
Interim Financial Report for the Period 1 January – 30 September 2019



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 September 2019.

Highlights for the third quarter and first nine months of 2019

- Consolidated revenue for the third quarter of 2019 was DKK 877.4 million, which is DKK 64.2 million, or approximately 8%, more than for the third quarter of 2018. Compared with last year, the third quarter of 2019 had one more working day. Consolidated revenue for the first nine months of 2019 was DKK 2,595.5 million, which is DKK 139.7 million or nearly 6% higher than for the same period last year. Compared to 2018, the gross profit margin for the three months and nine months ended September 30, 2019 decreased by 1.5 percentage points and 0.8 percentage point, respectively, due to increased project sale volumes, increased sale of low profit margin products and major inventory write-downs in the third quarter.
- Operating profit (EBIT) for the third quarter of 2019 was DKK 40.6 million, corresponding to a profit margin of 4.6%, against DKK 38.1 million and 4.7% for the third quarter of 2018. Operating profit (EBIT) for the first nine months of 2019 was DKK 124.2 million, corresponding to a profit margin of 4.8%, against DKK 107.3 million and 4.4% in 2018. The increased profit margin is achieved through revenue growth and a largely unchanged level of expenses.
- Profit before tax (EBT) for the third quarter of 2019 was DKK 39.0 million, which is DKK 3.6 million more than for the third quarter of last year. Profit before tax for the first three quarters of 2019 was DKK 119.3 million or DKK 13.4 million more than last year.
- As at 30 September 2019, the Group's total assets amounted to DKK 2,279.6 million, which is DKK 24.3 million more than at the same time in 2018. The increase is attributable to lease assets (IFRS 16) of DKK 75.9 million, partly offset by lower value of software and other property, plant and equipment amounting to DKK 41.4 million.
- As at 30 September 2019, the Group's equity totalled DKK 831.6 million, which is DKK 110.7 million more than at the same time in 2018. The solvency ratio was 35.6% against 32.0% at 30 September 2018.
- Cash flow from operating activities for the third quarter of 2019 was negative at DKK 96.1 million and negative at DKK 10.5 million for the first three quarters of 2019, which is DKK 165.7 million and DKK 117.2 million less than for the same periods last year, primarily due to a timing difference in payments to suppliers. Investments for the third quarter of 2019 totalled DKK 5.9 million and DKK 29.2 million for the first nine months of 2019, compared with DKK 27.9 million and DKK 72.1 million in 2018.

Other highlights for the first nine months of 2019:

- In May 2019, and for the second time in only four years, AO won the Danish E-commerce Association's (FDIH) e-commerce award for being the best omni-channel business in Denmark. In addition, AO came in a good second in the category "Best B2B Business".
- CFO Henrik T. Krabbe resigned from his post with effect from 31 December 2019.
- IFRS 16 (Leases) was implemented with effect from 1 January 2019. There is no significant earnings impact, whereas the balance sheet as at 30 September 2019 increased by DKK 75.9 million.
- The Annual General Meeting approved the recommended consolidated and parent company financial statements as well as the allocation of profits, including a dividend payment of DKK 6 per preference share of DKK 10. All shareholder-elected Board members were re-elected. Afterwards the Board of Directors constituted itself with Henning Dyremose as Chairman and Michael Kjær as Deputy Chairman. The Board of Directors was authorised to acquire own preference shares equivalent to a total of 10% of the Company's share capital.

Expectations for the year

- The Group's profit before tax expectations for 2019 are adjusted upwards from DKK 150-160 million, as previously announced, to DKK 160-170 million. In 2018, Brødrene A & O Johansen A/S realised a profit before tax of DKK 150.3 million.

