

2021

Annual Report 2021
Brødrene A & O Johansen A/S
Rørvang 3 - DK-2620 Albertslund
Denmark

CVR No.: 58 21 06 17



2021 was a very satisfactory year in which everyone was expected to be prepared and willing to change. The AO Group's staff did a fantastic job of navigating the constantly changing and extremely difficult conditions resulting from COVID-19.

AO is built on proud traditions, having existed for more than a century. Fundamental acceptance and understanding of the customer situations and needs are and will remain a cornerstone of AO culture: we will never be too big to thank customers for their orders or learn something new from them.

The AO strategy – which centres on the market for repair, renovation and maintenance – has demonstrated its strength with its local presence, its trade ranges and its distinctive nature which is deeply embedded in all elements of the organisation. Our new acquisitions and digital initiatives place us in a great position to face the new year, and – not least – our staff and their targeted team efforts are and will remain the cornerstone and very core of our success.

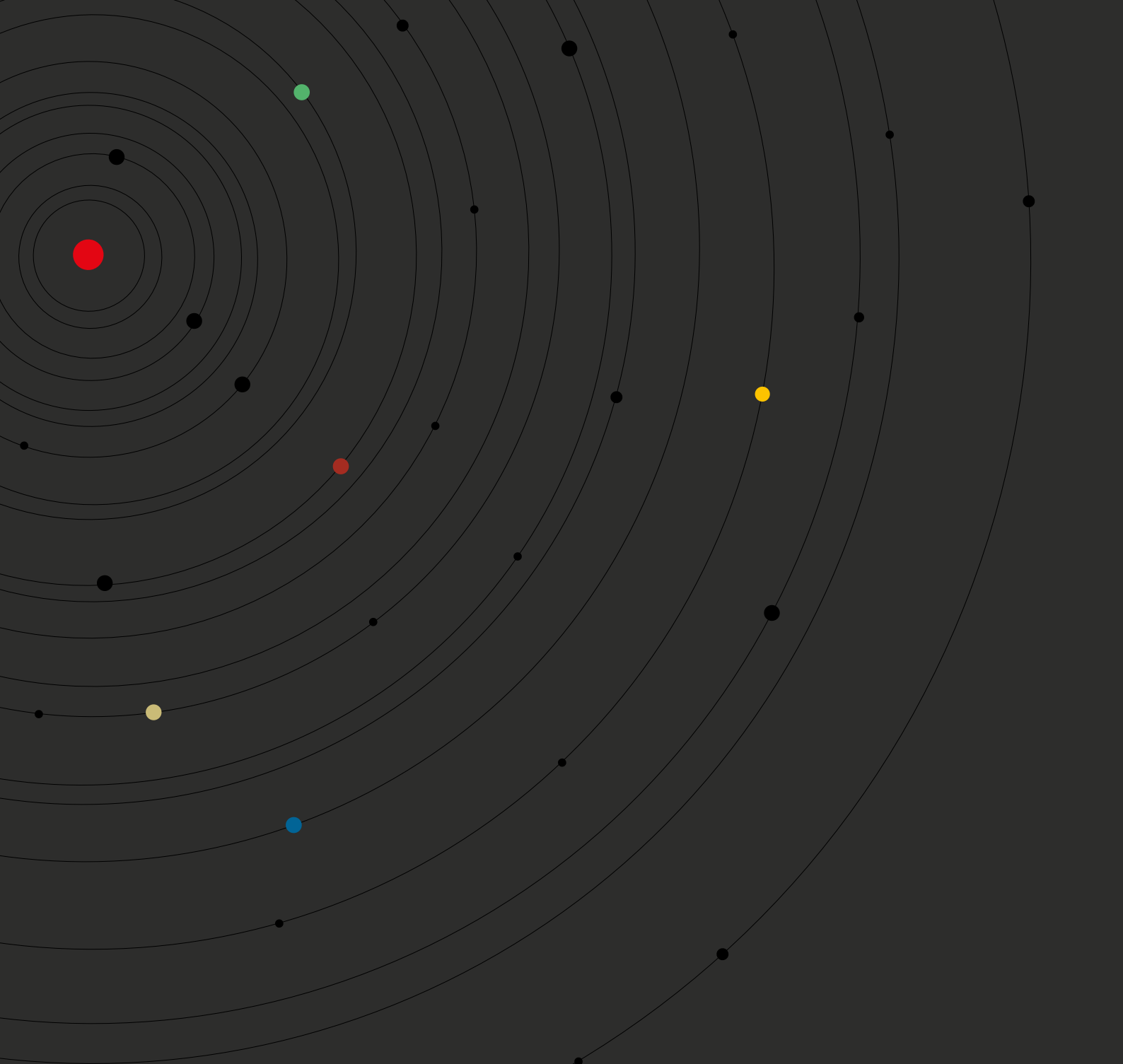
We defined a series of initiatives relating to corporate social responsibility (CSR) in 2021. In 2022, we will be focusing more closely on climate, the environment, green initiatives and their sustainable implementation in society.

We look forward to making an active contribution and sharing responsibility for the future we are passing on to generations to come.

Best regards,

Niels A. Johansen, CEO

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, 51 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.



365 DAYS AT AO

This year's theme for the Annual Report for 2021 looks at the many new events that have happened during the 2021 calendar year. The photo montage provides us with a good overview of the entire Group and gives us an impression of a company never satisfied with just sitting on the sidelines, and that's constantly taking new initiatives and setting new goals. We are at the forefront of digital developments, services to our customers, acquiring new businesses, starting our own online stores and AO stores or our various green initiatives.

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



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JANUARY

For both AO and a number of our business customers, choosing a climate and environmentally friendly vehicle has become the norm. Consequently, we're rolling out the installation of charging points at all AO stores.

CONSOLIDATED FIVE-YEAR SUMMARY

(DKKm)

Key figures***	2021	2020	2019	2018	2017
Revenue	4,800.5	4,098.3	3,582.7	3,373.4	3,269.1
Gross margin	1,119.3	945.7	857.4	831.3	790.5
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	417.2	328.2	281.6	241.0	223.1
Operating profit or loss (EBIT)	316.7	223.8	175.9	154.8	147.2
Financial income and expenses, net	9.4	(3.0)	(6.4)	(4.6)	(1.7)
Profit or loss before tax (EBT)	326.1	220.8	168.4	150.3	145.5
Tax on profit or loss for the year	(72.3)	(47.9)	(37.4)	(31.7)	(30.7)
Net profit or loss for the year	253.8	172.9	131.0	118.5	114.8
Non-current assets	1,472.7	1,320.0	1,349.2	1,300.1	1,304.6
Current assets	1,235.9	1,063.2	957.5	843.8	864.5
Total assets	2,708.5	2,383.2	2,306.7	2,144.0	2,169.1
Share capital	28.0	28.0	28.0	28.0	28.0
Equity	1,239.9	1,030.2	870.3	756.7	655.9
Non-current liabilities	295.9	330.6	337.4	288.6	230.1
Current liabilities	1,172.7	1,022.4	1,099.0	1,098.7	1,283.1
Cash flow from operating activities	308.1	375.4	302.7	300.8	134.4
Cash flow from investing activities	(212.7)	(66.3)	(52.7)	(82.3)	(164.2)
Of which investments in property, plant and equipment, net	(170.5)	(37.3)	(26.1)	(60.7)	(86.0)
Cash flow from financing activities	(91.6)	(256.2)	(186.2)	(229.8)	52.1
Cash flow for the year	3.7	52.8	63.8	(11.3)	22.3
Financial ratios					
Gross profit margin	23.3%	22.3%	23.2%	23.9%	23.5%
EBITDA margin	8.7%	8.0%	7.9%	7.1%	6.8%
Profit margin	6.6%	5.5%	4.9%	4.6%	4.5%
Return on capital employed	12.4%	9.5%	7.9%	7.2%	7.1%
Return on equity	22.4%	18.2%	16.1%	16.8%	16.5%
Net gearing	0.5	0.8	1.8	2.6	3.7
Solvency ratio	45.8%	43.2%	37.7%	35.3%	30.2%
Book value*	443	368	311	270	234
Share price at the end of the year	1,360	604	348	294	401
Price Earnings Basic (P/E Basic)	14.6	9.4	7.3	6.7	9.5
Dividend per DKK 10 share	45.0	15.0	6.0	6.0	6.0
Earnings per share (EPS Basic), DKK	93	64	48	44	42
Diluted earnings per share (EPS-D), DKK	93	64	48	44	42
Number of employees (FTE average)**	784	741	734	747	718
Number of employees excluding temporary work	705	678	683	692	673

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 86

*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

HIGHLIGHTS OF THE YEAR

We were expecting to see continued growth in 2021 at the start of the year, albeit to a more moderate extent than in 2020.

Growth in 2021 stood at 17%, which was therefore significantly higher than expected. Exceptional B2C activity, particularly at the start of the year, was positively impacted by COVID-19, which caused DIY centres to close for a brief time in spring.

There was a great deal of activity in the construction sector throughout 2021. Activities were stimulated by a number of factors, including low interest rates, lots of house sales and robust private finances.

The last few years have been unusual in lots of ways.

First and foremost, COVID-19 – resulting in repeated lockdowns and reopenings – has given rise to very different conditions and circumstances for Danish and global industry. This has meant extremely difficult market conditions for many sectors and companies, and AO hopes that the next few years will offer better conditions for hard-pressed companies.

The period has been characterised by high levels of activity in the wholesale sector. COVID-19 has had no adverse impact on the sector, maybe even focusing people's attention more closely on investments in their homes.

AO has focused on making the most of digital opportunities in its business model for a num-

ber of years now. The many digital solutions on offer mean that customers have a wide range of digital purchasing methods that they can use alongside traditional in-store collection. Moreover, digitisation has resulted in high levels of automation at the central warehouse.

2021 has been an eventful year for AO.

- Complet VVS A/S (CompletVVS.dk) was taken over in April 2021. This webshop is very familiar to B2C customers and is a good addition to the existing AO webiverse. CompletVVS also offers in-store displays, and the takeover has given AO access to a wide range of new products, including the extremely popular Quooker mixer tap.
- AO's 51st store in Denmark opened in Kalundborg in August 2021.
- AO365 was rolled out across the entire store network in December 2021. The concept has been well received by customers, who can shop freely at our store 24 hours a day, 365 days a year, using the AO365 app on their smartphones. AO365 has done away with opening hours in one stroke. Our store is our customer's store. Our warehouse is our customer's warehouse!
- It was announced in December 2021 that AO will be taking over EA Værktøj Engros A/S, subject to approval from the competition authorities. EA Værktøj has revenue of around DKK 280 million, mainly from fixings such as brackets, nails, screws, bolts, etc. Most of its customers are carpenters and joiners. Thus the takeover will significantly expand both

the product range and the customer base, which will help to stimulate short-term and long-term growth at AO.

AO has defined a series of initiatives relating to corporate social responsibility (CSR) in 2021. Our goal is to halve AO's own carbon footprint by 2025 and make the company climate neutral by 2030. One important parameter in this reduction will be to replace conventional energy consumption with renewable energy, including solar panels.

AO met its previously announced long-term financial objectives in 2021. The following new objectives were published on 20 August 2021:

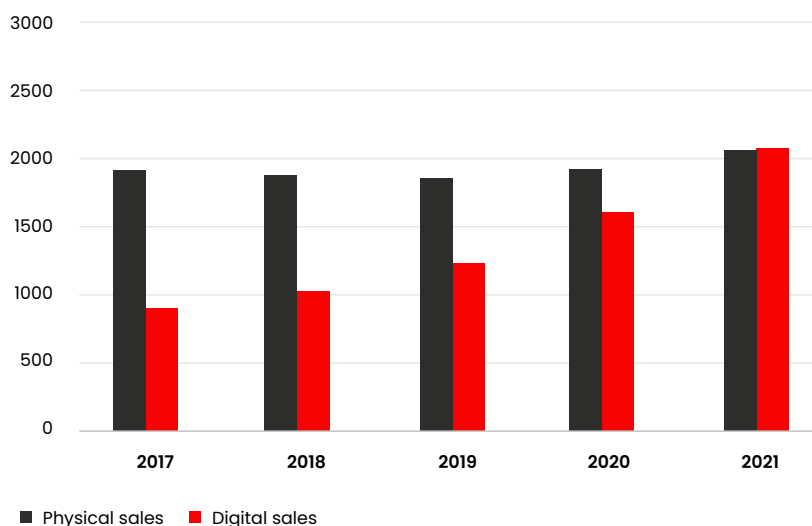
- Annual growth in excess of market growth. This growth must be a combination of investments in organic growth and acquired growth.
- A net profit ratio of 10%, as measured by EBITDA. The increase in the net profit ratio must primarily be achieved through continuous economies of scale due to increased revenue.
- Cash flow from operations at 7.5% of revenue.
- Robust capital resources, taking into account the capital resources policy adopted.

STRATEGY, EXPECTATIONS AND OBJECTIVES

STRATEGY

At AO, the customer is at the heart of everything we do and develop. We want to create value growth for our professional and private cus-

NET REVENUE SPLIT INTO PHYSICAL AND DIGITAL SALES



tomers. That's something we aim to do every single day.

'The customer is king': that is nothing new. This is how things have been ever since AO was established in 1914. Outstanding customer service is the very foundation on which our business rests. This has been our mantra every day since 1914. We describe it as: AO – we lend a hand!

Talented, committed and flexible staff, coupled with high levels of service, innovation and knowledge sharing and supported by user-friendly IT and logistics solutions form the basis for AO's continued competitiveness.

The Group's strategy is to serve the professional market via AO in Denmark and Sweden and Vaga in Denmark, and to serve the private market in Denmark, Norway and Sweden via BilligVVS, LavprisVVS, LavprisEL, LavprisVærktøj, VVSoch-BAD, Greenline, LampeGuru and CompletVVS.

• **THE PROFESSIONAL MARKET**

In the professional market, it is AO's ambition to be tradesmen's preferred supplier of technical installation materials to the market for repair, renovation and maintenance and one of the preferred suppliers to the market for new building projects.

Our main concept is one-stop shopping, digitally and at stores, where customers are offered a complete range of products in a collection and delivery system supported by advanced IT and online trading solutions. 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, AO's ambition is 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.

AO is seeking to actively exploit digitisation. Digitisation is helping to optimise customers' various options for making their purchases.

Digital trade is defined as trade via websites and the digital selling methods where customers buy products via digital channels without coming into direct contact with sales staff.

The scope of digital trade has increased significantly over the last few years, exceeding 50% for the first time in 2021. The distribution can be illustrated as shown on page 10.

Digitisation is also helping to increase automation and enhance efficiency at AO. In particular, there has been a significant increase in efficiency over the years due to the automation of central warehouses and logistics solutions, and this is benefiting both customers and other stakeholders.

A major expansion of the automated central warehouse in Albertslund was launched in 2021. When fully rolled out in 2022, total capacity is expected to increase the number of picking operations per hour significantly. AO wants to provide value-added services for its customers, partly by being a trendsetter with new services and digital concepts, and 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 staff with their extensive product knowledge and reliable customer service are the key that makes all the difference.

Modern wholesale is all a matter of offering the right products at the right prices and making customers' lives as simple and as flexible as possible. AO365, the latest concept, allows customers to shop in any of AO's 51 stores 24 hours a day, 365 days a year. AO's store is the customer's store. AO's warehouse is the customer's warehouse.

AO currently has around 400,000 products in stock. Its main customers operate in the fields of HVAC, electricity and contracting.

It was announced in December 2021 that AO will be taking over EA Værktøj Engros A/S, subject to approval of the transaction from the competition authorities.

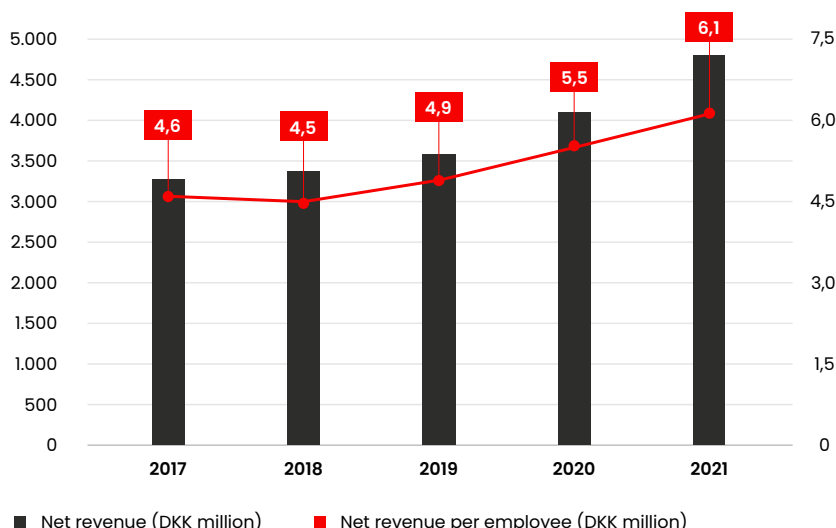
EA Værktøj Engros has annual revenue of around DKK 280 million, mainly from fixings such as brackets, nails, screws, bolts, etc. It also brings with it a significant range of hand tools, workwear and safety equipment.

Carpenters and joiners make up most of EA Værktøj Engros's customer base.

This takeover brings the total AO/EA Værktøj Engros store network to 58 stores in Denmark and five in southern Sweden.

The company is intending to eventually implement the full range of AO and EA Værktøj Engros products in relevant parts of the store network and to welcome customer groups to a collective network of stores all over the country.

NET REVENUE



OUTLOOK

FOLLOW-UP ON OUTLOOK ANNOUNCED PREVIOUSLY

Profit for the year before tax of DKK 326.1 million, corresponding to 6.8% of annual revenue of DKK 4,800.5 million, is in line with the outlook announced most recently, on 28 October 2021, of a profit before tax in the range of DKK 310-330 million.

