
Interim Financial Report for the Period 1 January – 30 June 2016



Brødrene A & O Johansen A/S

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Today the Board of Directors has approved the Group's interim financial report for the period 1 January – 30 June 2016.

Summary

- Consolidated revenue for the first half of 2016 was DKK 1,354.6 million, which is DKK 157.2 million or 13% more than for the same period last year. The increase is attributable to the acquisition of Billig VVS ApS and the professional market in Denmark.
- Gross margin for the first half of 2016 was DKK 388.0 million, which is DKK 60.9 million or 18.6% more than last year. The gross profit margin came in at 28.6%, which is 1.3 percentage points more than last year.
- Operating profit (EBIT) for the first half of 2016 was DKK 63.9 million, corresponding to a profit margin of 4.7%, against DKK 45.6 million and 3.8% respectively for the first half of 2015.
- As at 30 June 2016, the Group's total assets amounted to DKK 1,889.3 million, which is DKK 233.7 million more than at 30 June 2015. The increase is mainly attributable to the acquisition of Billig VVS ApS.
- The Group's equity of DKK 669.8 million (a solvency ratio of 35.5%) is DKK 300.9 million lower than last year due to the acquisition of treasury shares worth DKK 400.8 million from Sanistål A/S. Thus, EPS increased to DKK 142 in the first half of 2016, compared with DKK 69 in the first half of 2015.
- Cash flow from operating activities for the first half of 2016 totalled DKK 138.7 million, which is DKK 77.7 million more than for the first half of 2015. The increase is attributable to higher operating profit and working capital timing difference.

Important events

- The acquisition of own preference shares at a nominal value of DKK 22.3 million from Sanistål A/S, corresponding to 43.42% of the preference share capital and 39.12% of the Company's total share capital, was completed at a total purchase price of DKK 400.8 million, equalling a price of DKK 1,797 per share.
- AO Sverige's branch in Stockholm closed and was replaced by a distribution agreement with Bra Gross Sverige AB.
- AO.dk received FDIH's (the Danish E-Commerce Association) e-commerce awards in the categories B2B and Omnichannel.
- In Company Announcement No. 5 of 18 March 2016 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 were authorised to complete the acquisition of own preference shares from Sanistål A/S and to acquire additional own preference shares up to a nominal value of 10 % of the Company's share capital.

Expectations for the year

- As a result of growth in revenue and profit margin, profit before tax for 2016 is expected to be adjusted upward in the range of DKK 130-140 million against DKK 120-130 million as previously announced. The upward adjustment takes place despite higher depreciation and financial expenses. In 2015, Brødrene A & O Johansen A/S realised a profit before tax of DKK 115.5 million.

Albertslund, 26 August 2016

Niels A. Johansen
CEO

Henrik T. Krabbe
CFO

Financial highlights for the AO Group

(DKKm)

Key figures	H1 2016	H1 2015	Full year 2015
Consolidated revenue	1,354.6	1,197.4	2,631.2
Gross margin	388.0	327.1	712.3
Operating profit or loss (EBIT)	63.9	45.6	118.8
Financial income and expenses, net	(3.7)	(1.1)	(3.3)
Profit or loss before tax (EBT)	60.2	44.5	115.5
Tax on profit or loss for the period	(13.3)	(10.4)	(27.7)
Net profit or loss for the period	46.9	34.1	87.8
Non-current assets	1,168.1	898.2	1,180.0
Current assets	721.3	757.4	783.1
Total assets	1,889.3	1,655.6	1,963.2
Share capital	57.0	57.0	57.0
Equity	669.8	970.7	1,024.6
Non-current liabilities	342.8	203.7	217.5
Current liabilities	876.8	481.2	721.1
Average number of employees	642	590	619
Cash flow from operating activities	138.7	61.0	96.1
Cash flow from investing activities	(61.4)	(24.6)	(301.5)
Of which investments in property, plant and equipment	(16.6)	(17.8)	(90.4)
Cash flow from financing activities	(80.6)	(16.2)	142.3
Cash flow for the period	(3.4)	20.1	(63.1)
Financial ratios			
Gross profit margin	28.6%	27.3%	27.1%
Profit margin	4.7%	3.8%	4.5%
Return on capital employed	3.3%	2.8%	6.7%
Return on equity	5.5%	3.6%	9.0%
Solvency ratio	35.5%	58.6%	52.2%
Book value	1,175	1,703	1,797
Share price at the end of the period	2,100	1,747	1,750
Earnings per share (EPS Basic), DKK	142	69	178
Diluted earnings per share (EPS-D), DKK	138	68	175