Albertslund, 15 November 2019

Niels A. Johansen
CEO

Henrik T. Krabbe
CFO

Financial and operating data for the AO Group

(DKKm)

Key figures	Q1-3 2019	Q1-3 2018	Q3 2019	Q3 2018	Full Year 2018
Consolidated revenue	2,595.5	2,455.8	877.4	813.2	3,373.4
Gross margin	603.3	589.0	195.7	193.3	805.2
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	203.2	171.6	66.2	58.5	241.0
Profit or loss before financial income and expenses (EBIT)	124.2	107.3	40.6	38.1	154.8
Financial income and expenses, net	(4.8)	(1.5)	(1.5)	(2.7)	(4.6)
Profit or loss before tax (EBT)	119.3	105.9	39.0	35.4	150.3
Tax on profit or loss for the period	(25.8)	(22.9)	(8.3)	(7.6)	(31.7)
Net profit or loss for the period	93.5	82.9	30.7	27.8	118.5
Non-current assets	1,343.2	1,311.7	1,343.2	1,311.7	1,300.1
Current assets	936.4	943.6	936.4	943.6	843.8
Total assets	2,279.6	2,255.3	2,279.6	2,255.3	2,144.0
Share capital	28.0	28.0	28.0	28.0	28.0
Equity	831.6	721.0	831.6	721.0	756.7
Non-current liabilities	335.1	222.9	335.1	222.9	288.6
Current liabilities	1,112.8	1,311.4	1,112.8	1,311.4	1,098.7
Cash flow from operating activities	(10.5)	106.6	(96.1)	69.6	300.8
Cash flow from investing activities	(29.2)	(72.1)	(5.9)	(27.9)	(82.3)
Of which investments in property, plant and equipment, net	(18.0)	(55.6)	(1.8)	(24.2)	(60.7)
Cash flow from financing activities	25.9	(27.1)	102.0	(29.5)	(229.8)
Cash flow for the period	(13.9)	7.5	(0.0)	12.2	(11.3)
Financial ratios*					
Gross profit margin	23.2%	24.0%	22.3%	23.8%	23.9%
Profit margin	4.8%	4.4%	4.6%	4.7%	4.6%
Return on capital employed**	5.6%	4.9%	1.8%	1.7%	7.2%
Return on equity**	11.8%	12.0%	3.8%	4.0%	16.8%
Solvency ratio	36.5%	32.0%	36.5%	32.0%	35.3%
Book value	297	257	297	257	270
Share price at the end of the period	310	349	310	349	294
Earnings per share (EPS Basic), DKK***	34	31	11	10	44
Diluted earnings per share (EPS-D), DKK***	34	31	11	10	44
Average number of employees****	735	747	733	745	747

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

** Not translated into full-year figures.

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

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

Management's review

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

The Group's financial development

Consolidated revenue for the third quarter of 2019 totalled DKK 877.4 million, which is DKK 64.2 million, or approximately 8%, more than for than for the same quarter in 2018. Consolidated revenue for the first nine months of 2019 was DKK 2,595.5 million against DKK 2,455.8 million for the same period last year, corresponding to a growth of nearly 6%. The growth in revenue for the third quarter and first nine months was attributable to the professional market, both in Denmark and abroad, and the private online market. Both the Technical Installation and Construction segments contributed to the growth. International revenue still accounts for less than 10% of total revenue.

Gross margin for the third quarter of 2019 amounted to DKK 195.7 million, corresponding to a gross profit margin of 22.3%, compared with DKK 193.3 million and 23.8% for the same quarter of 2018. Gross margin and gross profit margin for the first nine months of 2019 totalled DKK 603.3 million and 23.2% respectively, compared with DKK 589.0 million and 24.0% for the same period of 2018. Distribution costs for the third quarter and first nine months of 2019 constituted 4.0% and 3.8% of revenue, respectively, and are essentially unchanged from the same periods a year ago..

The gross profit margin for the three months and nine months ended 30 September 2019 decreased by 1.5 percentage points and 0.8 percentage point, respectively, compared to the same periods of 2018, due to increased project sale volumes, increased sale of low profit margin products and major inventory write-downs in the third quarter of 2019.

