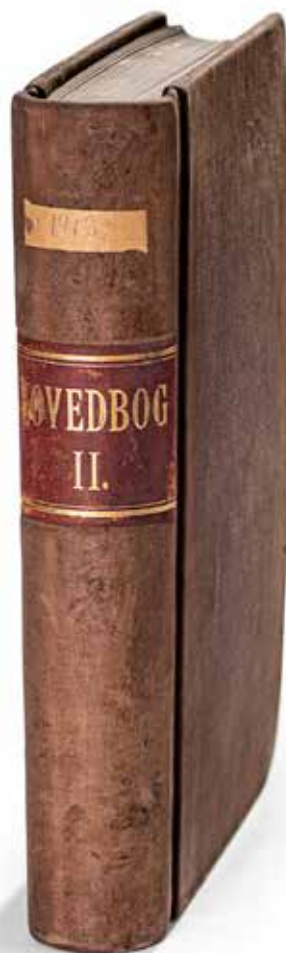


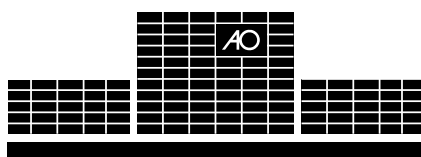
The future is created in the present

**20
22**



Inspired by our 'general ledgers', our Annual Report for 2022 is a combination of things that happened in the past, things that are happening now, and things that will be happening in the future. It's also the last annual report that we're choosing to print in the traditional way. Because we're creating the future in the present – and innovative, eco-friendly solutions are the way of the future. Scan the QR code to find out more

When we say the future is created in the present, what we mean is that everything we do now has an impact on us, our business and, above all, our customers' ability to always be able to access the very best expertise, technology and products. We don't know what the future will bring, but we do know what we're bringing to the future – and we believe that the future is created by the actions, the choices and the investments we're making right now, in the present. In combination with our proud traditions and the very special AO spirit, it means we feel ready to share responsibility and be part of the future – part of the team that's building and maintaining Denmark. We're ready to give our customers a helping hand – now and in the future!



AO ANNUAL REPORT

*Axel Johansen**
Axel Johansen

Ove Johansen
Ove Johansen

Svend Johansen
Svend Johansen

Niels A. Johansen
Niels A. Johansen

Lili Johansen
Lili Johansen



APPROVED

* Please note that font type Javacom has been used for Axel Johansen's signature.



We live in a time of extremes in many ways, and we can take nothing for granted.

We have all been – and continue to be – heavily affected by COVID-19, unstable supply chains, geopolitical crisis and war in Ukraine, high cost-push inflation, sharp interest rate rises and volatile energy prices.

We are constantly reminded that traditional patterns and developments are about to collapse.

Many of the things we are now seeing are traditional indicators of declining consumer spending power and a slowdown in the building and construction sector. However, some factors suggest continued high activity despite these conditions.

The Danish consumer economy is generally good, and in terms of savings, households have never been wealthier than they are now, having benefited from many years of low interest rates and zero inflation in the consumer price index. Very high energy prices in combination with more energy-efficient products and solutions mean that both households and businesses will find that continued investment can provide good business cases that would seem to indicate high demand; not least when it comes to green transformation.

So we are looking ahead to 2023 and finding it very difficult to work out what we need to prepare for as a company. All we know is that being prepared and agile is more important now than ever!

We feel that AO is well equipped for the future.

We have good momentum on a commercial level. Nothing is taken for granted. 'The customer is king': that is our guiding principle. With more than a century behind us, built up around proud traditions, the AO culture is and will remain a cornerstone of fundamental acceptance and understanding of the situations and needs of our customers: we will never be too big to thank our customers for their orders or learn something new from them.

The AO strategy – which is built around the Re-MoVe market (Renovation, Modernisation and Maintenance) – has demonstrated its strength with its local presence, broad trade ranges and its distinctive nature which is deeply embedded in all elements of the organisation. With the latest acquisitions and our digital initiatives, we are in a great position to face the new year, and – not least – our staff and their targeted team efforts are and will remain at the very heart of our success.

The takeover of EA Værktøj has given us the ability to serve a new market – carpenters and joiners. EA has been integrated into AO in 2022, sharing an IT platform, supply chain, etc. Now comes the exciting part – welcoming carpenters and joiners into our nationwide network of stores allowing customers of both EA and AO to benefit from our combined range, which will have expanded from about 400,000 products in 2022 to almost 600,000 products ready for delivery in 2023. Our automated central warehouse is ready to cope with the expanded range and future turnover.

We are well prepared for the future in financial terms, too. We own our central warehouse in

Albertslund and logistics centre in Horsens, as well as a large proportion of our other buildings, which gives us the freedom to look far into the future. Our interest-bearing liabilities at the end of 2022 are essentially mortgage debt, and our banking facilities and partnerships mean that we have the financial capacity to service both organic and acquired growth, as well as providing attractive capital allocations to our shareholders – when times are good, and when they are more challenging. AO is a stable and reliable company.

We have focused on the environment and green initiatives in 2022, and worked hard on their lasting implementation in society. This applies both in our direct impact as a company, where we have clear objectives when it comes to becoming carbon neutral, but also in our ability as a wholesaler and a partner to supply and support our customers with products and solutions that have a lasting positive impact on the environment and energy consumption.

Although ESG has been a high priority for us in 2022 and previously, we are becoming increasingly aware, as citizens and as businesses, that the world's collective efforts have not been enough.

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, 58 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.

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



HORSENS OUTDOOR STORAGE + LAKE

Our range of water supply and drainage products has some pretty hefty storage capacity requirements, so to meet these we've surfaced 70,000 m² with hardstanding at our Horsens logistics centre. – Our focus on all things green is emphasised by our construction of an artificial lake in which we've reused soil and rocks from our excavation work. This is supporting biodiversity thanks to plants and wildlife.

outdoor st



erage

CONSOLIDATED FIVE-YEAR SUMMARY

(DKKkm)

Key figures***	2022	2021	2020	2019	2018
Revenue	5,375.0	4,800.5	4,098.3	3,582.7	3,373.4
Gross margin	1,310.3	1,119.3	945.7	857.4	831.3
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	491.6	417.2	328.2	281.6	241.0
Operating profit or loss (EBIT)	383.6	316.7	223.8	175.9	154.8
Financial income and expenses, net	(6.1)	9.4	(3.0)	(6.4)	(4.6)
Profit or loss before tax (EBT)	377.4	326.1	220.8	168.4	150.3
Tax on profit or loss for the year	(83.0)	(72.3)	(47.9)	(37.4)	(31.7)
Net profit or loss for the year	294.5	253.8	172.9	131.0	118.5
Non-current assets	1,727.3	1,472.7	1,320.0	1,349.2	1,300.1
Current assets	1,591.0	1,235.9	1,063.2	957.5	843.8
Total assets	3,318.3	2,708.5	2,383.2	2,306.7	2,144.0
Share capital	28.0	28.0	28.0	28.0	28.0
Equity	1,407.5	1,239.9	1,030.2	870.3	756.7
Non-current liabilities	539.5	295.9	330.6	337.4	288.6
Current liabilities	1,371.4	1,172.7	1,022.4	1,099.0	1,098.7
Cash flow from operating activities	215.8	308.1	375.4	302.7	300.8
Cash flow from investing activities	(333.3)	(212.7)	(66.3)	(52.7)	(82.3)
Of which investments in property, plant and equipment, net	(164.5)	(170.5)	(37.3)	(26.1)	(60.7)
Cash flow from financing activities	15.5	(91.6)	(256.2)	(186.2)	(229.8)
Cash flow for the year	(102.0)	3.7	52.8	63.8	(11.3)
Financial ratios					
Gross profit margin	24.4%	23.3%	23.1%	23.9%	24.6%
EBITDA margin	9.1%	8.7%	8.0%	7.9%	7.1%
Profit margin	7.1%	6.6%	5.5%	4.9%	4.6%
Return on capital employed	12.7%	12.4%	9.5%	7.9%	7.2%
Return on equity	22.2%	22.4%	18.2%	16.1%	16.8%
Net gearing	1.1	0.5	0.8	1.8	2.6
Solvency ratio	42.4%	45.8%	43.2%	37.7%	35.3%
Book value*	50.3	44.3	36.8	31.1	27.0
Share price at the end of the year**	83.11	136.00	60.40	34.80	29.40
Price Earnings Basic (P/E Basic)	7.7	14.6	9.4	7.3	6.7
Dividend per DKK 1 share **	5.25	4.5	1.5	0.6	0.6
Earnings per share (EPS Basic), DKK **	10.8	9.3	6.4	4.8	4.4
Diluted earnings per share (EPS-D), DKK **	10.8	9.3	6.4	4.8	4.4
Number of employees (FTE average)**	889	784	741	734	747
Number of employees excluding temporary workers (FTE average)**	822	705	678	683	692

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 80

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

**Comparison figures related to shares have been restated to reflect share split in 2022.

***Comparative figures for 2018 have not been restated in connection with the implementation of IFRS 16.

MANAGEMENT'S REVIEW

HIGHLIGHTS OF THE YEAR

After higher than normal growth in 2020 and 2021, AO expected to see organic growth at a more normalized level of 2-6% in early 2022 and almost 5% growth due to the purchase of EA Værktøj.