Basic EPS and diluted EPS have been calculated in accordance with IAS. Other financial ratios have been calculated in accordance with the Danish Finance Society's "Recommendations and Financial Ratios 2015". 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, Billig VVS ApS, AO Sverige AB in Sweden and Vaga Tehnika Eesti OÜ in Estonia.

Activities of the period

Consolidated revenue for the first half of 2016 was DKK 1,354.6 million against DKK 1,197.4 million for the same period of 2015, equalling an increase of DKK 157.2 million or 13%. The increase is attributable to the acquisition of Billig VVS A/S and market share gains in the professional market in Denmark. International revenue declined by 2%.

Gross margin for the first half of 2016 amounted to DKK 388.0 million, compared with DKK 327.1 million in 2015. The gross profit margin increased by 1.3 percentage points to 28.6%, primarily due to synergy gains related to the acquisition of Billig VVS ApS.

Total operating expenses for the first six months of 2016 were DKK 324.1 million, which is DKK 42.6 million or 15% more than reported for the same period last year.

External expenses of DKK 115.9 million were up by DKK 15.1 million or 15% due to the acquisition of Billig VVS ApS and the increased revenue. For the same reason, staff costs of DKK 169.2 million increased by DKK 14.4 million or 9%. Depreciation, amortisation and write-downs amounted to DKK 32.7 million, an increase of DKK 8.9 million, as a result of depreciation on the investment in the central warehouse.

The item of "Other operating expenses" includes losses on receivables of DKK 6.2 million, which is DKK 4.2 million more than last year due to the bankruptcy of a few customers.

Operating profit (EBIT) for the first six months of 2016 was DKK 63.9 million, which is 4.7% of revenue. Compared to the same period last year, EBIT is DKK 18.3 million higher. The profit margin is up by 0.9 percentage point.

Financial income and expenses, net, for the first half of 2016 were negative at DKK 3.7 million against DKK 1.1 million in 2015.

For the first half of 2016, the Group recorded a pre-tax profit of DKK 60.2 million against DKK 44.5 million 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 22%. A post-tax profit of DKK 46.9 million was recorded for the first half of 2016, compared with DKK 34.1 million for the same period last year. In the first six months of 2016 EPS amounted to DKK 142 against DKK 69 in the same period of 2015.

As at 30 June 2016 the Group's total assets amounted to DKK 1,889.3 million, which is DKK 233.7 million more than last year at the same time.

The growth in total assets is attributable to non-current assets which increased by DKK 269.9 million on last year's figures to DKK 1,168.1 million, partly as a result of the investment in Billig VVS ApS whereby goodwill increased by DKK 200.0 million and intellectual property rights by DKK 50.8 million, partly as a result of the investment in properties next to the central warehouse in Albertslund, whereby the value of land and buildings increased by DKK 19.2 million to DKK 596.9 million.

When compared to the same period last year, current assets declined by DKK 36.1 million to DKK 721.3 million. Inventories increased by DKK 38.7 million to DKK 362.4 million, and trade receivables went up by DKK 12.0 million to DKK 318.4 million. Cash and cash equivalents of DKK 7.1 million is DKK 84.7 million lower than at the same time last year.

Equity of DKK 669.8 million, corresponding to a solvency ratio of 35.5%, is DKK 300.9 million lower than at the same time last year due to the acquisition of treasury shares worth DKK 400.8 million from Sanistål A/S.

Trade payables of DKK 450.0 million are DKK 41.8 million higher than at the same time last year. Other payables declined by DKK 3.2 million to DKK 65.1 million, when compared to the same time last year.