Previous announcements in 2021:

- 29 April 2021: Higher sales and earnings than anticipated in the first quarter and April mean that AO is increasing its expectations in respect of profit for the year before tax from DKK 240-260 million – as announced in the 2020 annual report – to DKK 260-280 million.
- 7 July 2021: Higher sales and earnings than anticipated in the second quarter mean that AO is increasing its expectations in respect of profit for the year before tax from DKK 260-280 million – as announced in the interim financial report for the first quarter of 2021 – to DKK 290-310 million.
- 7 October 2021: Higher sales and earnings than anticipated in the third quarter mean that AO is increasing its expectations in respect of profit for the year before tax from DKK 290-310 million – as announced on 7 July 2021 – to DKK 310-330 million.

Profit before tax of DKK 326.1 million includes a non-recurring loss on receivables of around DKK 7 million in the fourth quarter.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

No significant events have occurred between the

balance sheet date and the publication of this annual report that have not already been incorporated in this annual report and that materially affect the assessment of the financial position of the Group.

OUTLOOK FOR 2022

As shown below, the company has seen exceptional growth over the last two years.

Growth is expected to continue in 2022, albeit at a level that has returned to normal. Low growth is expected over the first six months of the year – before recognition of EA Værktøj Engros – due to the extraordinary growth in early 2021, especially in the B2C field, while increasing growth is expected over the second six months of the year.

Sales for the year are expected to be in the DKK 4.9-5.1 billion range, equivalent to a growth of 2% to 6%, not including EA Værktøj Engros.

This growth is based on an assumption of high activity continuing in the construction sector, as well as reasonable security of supply. The activity at the beginning of 2022 has been characterised by many COVID-19 cases of infection in society, which have led to higher than usual absenteeism among AO's customers and consumers. The growth expectation for 2022 is based on an assumption of normalised conditions after the winter months.

EBITDA for 2022 is expected to be in the order of DKK 435-465 million, which corresponds to an EBITDA margin of 8.6% to 9.5%.

Profit before tax (EBT) is expected to be in the order of DKK 330-360 million, corresponding to a profit margin of 6.7% to 7.4%.

Forecasts for 2022 exclude revenue and profit

from the takeover of EA Værktøj Engros, which is still awaiting the approval of the competition authorities. EA Værktøj Engros is expected to have a positive impact on AO revenue by around DKK 300 million, EBITDA of around DKK 25 million and EBT of around DKK 20 million before synergies on a full-year basis.

OBJECTIVES

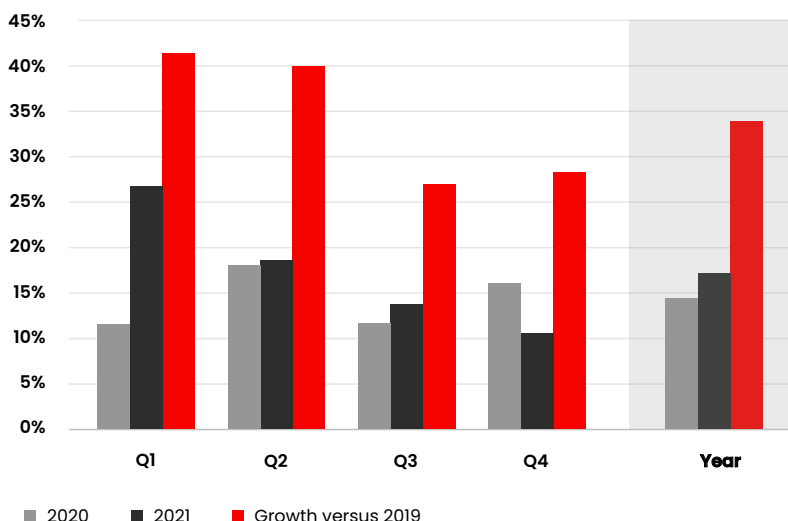
AO had four financial objectives in 2021:

- to realise a pre-tax profit of approximately 6% of revenue. In 2021, the target was reached with a profit before tax of 6.8% of revenue.
- to generate a positive cash flow from operating activities of approximately 6% of revenue. In 2021, the target was reached with a cash flow from operating activities of 6.4% of revenue.
- to achieve profitable growth both organically and through acquisitions. In 2021, the target was reached with a growth in revenue of 17.1% and an increase in profit before tax of 47.7%.
- to maintain an equity ratio of at least 40%. In 2021, the target was reached with an equity ratio of 45.8%.

As AO achieved its four previous objectives in 2021, the Board of Directors has defined new objectives as follows:

- Annual growth in excess of market growth. This growth must be a combination of investments in organic growth and acquired growth. In 2021 the revenue growth was 17.1%.
- A net profit ratio of 10%, as measured by EBITDA. The increase in the net profit ratio

GROWTH PER QUARTER 2020 AND 2021







FEBRUARY

AO believes it important that not just us, but also our partners, focus on environmentally friendly solutions. So we're pleased to hear that GLS is delivering goods to our stores in 'green' vehicles.

must primarily be achieved through continuous economies of scale due to increased revenue. In 2021 the EBITDA margin was 8.7%.

- Cash flow from operations at 7.5% of revenue. In 2021 cash flow from operations was 6.4%.
- Robust capital resources, taking into account the capital resources policy adopted. In 2021, the equity ratio was 45.8% and financial leverage was 0.5.

It is AO's capital allocation policy to ensure and maintain robust capital resources with an equity ratio of at least 40% and indicative financial leverage of 0.5 to 1.5. Financial leverage may be increased in connection with corporate acquisitions.

The takeover of EA Værktøj Engros will affect financial leverage at the time of the takeover by around 0.4.

AO wishes to allocate the free cash flow in the following order of priority, in compliance with the capital resources policy.

- Reduction of interest-bearing debt if AO is above its financial leverage target.
- Investment in profitable growth – both acquisitions and investment in existing business – where purchases, including synergies, are estimated to generate an annual pre-tax return on capital employed of at least 15%.
- Allocation to shareholders in the form of ordinary dividends, defined as 33-50% of net profit after tax.
- Surplus cash will be used for further allocation to shareholders in the form of extraordinary dividends, share buy-back programmes, etc.

AO's Board of Directors may deviate from the above policy when consideration of future market conditions, acquisitions or other circumstances dictate.

BUSINESS FOUNDATION

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. AO aims to offer its customers the most user-friendly and reliable IT systems on the market for handling 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 range of more than 400,000 different items. As the Group wants to stock products required by its customers, the product range is improved continuously in accordance with customers' needs.

The Group is active in Denmark, Sweden and Norway. In 2021, 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 fragmentation, with many small customers.
- The private market is characterised by many customers making purchases online. This market is currently served by ten different webshops: BilligVVS.dk, LavprisVVS.dk, LavprisEL.dk, VVSochBAD.se, BilligVVS.no, Greenline.dk, LampeGuru.dk, LampeGuru.no, CompletVVS.dk, LavprisVærktøj.dk.

THE PROFESSIONAL MARKET (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: Repair, renovation, and maintenance work and new building work.

The market for repair, renovation and maintenance work is relatively stable, as it is characterised by many small assignments. These 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 decentralised strategy, where 51 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 highly sensitive to fluctuations in the economy and may therefore vary significantly from year to year.

Through an efficient storage and distribution system AO is able to effect prompt deliveries to professional tradesmen, municipalities, utilities and public institutions.

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

1. AO stores

AO focuses on the need for local presence

with its 51 stores in Denmark. The local stores provide the customers with goods and advice on various products and sales channels. All stores offer self-service solutions to ensure fast and efficient customer service. Customers are also offered the opportunity to make use of AO's facilities for meetings, etc.

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

Customers can order goods 24 hours a day, view pictures of products and track invoices at AO.dk and via the AO app for smartphones. AO.dk and AO's app are constantly evolving. AO's online sales account for just over half of its total revenue. Additional digital solutions are being implemented. Most recently, AO365 has allowed customers to shop at AO365 stores 24 hours a day.

3. Competency centres

Customers can use AO's competency centres to place orders and get advice and quotations over the phone, by email or via chat. Competency centre staff attend skills upgrading programmes on a regular basis so as to be able to offer customers the best possible professional service. A number of competency centre employees have been based at the individual stores so as to get even closer to customers.

The projects department is one of AO's competency centres focusing on major construction and renovation projects, as well as 'major customers'. Expertise in all product areas is gathered here so that quotations involving all disciplines can be optimised.

In Sweden, AO's revenue from the professional market is generated through the five stores in Gothenburg, Borås, Malmö, Helsingborg, and Kristianstad, as well as AO.net.se, and its primary focus is on water supply and drainage products and tools.

THE PRIVATE MARKET

The private market is served via ten different webshops targeting three different business areas:

- Plumbing, heating and sanitary ware products are sold in Denmark through BilligVVS.dk, LavprisVVS.dk and CompletVVS.dk. These products are sold through VVSochBAD.se in Sweden, and through BilligVVS.no in Norway.
- Electrical equipment and components are sold in Denmark through Greenline.dk and LavprisEL.dk.
- Lighting is sold through LampeGuru.dk in Denmark, and through LampeGuru.no in Norway.
- Tools and clothing are sold in Denmark through LavprisVærktøj.dk.

Customers are primarily private consumers and

small businesses that either need to make minor repairs due to failure of existing equipment or perform major renovation of an entire room. Whatever customers need, AO's webshops aimed at the private market offer both inspiration and guidance, a wide product range, easy shopping and fast delivery. Customer service is provided on customers' terms, and professionally trained staff handle orders and queries on Facebook, via chat, over the phone and by email. AO also makes it easy to do DIY properly by providing video guides, instructional videos and installation instructions. By being part of the entire customer journey, the company's ambition is to be more than just a webshop.

DEVELOPMENT IN 2021 AND THE FOURTH QUARTER

2021 has been characterised by higher sales growth than expected for Brødrene A & O Johansen A/S and the Group (AO).

Revenue increased by DKK 702.2 million, or 17.1%, to DKK 4,800.5 million in 2021. This growth was achieved in both the professional market and the private online market.

This increased revenue, combined with emphasis on costs, has resulted in an increase in profit before tax of DKK 105.3 million, or 47.7%, to a total of DKK 326.1 million. This profit is within the last profit forecast of DKK 310-330 million, which was announced on 7 October 2021.

The profit includes a non-recurring loss on receivables of around DKK 7 million in the fourth quarter.

COVID-19

The COVID-19 pandemic, as well as the resulting uncertainty, has continued to significantly affect the corporate sector in 2021 in both Denmark and other markets where AO pursues sales.

Denmark was affected by lockdowns, particularly during the first quarter of 2021, and physical DIY centres were closed for some of the spring. This led to exceptional B2C growth in general, specifically in the first quarter, with sales up 87%.

AO has 51 stores in Denmark, which ensures the company remains in physical proximity to customers in all parts of the country. Face-to-face encounters with customers are a key part of the AO business model. The number of physical customer transactions has increased significantly in 2021.

When many parts of society were on partial lockdown, customers demanded flexibility when it came to choosing sales platforms and forms of shopping. As an omnichannel company, AO was able to offer this.

Besides traditional shopping at the company's stores and shopping via websites, AO customers have the opportunity to use a number of digital aids when making purchases, such as self-service via a scanning app, Click & Collect, prompt delivery to construction sites, etc., all of which help to ensure that purchases can be completed in the manner preferred by the customer.

The digital share of revenue stood at 50.1% in 2021, compared with 45.4% in 2020. Besides growth in online sales, we also saw significant growth in all digital forms of shopping throughout 2021.

AO365, which provides customers with full self-service access to stores and their stocks 24 hours a day, was implemented throughout the store network by the end of the year.

THE YEAR IN OUTLINE

Consolidated revenue for 2021 totalled DKK 4,800.5 million. Of this, DKK 4,010.6 million relates to the professional market (B2B) and DKK 789.9 million relates to the private market (B2C). Growth in the professional market totalled 14.5%, whereas growth in the private market amounted to 32.6%. Regarding growth in the private market, 5.5 percentage points are attributable to the acquisition of Complet VVS A/S on 29 April 2021.

Sales growth, in combination with a significant efficiency improvement, resulted in an increase in profit before tax from DKK 220.8 million in 2020 to DKK 326.1 million in 2021. This increase totalled DKK 105.3 million, or 47.7%.

Gross profit for the year amounted to DKK 1,119.3 million, against DKK 945.7 million in 2020. The gross margin is realised 0.2 percentage point higher than in 2020 due to increased product margins, partly offset by higher shipping expenses.

External expenses increased by DKK 48.6 million, or 21.7%. This increase is mainly attributable to sales support expenses and IT and digitalisation expenses.

Staff expenses increased by DKK 36.0 million, or 9.2%. The average number of staff (FTE), including temporary workers, was 784 in 2021 against 741 in 2020. AO employed 811 staff at the end of 2021, compared with 754 at the end of 2020. Of the increase of 43 employees, 17 are temporary workers at the central warehouse.

Total profit margin (EBIT) for the year was 6.6%, against 5.5% in 2020.

In 2021, AO made a pre-tax profit of DKK 326.1 million, which is DKK 105.3 million higher than last year and within the latest announced profit before tax of DKK 310-330 million.

AO's consolidated revenue for the fourth quarter of 2021 was realised at DKK 1,266.7 million, which is DKK 120.7 million, or 10.5%, more than reported for the same quarter in 2020. Operating profit (EBIT) for the fourth quarter of 2021 totalled DKK 82.9 million against DKK 67.9 million for the fourth quarter of 2020. The profit margin for the fourth quarter of 2021 was thus 6.5%, compared with 5.9% for the fourth quarter of 2020.

Cash flow from operating activities for 2021 totalled DKK 308.1 million, compared with DKK 375.4 million for 2020. The development is driven by an increase in operating profit offset by an increase in working capital. Investments for the year totalled DKK 212.9 million, or DKK 146.6 million more than in 2020, attributable mainly to the expansion of central warehouses, investments in digitisation and the acquisition of CompletVVS. Despite this, in 2021 AO continued its reduction of net interest-bearing debt, which was DKK 194.8 million at the end of 2021 against DKK 247.1 million at year-end 2020. Net leverage (net interest-bearing debt/EBITDA) was 0.5 in 2021, against 0.8 in 2020, 1.8 in 2019 and 2.7 in 2018.

AO's equity totalled DKK 1,239.9 million at the end of 2021, equivalent to an equity ratio of 45.8%, against DKK 1,030.2 million and 43.2% at the end of 2020.

At the company's Annual General Meeting to be held 18 March 2022, a dividend distribution of DKK 45 per DKK 10 share will be proposed, compared with a dividend distribution of DKK 15 per DKK 10 share a year earlier. The dividend amounts to DKK 126 million corresponding to approximately 50% of the profit for the year after tax.

ACTIVITIES OF THE YEAR

The Group's activities are targeted at managing and developing a modern knowledge-based IT and logistics company with emphasis 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 involves making different sales platforms available, offering customers the greatest possible flexibility.

The Group's culture is based on sound business practice, readiness for change, and talented staff with the basic attitude that 'the customer is king'. The emphasis is on meeting customers' needs by combining outstanding service, a wide product range and local presence with user-friendly online systems and an efficient central warehouse and distribution system. This achieves the lowest expenses without having to compromise on customer needs.





APRIL

In response to our customers' demands for fast delivery, we began construction of a new shuttle system. The new system increases capacity by 110,000 boxes.

Self-service and robot technology are a natural part of our business and are implemented in our stores and administration. AO365 takes another important step towards digitisation. Physical 24-hour shopping is possible at stores where AO365 is implemented. This gives AO's customers enormous flexibility and the opportunity to reduce their own stocks.

AO's investments in 2021 were significantly up on 2020. These investments focused mainly on investments in the central warehouse of the future, IT, digitisation and online trading. AO also acquired CompletVVS.dk in April 2021.

The range of products at the central warehouse is constantly being expanded to include further heating, plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools so as to meet customer demand.

AO's activities in Sweden developed satisfactorily, and AO is now the market leader in Scania and Western Sweden in the field of water supply and drainage products.

In 2021, AO introduced B2B and B2C as separate segments in the management of the company. The results of the two segments are measured by EBITDA before indirect costs. Indirect costs consist of common functions of the Group that are not directly allocable to the segments.

B2B SEGMENT

AO's activities in the B2B segment in 2021 were characterised by strong growth, with growth rates in double digits. Increasing digitisation of sales in the B2B segment has allowed revenue growth to be achieved without increasing the number of

employees to a corresponding extent. Revenue in the segment totalled DKK 4,010.7 million, which is 14.5% higher than in 2020, when revenue amounted to DKK 3,502.4 million.

Price increases during the year helped to bring about a 0.4 percentage point increase in the sales margin to 26.4%, and gross profit after distribution expenses totalled DKK 914.1 million, representing growth of 15.5% compared with 2020.

The B2B segment contributed to an EBITDA of DKK 520.1 million after direct allocated expenses, which was 19.6% higher than in 2020. EBITDA before indirect segment expenses amounts to 13.0% of revenue.

B2C SEGMENT

2021 was marked by extraordinarily strong growth in the B2C segment over the first six months of the year. DIY store closures due to COVID-19 led to private customers doing their shopping online. The B2C segment recorded 32.6% growth in revenue in 2021 compared with 2020, achieving revenue of DKK 789.9 million.

The sales margin in the B2C segment was higher than for the Group as a whole, amounting to 34.1% of sales. Gross margin in the B2C segment amounted to DKK 205.3 million after distribution expenses, 33.2% higher than in 2020.

Direct expenses in the B2C segment are mainly driven by expenses relating to wages, salaries and marketing. EBITDA in the B2C segment totalled DKK 63.9 million after direct allocated expenses, DKK 24.5 million and 62.2% more than in 2020. The EBITDA ratio for the segment increased by 1.5 percentage points to 8.1%.