Growth in 2022 amounted to 12.0%. Growth has been higher than expected, particularly in the second six months of 2022.

This growth is primarily attributable to 18.1% growth in B2B, while the negative world trend in e-commerce also affected AO and resulted in negative growth rates.

There was a great deal of activity in the construction sector throughout 2022. Cost-push inflation increased in the autumn. Although there was increasing talk of recession in the social debate, the third and fourth quarters showed no sign of this in current B2B trade.

2022 has been an eventful year for AO.

- The purchase of EA Værktøj was completed on 1 April 2022. EA was systemically integrated into AO's IT systems on 1 November 2022, and the EA warehouse was included in AO's central warehouse in Albertslund.
- The expansion of the logistics centre in Horsens was completed in late summer. The outdoor areas for water supply and drainage activities, etc. have doubled since and are ready to cope with future expected growth in respect of water supply and drainage, as well as green transformation.
- AO went live on the expansion of the automated central warehouse in Albertslund in the fourth quarter. The capacity of the automated warehouse has doubled in terms of picking operations per day since the expansion, and capacity in terms of storage locations will increase by almost 80% when everything is commissioned. The expansion means that the central warehouse in Albertslund is therefore capable of servicing future organic and acquired growth.
- AO365 was rolled out across the entire network of stores in December 2021. The concept has been very well received by customers throughout 2022. They 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! AO has won seven digital awards in 2022 thanks to the AO365 concept. Besides the

Gold Award at the Danish Chamber of Commerce e-commerce awards, AO also won Best B2B Company of the Year and Best Omnichannel Company of the Year. AO has also been presented with four European digital awards: 'European User Experience of the Year', 'Best Mobile Experience of the Year', 'Lovie Award Apps, Mobile Sites & Voice' and 'People's Lovie Winner Award'.

- By way of continuation of defined ESG actions, there have been a number of conversions of energy consumption in stores and warehouses, switching from fossil fuels and gas to more green energy such as heat pumps, etc. This transition has been accelerated by the geopolitical crisis and the desire to free ourselves from gas consumption.

AO had met its previously announced long-term financial targets by early 2022. The following targets were published in the second six months of 2021 and have been applicable through all of 2022:

- **Annual growth in excess of market growth. This growth must be a combination of investments in organic growth and acquired growth.**

AO's organic B2B growth has been 13.3% excluding EA, and 18.1% including EA. Based on available market data, AO has gained market share in the fields of heating, plumbing and sanitary ware, electrical equipment, tools and water supply and drainage through all of 2022.

- **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 sales.**

The EBITDA margin is 9.1% in 2022, representing an increase of 0.4 percentage points compared to 2021. Continued sales growth, providing economies of scale, coupled with sustained management of the gross profit margin and cost base are the key factors in achieving this target. While the development of gross profit margin has been in line with expectations in 2022, AO has been impacted by rising costs, not least energy costs and increased operating expenses on account of the purchase of EA Værktøj.

- **Cash flow from operations at 7.5% of sales.**

Cash flow from operations in 2022 amounted to 4.0%, a reduction compared to 2021, when the ratio was 6.4%. The main reason for this decline is that supply uncertainty has resulted in deliberately higher tie-up in inventories than was previously the case. This extra padding is expected to be gradually reduced

as supply uncertainty declines.

- **Robust capital resources, taking into account the capital resources policy adopted.**

Capital resources are measured partly as the equity ratio and partly as financial leverage, measured as interest-bearing liabilities in relation to 12 months' EBITDA. The purchase of EA had a negative impact on these ratios, with the equity ratio briefly being just below the 40% target and financial leverage briefly above the 0.5-1.5 target. The equity ratio will be 42.4% and financial leverage 1.1 at the end of 2022 – both ratios on target, therefore.

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 customers. 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 the EA brand and Vaga in Denmark, and to serve the private market in Denmark, Norway and Sweden via BilligVVS.dk, LavprisVVS.dk, LavprisEL.dk, VVSochBad.se, BilligVVS.no, Greenline.dk, LampeGuru.dk, LampeGuru.no, CompletVVS.dk and LavprisVærktøj.dk.

- **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. As a rule of thumb, the ReMoVe market represents about 70%, while project sales represent about 30%.

Our main concept is one-stop shopping, digitally and at our 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.

AO is now also targeting the carpentry and joinery industry with the purchase of EA Værktøj; and AO will be able to welcome these customers to relevant parts of AO stores from 2023. The EA range was sold in seven stores at the time of takeover, but the number of EA stores is expected to double by the end of 2023.

• 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 currently has ten webshops. While maintaining a unique look and feel in the front-end systems, AO has selected a strategy whereby the back-office functions in the B2C activities are all integrated on AO’s shared back-office platform.

AO is seeking to actively exploit digitisation in both B2B and B2C. 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 make their purchases by digital means without

coming into direct contact with sales staff.

The scope of digital trade has increased significantly over the last few years, constituting approximately 49% in 2022. The small decrease in the share of digital sales is driven by a lower share of B2C sales as well as sales in EA Værktøj which are predominantly physical sales. There is still an increasing trend in the digital share of B2B sales.

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. The AO365 concept is one such example. This solution 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 has expanded its range of products ready for delivery throughout 2022, from about 400,000 items to almost 600,000 items. Much of the expansion relates to the EA range, but a number of product range extensions have also taken place in respect of heating, plumbing and sanitary ware goods and electrical goods.

The combined store network of AO and EA Værktøj Engros is made up of 58 stores in Denmark and five in southern Sweden.

OUTLOOK

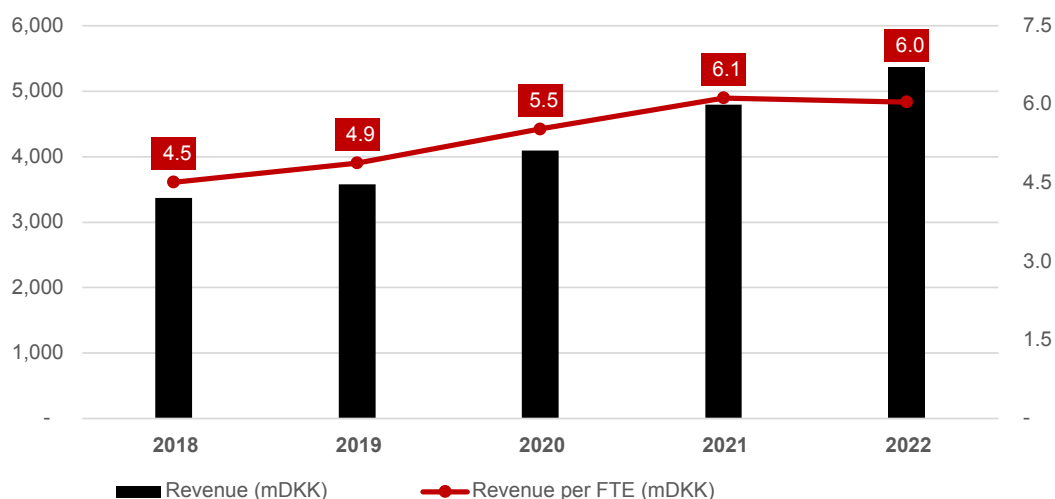
FOLLOW-UP ON OUTLOOK ANNOUNCED PREVIOUSLY

An EBITDA for the year of DKK 491.6 million, corresponding to 9.1% of net sales for the year, and profit for the year before tax of DKK 377.4 million, corresponding to 7.0% of annual sales of DKK 5,375 million, are in line with the outlook announced most recently as at 28 October 2022, of net sales of DKK 5,300-5,400 million, an EBITDA of DKK 480-495 million and a profit before tax in the order of DKK 365-380 million.

Previous announcements in 2022:

- 28 April 2022: The outlook for 2022 has been clarified on the basis of the level of activity and earnings in the first quarter of 2022, and is now expected – not including EA Værktøj – to be at the high end of the previously announced net sales ranges in the order of DKK 4,900-5,100 million, EBITDA of DKK 435-465 million and EBT in the order of DKK 330-360 million.
- 17 August 2022: The outlook for net sales of DKK 5,200-5,300 million, an EBITDA of DKK 455-485 million and profit before tax of DKK 345-375 million is maintained..
- 28 October 2022: AO is anticipating net sales in the order of DKK 5,300-5,400 million compared to the previously announced forecast of DKK 5,200-5,300 million. AO is anticipating an EBITDA of DKK 480-495 million compared to the previously announced figure of DKK 455-485 million. AO is anticipating a profit before tax of DKK 365-380 million, compared to the previously announced figure of DKK 345-375 million.

NET REVENUE



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 2023

It is thought that cost-push inflation and rising interest rates will cause some slowdown in the building and construction sector. Architects and companies manufacturing prefabricated buildings are already seeing this.

Conversely, there are a number of factors that would seem to indicate stimulation of activity levels.

There has been significant product innovation over a number of years with a view to making ranges and solutions more energy-efficient for businesses and private consumers. This means that switching to new often presents a good business case for consumers. This is expected to encourage consumption in both the medium and the long term.

It is more important than ever for wholesalers to help ensure the efficiency of professional trades as they prepare and carry out their day-to-day work. The current and future solutions make shopping easy, so AO is in a good position to assist customers with this. Customers can choose to be served by competent staff, or to shop online using solutions offering flexibility.