Cash flow from operating activities for the first six months of 2016 totalled DKK 138.7 million which is DKK 77.7 million more than for the same period last year. The increase is attributable to higher operating profit and working capital timing difference.

Net investments for the period totalled DKK 61.4 million. Of this amount the remainder of the payment to Billig VVS ApS totalled DKK 40.0 million. Other net investments of DKK 21.4 million are DKK 3.2 million less than last year due the sale of assets, mainly AO's former store in Frederiksværk.

After the acquisition of treasury shares worth DKK 400.8 million, the Group's total payables to credit institutions increased by DKK 320.2 million to DKK 647.7 million at 30 June 2016. The Group's cash and cash equivalents for the first half of 2016 decreased by DKK 3.3 million and totalled DKK 7.1 million.

Significant risks

As mentioned in the annual report for 2015, 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, all matured on 30 June 2016. No options have been granted or exercised in 2016.

On 30 June 2016, the Company held a total of 265,241 treasury shares.

Outlook

In the first six months of 2016 the Group generated a revenue growth of 13% and a 40% higher operating profit, partly due the acquisition of Billig VVS ApS, partly due to organic growth.

Billig VVS ApS was acquired in August of 2016, and for that reason the same growth rates cannot be expected in the second half of 2016. Treasury shares worth DKK 400.8 million were acquired in the first half of 2016, which resulted in an increase in financial expenses. In addition, the high-bay warehouse was put into operation at the end of 2016, and therefore depreciation for the second half of 2016 will be somewhat higher than for the second half of 2015.

On the basis of the above-mentioned information, profit before tax for 2016 is expected to be adjusted upward in the range of DKK 130-140 million against DKK 120-130 million as previously announced. In 2015 the Group realised a profit before tax of DKK 115.5 million.

Events after the end of the interim period

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

Additional information

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

Company announcements in 2016

Announcement no. 1	Brødrene A & O Johansen A/S enters into a conditional agreement regarding the acquisition of treasury shares from Sanistål A/S.	4 February 2016
Announcement no. 2	Annual report 2015.	22 February 2016
Announcement no. 3	Notice convening the annual general meeting.	22 February 2016
Announcement no. 4	Revised financial calendar for 2016.	22 February 2016
Announcement no. 5	Resolutions from the annual general meeting.	18 March 2016
Announcement no. 6	Brødrene A & O Johansen A/S' acquisition of treasury shares from Sanistål A/S – condition regarding the approval of the general meeting is fulfilled.	18 March 2016
Announcement no. 7	Articles of association.	18 March 2016
Announcement no. 8	Brødrene A & O Johansen A/S' acquisition of treasury shares from Sanistål A/S is complete.	21 March 2016
Announcement no. 9	Major shareholder announcement – Brødrene A & O Johansen A/S' holding of treasury shares.	21 March 2016
Announcement no. 10	Major shareholder announcement – Sanistål A/S owns less than 5% of the share capital in Brødrene A & O Johansen A/S.	21 March 2016
Announcement no. 11	Major shareholder announcement – Evoleska Holding AG. Transfer of shares in Brødrene A & O Johansen A/S to Avenir ApS. Both companies are directly owned by Niels A. Johansen.	6 June 2016

Management's statement

Today the Board of Directors and the Executive Board have discussed and approved the interim financial report of Brødrene A & O Johansen A/S for the period 1 January - 30 June 2016.

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 30 June 2016 and of the results of the Group's operations and cash flows for the period 1 January – 30 June 2016.