FINANCIAL REVIEW

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

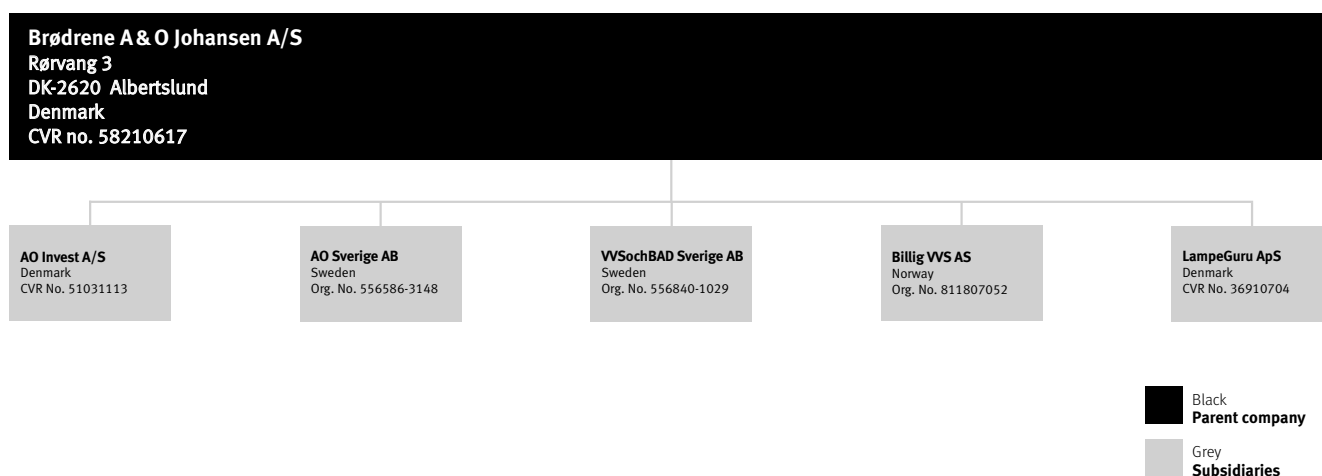
AO's revenue for 2021 was DKK 4,800.5 million against DKK 4,098.3 million in 2020, corresponding to a growth of DKK 702.2 million, or 17.1%. DKK 32.6 million (0.8%) of this increase in revenue is attributable to growth related to the acquisition of CompletVVS on 29 April 2021, DKK -4.8 million (-0.1%) is attributable to the divestment of Vaga Tehnika (Estonia), while DKK 674.4 million (16.5%) is attributable to organic growth.

In 2021, Danish revenue increased by DKK 659.2 million, or 17.6%, to DKK 4,410.6 million, while international revenue rose by DKK 43.0 million, or 12.4%, to DKK 389.9 million. The growth in revenue has been achieved in both the professional market and the private online market.

AO realised a gross profit for 2021 of DKK 1,119.3 million, corresponding to an increase of DKK 173.6 million, or 18.4%, primarily driven by the growth in revenue. The gross profit margin for 2021 was 23.3%, or 0.2 percentage point higher than in 2020. The increase in margin is partly due to an increase in the product margin (0.2 percentage point), counterbalanced by an increase in distribution costs to customers, which amounts to DKK 209.6 million, or 4.4%, of revenue against 4.0% and DKK 165.4 million in 2020. The increase in distribution costs as a percentage of revenue is partly due to higher shipping rates and a higher percentage of B2C sales.

Total operating expenses for 2021, excluding depreciation and amortisation, amounted to DKK 702.1 million, which is DKK 84.6 million, or 13.7%, more than in 2020. Compared to revenue, total

The Group consists of the following companies:



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

operating expenses for 2021 were 14.6% against 15.1% in 2020. 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 2021 increased by DKK 48.6 million, or 21.7%. This increase is mainly attributable to sales support expenses and IT and digitisation expenses. The increasing percentage of B2C business is also leading to an increase in external expenses as a percentage of revenue.

Staff expenses of DKK 429.8 million are DKK 36.0 million, or 9.2%, higher than in 2020. The number of employees at the central warehouse fluctuates depending on activity levels, which have been high in 2021. There has been an increase in the number of employees working in IT security and IT development at the administrative functions. The average number of full-time employees (FTEs) totalled 784 in 2021, including temporary workers, against 741 in 2020. At the end of 2021, AO had 811 employees against 754 at year-end 2020.

Depreciation and amortisation for 2021 totalled DKK 100.5 million, DKK 4.0 million less than in 2020. The small decline reflects a low level of investment in 2020, while depreciation on the 2021 investment in the central warehouse has not yet begun.

In 2021, profit before financial income and expenses, net (EBIT) amounted to DKK 316.7 million, or 6.6% of revenue, against DKK 223.8 million and 5.5% in 2020.

Financial income and expenses, net totalled DKK 9.4 million in 2021, compared with DKK -3.0 million in 2020. Financial income has been affected positively by the divestment of the Estonian business for DKK 5.5 million.

The AO Group recorded a pre-tax profit for 2021 of DKK 326.1 million against DKK 220.8 million in 2020, corresponding to an increase of 47.7%. The Group's foreign operations reported a pre-tax profit of DKK 36.3 million, compared with DKK 28.2 million in 2020.

Tax on net profit for the year amounted to DKK 72.3 million, corresponding to an effective tax rate of 22.2%, against DKK 47.9 million and 21.7% in 2020. DKK 72.9 million of tax expenses for the year related to current tax for the year, compared with DKK 53.9 million in 2020. DKK 0.1 million of tax expenses related to a reduction in deferred tax etc. against DKK 6.0 million in 2020. Corporation tax paid for the year totalled DKK 71.1 million against DKK 57.6 million in 2020.

The Group's post-tax profit for the year was DKK 253.8 million, compared with DKK 172.9 million in 2020.

Profit before tax for 2021 of DKK 326.1 million is satisfactory and within that announced in the lat-

est interim financial report, in which profit before tax for the year was expected to be in the range of DKK 310-330 million.

BALANCE SHEET

Group assets amounted to DKK 2,708.5 million as at 31 December 2021, against DKK 2,383.2 million at the end of 2020.

Non-current assets totalled DKK 1,472.7 million, which is DKK 152.6 million higher than at the end of 2020. This increase is primarily attributable to the acquisition of CompletVVS and investment in the central warehouse in Albertslund.

In 2021, investment in software amounted to DKK 31.9 million, which relates to the development of digitisation of processes, etc. Amortisation of software totalled DKK 21.7 million, and the net value of software has therefore increased marginally by DKK 10.1 million.

The value of tangible assets, not including right-of-use assets, rose by DKK 109.5 million, driven primarily by investments in a new central warehouse. The central warehouse is expected to be commissioned in the third quarter of 2022.

The value of right-of-use assets totalled DKK 70.1 million and is DKK 8.6 million higher than at year-end 2020.

Current assets increased by DKK 172.7 million to DKK 1,235.9 million at the end of 2021. Trade receivables of DKK 491.7 million increased by DKK 63.3 million, or 14.8%, mainly attributable to increased sales activities. Extra provisions for bad debts totalling DKK 8 million were set aside in 2020 as a consequence of the COVID-19 crisis. Inventories of DKK 580.5 million increased by DKK 102.5 million, or 21.4%. The increase in inventories can be attributed to increasing prices, increased stock reserves for goods with supply uncertainties and a general increase in activity. The Group's cash and cash equivalents of DKK 136.9 million as at 31 December 2021 have increased by DKK 3.7 million since 2020.

As at 31 December 2021, AO's equity was DKK 1,239.9 million, corresponding to a solvency ratio of 45.8%. Equity is DKK 209.7 million higher than at the end of 2020, which is attributable to profit for the year of DKK 253.8 million, offset by a dividend distribution of DKK 40.8 million.

At the end of 2021, non-current liabilities of DKK 295.9 million were DKK 34.7 million lower than at year-end 2020. Long-term debt owed to credit institutions fell by DKK 10.5 million, offset by an increase of DKK 9.6 million in relation to lease liabilities. The liability of DKK 31.9 million in respect of frozen holiday pay in 2020 was settled in 2021. In 2021, AO's current liabilities of DKK 1,172.7 million increased by DKK 150.3 million. The continued reduction of interest-bearing debt, excluding cash and short-term deposits, has reduced short-term debt owed to credit insti-

tutions by net DKK 14.8 million. The general increase in activity resulted in an increase in trade payables of DKK 186.2 million to DKK 1,012.6 million. Of the increase in trade payables, DKK 73.7 million relates to liabilities related to Supply Chain Finance programmes, amounting to DKK 258.0 million as at 31 December 2021.

Payables to Group enterprises of DKK 2.3 million consist of corporation tax administered by Avenir Invest ApS.

Other payables and provisions for liabilities totalling DKK 69.4 million decreased by DKK 15.6 million in 2020 due to deferred payment deadlines in relation to A taxes and labour market contributions.

CASH FLOW STATEMENT

In 2021, cash flow from operating activities was realised at DKK 308.1 million, which is DKK 67.3 million more than last year. The development was driven by a higher operating profit, offset by a lower effect of the change in working capital. Corporation taxes paid are DKK 13.5 million more than last year. Changes in working capital amounted to DKK -42.8 million and were driven by more funds being tied up in both accounts receivable and inventories, offset in part by an increase in trade payables. Payment of frozen holiday pay is affecting cash flow from operating activities by DKK -31.9 million. Working capital in relation to revenue amounts to 1.3% for 2021 against 2.0% in 2020.

In 2021, net financial expenses paid totalled DKK -2.2 million against DKK -1.9 million in 2020. The reduced debt and a low interest rate are keeping financial income and expenses at a low level.

Taxes paid in 2021 amounted to DKK 71.1 million against DKK 57.6 million in 2020.

Net investments for the year totalled DKK 212.7 million, which is DKK 146.4 million more than in 2020. Investments in software and rights amounted to DKK 32.4 million against DKK 23.5 million in 2020. Investments in land and buildings as well as leasehold improvements totalled DKK 76.0 million against DKK 20.1 million in 2020. In 2021, investments in fixtures and operating equipment rose by DKK 77.3 million to DKK 94.5 million, mainly due to efficiency improvements within warehousing and logistics. The investment amounts to DKK 125.2 million of investments for the year.

DKK 25.2 million relates to payments attributable to the acquisition of Complet VVS A/S and the remaining balance on LampeGuru ApS in the form of performance-based instalments. These payments were included in the determination of initial acquisition cost for accounting purposes. In 2021, the divestment of Vaga Tehnika Eesti OÜ has affected cash flow from investing activities by DKK 15.6 million.

In 2021, cash flow from financing activities amounted to DKK 91.6 million, of which reduction of debt owed to credit institutions totalled net DKK 25.3 million net. Payment of lease instalments totalled DKK 25.5 million, and payment of dividends amounted to DKK 40.8 million.

Total cash flow for the year was positive at DKK 3.7 million, compared with DKK 52.8 million in 2020.

The Group's net leverage (net interest-bearing debt/EBITDA) totalled 0.5 in 2021 against 0.8 at the end of 2020.

DEVELOPMENT IN THE FOURTH QUARTER OF 2021

Revenue for the fourth quarter amounted to DKK 1,266.7 million, which is DKK 120.7 million, or 10.5%, more than for the fourth quarter of 2020. 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 304.5 million, which is DKK 41.1 million, or 15.7%, more than in the fourth quarter of 2020. The gross profit margin was realised at 24.0%, which is 1.1 percentage points lower than last year.

Operating expenses for the fourth quarter of 2021, excluding depreciation and amortisation, amounted to DKK 195.7 million against DKK 169.3 million for the same quarter of last year. The increase of DKK 26.4 million is attributable to higher expenses for sales promotion and digitisation.

Depreciation and amortisation amounted to DKK 25.5 million, which is DKK 0.3 million less than for the fourth quarter of 2020 due to a low level of investment in 2020, plus the fact that depreciation on the new central warehouse has not begun as yet.

Profit before financial income and expenses, net (EBIT) was DKK 82.9 million, which is DKK 15.1 million more than last year. The profit margin of 6.5% increased by 0.6 percentage points compared with the same quarter of 2020.

Net financial income and expenses were positive at DKK 4.8 million, which is DKK 6.3 million more than for the fourth quarter of 2020, mainly driven by the divestment of the Estonian subsidiary.

Profit before tax for the fourth quarter totalled DKK 87.8 million against DKK 66.5 million for the same quarter of 2020.

RISK MANAGEMENT

The identification and management of business risks form part of the annual strategic plan for the Group, which is approved by the Board of Directors. The Executive Board and the Board of Directors also establish the framework for de-

termination of credit risk, currency risk, interest rate risk and liquidity risk.

The following risks are deemed to be most relevant to AO. This list is not exhaustive or presented in order of priority.

Commercial risks

The AO Group's revenue and gross profit are very much dependent on building and construction activity.

Experience has shown that maintenance and renovation increase during economic recessions when project sales decline. Hence there is a degree of market-related hedging. Gross margins in maintenance and renovation are higher than in project sales.

The wholesale sector has excess capacity and thus oversupply, which results in intense competition. AO is constantly working to maintain and develop customer loyalty by ensuring that customers have optimal flexibility in respect of shopping options. Most recently, this has resulted in the introduction of AO365, which provides customers with a 24-hour store network.

AO is aimed at several types of customers, including HVAC, Electrical and Contractor. AO will also be serving carpenters and joiners going forward, subject to approval of the takeover of EA Værktøj Engros A/S by the competition authorities. Extending the service to other types of customers provides both a broader customer base in our stores and reduces risk in respect of a single customer group.

83.5% of the AO Group's revenue comes from B2B customers, compared with 16.5% from B2C customers. Providing service to both customer groups at the same time reduces exposure.

The risk in respect of intense competition is also addressed by continuously seeking to increase efficiency at the company's central warehousing and logistics function through increases in automation levels. The company's central warehouse is being expanded in 2021 and 2022 to include new, automated storage facilities in order to increase capacity, improve efficiency and enhance the flexibility of the overall logistics solutions.

Other risks

AO is dependent on a number of key individuals and functions. AO seeks to retain key individuals by offering exciting job content, salary conditions consistent with the market and attractive career opportunities.

The AO insurance programmes reflect the Group's activities. These insurance programmes are reviewed annually with advisors so as to ensure that they support the company's evolution and activities.

SPECIFIC RISK FACTORS

Business-critical areas:

The foundation of AO's business is built around an efficient central warehouse and logistics system, as well as associated efficient IT and online trading systems. Any extensive and prolonged outage in these areas would be business-critical for AO. An insurance programme has been concluded and contingency plans are in place to minimise the related financial risk.

Intangible assets:

The most significant risk related to intangible assets relates to a decrease in the carrying amount of goodwill in the event of a significant and sustained adverse development in Group operations in Denmark and Sweden. There is also a risk of impairment in the value of intellectual property rights and software in the event of technical obsolescence or decisions on change of use. The value of goodwill and other intangible assets is assessed regularly in relation to the Group's operating activities. Reference is made to note 12.

Inventories:

The most significant risk associated with inventories is if the products become unsaleable. Therefore, AO's inventories are assessed regularly in relation to the Group's activity. Goods with low marketability are written down on an ongoing basis. Reference is made to note 16.

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 reporting process, including compliance with applicable legislation and other regulations 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.

The Audit Committee monitors the control and risk management systems in the Group on an ongoing basis. 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 2 December 2020, the Danish Committee on Corporate Governance issued updated recommendations for corporate governance based on the 'comply-or-explain' principle. The

updated 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.

A Remuneration Committee and a Nomination Committee have been established in 2021, and an internal whistleblower scheme has been implemented.

Pursuant to Section 107b of the Danish Financial Statements Act, Brødrene A & O Johansen A/S has prepared a full report on corporate governance for the 2021 financial year, which can be viewed or downloaded at https://ao.dk/globalassets/download/regnskabsdata/2022/corporate_governance_2021_report.pdf.

SUSTAINABILITY

At AO, we believe that everyone has a duty to manage the resources and opportunities available to us in a responsible way, ensuring the best possible conditions that the next generation can build on.

AO is a responsible company. Responsibility is an integral part of the company's culture and is expressed in our dealings with customers, suppliers and business associates, in the daily management of employees and with the society that AO is part of and wants to contribute to.

AO supports and respects the Ten Principles of the UN Global Compact on human rights, labour rights, the environment and anti-corruption in all aspects of our company's business, and we support the UN Global Goals with specific actions in respect of selected Global Goals.

In 2021, AO has formulated a comprehensive policy for corporate social responsibility, approved by the Board of Directors, which can be viewed or downloaded at <https://ao.dk/om-ao/investor-relations/in-english/company-profile/policy-for-csr-2022>.

This year, AO has chosen to compile an ESG report detailing the Group's activities and targets in respect of climate and the environment, social issues and selected governance issues.

The full statutory report on corporate social responsibility/CSR report for the 2021 financial year, under Section 99a of the Danish Financial Statements Act, can be viewed or downloaded at https://ao.dk/globalassets/download/regnskabsdata/2022/esg_report_2021.pdf.

ENVIRONMENT AND CLIMATE

AO focuses on continuous improvement of its environmental and climate initiatives. As a company, AO wishes to protect our environment and climate and so is striving to remain at the cutting edge of developments in the fields prioritised by AO as focus areas, so that society can evolve on a sustainable basis.

AO perceives national and international legislation to define a minimum standard, and that is why we want to go further than we are required to do by law. We would like to protect our envi-

ronment still further by constantly improving our environmental initiatives. Our focus areas are:

- waste – reduction and recycling
- energy consumption – reducing our consumption of electricity, heating and fossil fuels
- transport – shipping that causes less harm to the environment.

We are striving to remain at the cutting edge of developments in these fields so that society can evolve on a sustainable basis.