Going forward, the green transition is expected to help bring about higher than normal replacement of existing energy solutions on the basis of a desire to be more energy-efficient, and also from a more economic standpoint when it comes to optimising household economics and business economics.

The carpentry and joinery sector represents significant market potential. AO saw only modest sales in the carpentry sector before the purchase of EA Værktøj, and the purchase of EA creates significant sales potential in the long term.

Hence AO perceives potential for significant future growth.

A number of factors make the outlook for the immediate future – 2023 – more difficult to predict than is usually the case.

- On the downside, rising cost-push inflation and interest rates are reducing purchasing power among consumers.
- On the upside, the economy is generally healthy among both households and businesses, a need for green transformation, AO's

general momentum and, in particular, growth in the new carpentry and joinery segments.

Slowing of activity in the building and construction sector will traditionally reduce project activity, while maintenance activity is normally regarded as being more stable. The project element represents about 30% at AO, while maintenance activities represent about 70%.

It is thought that margins will come under pressure in the short term if the decline in activity creates further overcapacity. Similarly, it is thought that profits will come under pressure from high cost pressures, including shipping and energy prices, which cannot be passed on in full in sales prices.

While the scope for sales and earnings in 2023 is deemed to be wider than normal, the management team expects AO to be in a solid position from which to cope with years of both more and less positive market conditions.

Sales for 2023 are estimated to be at 2022 levels on account of cost-push inflation and interest rate rises in society. A reduction of about 5% is expected in terms of volume, matched by corresponding price increases. Gross profit margins are expected to come under pressure in 2023.

At DKK 5,250-5,450 million, sales for 2023 as a whole are expected to be in line with 2022.

EBITDA for 2023 is expected to be in the order of DKK 435-465 million, which corresponds to an EBITDA margin of 8.0% to 8.9%.

Profit before tax (EBT) is expected to be in the order of DKK 300-330 million, corresponding to a profit margin of 5.5% to 6.3%.

Organic sales growth is expected for the first six months of the year, while the anticipated reduction in demand is estimated to result in a slight decline in sales in the second six months.

TARGETS

Given on the outlook for 2023, the management team is of the opinion that the following will impact the financial targets:

- Annual growth in excess of market growth. This growth must be a combination of investments in organic growth and acquired growth.
 - The management team is expecting AO to increase its market share by 2023.
- 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 sales.
 - The expectation of declining volumes and pressure on margins will result in an expect-

ed EBITDA margin of 8-9% in 2023, thereby failing to meet the target.

- Cash flow from operations at 7.5% of sales.
 - It is assumed that there will be some normalisation of supply chains and inventories, after which cash flows from operations are expected to be equivalent to around 7.5% of sales.
- Robust capital resources, taking into account the capital resources policy adopted.
 - Earnings coupled with lower investment than in 2021-2022 are expected to maintain a solid capital structure, allowing capital allocation to shareholders at the high end of the capital allocation policy, i.e. 50% of profit after tax.

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 liabilities if AO is above its financial leverage target of 0.5-1.5 times 12 months' EBITDA.

Investment in profitable growth – both acquisitions and investment in existing business – where purchases, including synergies, are estimated to generate a 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. It also sells brackets, other fastening materials, workwear, safety equipment, locking systems, etc.

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.





Climate

EMPHASIS ON CLIMATE AND THE ENVIRONMENT

We have to take some of our own medicine – and that's where AO is leading the way in terms of eco-friendly solutions. This is also true of our company cars – we'll only be using EVs in future. We've constructed charging stations at our AO stores all over Denmark for our customers to use, and also at head office in Albertslund for use by our staff.

The Group has more than 28,000 business customers (B2B) and roughly 430,000 private customers (B2C) who are offered a range of almost 600,000 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 2022, international sales accounted for less than 10% of the Group's total sales.

The Group supplies goods to the following markets:

- The professional market (the B2B market) served by AO is characterised by fragmentation, with many small customers.
- The private market (the B2C 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 and LavprisVærktøj.dk.

THE PROFESSIONAL MARKET (THE B2B MARKET)

AO's primary business is directed towards the B2B 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 products, and tools. The above-mentioned market can be divided into the following sectors: New building work and repair, renovation, and maintenance work.

The market for repair, renovation and maintenance work is relatively stable, as it is characterised by many small assignments. 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 58 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.

An efficient storage and distribution system means that AO is able to effect prompt deliveries to its customers who are professional tradesmen such as plumbers, carpenters, electricians, building contractors, sewer contractors and construction companies, as well as municipalities, utilities and public institutions.

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

1. AO stores

AO focuses on the need for local presence with its 58 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 use AO facilities in connection with the day-to-day running of their activities.

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 app are constantly evolving. AO's online trade amounted to DKK 2,622 million compared to DKK 2,410 million in 2021, representing an increase of 8.8% compared to 2021. This increase has come about in spite of the decline in the digital B2C segment. 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 sales from the professional market are generated through the five stores in Gothenburg, Borås, Malmö, Helsingborg, and Kristianstad, as well as AOnet.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, CompletVVS.dk and LavprisVVS.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.

- In Denmark, tools are sold 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 2022 AND THE FOURTH QUARTER

2022 has been characterised by higher sales growth than expected for Brødrene A & O Johansen A/S and the Group (AO).

Sales increased by DKK 574.5 million, or 12.0%, to DKK 5,375 million in 2022. This growth has been achieved in the professional market, which has seen increasing organic growth throughout 2022; while the private online market has seen negative growth characterised by the exceptional growth during the COVID-19 pandemic in 2021. The purchase of EA Værktøj contributed 4.0 percentage points of growth in 2022.

These increased sales, combined with emphasis on costs, have resulted in an increase in profit before tax of DKK 51.3 million, or 15.7%, to a total of DKK 377.4 million. This profit is within the last profit forecast of DKK 365-380 million, which was announced on 28 October 2022.

The profit includes an expense of DKK 10 million in the fourth quarter for a provision for losses on receivables on account of a risk on receivables at 31 December 2022 that is deemed to be higher than normal. Furthermore, profit in the fourth quarter includes a restructuring provision of DKK 6 million for redundancy costs at EA on account of the integration of the systems and inclusion in AO's central warehouse.

THE YEAR IN OUTLINE

Consolidated sales for 2022 totalled DKK 5,375.0 million. Of this, DKK 4,735.6 million relates to the professional market (B2B) and DKK 639.4 million relates to the private market (B2C). Growth in the professional market to-

talled 18.1%, whereas negative growth in the private market amounted to -19.1%. Negative growth in the private market slowed as anticipated during the year, with -25.9% in the first six months of the year and -10.9% in the second six months.

Sales growth, in combination with a significant efficiency improvement, resulted in an increase in profit before tax from DKK 326.1 million in 2021 to DKK 377.4 million in 2022. This increase totalled DKK 51.3 million, or 15.7%.

Gross profit for the year amounted to DKK 1,310.3 million, compared to DKK 1,119.3 million in 2021. The gross profit margin is realised at 1.1 percentage points higher than in 2021, mainly because of the non-recurring effect of price increases and higher margins on EA products.

External expenses increased by DKK 46.3 million, or 17.0%. This increase is due mainly to an increased level of expense following the purchase of EA Værktøj and related integration expenses. External costs have also been impacted by rising prices.

Staff expenses increased by DKK 70.4 million, or 16.4%. The average number of employees (FTE), including temporary staff, stood at 889 in 2022 compared to 784 in 2021. AO employed 926

staff at the end of 2022, compared to 811 at the end of 2021. Of the additional 115 employees, the purchase of EA accounted for 88 employees at year-end 2022.

Total profit margin (EBIT) for 2022 was 7.1%, compared to 6.6% in 2021.

In 2022, AO made a pre-tax profit of DKK 377.4 million, which is DKK 51.3 million higher than last year and within the latest announced profit before tax of DKK 365-380 million.

AO's consolidated sales for the fourth quarter of 2022 were realised at DKK 1,476.2 million, which is DKK 209.5 million, or 16.5%, more than reported for the same quarter in 2021. Operating profit (EBIT) for the fourth quarter of 2022 totalled DKK 112.5 million compared to DKK 82.9 million for the fourth quarter of 2021. The profit margin for the fourth quarter of 2022 was thus 7.6%, compared to 6.5% for the fourth quarter of 2021.

Cash flow from operating activities for 2022 totalled DKK 215.8 million, compared to DKK 308.1 million for 2021. Cash flows were affected in particular by an increase in funds tied up in working capital, particularly in inventories and accounts receivable. Investments for the year totalled DKK 333.3 million, or DKK 120.6 million more than in 2021, attributable mainly to the

expansion of central warehouses, investments in digitisation and the purchase of EA Værktøj.

Net interest-bearing liabilities amounted to DKK 542.5 million, compared to DKK 194.8 million at year-end 2021. This increase is attributable primarily to investments, including the purchase of EA Værktøj, which, including acquired interest-bearing liabilities, had an impact of about DKK 190 million. Net leverage (net interest-bearing liabilities/EBITDA) amounted to 1.1 in 2022 compared to 0.5 in 2021, 0.8 in 2020, 1.8 in 2019 and 2.7 in 2018.

AO's equity totalled DKK 1,407.5 million at the end of 2022, equivalent to an equity ratio of 42.4%, compared to DKK 1,239.9 million and 45.8% at year-end 2021.