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 August 2016

Executive Board

Niels A. Johansen
CEO

Henrik T. Krabbe
CFO

Board of Directors

Henning Dyremose
Chairman of the Board

Michael Kjær
Deputy Chairman

René Alberg

Erik Holm

Leif Hummel

Carsten Jensen

Niels A. Johansen

Preben Damgaard Nielsen

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Income statement and statement of comprehensive income

<i>(All amounts are in DKK thousands)</i>	H1 2016	H1 2015	Full Year 2015
Revenue	1,354,576	1,197,436	2,631,206
Cost of sales	(968,460)	(870,551)	(1,919,729)
Gross profit	386,116	326,885	711,478
Other operating income	1,852	183	864
Gross margin	387,968	327,068	712,342
External expenses	(115,937)	(100,802)	(213,265)
Staff costs	(169,217)	(154,859)	(320,110)
Depreciation, amortisation and impairment of property, plant and equipment as well as intangible assets	(32,698)	(23,819)	(53,530)
Other operating expenses	(6,229)	(2,002)	(6,636)
Total operating expenses	(324,081)	(281,482)	(593,540)
Operating profit or loss (EBIT)	63,887	45,586	118,802
Financial income	1,283	1,277	2,293
Financial expenses	(4,969)	(2,340)	(5,618)
Profit or loss before tax (EBT)	60,201	44,523	115,477
Tax on profit or loss for the period	(13,286)	(10,425)	(27,707)
Net profit or loss for the period	46,914	34,099	87,770
Other comprehensive income			
Items reclassified to the income statement			
Foreign currency translation adjustment relating to foreign entities	(838)	899	1,087
Tax on other comprehensive income	0	0	0
Other comprehensive income after tax	(838)	899	1,087
Total comprehensive income	46,076	34,998	88,857
Earnings per share			
Earnings per share (EPS)	142	69	178
Diluted earnings per share (EPS-D)	138	68	175

Balance sheet as at 30 June

(All amounts are in DKK thousands)

ASSETS	Note:	H1 2016	H1 2015	Full Year 2015
Non-current assets				
Intangible assets				
Goodwill	4	302,323	102,347	302,324
Intellectual property rights		50,792	0	52,123
Software		47,182	51,891	52,818
		400,297	154,238	407,264
Property, plant and equipment				
Land and buildings		596,944	577,762	604,559
Leasehold improvements		1,061	833	1,088
Fixtures and operating equipment		169,754	165,370	167,107
		767,759	743,966	772,754
Total non-current assets	5	1,168,056	898,204	1,180,018
Current assets				
Inventories	6	362,360	323,627	374,306
Trade receivables	7	318,409	306,412	365,495
Corporation tax receivable		0	4,466	1,929
Other receivables		23,730	22,333	23,668
Prepayments		9,672	8,751	7,383
Cash at bank and in hand		7,099	91,792	10,368
Total current assets		721,270	757,382	783,138
Total assets		1,889,327	1,655,586	1,963,157

Balance sheet as at 30 June

(All amounts are in DKK thousands)

EQUITY AND LIABILITIES	Note:	H1 2016	H1 2015	Full Year 2015
Equity				
Share capital		57,000	57,000	57,000
Other reserves		200,000	200,000	200,000
Reserve for foreign currency translation adjustments		754	1,610	2,778
Retained earnings		412,036	712,088	764,780
Proposed dividend		0	0	0
Total equity		669,790	970,698	1,024,557
Non-current liabilities				
Deferred tax	8	51,353	37,000	51,631
Credit institutions		291,403	166,661	165,831
Total non-current liabilities		342,756	203,661	217,462
Current liabilities				
Credit institutions		356,248	2,279	161,619
Trade payables		449,962	408,119	454,316
Corporation tax		3,388	0	(0)
Other payables		65,130	68,303	103,149
Deferred income		2,053	2,526	2,053
Total current liabilities		876,780	481,227	721,138
Total liabilities		1,219,536	684,888	938,599
Total equity and liabilities		1,889,327	1,655,586	1,963,157