Total operating expenses for the third quarter of 2019, including depreciation and amortisation, amounted to DKK 155.2 million, which is unchanged from the third quarter of last year. Total operating expenses for the first nine months of 2019 totalled DKK 479.1 million, which is 0.5% less than for the same period in 2018. The implementation of IFRS 16 does not significantly affect the comparison of total operating expenses.

In the third quarter of 2019, external expenses totalled DKK 38.5 million, which is DKK 3.9 million less than in the third quarter of last year. External expenses for the first nine months of 2019 amounted to DKK 118.9 million, which is DKK 13.3 million less than last year. Following the implementation of IFRS 16 in 2019, rent and lease expenses are categorised as depreciation and interests and amount to DKK 18.1 million in the first nine months of 2019. Prior to the implementation of IFRS 16, external expenses thus increased by DKK 4.8 million, or approximately 4%, due to increased costs for digital advertising and IT security.

In the third quarter of 2019, staff costs of DKK 90.9 million decreased by DKK 1.4 million, or 1.5%, compared with the same period last year. In the first nine months of 2019, staff costs of DKK 281.2 million decreased by DKK 4.0 million, or 1.4%, compared with the same period last year. Despite revenue growth, the average number of employees was reduced from 745 in the first nine months of last year to an average of 735 employees in the first three quarters of 2019.

Depreciation, amortisation and write-downs for the third quarter of 2019 was DKK 25.7 million, an increase of DKK 5.2 million compared to the same period last year. In the first nine months of 2019, depreciation, amortisation and write-downs increased by DKK 14.7 million compared to the same period last year. In the three months and nine months ended 30 September 2019, IFRS 16 increased depreciation, amortisation and write-downs by DKK 5.9 million and 17.7 million, respectively, so in reality depreciation, amortisation and write-downs for the three months and nine months ended 30 September 2019 were DKK 0.7 million and DKK 3.0 million lower than in the same periods last year.

Operating profit (EBIT) for the third quarter of 2019 was DKK 40.6 million, which is 4.6% of revenue. Compared to the same period last year, EBIT is DKK 2.5 million higher, and the profit margin is at the same level due to the profit impact from higher sales volumes, partially offset by a decline in the gross profit margin. In the first nine months of 2019, EBIT was DKK 124.2 million, corresponding to 4.8% of revenue. Compared to the same period last year, EBIT is DKK 16.9 million higher, and the profit margin is up by 0.4 percentage point. The increase in EBIT is mainly attributable to the effect of revenue growth, partially offset by a declining gross profit margin and supported by a decrease in total operating expenses.

Financial income and expenses, net, for the third quarter of 2019 were negative at DKK 1.5 million, which is DKK 1.1 million lower than in the same quarter of 2018. Financial income and expenses, net, for the first nine months of 2019 were negative at DKK 4.8 million, which is DKK 3.4 million more than for the first nine months of 2018. The difference is partly attributable to lower interest expenses, partly to lower debt to credit institutions and to an income in the first nine months of 2018 of DKK 6.1 million stemming from a reassessment of the earn-out agreement related to the acquisition of Greenline A/S. IFRS 16 has increased financial expenses by DKK 0.4 million.

For the third quarter of 2019, the Group recorded a pre-tax profit of DKK 39.0 million against DKK 35.4 million reported for the same quarter last year. For the first nine months of 2019, the Group recorded a pre-tax profit of DKK 119.3 million, which is DKK 13.4 million, or nearly 13%, higher than for the first nine months of 2018.

Tax on profit for the period 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 30.7 million was recorded for the third quarter of 2019 against DKK 27.8 million for the third quarter of 2018. A post-tax profit of DKK 93.5 million was recorded for the first nine months of 2019, compared with DKK 82.9 million for the same period last year.

As at 30 September 2019 the Group's total assets amounted to DKK 2,279.6 million, which is DKK 24.3 million, or approximately 1%, more than at the same time last year.