At the company's Annual General Meeting to be held 16 March 2023, a dividend distribution of DKK 5.25 per DKK 1 share will be proposed, compared to a dividend distribution of DKK 4.5 per DKK 1 share a year earlier. This dividend corresponds to a dividend of around 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

AO'S TWO SEGMENTS HAVE DEMONSTRATED THE FOLLOWING EVOLUTION IN SALES AND PROFIT IN 2022:

SEGMENT INFORMATION Q4 2022

	B2B	B2C	Total
Revenue	1,303.8	172.4	1,476.2
Cost of goods sold	- 931.8	- 105.4	- 1,037.2
Product margin	372.0	67.0	439.0
Distribution	- 46.3	- 12.9	- 59.2
Gross margin	325.7	54.1	379.8
Direct expenses	- 145.1	- 42.9	- 188.0
EBITDA before indirect expenses	180.6	11.2	191.8
Indirect expenses			- 52.6
EBITDA			139.2
Key figures	B2B	B2C	Total
Gross margin %	25.0%	31.4%	25.7%
EBITDA (before indirect expenses) %	13.9%	6.5%	13.0%
EBITDA %			9.4%

SEGMENT INFORMATION 2022

	B2B	B2C	Total
Revenue	4,735.6	639.4	5,375.0
Cost of goods sold	- 3,440.4	- 411.3	- 3,851.7
Product margin	1,295.2	228.1	1,523.3
Distribution	- 165.8	- 47.2	- 213.1
Gross margin	1,129.4	180.9	1,310.3
Direct expenses	- 483.8	- 135.4	- 619.2
EBITDA before indirect expenses	645.6	45.5	691.1
Indirect expenses			- 199.5
EBITDA			491.6
Key figures	B2B	B2C	Total
Gross margin %	23.8%	28.3%	24.4%
EBITDA (before indirect expenses) %	13.6%	7.1%	12.9%
EBITDA %			9.1%

SEGMENT INFORMATION Q4 2021

	B2B	B2C	Total
Revenue	1,064.6	202.1	1,266.7
Cost of goods sold	- 775.4	- 130.9	- 906.3
Product margin	289.2	71.2	360.4
Distribution	- 40.1	- 16.2	- 56.3
Gross margin	249.1	55.0	304.1
Direct expenses	- 106.7	- 41.1	- 147.8
EBITDA before indirect expenses	142.4	13.9	156.3
Indirect expenses			- 47.9
EBITDA			108.4
Key figures	B2B	B2C	Total
Gross margin %	23.4%	27.2%	24.0%
EBITDA (before indirect expenses) %	13.4%	6.9%	12.3%
EBITDA %			8.6%

SEGMENT INFORMATION 2021

	B2B	B2C	Total
Revenue	4,010.6	789.9	4,800.5
Cost of goods sold	- 2,951.0	- 520.5	- 3,471.5
Product margin	1,059.6	269.4	1,329.0
Distribution	- 145.6	- 64.1	- 209.7
Gross margin	914.0	205.3	1,119.3
Direct expenses	- 393.9	- 141.4	- 535.3
EBITDA before indirect expenses	520.1	63.9	584.0
Indirect expenses			- 166.8
EBITDA			417.2
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%



Newly refurbished
head office



NEWLY REFURBISHED HEAD OFFICE

The environment can be many things – as demonstrated by our newly refurbished head office, which is designed with eco-friendly solutions and well-being, evolution and dynamism in mind. Or, in other words: we're focusing on the environment on a daily basis by implementing eco-friendly solutions.

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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.

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 activities in Sweden developed positively, and AO is now the market leader in Skåne and western Sweden in the field of water supply and drainage products.

AO's investments in 2022 were significantly up on 2021. These investments focused mainly on investments in the central warehouse, IT, digitisation and online trading. Furthermore, AO took over EA Værktøj Engros A/S for a purchase price of DKK 126.4 million in April 2022.

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, tools and fastening materials so as to meet customer demand.

FINANCIAL REVIEW

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

AO's sales for 2022 amounted to DKK 5,375.0 million compared to DKK 4,800.5 million in 2021, corresponding to a growth of DKK 574.5 million, or 12.0%. DKK 193.6 million (4.0%) is attributable to growth from the purchase of EA Værktøj on 1 April 2022, while DKK 380.9 million (8.0%) is attributable to organic growth.

Sales in the market in Denmark increased by DKK 557.2 million, or 12.6%, in 2022 to DKK 4,967.8 million, while sales abroad grew by DKK 17.3 million, or 4.4%, to DKK 407.2 million. Sales abroad were significantly adversely impacted by the exchange rate, particularly for the Swedish krona. Sales growth has been achieved in the professional market, while sales in the private online market have declined compared to 2021.

AO realised a gross profit for 2022 of DKK 1,310.3 million, corresponding to an increase of DKK 191.0 million, or 17.1%, driven primarily by the growth in sales. The gross profit margin in 2022 amounted to 24.4%, or 1.1 percentage points higher than in 2021. This increasing margin is partly attributable to increasing product margin (0.7 percentage point) and decreasing distribution expenses measured as a percentage of sales. Distribution expenses amounted to DKK 213.1 million, or 4.0% of sales compared to DKK 209.6 million and 4.4% respectively in 2021. The development of distribution expenses is driven mainly by a lower share of B2C sales.

Total operating expenses for 2022, excluding depreciation and amortisation, amounted to DKK 818.8 million, which is DKK 116.7 million, or 16.6%, more than in 2021. Compared to sales, total operating expenses for 2022 were 15.2% compared to 14.6% in 2021. 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 2022 increased by DKK 46.3 million, or 17.0%. The increase in expenses is driven by the addition of EA Værktøj, general cost-push inflation and increased expenses relating to IT and digitisation.

Staff expenses of DKK 500.2 million are DKK 70.4 million, or 16.4%, higher than in 2021. The number of employees at the central warehouse fluctuates depending on activity levels, which have been high in 2022. There has been an increase in the number of employees working in IT security and IT development at the administrative functions, among others. The average number of full-time employees (FTEs) totalled 889 in 2022, including temporary workers, compared to 784 in 2021. At the end of 2022, AO had 926 employees compared to 811 at year-end 2021. The average number of employees is affected by the purchase of EA Værktøj, contributing 77 employees on average in 2022.

Depreciation and amortisation for 2022 totalled DKK 108.0 million, DKK 7.5 million more than in 2021. November 2022 heralded the start of depreciation on investments in the central warehouse that were made in 2021 and 2022.

Profit before financial income and expenses, net (EBIT) in 2022 thus amounted to DKK 383.6 million, or 7.1% of sales, compared to DKK 316.8 million and 6.6% in 2021.

Financial income and expenses, net totalled DKK -6.1 million in 2022, compared to DKK 9.4 million in 2021. Financial income in 2021 was impacted positively by DKK 5.5 million due to the profit relating to the divestment of the Estonian business.

The AO Group recorded a pre-tax profit for 2022 of DKK 377.4 million compared to DKK 326.1 million in 2021, corresponding to an increase of 15.7%.

The Group consists of the following companies:



Black
Parent company

Grey
Subsidiaries

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

The Group's foreign operations reported a pre-tax profit of DKK 39.9 million, compared to DKK 36.3 million in 2021.

Tax on net profit for 2022 amounted to DKK 83.0 million, corresponding to an effective tax rate of 22.0%, compared to DKK 72.3 million and 22.2% in 2021. DKK 72.6 million of tax expenses for the year related to current tax for the year, compared to DKK 72.9 million in 2021. DKK 9.1 million of tax expenses related to a reduction in deferred tax etc. compared to DKK 0.1 million in 2021. Corporation tax paid for 2022 totalled DKK 90.0 million compared to DKK 71.1 million in 2021.

The Group's post-tax profit for 2022 was DKK 294.5 million, compared to DKK 253.8 million in 2021.

Profit before tax for 2022 of DKK 377.4 million is satisfactory and within the range announced in the latest interim financial report, in which profit before tax for the year was expected to be in the order of DKK 365-380 million.

BALANCE SHEET

Group assets amounted to DKK 3,318.3 million as at 31 December 2022, compared to DKK 2,708.5 million at the end of 2021.

Non-current assets totalled DKK 1,727.3 million, which is DKK 254.6 million higher than at the end of 2021. This increase is primarily attributable to the investment in the central warehouse in Albertslund and the purchase of EA Værktøj.

In 2022, investment in software amounted to DKK 41.0 million, which relates to the further digitisation of processes, etc. Amortisation of software totalled DKK 22.9 million, and the net value of software has therefore increased by DKK 18.1 million.

The value of tangible assets, not including right-of-use assets, rose by DKK 133.2 million, driven primarily by investments in a new central warehouse and the purchase of EA Værktøj. The central warehouse was commissioned in the fourth quarter of 2022.

The value of right-of-use assets totalled DKK 80.7 million and is DKK 10.6 million higher than at year-end 2021.

Current assets increased by DKK 355.2 million in 2022 to DKK 1,591.0 million at year-end 2022. Trade receivables of DKK 636.4 million increased by DKK 144.8 million, or 29.4%, attributable mainly to increased sales activities and a higher share of B2B sales. Additional provisions for bad debts totalled DKK 10 million have been made at year-end 2022 due to an estimated higher risk of bankruptcies among customers. Inventories of DKK 866.0 million increased by DKK 285.5 million, or 49.2%. The increase in inventories can be attributed to rising prices, increased inventories of uncertain supply items and the addition of EA Værktøj. The Group's cash and cash equivalents of DKK

35.0 million as at 31 December 2022 have fallen by DKK 102.0 million since 2021.