Consolidated cash flow statement

<i>(All amounts are in DKK thousands)</i>	H1 2016	H1 2015	Full year 2015
Cash flow from operating activities			
Operating profit or loss	63,887	45,586	118,802
Financial income and expenses, net (interest paid)	(3,686)	(1,063)	(3,324)
Profit or loss before tax	60,201	44,523	115,1477
Depreciation and amortisation:			
Intangible assets	11,598	7,932	18,269
Property, plant and equipment	21,100	15,887	35,261
	32,698	23,819	53,530
Change in working capital:			
Change in trade receivables	47,086	(28,712)	(77,985)
Change in other receivables	(2,362)	(2,353)	441
Change in inventories	11,947	(16,292)	(61,690)
Change in trade payables	(4,354)	64,125	88,579
Change in other current liabilities	1,984	(18,138)	(2,446)
	54,300	(1,370)	(53,101)
Corporation tax paid	(8,534)	(6,007)	(19,823)
Cash flow from operating activities	138,665	60,966	96,083
Cash flow from investing activities			
Software	(4,823)	(6,780)	(11,944)
Land and buildings	(1,716)	(3,509)	(42,218)
Leasehold improvements	(121)	0	(500)
Fixtures and operating equipment	(18,259)	(14,800)	(52,607)
Disposal of property, plant and equipment	3,470	466	4,968
Acquisition of Billig VVS ApS	(40,000)	0	(199,187)
Cash flow from investing activities	(61,449)	(24,623)	(301,488)
Cash flow from financing activities			
Repayment of debt to/raising of loans with credit institutions, net	320,201	(16,245)	142,267
Acquisition/disposal of treasury shares	(400,844)	0	0
Cash flow from financing activities	(80,643)	(16,245)	142,267
Cash flow for the period	(3,427)	20,098	(63,137)
Cash and cash equivalents at beginning of period	10,368	72,690	72,690
Foreign currency translation adjustment	158	(997)	816
Cash and cash equivalents at end of period	7,099	91,792	10,368

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 2016	57,000	200,000	2,778	764,780	1,024,557
Net profit or loss for the period	0	0	0	46,914	46,914
Foreign currency translation adjustment relating to foreign entities	0	0	(838)	0	(838)
Total comprehensive income	0	0	(838)	46,914	46,076
Acquisition/disposal of treasury shares	0	0	0	(400,844)	(400,844)
Dividends paid	0	0	0	0	0
Total transactions with owners	0	0	0	(400,844)	(400,844)
Equity at 30 June 2016	57,000	200,000	1,940	410,851	669,790
Equity at 1 January 2015	57,000	200,000	1,608	677,090	935,698
Net profit or loss for the period	0	0	0	34,099	34,099
Foreign currency translation adjustment relating to foreign entities	0	0	899	0	899
Total comprehensive income	0	0	899	34,099	34,998
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 30 June 2015	57,000	200,000	2,508	711,189	970,697
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	87,770	87,770
Foreign currency translation adjustment relating to foreign entities	0	0	1,168	(81)	1,087
Total comprehensive income	0	0	1,168	87,689	88,857
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 December 2015	57,000	200,000	2,778	764,780	1,024,557

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 2015. Reference is made to note 1 of the consolidated and company financial statements for 2015, which contains a full description of the accounting policies.

Changes in accounting policies

Apart from Amendments to IAS 19 and Annual Improvements to IFRSs 2010-12 Cycle that were adopted early in 2015, the Group has implemented the accounting standards and interpretations that become effective in the EU in 2016. None of these have had any impact on recognition and measurement for 2016, nor are they expected to have any effect on the Group.

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 expenses. 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 2015. For a more detailed description of the estimation uncertainty, reference is made to the consolidated and company financial statements for 2015.

3 Segment information

Group activities relating to the trade in technical installation materials for both B2B and B2C customers take place in an integrated manner and are dealt with as one operating segment.

4 Goodwill

The annual impairment test of intangible assets, including goodwill, is performed at 31 December 2016, after the completion of budgets and strategy plans for the coming period. At 30 June 2016, 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 30 June 2016. For a more detailed description of impairment tests, reference is made to the consolidated and company financial statements for 2015.

5 Non-current assets

During the reporting period the Group has invested DKK 24.9 million, not including the remaining DKK 40.0m of the purchase price for Billig VVS ApS, (2015: DKK 24.6 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 2015.

8 Deferred tax

At 30 June 2016 net deferred tax liabilities were DKK 51.5 million, compared with DKK 37.0 million at 30 June 2015. The increase is attributable to the acquisition of Billig VVS ApS.