Non-current assets of DKK 1,343.2 million are DKK 31.5 million, net, higher than at the same time last year. The deviation is attributable to lease assets (IFRS 16) amounting to DKK 75.9 million, partly offset by lower book value of software, land and buildings, and operating equipment due to investments being lower than depreciation.

Current assets decreased by DKK 7.2 million to DKK 936.4 million, when compared to the same period last year. Inventories increased by DKK 19.7 million to DKK 467.9 million due to investment in a wider range of products. Trade receivables went up by DKK 21.1 million to DKK 445.1 million due to higher revenue in August and September 2019, when compared to the same months last year. Other receivables of DKK 8.7 million decreased by DKK 15.5 million, primarily due to lower deposits.

Cash and cash equivalents of DKK 2.8 million are DKK 32.6 million lower than at 30 September 2018.

At 30 September 2019, equity amounted to DKK 831.6 million, corresponding to a solvency ratio of 36.5%, and is DKK 110.7 million higher than at the same time last year driven by the period's earnings after tax of DKK 129.1 million minus dividend payments of DKK 16.3 million.

The Group's payables to credit institutions amounted to DKK 704.2 million at 30 September 2019 and are DKK 145.0 million lower than at 30 September 2018 – mainly due to cash flow from operations in the fourth quarter of 2018 and lower investments than in previous years. Lease liabilities/IFRS 16 amounted to DKK 75.9 million.

As at 30 September 2019, trade payables amounted to DKK 496.5 million and are DKK 40.3 million lower than at the same time last year due to a timing difference in payments to suppliers, partly offset by the use of Supply Chain Finance programmes.

Other payables of DKK 84.7 million are DKK 1.2 million higher than at the same time last year

Cash flow from operating activities before working capital changes for the third quarter of 2019 was DKK 65.6 million, which is DKK 7.1 million more than for the same period last year. The increase in inventories and receivables of DKK 44.6 million is caused by investments in a wider range of stocked items and increased revenue, while timing differences in payments to suppliers at the end of the second and third quarter of this year resulted in a decrease in trade payables and other payables of DKK 115.2 million in the third quarter. In the third quarter of 2019, working capital thus increased by DKK 159.8 million, compared with a decrease of DKK 14.3 million for the same quarter last year. In the third quarter of 2019, cash flow from operating activities was negative at DKK 96.1 million against positive at DKK 69.6 million for the third quarter of last year.

Cash flow from operating activities for the first nine months of 2019 was negative at DKK 10.5 million against positive at DKK 106.6 million for the same period last year. Driven by the improvement in earnings, the increase in cash flow from operating activities before working capital of DKK 29.9 million is more than offset by an increase in working capital of DKK 199.5 million, which is attributable to a wider range of stocked items, increasing trade receivables and time differences in supplier payments.

Net investments for the third quarter of 2019 totalled DKK 5.9 million, of which DKK 4.2 million relates to software and DKK 1.7 million relates to leasehold improvements. Net investments for the third quarter of last year totalled DKK 27.9 million, of which DKK 19.3 million related to land and buildings, DKK 3.7 million related to software, and DKK 4.9 million related to operating equipment. Net investments for the first nine months of 2019 amounted to DKK 29.2 million, of which DKK 11.2 million relates to software, DKK 1.8 million relates to leasehold improvements, and DKK 16.2 million relates to operating equipment. Net investments for the first nine months of last year amounted to DKK 72.1 million, of which DKK 37.0 million related to the acquisition of a building site in Silkeborg and the refurbishment of the central warehouse, DKK 15.5 million related to software, DKK 18.6 million related to operating equipment, and DKK 1.0 million related to other financial instruments.

Shareholders received dividend payments of DKK 16.3 million. In the nine-month period ended 30 September 2019, the Group's total payables to credit institutions increased by net DKK 57.7 million to DKK 704.2 million. A cash pool agreement has been entered into, meaning that cash and cash equivalents are offset against payables to credit institutions on calculation of interest. Lease payments covered by IFRS 16 amounted to DKK 18.1 million for the first nine months of 2019.