As at 31 December 2022, AO's equity was DKK 1,407.5 million, corresponding to a solvency ratio of 42.4%. Equity is DKK 167.6 million higher than at the end of 2021, which is attributable to profit for the year of DKK 294.5 million, offset by a dividend distribution of DKK 122.3 million.

At the end of 2022, non-current liabilities of DKK 539.5 million were DKK 243.6 million higher than at year-end 2021. Long-term debt to credit institutions has risen by DKK 229.3 million in connection with the restructuring of financing with the raising of mortgage debt.

AO's current liabilities of DKK 1,371.4 million increased by DKK 198.7 million in 2022. Current liabilities to credit institutions are on a par with 2021, amounting to DKK 73.7 million. The general increase in activity resulted in an increase in trade payables of DKK 168.7 million to DKK 1,181.3 million. Of the increase in trade payables, DKK 78.0 million relates to liabilities related to Supply Chain Finance programmes, amounting to DKK 336.0 million as at 31 December 2022.

Other liabilities and provisions totalling DKK 83.9 million have increased by DKK 18.8 million, partly as a result of an increase in holiday pay commitments, provisions for restructuring expenses of DKK 6 million and a further DKK 4 million reserved for legal proceedings and disputes.

CASH FLOW STATEMENT

In 2022, cash flow from operating activities was realised at DKK 215.8 million, which is DKK 92.3 million less than last year. The development was driven by a higher operating profit, offset by a negative effect of the change in working capital. Corporation taxes paid are DKK 18.9 million more than last year. Changes in working capital amounted to DKK -181.2 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. Working capital in relation to sales amounted to 6.0% in 2022, compared to 1.3% in 2021.

In 2022, net financial expenses paid totalled DKK -6.1 million compared to DKK -2.2 million in 2021. The increase in interest payments, etc. is due to higher debt levels and rising interest rates.

Net investments for 2022 totalled DKK 333.3 million, which is DKK 120.6 million more than in 2021. Investments in software and rights amounted to DKK 41.0 million compared to DKK 32.4 million in 2021. Investments in land and buildings as well as leasehold improvements totalled DKK 105.6 million compared to DKK 76.0 million in 2021. Investments in operating equipment and fixtures fell by DKK 39.9 million in 2022 to DKK 54.5 million. The investment level in both 2022 and 2021 was driven by the expansion of the central warehouse, which was completed in the second six months of 2022.

DKK 127.8 million relates to payments attributable to the purchase of EA Værktøj and the remaining balance on LampeGuru ApS in the form of performance-based instalments. These payments were included in the determination of initial purchase cost for accounting purposes.

In 2022, cash flow from financing activities amounted to DKK 15.5 million, of which the increase in debt owed to credit institutions totalled DKK 162.0 million net. Payment of lease instalments totalled DKK 24.2 million, and payment of dividends amounted to DKK 122.3 million.

Total cash flow for the year was negative at DKK 102.0 million, compared to the positive DKK 3.7 million in 2021.

The Group's net leverage (net interest-bearing liabilities/EBITDA) totalled 1.1 in 2022 compared to 0.5 at year-end 2021.

DEVELOPMENT IN THE FOURTH QUARTER OF 2022

Sales for the fourth quarter amounted to DKK 1,476.2 million, which is DKK 209.5 million, or 16.5%, more than for the fourth quarter of 2021. This growth is attributable to both the Danish and foreign markets, and is driven by strong growth in the B2B segment.

Gross profit for the quarter was DKK 379.8 million, which is DKK 75.7 million, or 24.9%, more than in the fourth quarter of 2021. The gross profit margin was realised at 25.7%, which is 1.7 percentage points higher than last year.

Operating expenses for the fourth quarter of 2022, excluding depreciation and amortisation, amounted to DKK 240.6 million compared to DKK 195.6 million for the same quarter of last year. The increase of DKK 44.9 million is mainly attributable to the running of EA Værktøj and restructuring expenses related to EA integration.

Depreciation and amortisation amounted to DKK 26.7 million, which is DKK 1.2 million higher than in the fourth quarter of 2021. Depreciation began on the new central warehouse in the fourth quarter, when it was commissioned.

Profit before financial income and expenses, net (EBIT) was DKK 112.5 million, which is DKK 29.6 million more than last year. The profit margin of 7.6% increased by 1.1 percentage points compared to the same quarter of 2021.

Net financial items amounted to an expense of DKK 3.4 million, which is DKK 8.3 million higher than in the fourth quarter of 2021. This was mainly due to divestment of the Estonian subsidiary in 2021.

Profit before tax for the fourth quarter totalled DKK 108.9 million, compared to DKK 87.8 million in the same quarter of 2021.

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 determination 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 sales 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 levels are reduced. Hence there is a degree of market-related hedging. Gross profit margins in maintenance and renovation are higher than in project sales. Some slowdown in project-oriented activity in particular is anticipated by 2023. Overall, the management team estimates that sales in terms of volume will fall by about 5% for AO in 2023, mainly in the second six months of the year.

The wholesale sector has excess capacity and thus oversupply, which results in intense competition. More intense competition and increased overcapacity are expected to increase the risk of receding margins in 2023. AO is constantly working to maintain and develop customer loyalty, for example 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 workers, electricians and contractors. AO also serves carpenters and joiners since the purchase of EA Værktøj. 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.

About 87.5% of the AO Group's sales in 2022 will be generated by professional B2B customers, and about 12.5% by B2C consumers. 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 warehouse and the logistics function by means of increases in automation levels. The company's central warehouses have recently been expanded in 2021 and 2022 to include new, automated storage facilities offering increased capacity, improved efficiency and enhanced flexibility for 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 including the possibility of share-based remuneration, and attractive career opportunities.

AO has a comprehensive insurance programme reflecting the Group's activities. This insurance programme is reviewed annually with advisors so as to ensure that it supports 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. Please see 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. Please see note 16.

Trade receivables:

The main risk associated with receivables from sales is that customers' ability to pay is reduced during periods of economic downturn. Customers' ability to pay and AO's credit exposure are assessed regularly. Major exposure to customer risk is insured, and the management team monitors overdue receivables closely. Receivables are written down on an ongoing basis in accordance with AO's accounting principles. Please see note 17.

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 ON CORPORATE GOVERNANCE

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 is still of the opinion that the management of Brødrene A & O Johansen A/S complies with the most important recommendations in the report.

The company has opted to implement another approach to eight areas in 2022, which is the same as in 2021.

A summary of the eight areas where the Group has chosen to follow a different practice is provided below:

- Given the company's ownership structure, the Board reserves the right to reject takeover bids in certain cases without submission to shareholders.
- The Chief Executive Officer is a member of the Board.
- General management is carried out by a member of the Board.
- Most of the directors elected by the Annual General Meeting are not independent as they have been members for more than 12 years.
- Most of the members of the Audit Committee are not independent. This committee is made up solely of members of the company's Board of Directors, which is why there is no requirement for independence.
- The Chairman of the Board is also the Chairman of the Audit Committee.
- There has been no evaluation of the Board with external assistance. Another procedure has been applied that follows the same structure as the structure recommended by the committee.
- The company has implemented a whistleblower scheme which is available only to the

company's employees, which is compliant with applicable legislation.

A Remuneration Committee and a Nomination Committee were established in 2021, and a whistleblower scheme was implemented in 2021.

Brødrene A & O Johansen A/S has prepared a full report on corporate governance for the 2022 financial year under Section 107b of the Danish Financial Statements Act. This can be viewed or downloaded at https://ao.dk/globalassets/download/regnskabsdata/2022/corporate_governance_2022_report.pdf

SUSTAINABILITY

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

AO wants to help make our world sustainable by supporting and contributing to a sustainable society by focusing on climate and the environment, social issues and governance based on integrity and fairness.

Responsibility and integrity are an integral part of the AO culture and are expressed in our dealings with customers, suppliers and business associates, in the daily management of our employees and our cooperation with the society that we are part of and want to contribute to.

AO supports and respects the Ten Principles of the UN Global Compact on human rights, workers' 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.

The full statutory report on corporate social responsibility/ESG for the 2022 financial year, under Section 99a of the Danish Financial State-

ments Act and the EU Taxonomy Regulation, can be viewed or downloaded at https://ao.dk/globalassets/download/regnskabsdata/2022/esg_report_2022.pdf.

AO's policy for corporate social responsibility has been approved by the Board of Directors and can be viewed or downloaded at <https://ao.dk/om-ao/investor-relations/in-english/company-profile/policy-for-csr-2023>.

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.

Our focus areas are:

- waste – reduction and recycling
- energy consumption – reducing our consumption of electricity and heating and the use of fossil fuels
- transport – reducing its volume and environmental impact.

AO to be carbon neutral by 2030

As an IT and logistics company selling a variety of goods to tradesmen, and with very limited in-house production via our activities at Vaga Teknik, our direct and indirect carbon footprint is limited (scope 1 and 2), amounting to 2,211 tonnes of CO₂ in 2022.

Although our CO₂ emissions are modest compared to 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.