AO to be carbon neutral by 2030

AO has been working on identifying the company's direct carbon footprint in 2021, using 2020 as its baseline. The CO₂ statement for 2020 shows that AO has its own direct and indirect carbon footprint as shown below:

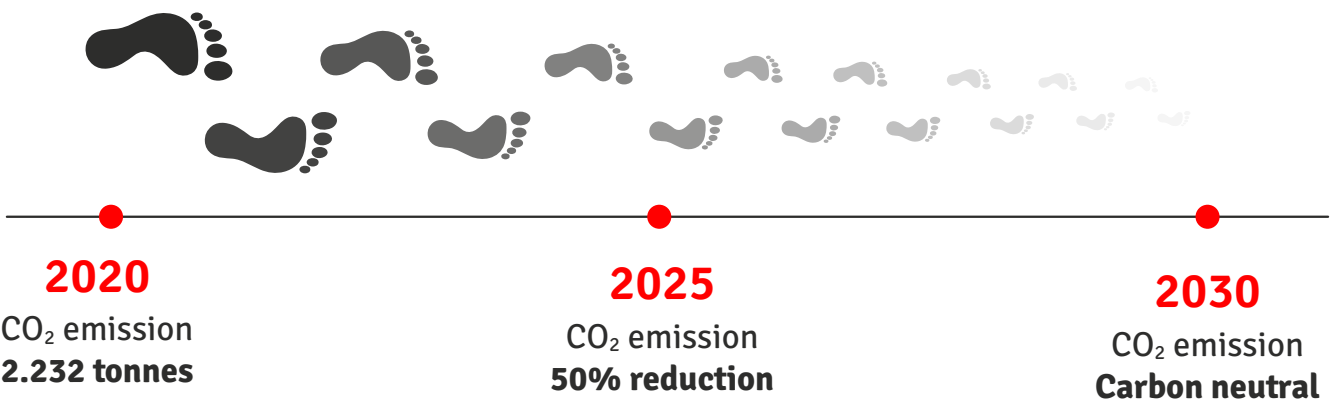
Although our CO₂ emissions are modest compared with the size of the company, we have set an ambitious target to reduce our CO₂ emissions by at least 50% by 2025 and to be CO₂ neutral on scope 1 and 2 emissions by 2030. We would like to minimise our overall climate impact throughout the value chain, so we will be working on identification, collecting data and commencing activities to reduce our scope 3 emissions over the next few years.

SOCIAL ASPECTS AND EMPLOYEE ASPECTS

AO is a socially responsible company that focuses on skilled and respectful management, motivation, development/training and the working environment.

The company's staff are its greatest asset and form the foundation of AO's success and perfor-

AO TO BE CARBON NEUTRAL IN 2020



* Our carbon footprint is calculated according to the environmental declaration. Our carbon footprint, calculated according to the electricity declaration, amounts to 3,223 tonnes of CO₂.



2021
GULD

Commerce

Brødrene A&O Johansen A/S
AO365 - Når det passer dig!

Netcompany

2021
BRONZE

Digital
Transformation

Brødrene A&O Johansen A/S
AO365 - Når det passer dig!

Netcompany

2021
BRONZE
Digital
Differentiation:
Digital Proposition

Brødrene A&O Johansen A/S
AO365 - Når det passer dig!

Netcompany

2021

23

**DIGITAL
COMPANY
OF THE YEAR**

Brødrene A&O Johansen

MAY

2021 was a year in which AO was truly recognised for our focus on digital development and good business ethics with awards in e-commerce, DDA and Best Managed Company.



mance. This is why AO seeks to ensure a responsible, safe, healthy working environment where staff thrive; a working environment that benefits employees and focuses on continuous development of employees' personal and professional skills so as to meet changing market needs.

AO values the right to privacy and makes every effort to ensure that only necessary information is recorded and used for legitimate purposes. We established a data ethics task force in late 2021, which has been tasked with making recommendations to the IT Security Council on data ethics policy, data ethics principles and data ethics controls in relation to the policy.

The statutory report on data ethics under Section 99d of the Danish Financial Statements Act can be viewed or downloaded at https://ao.dk/globalassets/download/regnskabsdata/2022/data_ethics_2021_report.pdf.

AO has set targets for the gender composition of the senior management organ and devised a policy for increasing the number of the under-represented gender at the other levels of management within the company. AO would like the company's gender composition to be reflected in the company's various management levels in the long term.

The statutory report on gender composition of the management under Section 99b of the Danish Financial Statements Act can be viewed or downloaded at https://ao.dk/globalassets/download/regnskabsdata/2022/gender_composition_of_management_2021_report.pdf.

AO also has a diversity policy which is applied in the composition of the company's management. The statutory report on diversity can be viewed or downloaded at https://ao.dk/globalassets/download/regnskabsdata/2022/diversity_2021_report.pdf.

GOVERNANCE

We manage and control our business in a responsible manner at AO, ensuring integrity and fairness in the way in which we do business.

We are committed to ensuring that we practise good corporate governance and are transparent about matters where our position may differ from the recommendations set out in "Recommendations on Corporate Governance" (Anbefalinger for god selskabsledelse).

When the Danish Whistleblower Protection Act was enacted, it became mandatory for all companies employing 50 or more staff to have a whistleblower scheme as of 17 December 2021.

We have chosen to establish an internal whistleblower scheme that allows our employees, Executive Board and Board of Directors to report

any reasonable suspicion of serious matters or offences in the workplace. We will assess at least once a year whether the scheme is working as intended, and whether we should extend it so as also to include external partners, citizens, etc.

The company focuses on risk management. We are generally seeing greater volatility in society and industry, economic fluctuations appearing to occur at an ever-increasing pace. This increases the need for the company to maintain effective management of its risks and threats. The threats facing businesses have also changed in the last few years. Digital risks and threats are also becoming increasingly apparent as digitisation becomes more widespread in society and industry. We discuss the development of risks and threats on a regular basis and try to ensure that we are best equipped to deal with current threats.

REPORTING UNDER THE EU TAXONOMY REGULATION 2021/2178 (ART. 8)

Under the EU Taxonomy Regulation, listed companies employing more than 500 people must disclose the share of their revenue, expenses and capital employed in 2021 that is covered by the activities highlighted in the taxonomy. The EU uses industry codes to indicate whether companies are included in these activities.

AO is not deemed to be affected by the Regulation as it has no significant activities under the said industry codes included in the EU taxonomy (Annexes 1 and 2 on climate adaptation and climate mitigation). Hence AO is unable to report on the three KPIs referred to, but is waiting to see whether future technical annexes for other EU sustainability targets will provide an opportunity for reporting in accordance with the Regulation.

SHAREHOLDER INFORMATION

DIVIDEND

The Board of Directors proposes that a dividend of DKK 45 per DKK 10 share be distributed for 2021.

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 wishes to maintain this owner structure, which means – among other things – that the Company can only 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 non-negotiable instruments, whereas the preference shares are listed on Nasdaq Copenhagen under ID code DK0060803831.

The holders of 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 the event 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 Annual General Meeting, and three members are elected by the staff. Holders of preference shares are entitled to appoint and elect one Board member, while holders of ordinary shares elect the remaining Board members.

RECOMMENDATION TO AMEND THE DENOMINATION OF ORDINARY SHARES AND PREFERENCE SHARES AND TO CHANGE THE NOMINAL VALUE OF PREFERENCE SHARES, ETC.

The Board of Directors proposes a share split of preference shares in the ratio 1:10, one preference share representing DKK 1, for the approval of the Annual General Meeting. Furthermore, the Board of Directors proposes for the approval of the Annual General Meeting that a change of name be effected for the shares, ordinary shares being changed to class A shares and preference shares being changed to class B shares.

The aim of this is to increase liquidity in AO shares and to secure trading from investors in countries where there is no tradition of investing in preference shares.

The advantages associated with preference shares will not alter when their name changes.

SHAREHOLDER COMPOSITION AS AT 31 DECEMBER 2021 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	1,496,646	14,968,460	53.46 %	19.02 %
Unregistered shares	0	365,524	3,655,240	13.06 %	4.64 %
Total, excluding 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 THE BOARD OF DIRECTORS AT BRØDRENE A & O JOHANSEN A/S AS AT 31 DECEMBER 2021

According to the Company's internal policy on 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.

Board of Directors	Preference shares ID code: DK0060803831. Shareholding as at 1 January 2021 (units)	Ordinary shares ID code: DK0060956159. Shareholding as at 1 January 2021 (units)	Purchase and sale of prefer- ence shares during the year (units)	Preference shares ID code: DK0060803831. Shareholding as at 31 December 2021 (units)	Ordinary shares ID code: DK0060956159. Shareholding as at 1 January 2021 (units)	Market value as at 31 December 2021 ¹⁾ (DKK)
Henning Dyremose	750			750		1,020,000
- Elly Dyremose ⁴⁾	1,650			1,650		2,244,000
- HCE Invest, Virum ApS ⁴⁾	827			827		1,124,720
- CD Invest, Virum ApS ⁴⁾	1,000			1,000		1,360,000
- Elly Dyremose ApS ⁴⁾	1,750			1,750		2,380,000
Michael Kjær	10,500			10,500		14,280,000
Preben Damgaard	0			0		0
Erik Holm	0			0		0
Niels A. Johansen ⁵⁾	270,640	160 ²⁾		270,640	160 ²⁾	368,070,400
- Avenir Invest A/S ^{4) + 5)}	20,800	56,220 ²⁾		20,800	56,220 ²⁾	28,288,000
- Lili Johansen ^{4) + 5)}	25,600			25,600		34,816,000
- Mads Johansen ⁴⁾	4,241		260	4,501		6,121,360
René Alberg	50			50		68,000
Carsten Jensen	940			940		1,278,400
Jonas Kvist	20			20		27,200
Total	338,768	56,380 ^{2) + 3)}	260	339,028	56,380 ²⁾	461,078,080

- NOTE:
- 1) The calculated share price of DKK 1,360 is based on the closing price on 30 December 2021.
 - 2) Ordinary shares are not admitted to trading on a regulated market.
 - 3) Nominally, the total capital in the form of ordinary shares amounts to DKK 5,640,000.
 - 4) Related parties.
 - 5) Lili and Niels A. Johansen's direct and indirect ownership in the Company totals 31.46% of the Company's share capital.

BOARD MEETINGS HELD IN 2021

DATE	TEXT
25 February 2021	Approval of merger plan (LampeGuru Aps) and annual report for 2020.
19 March 2021	Annual General Meeting and constituent Board meeting.
1 April 2021	Vertical merger between Brødrene A & O Johansen A/S and LampeGuru ApS.
29 April 2021	Interim financial report for the first quarter of 2021.
25 June 2021	Approval of merger plan (Compleat VVS A/S).
13 August 2021	Vertical merger between Brødrene A & O Johansen A/S and Compleat VVS A/S.
20 August 2021	Interim financial report for the first six months of 2021, plus strategy.
16 September 2021	Sale of Vaga Tehnika Eesti OÜ.
7 October 2021	Upward revision of profit for the year before tax.
28 October 2021	Interim financial report for the first three quarters of 2021.
9 December 2021	Budget for 2022.
14 December 2021	Acquisition of EA Værktøj Engros A/S.

Five Audit Committee meetings were also held.

PARTICIPATION IN BOARD MEETINGS IN 2021

PARTICIPANTS	GF						Strategy									
	25.02.21	25.02.21	19.03.21	19.03.21	01.04.21	29.04.21	25.06.21	13.08.21	20.08.21	20.08.21	16.09.21	07.10.21	28.10.21	09.12.21	14.12.21	
BOARD OF DIRECTORS																
Henning Dyremose	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Michael Kjær	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES
Erik Holm	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Preben Damgaard	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES
Niels A. Johansen	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
René Alberg	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Carsten Jensen	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Jonas Kvist	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
EXECUTIVE BOARD																
Stefan Funch Jensen	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	NO	YES	YES	YES	YES
Lili Johansen	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Gitte Lindeskov	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Per Toelstang	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
AUDITOR																
Kennet Hartmann, EY	-	YES	YES	-	-	-	-	-	-	-	-	-	-	-	-	-
Majken Bech Larsen, EY	-	YES	YES	-	-	-	-	-	-	-	-	-	-	-	-	-

PARTICIPATION IN AUDIT COMMITTEE MEETINGS IN 2021

PARTICIPANTS	11.02.21	29.04.21	20.08.21	28.10.21	09.12.21
AUDIT COMMITTEE					
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
EXECUTIVE BOARD					
Niels A. Johansen	YES	YES	YES	YES	YES
Per Toelstang	YES	YES	YES	YES	YES
AUDITOR					
Kennet Hartmann, EY	YES	-	-	-	-
Majken Bech Larsen, EY	YES	-	-	-	-
Anders S. Lauritsen, PwC	-	YES	YES	YES	YES
Flemming Eghoff, PwC	-	YES	NO	YES	YES

BOARD EVALUATION PROCEDURE

The Board of Directors performs an annual evaluation on the basis of a questionnaire regarding the following:

- Board composition and management
- Board experience and competencies
- Board procedures
- 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 in both the short and long term.

COMPANY ANNOUNCEMENTS IN 2021			FINANCIAL CALENDAR FOR 2022	
DATE	NO.	TEXT	DATE	TEXT
12 February 2021	1	Revised financial calendar for 2021.	3 February 2022	Deadline for shareholders to propose items for the agenda of the Annual General Meeting.
18 Februar 2021	2	New revised financial calendar for 2021.	22 February 2022	Annual report for 2021.
25 Februar 2021	3	Annual report for 2020.	18 March 2022	The Annual General Meeting of Brødrene A & O Johansen A/S will be held electronically at 1 p.m.
25 Februar 2021	4	Notice convening the Annual General Meeting of Brødrene A & O Johansen A/S.	28 April 2022	Interim financial report for the first quarter of 2022.
19 March 2021	5	Proceedings of the Annual General Meeting of Brødrene A & O Johansen A/S.	16 August 2022	Interim financial report for the first six months of 2022.
29 April 2021	6	Interim financial report for the first quarter of 2021.	27 October 2022	Interim financial report for the first three quarters of 2022.
26 May 2021	7	Notification of transactions of persons discharging managerial responsibilities.		
16 June 2021	8	Major shareholder announcement.		
7 July 2021	9	AO raises its full-year pre-tax profit guidance.		
20 August 2021	10	Interim financial report for the first six months of 2021.		
7 October 2021	11	AO raises its full-year pre-tax profit guidance to DKK 310-330 million.		
28 October 2021	12	Interim financial report for the first three quarters of 2021.		
17 November 2021	13	Notification of transactions of persons discharging managerial responsibilities.		
9 December 2021	14	Financial calendar for 2022.		
14 December 2021	15	Brødrene A & O Johansen A/S acquires EA Værktøj Engros A/S.		Webcasts are held when the annual report and interim financial reports are published.

PROPOSALS FOR THE ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held completely electronically at 1 p.m. on 18 March 2022.

1. ALLOCATION OF PROFITS

Brødrene A & O Johansen A/S' net profit for the year amounts to DKK 253,818,000.

In accordance with Article 3(10), cf. Article 18(2), of the Articles of Association, the holders of preference shares are entitled to an advance cumulative dividend of 6%. The percentage dividend for the holders of ordinary shares is determined subsequently, 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 45 per DKK 10 share, corresponding to around 50% of the profit after tax for the year and 450% of the share capital.

2. CHANGE OF DESIGNATION FOR ORDINARY SHARES AND PREFERENCE SHARES

The Board of Directors proposes modernisation of the designation of the Company's share classes, so ordinary share capital will be designated "class A share capital" going forward, while preference share capital will be designated "class B share capital". Article 3(2) of the Articles of Association will then read as follows:

"This share capital is divided up into an A share capital of DKK 5,640,000 and a B share capital of DKK 22,360,000."

References to ordinary share capital and preference share capital will be corrected for consistency in subsequent paragraphs.

3. CHANGES TO THE NOMINAL VALUE OF PREFERENCE SHARES (CLASS B SHARES), ETC.

The Board of Directors proposes a change in the nominal value of preference shares (class B shares) from a nominal value of DKK 10 to a nominal value of DKK 1, or multiples thereof.

As a result of this proposal, and provided that the proposal to change the designation of ordinary shares and preference shares is adopted, Article 3(4) of the Articles of Association shall then read as follows:

"The B share capital, DKK 22,360,000, is divided into shares of DKK 1 or multiples thereof."

Article 7(1) of the Articles of Association shall then read as follows:

"Each A share of DKK 100 shall carry 100 votes, and each B share of DKK 1 shall carry 1 vote."

The Board of Directors intends to implement a share split of the preference share capital (class B share capital) in a ratio of 1:10 before the end of the first

six months of 2022, so that each existing preference share of a nominal value of DKK 10 is divided into ten new preference shares of a nominal value of DKK 1.

4. AUTHORISATION TO ACQUIRE OWN SHARES

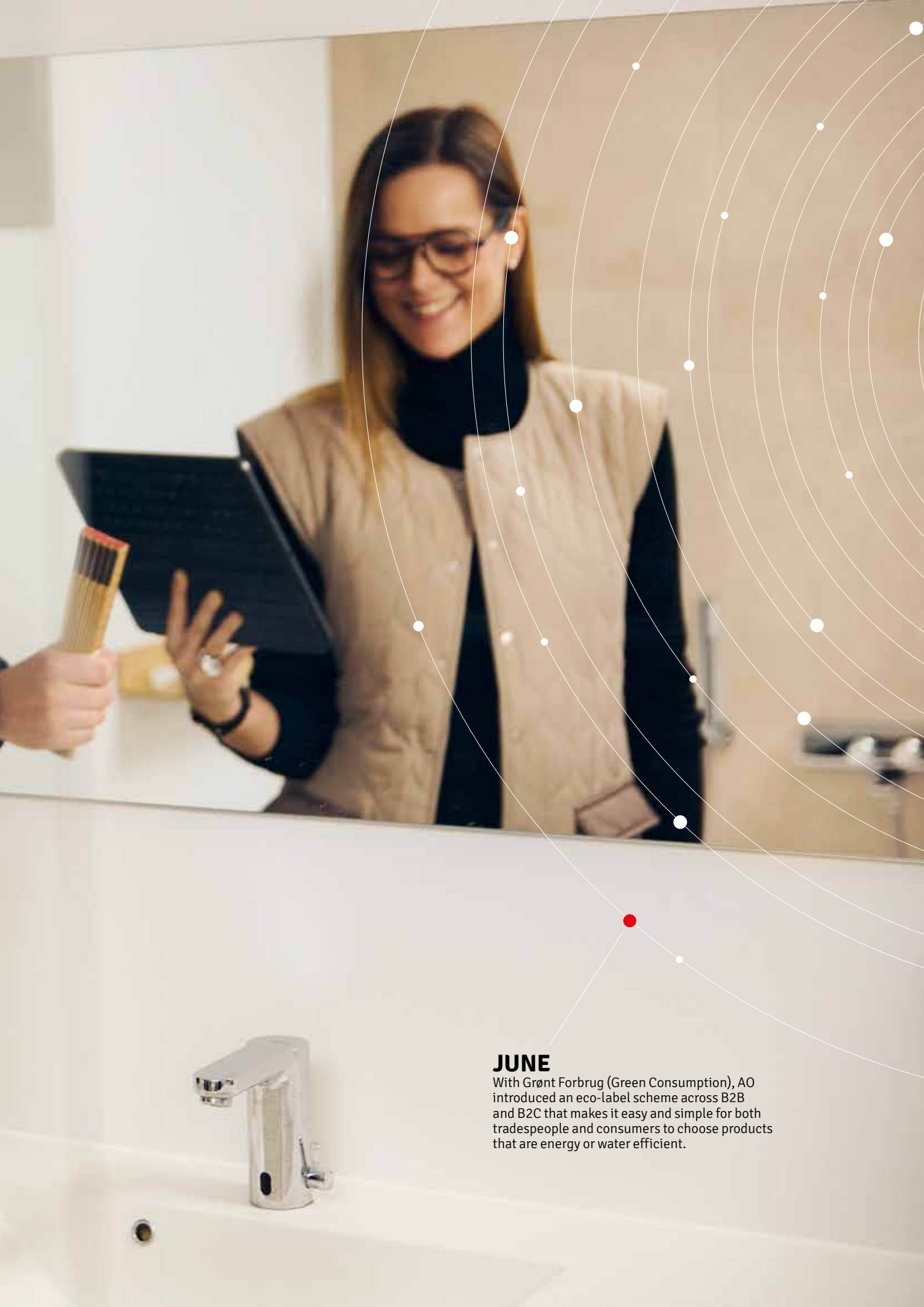
The Board of Directors proposes that it be authorised by the general meeting during the period until 1 May 2023 to let the Company acquire own shares equivalent to a total of 10% of the Company's share capital at the time of being granted authorisation, provided that the Company's total holding of own 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.