Total cash flow for the first three months of 2019 is DKK 0.0 million and negative at DKK 13.9 million for the first nine months of 2019. At 30 September 2019, the Group's cash and cash equivalents totalled DKK 2.8 million, which is DKK 32.6 million less than at 30 September 2018.

Significant risks

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

Incentive programme and treasury shares

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

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

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

Outlook

The Group's profit before tax expectations for 2019 are adjusted upwards from DKK 150-160 million, as previously announced, to DKK 160-170 million. In 2018, the Group realised a profit before tax of DKK 150.3 million.

Events after the end of the interim period

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

Additional information

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

Company announcements in 2019

Announcement no. 1	Annual report 2018	22 February 2019
Announcement no. 2	Notice convening the Annual General Meeting of Brødrene A & O Johansen A/S	22 February 2019
Announcement no. 3	Notification of transactions of persons discharging Managerial responsibilities	14 March 2019
Announcement no. 4	Result of the Annual General Meeting of Brødrene A & O Johansen A/S	20 March 2019
Announcement no. 5	Interim financial report for the first quarter of 2019	22 May 2019
Announcement no. 6	Management – Henrik T. Krabbe resigns from his post	27 June 2019
Announcement no. 7	Interim financial report for the first half of 2019	23 August 2019
Announcement no. 8	Notification of transaction of persons discharging Managerial responsibilities	18 October 2019
Announcement no. 9	Major shareholder announcement	18 October 2019

Management's statement

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

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

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

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

Albertslund, 15 November 2019

Executive Board

Niels A. Johansen
CEO

Henrik T. Krabbe
CFO

Stefan Funch Jensen
CDO

Lili Johansen
CHRO

Gitte Lindeskov
CIO

Board of Directors

Henning Dyremose
Chairman of the Board

Michael Kjær
Deputy Chairman

René Alberg

Erik Holm

Carsten Jensen

Niels A. Johansen

Jonas Kvist

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Income statement and statement of comprehensive income

<i>(All amounts are in DKK thousands)</i>	Note:	Q1-3 2019	Q1-3 2018	Q3 2019	Q3 2018	Full Year 2018
Revenue	3	2,595,488	2,455,795	877,399	813,220	3,373,373
Cost of sales		(1,893,329)	(1,772,773)	(647,083)	(587,962)	(2,439,481)
Distribution costs		(99,281)	(95,101)	(34,681)	(32,318)	(130,113)
Gross profit		602,878	587,920	195,635	192,939	803,779
Other operating income		400	1,091	70	362	1,454
Gross margin		603,278	589,011	195,705	193,301	805,234
External expenses		(118,903)	(132,218)	(38,542)	(42,406)	(177,024)
Staff costs		(281,180)	(285,145)	(90,936)	(92,349)	(387,211)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		203,195	171,648	66,227	58,547	240,999
Depreciation, amortisation and other amounts written off tangible and intangible fixed assets		(79,043)	(64,299)	(25,672)	(20,456)	(86,161)
Operating profit or loss (EBIT)		124,153	107,349	40,555	38,091	154,838
Financial income		1,214	7,713	337	458	8,039
Financial expenses		(6,046)	(9,173)	(1,870)	(3,134)	(12,625)
Profit or loss before tax (EBT)		119,321	105,889	39,023	35,415	150,253
Tax on profit or loss for the period		(25,800)	(22,941)	(8,312)	(7,627)	(31,739)
Net profit or loss for the period		93,521	82,948	30,710	27,788	118,514
Other comprehensive income						
Items reclassified to the income statement						
Foreign currency translation adjustment relating to foreign entities		(2,278)	(1,353)	(808)	753	(1,175)
Tax on other comprehensive income		-	-	-	-	-
Other comprehensive income after tax		(2,278)	(1,353)	(808)	753	(1,175)
Total comprehensive income		91,243	81,595	29,902	28,541	117,339
Earnings per share						
Earnings per share (EPS)		34	31	11	10	44
Diluted earnings per share (EPS-D)		34	31	11	10	44