AO will also be defining goals in 2023 for reducing scope 3 emissions towards net zero.

SOCIAL ASPECTS AND EMPLOYEE ASPECTS

The company's staff are its greatest asset and form the foundation of our success and performance. This is why AO seeks to ensure a responsible, safe, healthy working environment that promotes the welfare of staff.

We focus on:

- welfare and retention
- development and training
- sick leave and occupational accidents.

It is important for us to focus on continuous development of the personal and professional skills of our staff, so that we can meet changing market needs..

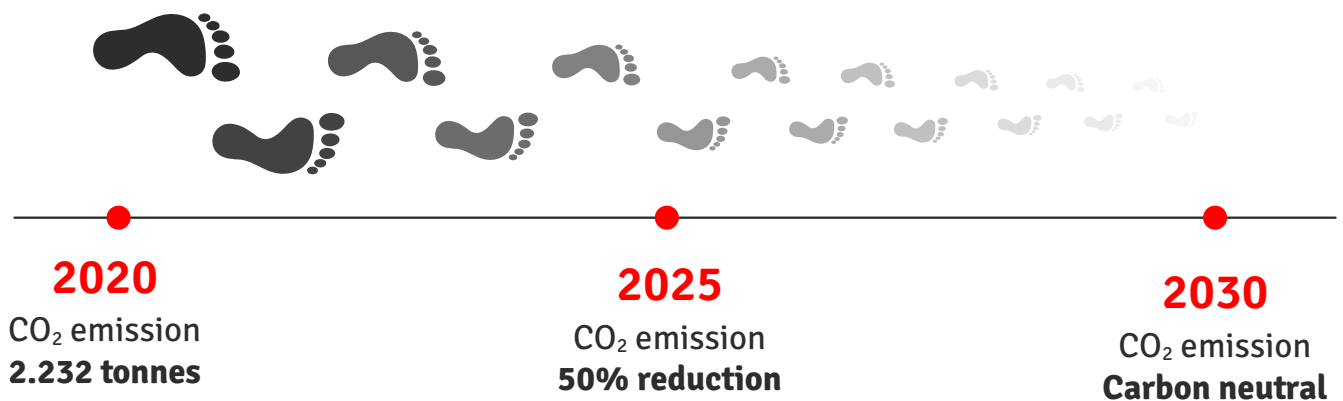
AO would like the company's gender composition to be reflected in the company's various management levels in the long term.

AO has defined targets for the gender composition of the senior management body and the underrepresented gender at other company management levels, and has devised a policy to increase the proportion of the underrepresented gender at other company management levels.

The statutory report on gender composition of management under Section 99b of the Danish Financial Statements Act can be viewed at https://ao.dk/globalassets/download/regnskabsdata/2022/gender_composition_of_management_2022_report.pdf A policy for increasing the underrepresented gender is available to view at https://ao.dk/om-ao/investor-relations/in-english/company-profile/target-figures-and-policies-for-the-gender-composition-of-management_2023.

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/glo->

AO TO BE CARBON NEUTRAL IN 2030



* Our carbon footprint is calculated according to the environmental declaration on scope 1 and 2 emissions (excluding EA activities). Calculated according to the electricity declaration, our climate footprint amounts to 3,749 tonnes of CO₂.





**BBB IS THE NEXT STEP
TOWARDS A FULL B2C
OMNICHANNEL**

Our B2B division has been commended repeatedly for its omnichannel efforts, so with all that experience and expertise behind us, it's only natural for us now to expand our B2C activities beyond our online stores. So in 2022, we've opened a showroom in Albertslund by the name of BoBedreBedst. Our showroom provides a showcase for all our Online Premium shops – including BilligVVS, LampeGuru, Greenline and CompletVVS.

BoBedreBedst

balassets/download/regnskabsdata/2022/diversity_2022_report.pdf, while the diversity policy can be viewed at https://ao.dk/om-ao/investor-relations/in-english/company-profile/diversity_policy_2023

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.

As regards sustainability, this work is taking place through a well-defined governance structure to ensure it is rooted throughout the AO organisation.

Whistleblower

In December 2021, we established 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.

The scheme is administered externally, and an annual assessment is performed to see whether the scheme is working as intended, and whether we wish to extend it so as also to include external partners, citizens, etc. The Board's annual review of the scheme has identified no need to make changes to the existing scheme.

Green due diligence

In 2022, we developed a green due diligence method that will be used going forward to weight the green transition in connection with takeovers on the basis of a double materiality approach, assessing both the impact of the green transition of the takeover target on AO's financial performance and the environmental impact on the surroundings.

Data ethics

It is important for AO to ensure that customers, suppliers and other partners can rely on AO's data processing.

Data and the use of new technologies are crucial if we are to be able to support our customers and give them the best experience when they shop with us. Data is also important when

it comes to assessing the digital security of our suppliers and other partners.

Furthermore, we want our staff to feel secure when it comes to AO's processing of their data, which includes ensuring that only necessary information is recorded and used for objective reasons.

We established a data ethics task force in late 2021, and the data ethics policy was approved by the Board of Directors in 2022.

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_2022_report.pdf.

Corporate governance

The Board of Directors maintains engaged and active communication on compliance with 'Recommendations on Corporate Governance' (Anbefalinger for god selskabsledelse), which leads to changes to the work of the Board of Directors as necessary. It is important for the Board of Directors to ensure that these recommendations add value for the company's stakeholders.

That is why we have chosen to follow 32 of 40 recommendations in 2022.

SHAREHOLDER INFORMATION

DIVIDEND

The Board of Directors proposes that a dividend of DKK 5.25 per DKK 1 share be distributed for 2022.

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 share classes were changed to class A and class B shares in 2022. 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 class A shares. Class A shares cannot be negotiated without the approval of the Board, whereas class B 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 TDKK 28,000. Of which TDKK 5,640 are class A shares and TDKK 22,360 are class B shares. Each class A share of DKK 100 carries 1000 votes, whereas each class B share of DKK 1 carries 1 vote. In addition to the difference in the number of votes, the two share classes differ in the following respects:

The class A shares are non-negotiable instruments, whereas the class B shares are listed on Nasdaq Copenhagen under ID code DK0061686714.

The holders of class B shares have a preferential cumulative dividend right of 6%. This means that no dividend will be paid for class A shares until the class B shares have achieved a cumulative dividend of 6%.

In the event of liquidation, class B shares take precedence over class A 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 class B shares are entitled to appoint and elect one Board member, while holders of class A shares elect the remaining Board members.

SHAREHOLDER COMPOSITION AS AT 31 DECEMBER 2022 IS SHOWN BELOW:

	Number of class A shares (DKK 100)	Number of class B shares (DKK 1)	Number of shares – nominal value	Capital, %	Votes, %
Avenir Invest ApS	56,220	208,000	5,830,000	20.82 %	71.65 %
Niels A. Johansen	160	2,706,400	2,722,400	9.72 %	3.64 %
Other registered shares	20	15,369,058	15,371,058	54.90 %	19.53 %
Unregistered shares	0	3,252,642	3,252,642	11.62 %	4.13 %
Total, excluding own shares	56,400	21,536,100	27,176,100	97.06 %	98.95 %
Own shares	0	823,900	823,900	2.94 %	1.05 %
Total	56,400	22,360,000	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 2022

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	Class B shares ID code: DK0061686714 ⁴⁾ Shareholding as at 1 January 2022 (units)	Class A shares ID code: DK0060956159. Shareholding as at 1 January 2022 (units)	Purchase and sale of Class B shares during the year (units)	Class B shares ID code: DK0061686714 ⁴⁾ Shareholding as at 31 December 2022 (units)	Class A shares ID code: DK0060956159. Shareholding as at 31 December 2022 (units)	Market value of class B shares as at 31 December 2022 ¹⁾ (DKK)
Henning Dyremose	7,500			7,500		623,325
- Elly Dyremose ⁴⁾	16,500			16,500		1,371,315
- HCE Invest, Virum ApS ⁴⁾	8,270			8,270		687,320
- CD Invest, Virum ApS ⁴⁾	10,000			10,000		831,100
- Elly Dyremose ApS ⁴⁾	17,500			17,500		1,454,425
Michael Kjær	105,000			105,000		8,726,550
Preben Damgaard	0			0		0
Erik Holm	0			0		0
Niels A. Johansen ⁵⁾	2,706,400	160 ²⁾		2,706,400	160 ²⁾	224,928,904
- Avenir Invest A/S ^{4) + 5)}	208,000	56,220 ²⁾		208,000	56,220 ²⁾	17,286,880
- Lili Johansen ^{4) + 5)}	256,000			256,000		21,276,160
René Alberg	500			500		41,555
Marlene L. Jakobsen	70		54	124		10,305
Leif Hummel	4,200			4,200		349,062
Total	3,339,940	56,380 ^{2) + 3)}	54	3,339,994	56,380 ^{2) + 3)}	277,586,901

- NOTE:**
- 1) The calculated share price of DKK 83.11 is based on the closing price on 30 December 2022.
 - 2) Class A shares are not admitted to trading on a regulated market.
 - 3) Nominally, the total capital in the form of class A shares amounts to DKK 5,640,000.
 - 4) Related parties
 - 5) Lili and Niels A. Johansen's direct and indirect ownership totals 31.46% of the Company's share capital.
 - 6) Ordinary share and preference shares were renamed class A shares and class B shares respectively in March 2022. The class B shares were also assigned a new ID code as the denomination of class B shares was amended from DKK 10.00 to DKK 1.00. The ID codes are listed for both January and December 2022 to facilitate comparison of holdings.

