completion of budgets and strategy plans for the coming period. At 31 March 2015, Management is of the opinion that there has been no indication of impairment of the carrying amount of goodwill, and therefore no impairment test of goodwill has been performed at 31 March 2015. For a more detailed description of impairment tests, reference is made to the consolidated and company financial statements for 2014.

5 Non-current assets

Acquisition and disposal of non-current assets

During the reporting period the Group has invested DKK 11.2 million (2014: DKK 34.7 million) in non-current assets.

6 Inventories

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

7 Trade receivables

An estimate is used to assess the recoverability of receivables according to the same principles as applied in the financial statements for 2014.

8 Deferred tax

At 31 March 2015 net deferred tax liabilities were DKK 37.0 million, compared to DKK 30.5 million at 31 March 2014.