5. APPROVAL OF REMUNERATION POLICY

The Board of Directors proposes that the Annual General Meeting approves the amended remuneration policy adopted by the Board of Directors. The full text of the revised remuneration policy is attached to the notice to attend the Annual General Meeting (Schedule 2).

6. AUTHORISATION OF THE CHAIRMAN

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



JUNE

With Grønt Forbrug (Green Consumption), AO introduced an eco-label scheme across B2B and B2C that makes it easy and simple for both tradespeople and consumers to choose products that are energy or water efficient.

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Board have today discussed and approved the annual report of Brødrene A & O Johansen A/S for 2021.

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's 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 2021 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 2021.

Further, in our opinion the Directors' Report 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 ele-

ments of uncertainty facing the Group and the Parent Company.

In our opinion, the annual report of Brødrene A & O Johansen A/S for the financial year 1 January – 31 December 2021 with the file name 5299004B6ZEGVCR9ZR75-2021-12-31-da.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Albertslund, 22 February 2022


EXECUTIVE BOARD



Niels A. Johansen
CEO



Per Toelstang
CFO



Stefan Funch Jensen
CDO



Lili Johansen
CHRO



Gitte Lindeskov
CIO

BOARD OF DIRECTORS



Henning Dyremose
Chairman of the Board



Michael Kjær
Deputy Chairman



René Alberg*



Erik Holm



Carsten Jensen*



Niels A. Johansen



Jonas Kvist*



Preben Damgaard Nielsen

INDEPENDENT AUDITOR'S REPORT

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

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

OPINION

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 financial position at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of Brødrene

A & O Johansen A/S for the financial year 1 January to 31 December 2021 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Brødrene A & O Johansen A/S on 19 March 2021 for the financial year 2021.

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 2021. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p>Recognition of revenue and calculation of customer bonus</p> <p>Revenue is measured at the fair value of the consideration agreed upon exclusive of VAT, duties and deduction of discounts and customer bonus. Revenue is a significant financial statement line item consisting of a large number of IT-dependent transactions. The calculation of customer bonus is based on several individual contracts with different calculation and settlement methods.</p> <p>We focused on the recognition of revenue and calculation of customer bonus as revenue was the most significant line item of the Financial Statements and consisted of a large number of IT-dependent transactions, and because calculation of customer bonus contained an element of estimation.</p> <p>We refer to note 3 of the Financial Statements.</p>	<p>We carried out risk assessment procedures to gain an understanding of IT systems, business procedures and relevant controls for revenue recognition, including customer bonus. We assessed whether the relevant controls were designed and implemented to effectively address the risk of material misstatement. Selected controls, which we planned to rely on during our audit, were tested to determine whether they had been carried out on a consistent basis.</p> <p>We used data analysis to identify revenue transactions that did not follow the expected transaction pattern. Using random samples, we subsequently tested these transactions to the underlying contractual basis.</p> <p>We performed analytical procedures for revenue transactions and obtained evidence of fluctuations, where deemed necessary.</p> <p>We reviewed Management's calculation of customer bonus and on sample basis compared it to the underlying contracts as well as to subsequent and historical settlements.</p>
<p>Measurement of inventories and calculation of supplier bonus receivable</p> <p>Inventories are measured at the lower of cost and net realisable value.</p> <p>The measurement of inventories contains significant accounting estimates, including estimates related to future marketability and expected final supplier bonus. The calculation of supplier bonus is based on individual and complex contracts as well as estimates of the total purchases for the year made through international procurement cooperation.</p> <p>We focused on the measurement of inventories as inventories represent a highly significant line item in the Financial Statements and since technical obsolescence of inventories and changes in consumption patterns may lead to significant write-downs.</p> <p>We focused on the calculation of supplier bonus receivables as the estimate is based on individual and complex contracts as well as estimates of the total purchases for the year made through international procurement cooperation.</p> <p>We refer to notes 4 and 16 of the Financial Statements.</p>	<p>We carried out risk assessment procedures to gain an understanding of IT systems, business procedures and relevant controls for inventories and supplier bonus. We assessed whether the relevant controls were designed and implemented to effectively address the risk of material misstatement. Selected controls, which we planned to rely on during our audit, were tested to determine whether they had been carried out on a consistent basis.</p> <p>We attended the physical inventory counting and performed physical test counts of the counting at selected warehouse locations in order to obtain sufficient appropriate evidence of the existence and condition of the inventories.</p> <p>We compared cost prices with underlying documentation and reviewed Management's assessment and analysis of provisions for obsolete items, including historical write-downs.</p> <p>On a sample basis, we compared Management's calculation of supplier bonus to the underlying contractual basis, subsequent and historical settlements and confirmations from counterparties. In addition, we reviewed Management's assumptions and data for its estimates of the total purchases made through international procurement cooperation.</p>

STATEMENT ON MANAGEMENT'S REVIEW

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in 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 further requirements in the Danish Financial Statements Act, and 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 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 about 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 the 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 these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement 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 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 disclosures 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 or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON COMPLIANCE WITH THE ESEF REGULATION

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Brødrene A & O Johansen A/S for the financial year 1 January to 31 December 2021 with the filename 5299004B6ZEGVCR9ZR75-2021-12-31-da.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:


- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;


- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Brødrene A & O Johansen A/S for the financial year 1 January to 31 December 2021 with the file name 5299004B6ZEGVCR9ZR75-2021-12-31-da.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 22 February 2022

PricewaterhouseCoopers,
Statsautoriseret Revisionspartnerselskab,
CVR no 33 77 12 31


Anders Stig Lauritsen
State Authorised Public Accountant
mne32800


Flemming Eghoff
State Authorised Public Accountant
mne30221



AUGUST

After launching its redesigned website and new physical store in Maribo, Greenline is now well equipped to offer the best help to our customers - both online and physically in store.

BALANCE SHEET AS AT 31 DECEMBER

ASSETS

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2020	2021	NOTE:	2021	2020
Non-current assets				
12 Intangible assets				
327,617	368,313	Goodwill	412,030	384,932
43,794	42,640	Intellectual property rights	43,163	46,014
35,994	46,122	Software	46,123	36,036
<u>407,405</u>	<u>457,075</u>		<u>501,316</u>	<u>466,982</u>
13 Property, plant and equipment				
147,522	150,608	Land and buildings	691,312	652,048
3,368	12,022	Leasehold improvements	10,348	1,120
136,256	197,753	Fixtures and operating equipment	199,378	138,381
172,005	172,962	14 Right-of-use assets	70,091	61,513
<u>459,151</u>	<u>533,345</u>		<u>971,129</u>	<u>853,062</u>
Other non-current assets				
368,523	330,058	15 Investments in subsidiaries	0	0
0	247	Other investments	247	0
<u>368,523</u>	<u>330,305</u>		<u>247</u>	<u>0</u>
1,235,079	1,320,725	Total non-current assets	1,472,692	1,320,044
Current assets				
448,757	552,192	4, 16 Inventories	580,478	478,002
400,723	470,951	17 Trade receivables	491,687	428,431
100,217	122,335	17 Receivables from subsidiaries	0	0
0	10,622	Joint tax contribution	0	0
26,830	27,341	Other receivables	9,701	9,193
13,494	16,633	Prepayments and accrued income	17,040	14,332
85,913	110,666	Cash and short-term deposits	136,946	133,223
<u>1,075,934</u>	<u>1,310,740</u>	Total current assets	<u>1,235,852</u>	<u>1,063,181</u>
2,311,013	2,631,465	Total assets	2,708,544	2,383,225

BALANCE SHEET AS AT 31 DECEMBER

EQUITY AND LIABILITIES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2020	2021	NOTE:	2021	2020
		20 Equity		
28,000	28,000	Share capital	28,000	28,000
218,473	203,483	Reserve according to the equity method	0	0
25,399	28,956	Reserve for development costs	0	0
0	0	Reserve for foreign currency translation adjustments	(2,488)	879
716,375	853,495	Retained earnings	1,088,422	959,368
42,000	126,000	Proposed dividend for the financial year	126,000	42,000
1,030,247	1,239,934	Total equity	1,239,934	1,030,247
		Non-current liabilities		
21,339	21,183	21 Deferred tax	52,192	52,578
51,960	51,112	23 Credit institutions	188,757	199,281
115,938	137,216	14, 23 Lease liabilities	53,465	43,899
31,581	0	Frozen holiday pay	0	31,856
3,000	1,500	Other non-current liabilities	1,500	3,000
223,818	211,010	Total non-current liabilities	295,914	330,614
		Current liabilities		
97,171	62,908	23 Credit institutions	72,862	87,638
56,067	35,746	14, 23 Lease liabilities	16,627	17,614
793,099	981,069	23 Trade payables	1,012,663	826,419
38,483	43,268	Amounts owed to subsidiaries	0	0
0	0	Joint tax contribution	2,297	1,948
0	0	19 Corporation tax payable	3,181	3,759
1,216	2,750	Provisions for liabilities	2,750	1,216
70,912	54,780	22 Other payables	62,316	83,770
1,056,948	1,180,521	Total current liabilities	1,172,696	1,022,364
1,280,766	1,391,531	Total liabilities	1,468,610	1,352,978
2,311,013	2,631,465	Total equity and liabilities	2,708,544	2,383,225

- 3 Segment information
 25 Contingent liabilities, security, etc.
 26-29 Notes without reference

CASH FLOW STATEMENT

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2020	2021	NOTE:	2021	2020
		Cash flow from operating activities		
167,435	256,473	Operating profit or loss (EBIT)	316,745	223,778
130,032	127,162	8 Depreciation and amortisation	100,501	104,463
0	0	Other non-cash operating items, net	6,866	3,624
		Cash flow from operations before change in working capital	424,112	331,865
297,467	383,635			
(17,803)	(98,518)	Change in inventories	(103,852)	(19,100)
(33,423)	(69,629)	Change in receivables	(71,058)	(33,542)
145,771	127,744	Change in trade payables and other current payables	132,126	155,668
94,545	(40,403)	Change in working capital	(42,784)	103,026
392,012	343,232	Cash flow from operations	381,328	434,891
(1,436)	(1,581)	Net financials paid	(2,200)	(1,935)
(51,240)	(62,894)	Corporation tax paid	(71,064)	(57,573)
339,336	278,757	Cash flow from operating activities	308,064	375,383
		Cash flow from investing activities		
(23,505)	(31,863)	Purchase of intangible assets	(32,404)	(23,531)
(17,292)	(110,786)	Purchase of property, plant and equipment	(170,481)	(37,299)
(32,973)	(29,699)	Change in receivables from subsidiaries	0	0
17,000	47,008	Dividends received	0	0
0	(247)	Purchase of other non-current assets	(247)	0
5,845	22,028	Cash gained in merger	0	0
(5,500)	(28,295)	24 Acquisition of enterprise	(25,160)	(5,500)
0	18,484	Sale of enterprise	15,551	0
(56,425)	(113,370)	Cash flow from investing activities	(212,741)	(66,330)
		Cash flow from financing activities		
(186,965)	(60,112)	Repayment of debt to credit institutions	(50,299)	(215,543)
0	25,000	Raising of loans from credit institutions	25,000	0
(63,445)	(64,758)	Repayment of lease liabilities	(25,537)	(24,388)
(16,306)	(40,764)	Dividends paid	(40,764)	(16,306)
(266,717)	(140,634)	Cash flow from financing activities	(91,600)	(256,237)
16,195	24,753	Cashflow for the year	3,723	52,816
69,718	85,913	Cash and short-term deposits at beginning of year	133,223	80,407
85,913	110,666	Cash and short-term deposits at end of year	136,946	133,223

AO

HÅNDVÆRKEN

SEPTEMBER

We have wanted to open an AO store in Kalundborg for some time, and now, with a good location and the opening of store number 51, this has become a reality.

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 2021	28,000	879	42,000	959,368	1,030,247
Net profit for the year	0	0	126,000	127,818	253,818
Foreign currency translation adjustment	0	(3,367)	0	0	(3,367)
Total comprehensive income	0	(3,367)	126,000	127,818	250,451
Dividend distribution	0	0	(40,764)	0	(40,764)
Dividend, own shares	0	0	(1,236)	1,236	0
Total transactions with owners	0	0	(42,000)	1,236	(40,764)
Equity at 31 December 2021	28,000	(2,488)	126,000	1,088,422	1,239,934
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

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 2021	28,000	218,473	25,399	42,000	716,375	1,030,247
Net profit for the year	0	44,465	0	126,000	83,353	253,818
Movement for the year	0	0	3,557	0	(3,557)	0
Foreign currency translation adjustment	0	(3,367)	0	0	0	(3,367)
Total comprehensive income	0	41,098	3,557	126,000	79,796	250,451
Movement due to merger and sale	0	(9,080)	0	0	9,080	0
Dividend distribution	0	0	0	(40,764)	0	(40,764)
Dividend own shares	0	0	0	(1,236)	1,236	0
Dividend received	0	(47,008)	0	0	47,008	0
Total transactions with owners	0	(56,088)	0	(42,000)	57,324	(40,764)
Equity at 31 December 2021	28,000	203,483	28,956	126,000	853,495	1,239,934
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	0	-12079	0	0	12,079	0
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





SEPTEMBER

The sales staff from our Albertslund store used to drive 300 times a day to the central warehouse to pick up goods. With the introduction of automatic delivery via conveyor belt from the central warehouse to the store, they can now concentrate on their customers.

NOTES TO THE CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

(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 2021 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 2021 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 22 February 2022, the Board of Directors and the Executive Board discussed and approved the annual report for 2021 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 18 March 2022.

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. The comparative figures will not be restated for standards implemented prospectively.

CHANGES IN ACCOUNTING POLICIES

Effective 1 January 2021, Brødrene A & O Johansen A/S has implemented the following amended standards and interpretations:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on the IBOR reform (phase 2).

The above changes allow for temporary special terms for the financial statements until the existing interest rate benchmark is replaced by an alternative, "almost risk-free rate" (RFR). The temporary changes include the following practical special terms:

- Contractual changes or changes to cash flows related directly to the IBOR reform must be treated as changes to a floating interest rate, like changes to a market rate.
- Changes required by the IBOR reform to either the hedging relationship or hedging documentation can be implemented without terminating the hedging relationship.
- Temporary special terms to allow enterprises to meet the requirement for a component to be separately identifiable when an RFR instrument is designated for hedging of a risk component.

The changes resulting from the IBOR reform (phase 2) have had no impact 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 Directors' Report.

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.

The discretionary treatment of certain marketing allowances in the B2C segment has been altered in connection with the new segmentation of the Group. Marketing allowances from suppliers were previously treated as a reduction in external expenses, but are classified as part of the cost of sales as of the 2021 annual report. The revised estimate has no impact on Group earnings before depreciation and amortisation (EBITDA). Comparative figures have been adjusted for 2020 in the income statement, and for 2017 to 2020 in the 5-year summary.

BUSINESS COMBINATIONS

Newly acquired or newly established companies are recognised in the consolidated financial statements as at the date of acquisition. Companies sold or liquidated are recognised in the consolidated financial statements as at 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 as-

NOTES TO THE CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

(All amounts are in DKK thousands)

NOTE:

- 1 sets 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.

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 it subsequently transpires 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. Goodwill is not adjusted thereafter. Changes in estimates of contingent considerations are recognised in profit or loss for the year.

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 insofar as 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.

FINANCIAL INSTRUMENTS

Derivative financial instruments are recognised from 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 liabilities, and positive and negative values are offset only when the company has the right and intention to settle several financial instruments net. Fair values of derivative financial instruments are determined on the basis of current market data and recognised valuation methods.

Hedge accounting is deployed on a limited scale in relation to currency futures.

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Revenue

Revenue consists 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.

NOTES TO THE CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

(All amounts are in DKK thousands)

NOTE:

- 1 Discounts are deducted from the consideration based on an estimate of the total discounts during the measurement period. Customer bonus due to customers is calculated at the time of sale and deducted from the recognized revenue. Subsequent adjustments to customer bonus is also recognized as revenue.

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.

Staff costs

Staff costs include salaries and wages to employees, costs related to defined pension contribution plans, social security costs and other staff expenses such as training and education expenses.

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.

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

The proportionate share of the individual subsidiaries' profit (loss) after tax is recognised after the full elimination of internal gains/losses in the Parent Company's income statement.

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, which is included in joint taxation as an administration company.