Balance sheet

(All amounts are in DKK thousands)

ASSETS	Note:	2019.09.30	2018.09.30	2018.12.31
Non-current assets				
Intangible assets				
Goodwill	4	371,334	371,334	371,334
Intellectual property rights		47,382	50,352	49,609
Software		34,708	44,369	42,168
		<u>453,425</u>	<u>466,055</u>	<u>463,111</u>
Property, plant and equipment				
Land and buildings		649,928	665,267	663,803
Leasehold improvements		3,879	573	517
Fixtures and operating equipment		159,051	178,804	171,717
Lease assets		75,902	-	-
		<u>888,760</u>	<u>844,643</u>	<u>836,037</u>
Other non-current assets				
Other Investments		1,000	1,000	1,000
		<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total non-current assets		<u>1,343,184</u>	<u>1,311,698</u>	<u>1,300,147</u>
Current assets				
Inventories	5	467,942	448,193	435,364
Trade receivables	6	445,063	423,913	370,008
Other receivables		8,699	24,192	13,077
Prepayments and accrued income		11,921	11,953	8,736
Cash at bank and in hand		2,782	35,373	16,633
Total current assets		<u>936,406</u>	<u>943,625</u>	<u>843,819</u>
Total assets		<u>2,279,590</u>	<u>2,255,323</u>	<u>2,143,966</u>

Balance sheet

(All amounts are in DKK thousands)

EQUITY AND LIABILITIES	Note:	2019.09.30	2018.09.30	2018.12.31
Equity				
Share capital		28,000	28,000	28,000
Reserve for foreign currency translation adjustments		(3,685)	(1,585)	(1,407)
Retained earnings		807,322	694,539	730,107
Total equity		831,636	720,953	756,699
Non-current liabilities				
Deferred tax		60,413	61,678	60,472
Credit institutions		218,581	161,262	228,129
Lease liabilities		53,561	-	-
Frozen holiday pay		2,573	-	-
Total non-current liabilities		335,128	222,940	288,601
Current liabilities				
Credit institutions		485,613	687,917	418,339
Lease liabilities		22,342	-	-
Trade payables		496,468	536,780	589,259
Corporation tax		23,662	3,050	6,107
Other payables		84,741	83,525	84,961
Accruals and deferred income		0	158	0
Total current liabilities		1,112,826	1,311,430	1,098,666
Total liabilities		1,447,954	1,534,369	1,387,267
Total equity and liabilities		2,279,590	2,255,323	2,143,966

Cash flow statement

(All amounts are in DKK thousands)

	Q1-3 2019	Q1-3 2018	Q3 2019	Q3 2018	Full year 2018
Operating profit or loss	124,153	107,349	40,555	38,090	154,838
Depreciation, amortisation and other amounts written off tangible and intangible fixed assets	79,043	64,299	25,672	20,456	86,161
Other non-cash operating items, net	(1,678)	-	(622)	-	-
Cash generated from operating activities before changes in working capital	201,517	171,648	65,605	58,546	240,999
Changes in inventories	(32,578)	(34,141)	(9,072)	(3,314)	(21,312)
Changes in trade receivables	(73,861)	(50,336)	(35,478)	(6,809)	17,901
Changes in trade and other payables	(93,012)	35,014	(115,239)	24,412	88,771
Total changes in working capital	(199,451)	(49,462)	(159,789)	(14,290)	85,360
Cash generated from operating activities	2,066	122,186	(94,184)	72,836	326,360
Financial items paid, net	(4,403)	(7,562)	(1,390)	(2,675)	(10,687)
Corporation tax paid	(8,182)	(7,988)	(538)	(582)	(14,912)
Cash flow from operating activities	(10,519)	106,636	(96,112)	69,579	300,761
Purchase of intangible assets	(11,175)	(15,531)	(4,194)	(3,710)	(20,653)
Purchase of property, plant and equipment, net	(18,032)	(55,555)	(1,755)	(24,204)	(60,656)
Purchase of investments	-	(1,000)	-	-	(1,000)
Cash flow from investing activities	(29,207)	(72,086)	(5,949)	(27,914)	(82,309)
Repayment of debt to credit institutions	(69,944)	(8,183)	(23,249)	(2,739)	(176,244)
Raising of loans with/repayment of loans to credit institutions	127,671	(2,359)	128,785	(26,719)	(37,008)
Frozen holiday pay	2,573	-	2,573	-	-
Lease payments	(18,120)	-	(6,064)	-	-
Dividend distribution	(16,306)	(16,306)	-	-	(16,306)
Adjustment related to previous years	-	(202)	-	-	(202)
Cash flow from financing activities	25,874	(27,050)	102,045	(29,458)	(229,761)
Cash flow for the period	(13,852)	7,500	(16)	12,207	(11,309)
Cash and cash equivalents at beginning of period	16,633	28,553	2,798	22,654	28,553
Foreign currency translation adjustment	-	(680)	-	512	(609)
Cash and cash equivalents at end of period	2,782	35,373	2,782	35,373	16,633