The granting of a share-based incentive programme to AO's Group management and certain senior key executives was approved at the Annual General Meeting held on 18 March 2022. The Chief Executive Officer does not participate in the programme.

The main elements of the programme are as follows:

A three-year share incentive programme has been introduced, under which certain members of the Executive Board and senior executives are granted conditional free shares free of charge. The decision to introduce the share incentive programme is made in line with AO's remunera-

tion policy, which was adopted at the company's Annual General Meeting on 18 March 2022.

In particular, the purpose of the programme is (i) to ensure that there is alignment of interests between the participants and the company's shareholders, (ii) to motivate and support the continuing retention of participants, and (iii) to promote long-term value creation within the company.

The conditional free shares will vest by 1/3 each year from the date on which they are introduced until all conditional free shares have vested, corresponding to all conditional free shares granted vesting over a total vesting period of three years. Following the end of the vesting period in 2025,

every conditional free share will entitle the participant to receive one class B share in Brødrene A & O Johansen A/S with a nominal value of DKK 1 (following the implementation of the share split as approved at the company's Annual General Meeting on 18 March 2022). Vesting and final delivery of shares in the company is essentially conditional on the participant still being employed by the AO Group under specified good and bad leaver terms.

The allocation of conditional free shares will have no dilutive effect for existing shareholders, as the delivery of shares under the programme will be hedged via the company's holding of own shares.

BOARD MEETINGS HELD IN 2022

DATE	TEXT
22 February 2022	Annual report for 2021.
18 March 2022	Annual General Meeting and constituent Board meeting.
24 March 2022	Decision on the allocation of free restricted shares
27 April 2022	Interim financial report for the first quarter of 2022.
1 June 2022	Adoption of a merger between the company and the company's wholly owned subsidiary EA Værktøj Engros A/S.
16 August 2022	Interim financial report for the first six months of 2020, plus strategy.
1 September 2022	Decision on the implementation of a merger between the company and EA Værktøj A/S.
24 October 2022	Upward revision of outlook for sales and profit for the year.
27 October 2022	Interim financial report for the first three quarters of 2022.
8 December 2022	Budget for 2023.

Five Audit Committee meetings were also held.

PARTICIPATION IN BOARD MEETINGS IN 2022

PARTICIPANTS	AGM						Strategy					
	22.02.22	18.03.22	18.03.22	24.03.22	27.04.22	01.06.22	16.08.22	16.08.22	01.09.22	24.10.22	27.10.22	08.12.22
BOARD OF DIRECTORS												
Henning Dyremose	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
Erik Holm	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Preben Damgaard*	YES	YES	NO	YES	YES	YES	YES	YES	YES	YES	YES	-
Niels A. Johansen	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
René Albjerg	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Leif Hummel	-	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Marlene L. Jakobsen	-	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Carsten Jensen*	YES	YES	-	-	-	-	-	-	-	-	-	-
Jonas Kvist*	YES	YES	-	-	-	-	-	-	-	-	-	-
EXECUTIVE BOARD												
Stefan Funch Jensen	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Lili Johansen	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
Per Toelstang	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
AUDITOR												
Anders S. Lauritsen, PwC	YES	YES	-	-	-	-	-	-	-	-	-	-
Flemming Eghoff, PwC	YES	YES	-	-	-	-	-	-	-	-	-	-

* Carsten Jensen and Jonas Kvist resigned from the Board of Directors on 18 March 2022, and Leif Hummel and Marlene L. Jacobsen joined. Preben Damgaard resigned from the Board of Directors on 19 November 2022.

PARTICIPATION IN AUDIT COMMITTEE MEETINGS IN 2022

PARTICIPANTS	10.02.22	27.04.22	16.08.22	27.10.22	08.12.22
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	-
EXECUTIVE BOARD					
Niels A. Johansen	YES	YES	YES	YES	YES
Per Toelstang	YES	YES	YES	YES	YES
AUDITOR					
Anders S. Lauritsen, PwC	YES	YES	YES	YES	YES
Flemming Eghoff, PwC	YES	YES	YES	YES	YES

* Preben Damgaard resigned from the Audit Committee on 19 November 2022.

BOARD EVALUATION PROCEDURE

The Board of Directors performs an annual evaluation on the basis of a survey 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 2022			FINANCIAL CALENDAR FOR 2023	
DATE	NO.	TEXT	DATE	TEXT
22 February 2022	1	Annual report for 2021.	2 February 2023	Deadline for shareholders to propose items for the agenda of the Annual General Meeting.
22 February 2022	2	Notice convening the Annual General Meeting of Brødrene A & O Johansen A/S.	22 February 2023	Annual report for 2022.
14 March 2022	3	Election of employee representatives to the Board of Directors of Brødrene A & O Johansen A/S.	16 March 2023	The Annual General Meeting of Brødrene A & O Johansen A/S will be held at 13.00.
15 March 2022	4	The Danish competition authorities have approved the acquisition of EA Værktøj Engros A/S.	27 April 2023	Interim financial report for the first quarter of 2023.
18 March 2022	5	Proceedings of the Annual General Meeting of Brødrene A & O Johansen A/S.	17 August 2023	Interim financial report for the first six months of 2023.
21 March 2022	6	Decision to carry out a share split in Brødrene A & O Johansen A/S at a ratio of 1:10.	26 October 2023	Interim financial report for the first three quarters of 2023.
24 March 2022	7	Introduction of a share-based incentive programme.		
30 March 2022	8	The total number of voting rights and total capital in Brødrene A & O Johansen A/S.		
28 April 2022	9	Interim financial report for the first quarter of 2022		
11 May 2022	10	Revised financial calendar for 2022.		
17 August 2022	11	Interim financial report for the first six months of 2022.		
24 October 2022	12	AO raises its outlook for sales and profit for the year.		
28 October 2022	13	Interim financial report for the first three quarters of 2022.		
19 November 2022	14	Change in Brødrene A & O Johansen A/S' Board of Directors.		
8 December 2022	15	Financial calendar for 2023		Webcasts are held when the annual report and interim financial reports are published.

PROPOSALS FOR THE ANNUAL GENERAL MEETING

The Annual General Meeting of the company will take place at 13.00 on Thursday, 16 March 2023 at the company's head office.

1. ALLOCATION OF PROFITS

Brødrene A & O Johansen A/S' net profit for the year amounts to DKK 294,469.

In accordance with Article 3(10), cf. Article 18(2), of the Articles of Association, the holders of class B shares are entitled to an advance cumulative dividend of 6%. The percentage dividend for the holders of class A shares is determined subsequently, and if additional dividend is declared, the holders of class A shares and class B shares are

entitled to receive the same percentage dividend. The Board of Directors proposes to distribute a dividend of DKK 5.25 per DKK 1 share, corresponding to around 50% of the profit after tax for the year and 525% of the share capital.

2. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article 18(3): The Annual Report shall be compiled in English, and also in Danish if the Board of Directors so decides.

3. AUTHORISATION TO ACQUIRE OWN SHARES

The Board of Directors proposes that the Annual General Meeting should authorise the Board of Directors, for the period to 1 May 2024, to allow the

company to acquire its own shares up to a nominal value of a total of 10% of the company's share capital at the time of authorisation, and so that its holding at any time may not exceed 10%. The remuneration must not deviate by more than 10% from the official price quoted on Nasdaq Copenhagen at the time of acquisition.

4. 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.

**AO IS NOW EASIER,
MORE FLEXIBLE AND
MORE EFFICIENT
THAN EVER!**

The customer is king, and this has always been AO's guiding principle. AO365 has definitely made it easier, more flexible and more efficient for trade customers to shop with us. We believe that helping our customers and giving them the opportunity to make their own decisions on when they want to shop, when they collect their goods or have them delivered, and when they drive to and from work can make their lives easier and more convenient, thereby helping them to run their businesses more efficiently.

The customer

er is in focus



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 2022.

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 2022 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 2022.

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

ments of uncertainty facing the Group and the Parent Company.

In our opinion, the annual report for the financial year 1 January – 31 December 2022, file name 5299004B6ZEGVCR9ZR75-2022-12-31-da.zip, has been prepared in accordance with the ESEF Regulation in all material respects.

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

Albertslund, 22 February 2023


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



Leif Hummel*



Marlene L. Jakobsen*



Niels A. Johansen

* Staff-elected Board member

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OUR 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 2022 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 2022 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 2022 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. We have been re-elected annually by general meeting resolution for a total continuous assignment period of 2 years up to and including the financial year 2022.