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 depreciation and amortisation. 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 depreciation and amortisation. 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:

NOTES TO THE CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

(All amounts are in DKK thousands)

NOTE:

- | | | |
|---|---|--|
| 1 | <ul style="list-style-type: none">• Buildings:• Installations:• Leasehold improvements:• Fixtures and operating equipment: | <ul style="list-style-type: none">• Maximum 50 years• 10 years• Maximum 5 years• 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. Depreciation ceases if the scrap value exceeds the carrying amount.

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.

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 changes its assessment of whether it is reasonably certain to exercise an extension option, a termination option or a call option.

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation. Right-of-use assets are depreciated over the lease term or the useful life of the right-of-use asset, whichever is the shorter. 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.

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.

Merger of Group Companies

During 2021 two vertical mergers between Brødrene A & O Johansen A/S and the two Group Companies LampeGuru ApS and Complet VVS A/S have been made. Both mergers have been executed with Brødrene A & O A/S being the continuing Company.





SEPTEMBER

In September, Amager was added to the list of stores in Copenhagen offering express delivery. For tradespeople, this means delivery within an hour across Copenhagen.

NOTES TO THE CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

(All amounts are in DKK thousands)

NOTE:

- 1 Prior to the mergers the two merged companies were 100% owned subsidiaries of Brødrene A & O Johansen A/S. All involved companies have therefore been under control of the same party. The merger of the companies has been carried out using the book-value method.

Comparison figures for the parent have not been adjusted. The mergers have not had an effect for the financial accounts of the Group

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 insofar as 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. The asset's recoverable amount is calculated when such an indication is present. 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.

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 insofar as changes have occurred in the assumptions and estimates that led to the impairment. Impairment losses are reversed only insofar as 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. Intra-group receivables are measured at the amortised cost price, and no impairment loss is recognised.

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.

NOTES TO THE CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

(All amounts are in DKK thousands)

NOTE:

1 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.

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.

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

Prepayments

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 corporation 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.

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 and cash equivalents

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

Segment information

The Group has activities within the professional B2B segment and the private B2C segment. The two segments share the same chief operating decision maker but are identified as separate operating segments in the internal management reporting.

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, brackets are used to indicate negative results and deductions.

NOTES TO THE CONSOLIDATED AND ANNUAL FINANCIAL STATEMENTS

(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 Group is subject to risks and uncertainties that may cause actual results to differ from those estimates.

It may be necessary to revise 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.

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.

LampeGuru ApS and Complet VWS A/S were merged into Brødrene A & O Johansen A/S in 2021 and are now run as a single cash-generating unit, core business activities being handled in an integrated manner with a degree of mixing that does not allow for separation. Hence impairment testing is conducted for Brødrene A & O Johansen A/S and covering AO Danmark, LampeGuru and Complet VVS.

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.

Customer bonus

Estimates are used in relation to the determination of the bonus levels reached on bonus agreements with a duration of more than one year. The applied estimates are reviewed on an ongoing basis to ensure a correct valuation of bonus due to customers

Supplier bonus

Reporting from suppliers as well as AO's own records are used when assessing the Supplier bonus that is due to AO. Estimates are used when reporting from suppliers have not been received or when the reporting from suppliers do not reconcile with AO's records. Ongoing retrospective reviews are performed to ensure that Supplier Bonus is included correctly in the financial statements.

NOTES

(All amounts are in DKK thousands)

NOTE:

3 Segment information

The Group has activities within the professional B2B segment and the private B2C segment. The two segments share the same chief operating decision maker but are identified as separate operating segments in the internal management reporting.

Geographical information

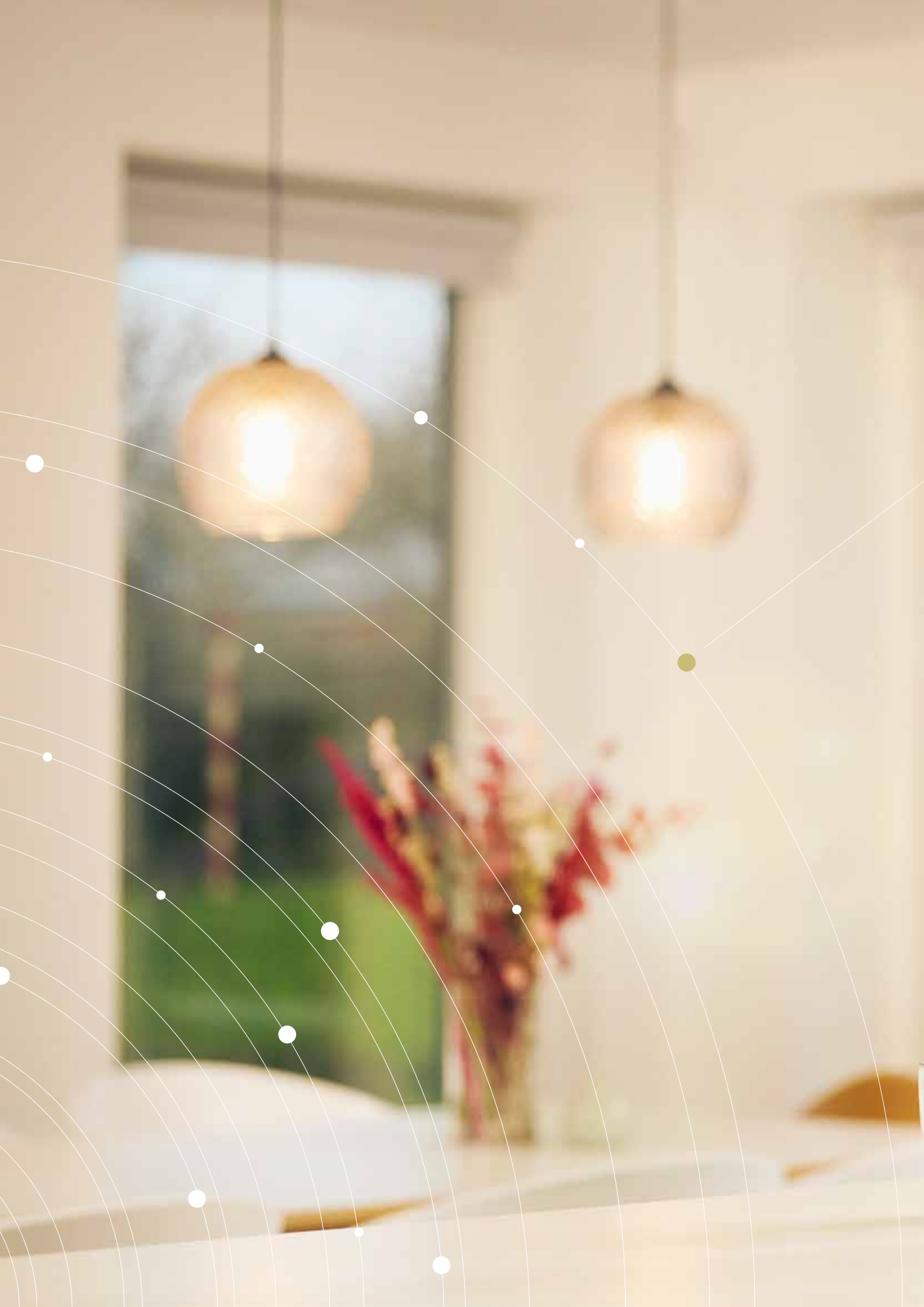
The Group operates primarily in Denmark. International revenue amounts DKK 389.9 million (2020: DKK 346.9 million) or less than 10% of the total Group's revenue relates to foreign countries, and the same applied in 2020.

Major customers

Just as in 2020, the Group has not traded with any individual customer representing more than 10% of the Group's total revenue for 2021.

SEGMENT INFORMATION 2021

	B2B	B2C	Total
Revenue	4,010,605	789,915	4,800,520
Cost of goods sold	- 2,951,000	- 520,536	- 3,471,536
Product margin	1,059,605	269,379	1,328,984
Distribution	- 145,551	- 64,086	- 209,637
Gross margin	914,054	205,293	1,119,347
Direct expenses	- 393,916	- 141,379	- 535,295
EBITDA before indirect expenses	520,138	63,914	584,052
Indirect expenses			- 166,806
EBITDA			417,246
Depreciation and amortisation			- 100,501
EBIT			316,745
Financial income and expenses			9,394
EBT			326,139
Key figures	B2B	B2C	Total
Gross margin %	22.8%	26.0%	23.3%
EBITDA (before indirect expenses) %	13.0%	8.1%	12.2%
EBITDA %			8.7%



OCTOBER

To attract customers interested in a more exclusive range of brands and their suppliers, LampeGuru has developed and launched a new logo and website with a new, attractive design.



NOTES

(All amounts are in DKK thousands)

NOTE:

3 Segment information (continued)

SEGMENT INFORMATION 2020

	B2B	B2C	Total
Revenue	3,502,402	595,926	4,098,328
Cost of goods sold	- 2,592,334	- 394,914	- 2,987,248
Product margin	910,068	201,011	1,111,080
Distribution	- 118,456	- 46,909	- 165,366
Gross margin	791,612	154,102	945,714
Direct expenses	- 356,779	- 114,728	- 471,507
EBITDA before indirect expenses	434,833	39,374	474,207
Indirect expenses			- 145,967
EBITDA			328,241
Depreciation and amortisation			- 104,463
EBIT			223,778
Financial income and expenses			- 3,013
EBT			220,765
Key figures	B2B	B2C	Total
Gross margin %	22.6%	25.9%	23.1%
EBITDA (before indirect expenses) %	12.4%	6.6%	11.6%
EBITDA %			8.0%

4 Cost of sales

Selskabet		Koncern	
2020	2021	2021	2020
(2,851,350)	(3,412,566)	(3,583,489)	(3,010,455)
(144,354)	(186,189)	(209,637)	(165,366)
<u>(2,995,704)</u>	<u>(3,598,755)</u>	<u>(3,793,126)</u>	<u>(3,175,821)</u>
Change in inventories:			
423,115	448,757	478,002	458,969
1,712	1,799	1,807	1,580
(7,130)	(5,682)	(8,603)	(5,472)
448,757	552,192	580,478	478,002
<u>31,060</u>	<u>107,318</u>	<u>109,272</u>	<u>22,925</u>
(2,964,644)	(3,491,437)	(3,683,854)	(3,152,896)

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2020	2021 NOTE:		2021	2020
		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:		
(680)	(789)	Statutory audit	(1,044)	(1,004)
(117)	(8)	Tax and VAT related advisory services	(8)	(117)
(598)	(100)	Other services	(100)	(604)
(1,395)	(897)		(1,152)	(1,725)
		7 Staff costs		
(335,882)	(372,031)	Wages and salaries	(392,462)	(358,594)
(23,494)	(25,391)	Pension contributions	(26,667)	(24,924)
(4,224)	(4,675)	Other social security costs	(8,972)	(7,799)
(2,480)	(1,680)	Other staff expenses	(1,744)	(2,489)
(366,080)	(403,777)		(429,845)	(393,806)
		Wages and salaries include remuneration for:		
(2,250)	(2,625)	Board of Directors	(3,763)	(3,225)
(2,250)	(2,625)	Board of Directors total	(3,763)	(3,225)
(22,466)	(24,221)	Executive Board	(24,221)	(22,466)
(2,557)	(2,583)	Pension contributions	(2,583)	(2,557)
(25,023)	(26,804)	Executive Board total	(26,804)	(25,023)
(27,273)	(29,429)	Board of Directors and Executive Board total	(30,567)	(28,248)
690	742	Average number of full-time employees	784	741
627	663	Average number of full-time employees excl. part time workers	705	678

The Group only has defined contribution plans.

The increase in full time employees for the Group primarily relates to an increase in employees in logistics as well as in sales and admin.

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2020	2021	NOTE:	2021	2020
		8 Depreciation and amortisation		
(26,179)	(24,783)	Intangible assets	(24,809)	(26,307)
(40,411)	(37,853)	Property, plant and equipment	(50,180)	(53,846)
(23,291)	(23,133)	Right-of-use assets, external	(25,537)	(24,388)
(40,154)	(41,625)	Right-of-use assets, subsidiaries	0	0
2	232	Gains/losses from the disposal of assets	25	78
(130,032)	(127,162)		(100,501)	(104,463)
		9 Financial income		
1,400	1,898	Interest income from current assets	2,035	1,507
324	604	Interest income from subsidiaries	0	0
0	5,551	Gain from sale of subsidiary	5,552	0
2,037	6,505	Foreign exchange gains, net	6,133	2,422
3,762	14,558		13,720	3,929
		10 Financial expenses		
(3,538)	(2,301)	Interest expenses on liabilities	(3,408)	(5,099)
(599)	(682)	Expenses, lease liabilities, external	(668)	(596)
(1,027)	(1,027)	Expenses, lease liabilities, subsidiaries	0	0
0	0	Other financial expenses	0	0
(1,111)	(87)	Other interest expenses	(250)	(1,247)
0	0	Interest expense to subsidiaries	0	0
(6,275)	(4,097)		(4,326)	(6,942)
		11 Tax on profit or loss for the year		
(43,496)	(58,162)	Current tax for the year	(72,838)	(54,963)
778	6	Adjustment related to previous years	(2)	1,113
(42,718)	(58,156)		(72,840)	(53,850)
6,911	572	Adjustment of deferred tax for the year	96	6,300
0	3	Adjustment of deferred tax for previous years	422	(342)
(35,807)	(57,581)	Total	(72,322)	(47,892)
		Tax on profit/loss for the year can be explained as follows:		
		Calculated tax on profit/loss before tax, not incl. subsidiaries' profits	73,633	48,588
		Tax effect of:		
(29)	(1,393)	Non-taxable income	(1,394)	(29)
94	305	Other non-deductible costs	503	103
(778)	(9)	Adjustment of tax for previous years	(420)	(770)
35,807	57,581		72,322	47,892
21.7%	21.6%	Effective tax rate	22.2%	21.7%
(51,240)	(62,894)	Taxes paid during the financial year	(71,064)	(57,573)

NOTES

(All amounts are in DKK thousands)

COMPANY			NOTE:	CONSOLIDATED		
Goodwill	Intellectual property rights	Software	12 Intangible assets	Goodwill	Intellectual property rights	Software
327,617	58,288	271,883	Cost at 1 January 2021	384,932	61,766	275,691
0	0	0	Foreign currency translation adjustment	0	(38)	26
13,598	2,370	1	Additions from merger	0	0	0
27,098	0	31,863	Additions during the year	27,098	541	31,863
0	(314)	0	Disposals during the year	0	(314)	(77)
368,313	60,344	303,747	Cost at 31 December 2021	412,030	61,955	307,503
0	(14,494)	(235,889)	Amortisation and depreciation at 1 January 2021	0	(15,752)	(239,655)
0	0	0	Foreign currency translation adjustment	0	0	(4)
0	(188)	0	Additions from merger	0	0	0
0	(3,048)	(21,736)	Amortisation and depreciation for the year	0	(3,066)	(21,743)
0	26	0	Disposals during the year	0	26	22
0	(17,704)	(257,625)	Amortisation and depreciation at 31 December	0	(18,792)	(261,380)
368,313	42,640	46,122	Carrying amount at 31 December 2021	412,030	43,163	46,123
Goodwill	Intellectual property rights	Software		Goodwill	Intellectual property 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
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)	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 2020	0	(15,752)	(239,655)
327,617	43,794	35,994	Carrying amount at 31 December 2020	384,932	46,014	36,036

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 LampeGurus trademarks, domain names, etc.



kompletvvs.dk kompletvvs.dk

 **Greenline.dk**
el-artikler til private & erhverv

 **Greenline**
el-artikler til private &

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With the introduction of a one-hour evening delivery service in Greater Copenhagen, our B2B stores can offer an even better service to customers in this area.