Statement of changes in equity

<i>(All amounts are in DKK thousands)</i>	Share capital	Foreign currency translation adjustment	Retained Earnings	Total Equity
Equity at 1 January 2019	28,000	(1,407)	730,105	756,699
Net profit or loss for the period	-	-	93,521	93,521
Foreign currency translation adjustment relating to foreign entities	-	(2,278)	-	(2,278)
Total comprehensive income	-	(2,278)	93,521	91,243
Dividend distribution	-	-	(16,306)	(16,306)
Total transactions with owners	-	-	(16,306)	(16,306)
Equity at 30 September 2019	28,000	(3,685)	807,321	831,638
Equity at 1 January 2018	28,000	(232)	628,099	655,867
Net profit or loss for the period	-	-	82,948	82,948
Foreign currency translation adjustment relating to foreign entities	-	(1,353)	-	(1,353)
Total comprehensive income	-	(1,353)	82,948	81,595
Dividend distribution	-	-	(16,306)	(16,306)
Adjustment related to previous years	-	-	(202)	(202)
Total transactions with owners	-	-	(16,508)	(16,508)
Equity at 30 September 2018	28,000	(1,585)	694,539	720,953
Equity at 1 January 2018	28,000	(232)	628,099	655,868
Net profit or loss for the period	-	-	118,514	118,514
Foreign currency translation adjustment relating to foreign entities	-	(1,175)	-	(1,175)
Total comprehensive income	-	(1,175)	118,514	117,339
Dividend distribution	-	-	(16,306)	(16,306)
Adjustment related to previous years	-	-	(202)	(202)
Total transactions with owners	-	-	(16,508)	(16,508)
Equity at 31 December 2018	28,000	(1,407)	730,105	756,699

Notes

1 Accounting policies

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

Changes in accounting policies

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

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

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

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

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

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

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

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

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

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

Effect of the implementation of IFRS 16

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

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

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

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

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

2 Accounting estimates and judgements

Estimation uncertainty

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

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

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

The lease period:

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

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

Alternative borrowing rate:

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

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

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

3 Segment information

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

According to IFRS 15, revenue for the third quarter of 2019 is categorised into Technical Installation totalling DKK 623.6 million (2018: DKK 573.3 million) and Construction totalling DKK 253.8 million (2018: DKK 239.9 million).

According to IFRS 15, revenue for the first three quarters of 2019 is categorised into Technical Installation totalling DKK 1,856.2 million (2018: DKK 1,741.1 million) and Construction totalling DKK 739.3 million (2018: DKK 714.7 million).

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

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

In the first three quarters of 2019, revenue from the private market segment totals DKK 305.6 million or approximately 12% of total sales against DKK 265.4 million or approximately 11% in the first three quarters of 2018.

4 Goodwill and intangible assets

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

5 Inventories

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

6 Trade receivables

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