NOTES

(All amounts are in DKK thousands)

NOTE:

12 Intangible assets (continued)

Goodwill

At 31 December 2021, 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	365,206	11 %	1,5 %
AO Sverige	46,824	11 %	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 2022 and forecasts for 2023-2026 approved by Management, an unchanged discount rate and a terminal growth rate as in 2021. 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 2021, Comparing the budgets for the respective group companies and the expected market development it has been concluded that the recoverable amount will be considerably 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	2021		2020	
	Completed	Work in progress	Completed	Work in progress
Cost at 1 January	92,932	1,302	72,837	538
Additions during the year	24,417	461	19,557	1,302
Transfer	1,302	(1,302)	538	(538)
Cost at 31 December	118,651	461	92,932	1,302
Amortisation and depreciation at 1 January	(61,672)	0	(41,696)	0
Amortisation and depreciation for the year	(20,317)	0	(19,976)	0
Amortisation and depreciation at 31 December	(81,989)	0	(61,672)	0
Carrying amount at 31 December	36,662	461	31,260	1,302

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
188,306	13,049	407,013	Cost at 1 January 2021	862,714	10,143	424,518
(1)	0	(4)	Foreign currency translation adjustment	(302)	(1)	(32)
0	174	194	Additions from merger	0	0	0
6,843	10,006	93,937	Additions during the year	65,832	10,181	94,468
0	0	(88)	Disposals during the year	(17,806)	(164)	(2,500)
195,148	23,229	501,052	Cost at 31 December 2021	910,438	20,159	516,454
(40,784)	(9,681)	(270,757)	Amortisation and depreciation at 1 January 2021	(210,665)	(9,023)	(286,137)
0	0	0	Foreign currency translation adjustment	(17)	(14)	0
0	0	0	Reclassification	(702)	702	0
(3,756)	(1,526)	(32,571)	Amortisation and depreciation for the year	(15,527)	(1,541)	(33,112)
0	0	29	Disposals during the year	7,785	65	2,171
(44,540)	(11,207)	(303,299)	Amortisation and depreciation at 31 December 2021	(219,126)	(9,811)	(317,078)
150,608	12,022	197,753	Carrying amount at 31 December 2021	691,312	10,348	199,376
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	(18)	Additions from merger	(510)	510	0
0	0	0	Reclassification	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

NOTES

(All amounts are in DKK thousands)

NOTE:

13 Property, plant and equipment (continued)

Specification of land and buildings

Address	Use	Year of acquisition	Building area (sqm)	Carrying amount	Mortgage loans
Administration and central warehouse					
Rørvang 1-9, DK-2620 Albertslund	Administration		6,428		
Rørvang 1-9, DK-2620 Albertslund	Central warehouse		28,683		
Herstedvang 9-13, DK-2620 Albertslund	Central warehouse				
Herstedvang 6, DK-2620 Albertslund	Central warehouse		5,674		
Mossvej 2, DK-8700 Horsens	Central warehouse		19,406		
Administration and central warehouse total			60,191	402,372	148,984
Stores					
Rørvang 1-9, DK-2620 Albertslund	Store	1990	1,907		
Østbanegade 169, DK-2100 Østerbro	Store	1990	478		
Prags Boulevard 53, DK-2300 Amager	Store	1990	923		
Gl. Køge Landevej 362, DK-2650 Hvidovre	Store	1999	619		
Håndværkervænget 18-20, DK-2670 Greve	Store	1995	582		
Englandsvej 360, DK-2770 Kastrup	Store	1996	437		
Kokkedal Industripark 42A, DK-2980 Hørsholm	Store	2014	700		
Industrivej 16, DK-3000 Helsingør	Store	2013	736		
Herredsvejen 12, DK-3400 Hillerød	Store	2013	701		
Sandemandsvej 10, DK-3700 Rønne	Store	2003	768		
Industrivej 40B, DK-4000 Roskilde	Store	2017	1,000		
Japanvej 16, DK-4200 Slagelse	Store	2014	700		
Tækkemandsvej 3, DK-4300 Holbæk	Store	2000	1,307		
Valdemarshaab 15, DK-4600 Køge	Store	2014	862		
Holsted Park 6, DK-4700 Næstved	Store	2000	1,185		
Herningvej 23, DK-4800 Nykøbing F	Store	2013	700		
Ove Gjeddes Vej 18, DK-5220 Odense SØ	Store	2017	800		
Mønten 5, DK-6000 Kolding	Store	1990	1,359		
Næstmark 21, DK-6200 Aabenraa	Store	2005	987		
Kattegatvej 1, DK-6705 Esbjerg	Store	2013	800		
Ibæk Strandvej 12, DK-7100 Vejle	Store	2014	702		
Middelfartsvej 8, DK-5000 Odense	Store	2000	1,111		
Søren Frichs Vej 24, DK-8000 Århus	Store	2004	1,089		
Jens Juuls Vej 7, DK-8260 Viby	Store	2014	700		
Allégade 40, DK-8700 Horsens	Store	1990	945		
Toldbodgade 24, DK-8930 Randers	Store	2004	1,337		
Centervej 44, DK-3600 Fr.sund	Store	2020	700		
Lillehøjvej 42, DK-8600 Silkeborg	Store	2018	800		
Brodalsvägen 15, SE-433 38 Partille	Store and warehouse	2003	1,660		
Bronsyxegatan 6A, SE-213 75 Malmö	Store and warehouse	2000	1,350		
Total stores			27,945	213,516	53,323
Buildings under construction				75,424	
Land and buildings			88,136	691,312	202,307

NOTES

(All amounts are in DKK thousands)

COMPANY	NOTE:	CONSOLIDATED
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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
158,534	13,471	172,005	Balance at 1 January 2021	47,207	14,306	61,513
0	0	0	Foreign currency translation adjustment	(14)	(10)	(24)
16,785	11,445	28,230	Additions during the year	15,810	11,980	27,790
(1,428)	(1,035)	(2,463)	Disposals during the year	0	(1,035)	(1,035)
39,948	0	39,948	Remeasurement of lease liability	7,384	0	7,384
(56,808)	(7,950)	(64,758)	Amortisation and depreciation for the year	(17,116)	(8,421)	(25,537)
157,031	15,931	172,962	Carrying amount at 31 December 2021	53,271	16,820	70,091

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



LAUFEN

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GEBERIT
SIGMA BETJENINGSPLADER

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NOVEMBER

With CompletVVS now fully integrated, the AO Group has reinforced its strategy, focusing on solution sales, strong skills set and a wide range of services.



NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2020	2021	NOTE:	2021	2020
14 Right-of-use assets and lease liabilities (continued)				
Lease liabilities				
Maturity of lease liabilities				
63,673	45,565	0-1 year	24,719	22,233
105,289	119,213	1-5 years	43,523	42,541
19,972	20,416	>5 years	9,529	6,723
188,934		Total un-discounted lease liabilities	77,771	71,497
186,194		at 31 December 2019		
56,067	35,746	Short-term lease liabilities, less than 1 year	16,627	17,614
115,938	137,216	Long-term lease liabilities, more than 1 year	53,464	43,899
172,005		Lease liabilities recognised	70,091	61,513
172,962		in the balance sheet		
Amounts recognised in the income statement				
(3,538)	(1,709)	Interest expenses on lease liabilities	(668)	(596)
(79)	(593)	Expenses related to low value leasing arrangements	(593)	(79)
(1,028)	(1,072)	Expenses related to short term leasing arrangements	(1,072)	(1,108)
(63,445)	(64,758)	Depreciation related to right-of-use assets	(25,537)	(24,388)
(68,090)	(68,132)	Total	(27,870)	(26,172)

NOTES

(All amounts are in DKK thousands)

NOTE:

15 Investments in subsidiaries (Company)

	2021	2020
Cost at 1 January	151,128	231,740
Additions during the year	26,827	0
Disposal due to merger	(51,380)	(80,612)
Cost at 31 December	126,575	151,128
Value adjustment at 1 January	217,395	200,416
Disposal due to merger	(9,280)	(12,079)
Dividends	(47,008)	(17,000)
Foreign currency translation adjustments	(2,088)	2,301
Subsidiaries' results	44,465	43,758
Value adjustment at 31 December	203,483	217,395
Carrying amount at 31 December	330,058	368,523

	2020	2021
Ownership interest	Ownership interest	
100%	100%	
100%	100%	
100%	100%	
100%	100%	
0%	100%	
100%	0%	
100%	0%	

Name

AO Invest A/S
 AO Sverige AB
 VVSochBAD Sverige AB
 Billig VVS AS
 LampeGuru AS
 Vaga Tehnika Eesti OÜ
 LampeGuru ApS

Registered office

Albertslund
 Sweden
 Sweden
 Norway
 Norway
 Estonia
 Denmark

16 Inventories

COMPANY	
2020	2021
8,718	7,061

Carrying amount of inventories
 recognised at net selling price

Consolidated	
2021	2020
7,437	8,845

NOTES

(All amounts are in DKK thousands)

NOTE:

17 Trade receivables

Trade receivables consist of sale of goods to business customers 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.

AO has taken up credit insurance on large customer outstandings.

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

CONSOLIDATED	Loss ratio	2021		Total
		Receivable amount	Expected loss	
Not yet due	3.5%	493,246	(17,449)	475,797
Due within 1-30 days	28.1%	14,750	(4,139)	10,611
Due within 31-60 days	10.5%	2,330	(244)	2,086
Due in more than 60 days	89.3%	29,854	(26,661)	3,193
Total at 31 December 2021		540,180	(48,493)	491,687

CONSOLIDATED		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

COMPANY		2021		Total
		Receivable amount	Expected loss	
Not yet due	3.5%	475,307	(16,840)	458,467
Due within 1-30 days	32.9%	11,697	(3,848)	7,849
Due within 31-60 days	10.5%	1,929	(202)	1,727
Due in more than 60 days	89.8%	28,649	(25,741)	2,908
Total at 31 December 2021		517,582	(46,631)	470,951

COMPANY		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

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.

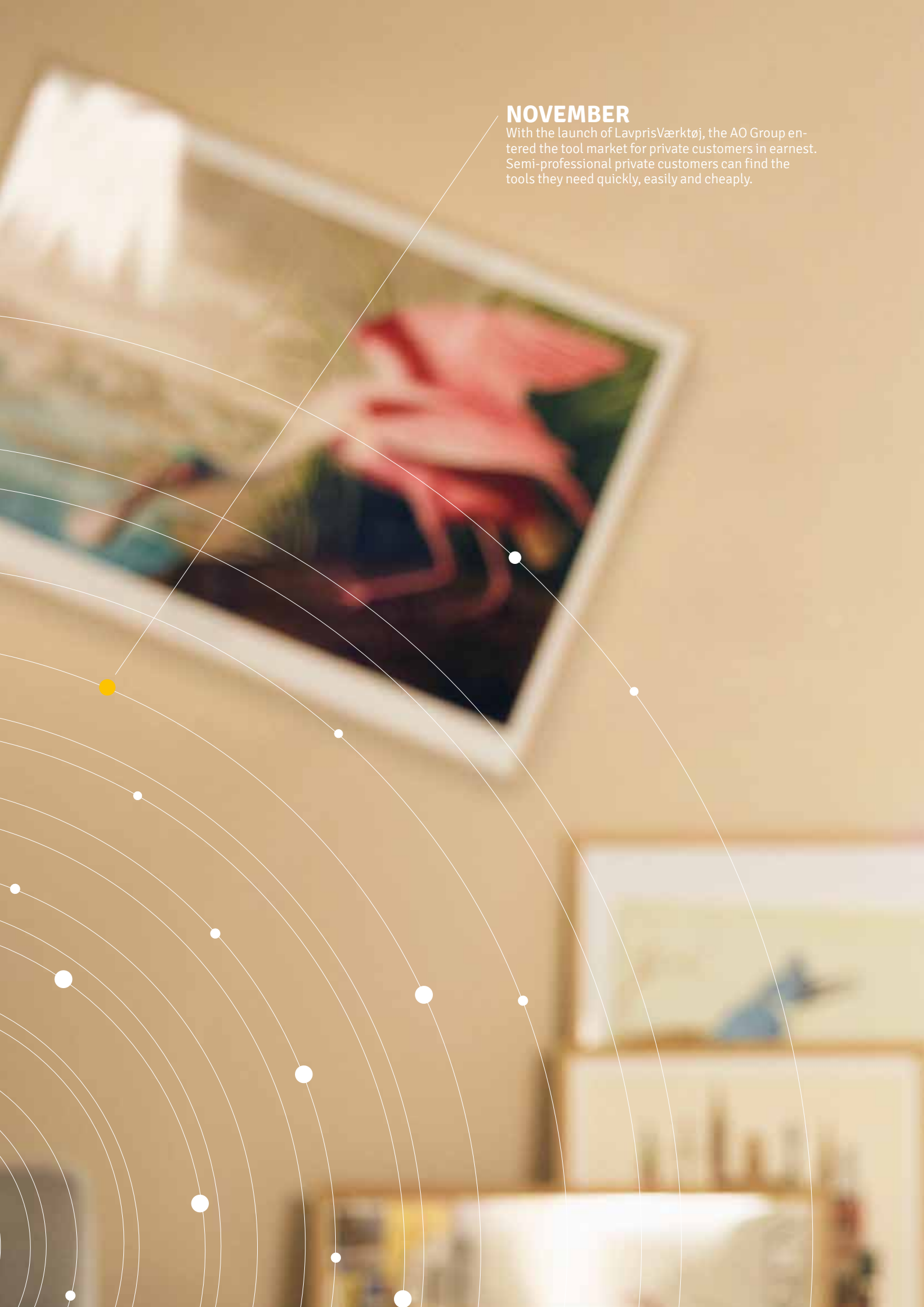
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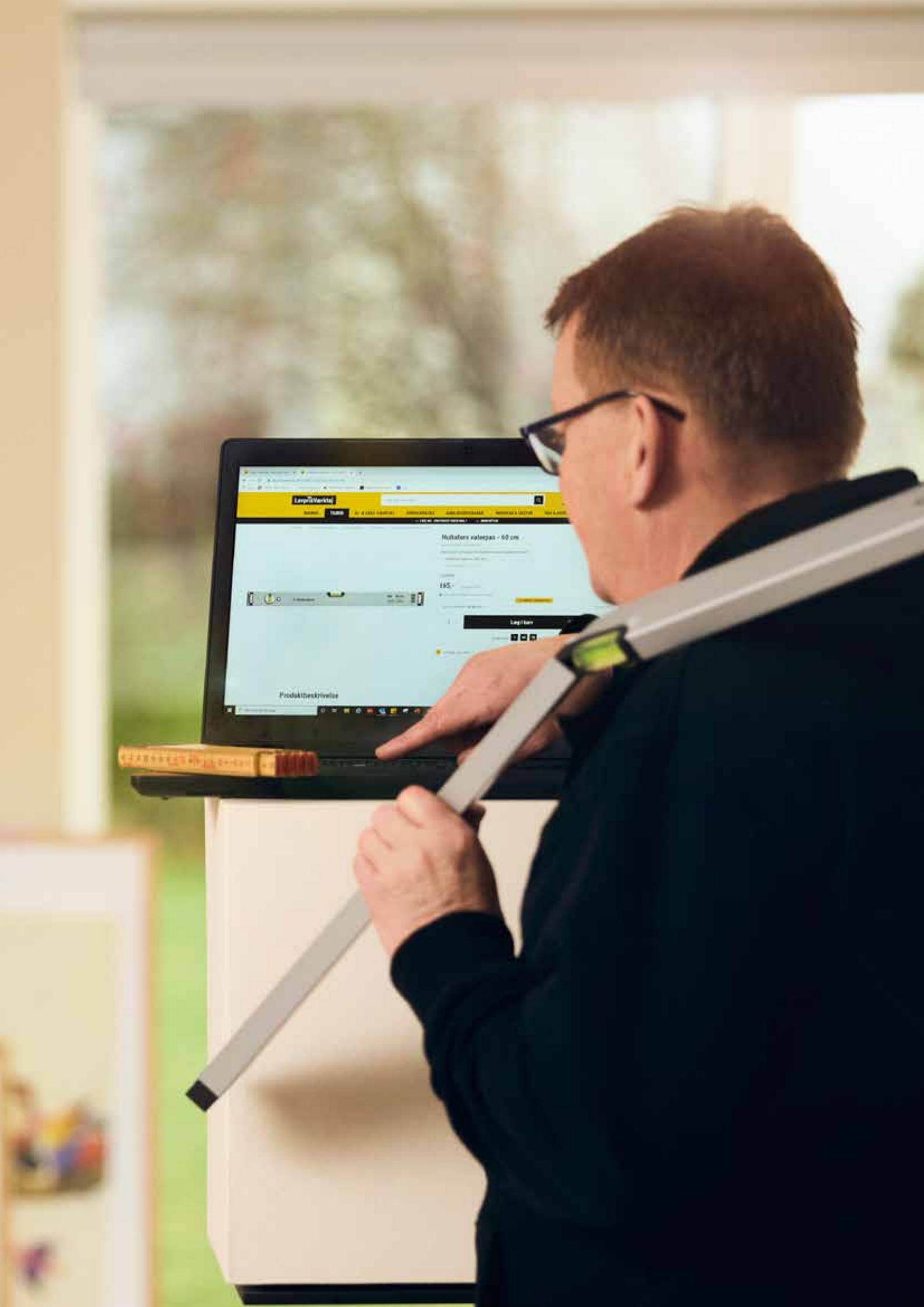
(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2020	2021	NOTE:	2021	2020
17 Trade receivables (continued)				
Provision for losses on receivables:				
17,575	29,637	Provision for losses on receivables at 1 January excl. VAT	30,478	18,455
(1,932)	(2,385)	Realised loss during the year		
13,994	12,073	- use of previous provision	(2,468)	(1,967)
		Adjustment of provisions for losses	13,179	13,990
29,637	39,325	Provision for losses on receivables at 31 December	41,189	30,478
(226)	(229)	Recognised previously written-off receivables	(229)	(227)
140	284	Losses recognised in the year and not previously provided for	284	140
13,908	12,128	Operating effect, net from loss and provision for losses on receivables	13,234	13,903
18 Earnings per share				
172,873	253,818	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		
		Earnings per share (EPS) of DKK 10.	93	64
		Diluted earnings per share (EPS-D) of DKK 10	93	64
19 Corporation tax receivable/payable				
0	0	Corporation tax paid on account during the year	5,442	4,742
0	0	Tax on taxable profit for the year	(7,049)	(6,044)
0	0	Tax payable relating to previous years	(1,574)	(2,457)
0	0	Total corporation tax receivable/payable	(3,181)	(3,759)

NOVEMBER

With the launch of LavprisVærktøj, the AO Group entered the tool market for private customers in earnest. Semi-professional private customers can find the tools they need quickly, easily and cheaply.





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 2021, the equity share of total equity and liabilities amounted to 45.6% (2020: 43.2%). The target is to obtain an equity ratio of a minimum of 40%. The financial gearing as at december 2021 was 0.5 (2020: 0.8). The group target is to maintain a financial gearing within the range between 0.5 and 1.5. Capital is managed for the Group as a whole.

The share capital consists of the following classes:

Ordinary share capital:			
56,440 shares of	DKK	100 each	5,640,000
Preference share capital:			
2,236,000 shares of	DKK	10 each	22,360,000
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. As at december 31 2021 there are no outstanding obligations related to preferential dividends to preference 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	
	2021	2020	2021	2020	2021	2020
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 2021 amounts to DKK 126,000,000.

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	
2020	2021	NOTE:	2021	2020
		21 Deferred tax		
27,010	21,339	Deferred tax at 1 January	52,578	58,497
0	0	Foreign currency translation adjustment	(25)	44
1,239	419	Acquisition of enterprise	(60)	0
(6,910)	(572)	Change in deferred tax for the year	115	(6,305)
0	(3)	Change in deferred tax relating to previous years	(416)	342
21,339	21,183	Deferred tax at 31 December	52,192	52,578
		Deferred tax relates to:		
0	9,381	Intangible assets	9,401	10,156
9,668	18,628	Property, plant and equipment	49,804	48,395
17,625	(6,826)	Receivables	(6,840)	(5,965)
(3,809)	0	Liabilities	29	(8)
(2,145)	0	Tax deficit	(202)	0
21,339	21,183	Deferred tax at the end of the year	52,192	52,578
		22 Other payables		
13,015	14,000	Holiday allowance	15,452	14,462
33,161	20,002	Salary related items	22,028	35,446
1,500	3,000	Acquisition of enterprise and earn-out	3,000	1,500
12,399	1,766	VAT and taxes	5,263	21,325
10,837	16,012	Other payables	16,573	11,037
70,912	54,780		62,316	83,770

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2020	2021	NOTE:	2021	2020
		23 Financing activities		
58,397	54,958	Mortgage loans - floating interest rate - 5 years	202,307	215,370
90,734	59,061	Bank loans - floating short-term interest rate	59,313	71,549
172,005	172,962	Lease liabilities - floating interest rate	70,091	61,513
321,136	286,981		331,711	348,432
		<i>Payables relating to financing activities:</i>		
530,626	321,136	Beginning-of-year	348,432	574,346
(186,927)	(60,112)	Repayment of debt	(50,299)	(215,543)
0	25,000	Raising of loans from credit institutions	25,000	0
40,882	65,715	Addition, lease liabilities, net	34,115	14,017
(63,445)	(64,758)	Installment, lease liabilities	(25,537)	(24,388)
321,136	286,981	Year-end	331,711	348,432

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

NOTES

(All amounts are in DKK thousands)

NOTE:

24 Acquisition of enterprise

On May 1 2021 the Group gained control of Complet VVS A/S by acquiring all the shares in the company.

CompletVVS is a webshop as well as a physical shop that sells plumbing and sanitary wares within the same product categories as the rest of the Group. The products sold by CompletVVS have been integrated into AO's existing warehouse and logistics solution and has added high-end products such as Quooker to the Group portfolio of products.

For the period July 1 2020 to June 30 2021 CompletVVS had a revenue of TDKK 53,207 and earnings before tax of TDKK 1,860.

CompletVVS has been merged with the Group parent company Brødrene A & O Johansen A/S and contributes a revenue of TDKK 32,569 and earnings before tax of TDKK -994 in 2021.

The acquisition price is TDKK 28,295 of which 26,795 has been paid. The Group has an obligation to pay the remaining TDKK 1,500 during 2022. The liability of TDKK 1,500 is included as other payables on the balance sheet of the company and the Group.

The fair value of acquired assets, liabilities and contingent liabilities, and acquisition price for Complet VVS A/S has been finally calculated and can be specified as follows in TDKK:

	TDKK
Property, plant and equipment	368
Inventories	2,623
Trade receivables	603
Deferred tax assets	65
Other receivables	420
Prepaid expenses	36
Cash	3,135
Trade payables	(5,503)
Deferred tax liabilities	(5)
Other payables	(448)
Acquired net assets	<u>1,295</u>
Goodwill	27,098
Price of acquisition	28,295
Contingent acquisition	<u>(1,500)</u>
Acquisitions costs	98
Cash paid on acquisition	26,893
Cash acquired from LampeGuru ApS	<u>(3,135)</u>
Net cash effect 2021 from acquisition of Complet VVS A/S	<u>23,758</u>

25 Contingent liabilities, security, etc.

Land and buildings with a total carrying amount of TDKK 508,472 (2020: TDKK 516,913) 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 112,440 (2020: TDKK 115,007) are provided as security for the Company's payables to mortgage credit institutions and finance lease liabilities.

The company is jointly taxed with AO Invest A/S 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 -151 at 31 December 2021 (2020: TDKK 1,601).

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 2021, the cash-pool arrangement amounts to TDKK 121,256 (2020: TDKK 125,506).





DECEMBER

At the start of December, AO was able to sign off our nationwide rollout of AO365 in all our 51 stores. It means that tradespeople across the country can now use our stores 24/7, 365 days a year.

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 -0.8 million at 31 December 2021, and therefore no further information is provided.

With regard to investments in Sweden, the Group's equity at 31 December 2021 would be reduced by DKK 4.1 million (2020: DKK 5.1 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 2021, and the consolidated results would therefore not be affected to any major extent by changes in exchange rates at 31 December 2021.

The Group has the following currency exposure at 31 December:

Consolidated/Company	2021			2020		
	EUR	OTHER*	TOTAL	EUR	OTHER*	TOTAL
Trade payables	50,154	41,170	91,324	42,245	34,213	76,458
Payables to credit institutions	7,841	(2,747)	5,094	41,650	24,853	66,503
Net exposure	57,995	38,423	96,418	83,895	59,066	142,961
Risk in exchange rate fluctuation	1%	10%		1%	10%	
Estimated	580	3,842	4,422	839	5,907	6,746

* 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 2021, the Group's interest-bearing debt, determined as payables to credit institutions and lease liabilities less negotiable securities and cash decreased by DKK 52.3 million to DKK 194.8 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 1.9 million (2020: approximately DKK 2.5 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	2021		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	202,307	211,234	14,587	56,477	140,169
Bank loans	59,313	59,313	59,313	0	0
Lease liabilities	70,091	77,771	24,719	43,523	9,529
Trade payables	1,012,663	1,012,663	1,012,663	0	0
31 December	1,344,374	1,360,981	1,111,283	100,000	149,698

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

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	2021		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	54,958	57,551	3,902	14,966	38,681
Bank loans	59,061	59,061	59,061	0	0
Lease liabilities	172,962	186,194	46,565	119,213	20,416
Trade payables	981,069	981,069	981,069	0	0
Intra-group balances	43,268	43,268	0	43,268	0
31 December	1,311,319	1,327,143	1,090,598	177,447	59,097

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

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 258.0 million (2020: DKK 184.3 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 2021 amounts to DKK 331.7 million (2020: DKK 348.4 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.

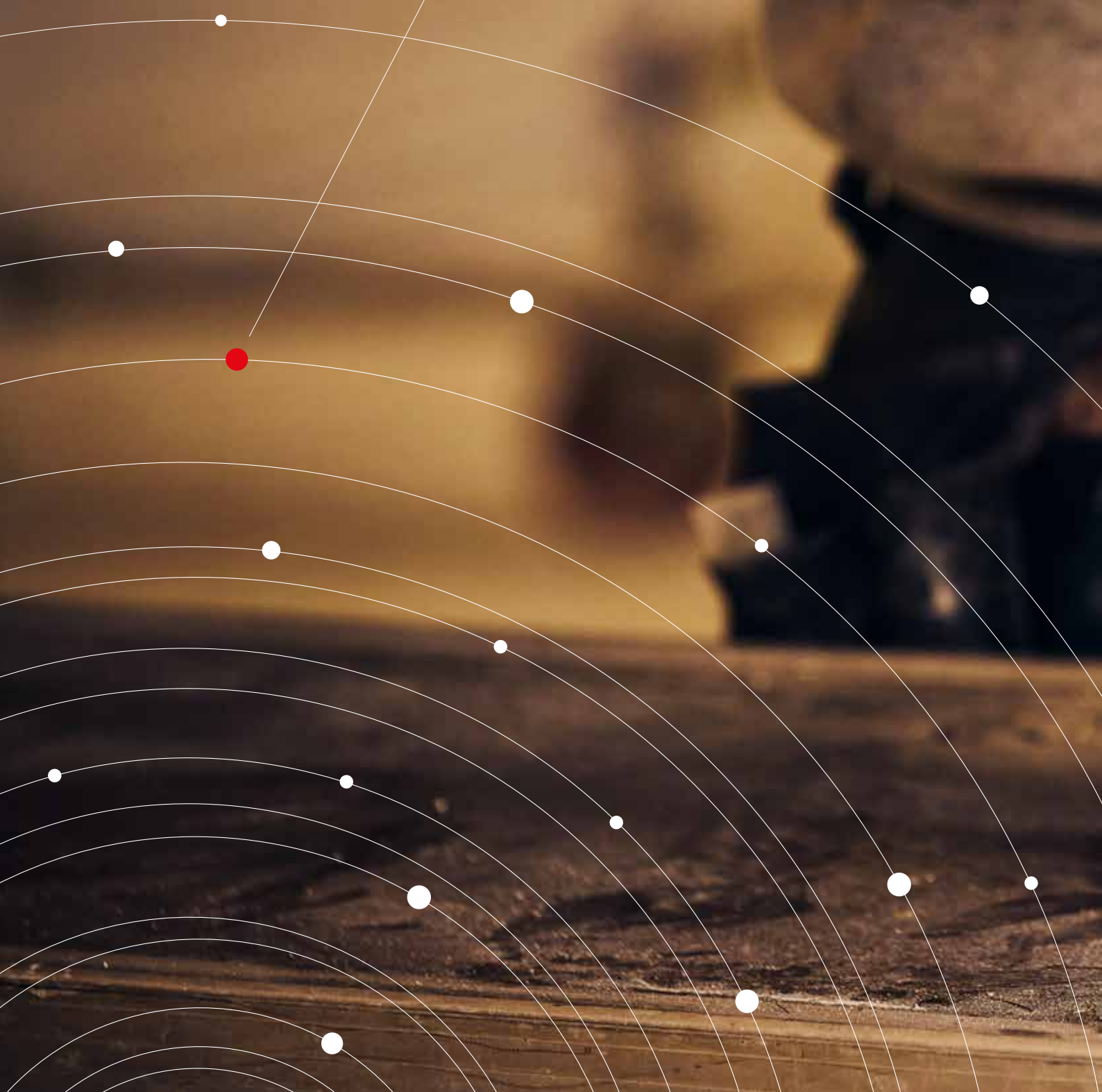
The fair value of mortgage debt is determined on the basis of the underlying bonds. Short-term floating-rate bank loans are measured at nominal value.

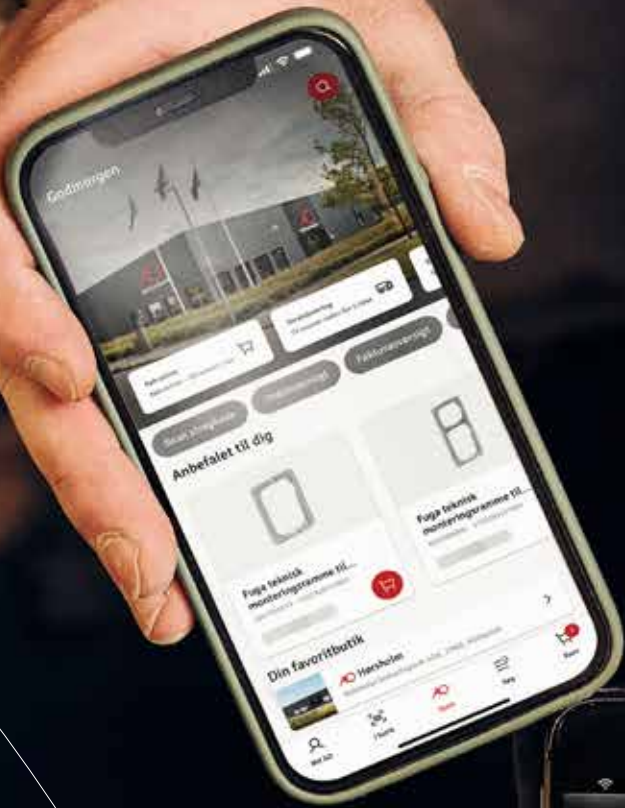
The fair value of bank loans and finance lease liabilities is determined on the basis of discount models, where all estimated and fixed cash flows are discounted using zero-coupon yield curves.

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.

SEPTEMBER

Denmark's first app for tradespeople has been updated once again and is ready to handle the future demands of our trade customers. Experiences from previous versions and their use have been brought together in this 4th and latest version.





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), 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	
2020	2021		2021	2020
114,854	121,449	Sale of goods	0	0
42,230	42,703	Rental expenses	0	0
6,113	5,001	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 -2,662 (2020: TDKK -3,896).

28 Subsequent events

No events have occurred after 31 December 2021 that are considered to have a material effect on the annual report for 2021.

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 2021:

- ▶ 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
- ▶ IAS 1 Presentation of Financial Statements - Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- ▶ IFRS 16: Leases - Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021
- ▶ IAS 8 Accounting policies, Changes in Accounting Estimates and Errors - Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- ▶ IAS 12 Income Taxes - Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- ▶ Annual Improvements to IFRSs 2018-2020 Cycle.

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	$(\text{Net profit or loss for the year} / \text{Average equity}) * 100$
Net gearing	$(\text{Net interest bearing debt (NIBD)} / \text{EBITDA})$
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

Phone: +45 70 28 00 00

Fax: +45 70 28 01 01

Website: 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

PricewaterhouseCoopers Statsautoriseret Revisions-
partnerselskab

Annual General Meeting

The Annual General Meeting will be held on 18 March 2022.

AO's STORES AND OFFICES

HEAD OFFICE

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E-MAIL: AO@AO.DK

COMPETENCY CENTRES:

HEATING, PLUMBING, AND SANITARY WARE PRODUCTS:
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ELECTRICAL EQUIPMENT AND COMPONENTS:
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CONTRACTOR SUPPLIES AND EQUIPMENT:
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VAGA:
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ONLINE SALES:
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STORES, EAST

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STORES, WEST

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RENTAL SERVICE

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COMPLET VVS

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DECEMBER

Our stores ensure that we are available for our customers throughout Denmark. We therefore regularly refurbish and maintain them as needed, enabling us to meet the requirements of a modern store.

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 in 1945.
- Nationality: Danish.
- Chairman of the Board since 2007.
- Member of the Board since 1997.
- Chairman of the Audit Committee at Brødrene A & O Johansen A/S.
- Elected by ordinary shareholders.
- Henning Dyremose has been a member of the Board for more than 12 years, and therefore he cannot be identified as independent according to 'Recommendations on Corporate Governance'.

Qualifications

- Broad management experience in business, finance and politics.
- Experience as the managing director of a wholesale company with the same customers as Brødrene A & O Johansen A/S.
- Former Minister of Finance.

Executive posts

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

• Michael Kjær Deputy Chairman of the Board

- Manager of Invest Group A/S.
- Born in 1956.
- Nationality: Danish.
- Deputy Chairman of the Board since 2007.
- Member of the Board since 2002.
- Member of the Audit Committee at Brødrene A & O Johansen A/S.
- Elected by ordinary shareholders.
- Michael Kjær has been a member of the Board for more than 12 years, and therefore he cannot be identified as independent according to 'Recommendations on Corporate Governance'.

Qualifications

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

Executive posts

- **Chairman of the Board at:**
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.
- **Deputy Chairman of the Board at:**
AO Invest A/S.
- **Member of the Board at:**
PWT Group A/S,
Kraks Fond,
Ove K. Invest A/S,
PR Trading A/S,
Futurum ApS,
Dansk Erhverv (The Danish Chamber of Commerce),
Jacobsgaard Investment Advisory ApS,
Invest Group A/S,
Kjær 11-11-11 ApS,
Paul Kjær Invest ApS,
Paul Kjær 1991 ApS.
- **Expert lay judge at the Maritime and Commercial Court.**

• René Alberg

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

• Erik Holm

- Manager of Erik Holm Holding ApS.
- Born in 1960.
- Nationality: Danish.
- Member of the Board since 2009.
- Member of the Audit Committee at Brødrene A & O Johansen A/S.
- Elected by ordinary shareholders.
- Erik Holm has been a member of the Board for more than 12 years, and therefore he cannot be identified as independent according to 'Recommendations on Corporate Governance'.

Qualifications

- Experience as the managing director of a wholesale company with the same customers as Brødrene A & O Johansen A/S.
- Broad management experience in sales, finance and logistics, both in Denmark and internationally.
- Experience of board work at other listed companies.

Executive posts

- **Chairman of the Board at:**
Sticks'n'Sushi UK Limited, United Kingdom,
ScanCom International A/S,
Sovino Brands Holding ApS,
Sovino Brands ApS,
Ferm Living ApS,
Hotel Koldingfjord A/S.
- **Deputy Chairman of the Board at:**
SP Group A/S,
Arvid Nilssons Fond.
- **Member of the Board at:**
Wendelbo Møbel Design A/S,
Wendelbo Interiors A/S,
AO Invest A/S,
Sticks'n'Sushi A/S,
Sticks'n'Sushi Holding A/S,
Genan Holding A/S.

• Carsten Jensen

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

• Niels Axel Johansen

- Chief Executive Officer/Managing Director at Brødrene A & O Johansen A/S.
- Born in 1939.
- Nationality: Danish.
- Member of the Board since 1979.
- Elected by ordinary shareholders.
- Niels A. Johansen has been a member of the Board for more than 12 years and is a member of the company's Executive Board, and therefore he cannot be identified as independent according to 'Recommendations on Corporate Governance'.

Qualifications

- Many years of management experience as Chief Executive Officer.
- In-depth knowledge of the wholesale installation materials industry in Denmark and the rest of Europe.

Executive posts

- **Chairman of the Board at:**
Avenir Invest ApS.
- Niels A. Johansen is also the Managing Director and member of the Board at a Group company and Chairman of the Board at three Group companies.

• Jonas Kvist

- Sales Manager.
- Born in 1986.
- Nationality: Danish.
- Staff-elected member of the Board.
- Member of the Board since 2018.
- Elected in 2018, term of office 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 in 1963.
- Nationality: Danish.
- Member of the Board since 2007.
- **Member of the Audit Committee at:**
Brødrene A & O Johansen A/S, 7N A/S, Saxo Bank A/S.
- Member of the Risk and Compliance Committee at Saxo Bank A/S.
- Elected by preference shareholders.
- Preben Damgaard Nielsen has been a member of the Board for more than 12 years, and therefore he cannot be identified as independent according to 'Recommendations on Corporate Governance'.

Qualifications

- Broad management experience.
- Many years of experience as Chief Executive Officer.
- Many years of experience as a Board member.
- Worked as the CEO of a listed company between 1999 and 2003.
- In-depth knowledge of accounting and IT systems.
- In-depth knowledge and experience of business acquisitions and disposals.

Executive posts

- **Chairman of the Board at:**
Musceteers Holding A/S, Too Good To Go ApS, Too Good To Go Holding ApS, Templafy ApS, Dixa ApS, OrderYOYO A/S.
- **Member of the Board at:**
7N A/S
Nordic Cloud Technologies 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, Saxo Bank A/S, AO Invest A/S, Fellowmind Holding AB, Kobaj ApS.

- Member of the Investment Committee for Seed Denmark.

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