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 2022. 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</p> <p>Revenue is measured at fair value of the consideration agreed upon exclusive of VAT, duties and deduction of discounts and customer bonus.</p> <p>We focused on revenue recognition because revenue is the most significant financial statement line item, consists of a large number of IT-dependent transactions and is based on several individual contracts.</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. For relevant controls we assessed whether they were designed and implemented to effectively address the risk of material misstatement.</p> <p>For selected controls, which we planned to rely on in our audit, we tested 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. On a sample basis we tested these transactions to the underlying contractual basis</p> <p>We performed analytical procedures over revenue and discussed significant fluctuations with management and obtained corroborating evidence of material fluctuations, where deemed necessary.</p> <p>We reviewed Management's calculation of customer bonus and on sample basis tested it to the underlying contracts as well as to subsequent and historical settlements.</p>
<p>Calculation of supplier bonus</p> <p>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 cooperations.</p> <p>We focused on the calculation of supplier bonus as the estimate is a significant amount and is based on individual and complex contracts as well as estimates of the total purchases for the year made through international procurement cooperations.</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 supplier bonus. For relevant controls, we assessed whether they were designed and implemented to effectively address the risk of material misstatement. For selected controls, which we planned to rely our audit on, we tested whether they had been carried out on a consistent basis.</p> <p>On a sample basis, we tested Management's calculation of supplier bonus to the underlying contractual basis, subsequent and historical settlements and confirmations from counterparties.</p> <p>In addition, we reviewed Management's assumptions and data for its estimates of the total purchases made through international procurement cooperations and expected final settlements.</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.

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 2022 with the filename 5299004B6ZEGVCR9ZR75-2022-12-31-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 including notes.

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 including notes;
- Evaluating the appropriateness of the com-


pany'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 2022 with the file name 5299004B6ZEGVCR9ZR75-2022-12-31-da.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 22 February 2023

PricewaterhouseCoopers,
Statsautoriseret Revisionspartnerselskab,
CVR no 3377 1231


Anders Stig Lauritsen
State Authorised Public Accountant
mne32800


Flemming Eghoff
State Authorised Public Accountant
mne30221

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

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022	NOTE:	2022	2021
4,532,057	5,093,723	3 Revenue	5,375,006	4,800,520
(3,491,437)	(3,868,876)	4 Cost of sales	(4,068,255)	(3,683,854)
1,040,620	1,224,847	Gross profit	1,306,751	1,116,666
2,340	2,201	5 Other operating income	3,573	2,681
1,042,960	1,227,048	Gross margin	1,310,324	1,119,347
(255,548)	(310,082)	6 External expenses	(318,517)	(272,256)
(403,777)	(476,601)	7 Staff costs	(500,240)	(429,845)
383,635	440,365	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	491,567	417,246
(127,162)	(120,472)	8 Depreciation and amortisation	(108,014)	(100,501)
256,473	319,893	Operating profit or loss (EBIT)	383,553	316,745
44,465	47,221	15 Subsidiaries' profit after tax	0	0
14,558	3,360	9 Financial income	3,033	13,720
(4,097)	(7,260)	10 Financial expenses	(9,158)	(4,326)
311,399	363,214	Profit or loss before tax (EBT)	377,428	326,139
(57,581)	(68,745)	11 Tax on profit or loss for the year	(82,959)	(72,321)
253,818	294,469	Net profit or loss for the year	294,469	253,818
		Other comprehensive income		
		Items which will be reclassified to the income statement		
(3,367)	(6,156)	Foreign currency translation adjustment relating to foreign entities	(6,156)	(3,367)
0	0	Tax on other comprehensive income	0	0
(3,367)	(6,156)	Other comprehensive income after tax	(6,156)	(3,367)
250,451	288,313	Total comprehensive income	288,313	250,451
		18 Earnings per share		
		Earnings per share (EPS)	10.8	9.3
		Diluted earnings per share (EPS-D)	10.8	9.3

A man with a full red beard and tattoos on his arms is shown in profile, looking down at a smartphone he is holding in his left hand. He is wearing a dark long-sleeved shirt and a tool belt with a green marker. The background is a blurred workshop or construction site with various tools and equipment.

flexibility

**ABOUT 50 PER CENT OF
THE GROUP'S SALES ARE
NOW DIGITAL!**

AO opened the first 'self-service' store in Albertslund back in 1963. A lot has happened since then, and nowadays mobile phones are one of the most important tools customers use when shopping with AO. It's all a matter of flexibility and convenience, and self-service is a unique option – when customers place orders from construction sites, serve themselves at our stores or place orders for collection.

BALANCE SHEET AS AT 31 DECEMBER

ASSETS

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022	NOTE:	2022	2021
Non-current assets				
12 Intangible assets				
368,313	455,968	Goodwill	499,685	412,030
42,640	47,683	Intellectual property rights	48,153	43,163
46,122	64,188	Software	64,188	46,123
<u>457,075</u>	<u>567,839</u>		<u>612,026</u>	<u>501,316</u>
13 Property, plant and equipment				
150,608	142,219	Land and buildings	795,870	691,312
12,022	14,544	Leasehold improvements	13,609	10,348
197,753	223,662	Fixtures and operating equipment	224,782	199,378
172,962	205,272	14 Right-of-use assets	80,740	70,091
<u>533,345</u>	<u>585,697</u>		<u>1,115,001</u>	<u>971,129</u>
Other non-current assets				
330,058	336,872	15 Investments in subsidiaries	0	0
247	284	Other investments	284	247
<u>330,305</u>	<u>337,156</u>		<u>284</u>	<u>247</u>
1,320,725	1,490,692	Total non-current assets	1,727,311	1,472,692
Current assets				
552,192	834,240	4, 16 Inventories	865,953	580,478
470,951	613,305	17 Trade receivables	636,439	491,687
122,335	63,179	17 Receivables from subsidiaries	0	0
10,622	18,645	Joint tax contribution	15,931	0
27,341	12,763	Other receivables	16,199	9,701
16,633	18,020	Prepayments and accrued income	21,514	17,040
110,666	291	Cash and short-term deposits	34,973	136,946
<u>1,310,740</u>	<u>1,560,443</u>	Total current assets	<u>1,591,009</u>	<u>1,235,852</u>
2,631,465	3,051,135	Total assets	3,318,320	2,708,544

BALANCE SHEET AS AT 31 DECEMBER

EQUITY AND LIABILITIES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022	NOTE:	2022	2021
		20 Equity		
28,000	28,000	Share capital	28,000	28,000
203,483	209,298	Reserve according to the equity method	0	0
28,956	41,242	Reserve for development costs	0	0
0	0	Reserve for foreign currency translation adjustments	(8,644)	(2,488)
853,495	981,958	Retained earnings	1,241,142	1,088,422
126,000	147,000	Proposed dividend for the financial year	147,000	126,000
1,239,934	1,407,498	Total equity	1,407,498	1,239,934
		Non-current liabilities		
21,183	29,063	21 Deferred tax	64,612	52,192
51,112	87,489	23 Credit institutions	418,011	188,757
137,216	135,961	14, 23 Lease liabilities	56,836	53,465
1,500	0	Other non-current liabilities	0	1,500
211,010	252,513	Total non-current liabilities	539,459	295,914
		Current liabilities		
62,908	61,078	23 Credit institutions	73,689	72,862
35,746	74,353	14, 23 Lease liabilities	28,973	16,627
981,069	1,154,025	23 Trade payables	1,181,319	1,012,663
43,268	28,032	Amounts owed to subsidiaries	0	0
0	0	Joint tax contribution	0	2,297
0	0	19 Corporation tax payable	3,501	3,181
2,750	6,740	Provisions for liabilities	6,740	2,750
54,780	66,896	22 Other payables	77,141	62,316
1,180,521	1,391,124	Total current liabilities	1,371,363	1,172,696
1,391,531	1,643,637	Total liabilities	1,910,822	1,468,610
2,631,465	3,051,135	Total equity and liabilities	3,318,320	2,708,544

- 3 Segment information
 25 Contingent liabilities, security, etc.
 26-30 Notes without reference

CASH FLOW STATEMENT

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022	NOTE:	2022	2021
		Cash flow from operating activities		
256,473	319,893	Operating profit or loss (EBIT)	383,553	316,745
127,162	120,472	8 Depreciation and amortisation	108,014	100,501
0	1,543	Other non-cash operating items, net	1,543	6,866
<u>383,635</u>	<u>441,908</u>	Cash flow from operations before change in working capital	<u>493,110</u>	<u>424,112</u>
(98,518)	(215,913)	Change in inventories	(219,340)	(103,852)
(69,629)	(80,319)	Change in receivables	(107,160)	(71,058)
127,744	142,892	Change in trade payables and other current payables	145,278	132,126
<u>(40,403)</u>	<u>(153,340)</u>	Change in working capital	<u>(181,222)</u>	<u>(42,784)</u>
343,232	288,568	Cash flow from operations	311,888	381,328
(1,581)	(3,900)	Net financials paid	(6,125)	(2,200)
<u>(62,894)</u>	<u>(83,403)</u>	Corporation tax paid	<u>(89,970)</u>	<u>(71,064)</u>
<u>278,757</u>	<u>201,265</u>	Cash flow from operating activities	<u>215,793</u>	<u>308,064</u>
		Cash flow from investing activities		
(31,863)	(41,010)	Purchase of intangible assets	(41,010)	(32,404)
(110,786)	(53,395)	Purchase of property, plant and equipment	(164,530)	(170,481)
(29,699)	42,920	Change in receivables from subsidiaries	0	0
47,008	35,250	Dividends received	0	0
(247)	0	Purchase of other non-current assets	0	(247)
22,028	0	Cash gained from merger	0	0
(28,295)	(127,163)	24 Acquisition of enterprise	(127,763)	(25,160)
<u>18,484</u>	<u>0</u>	Sale of enterprise	<u>0</u>	<u>15,551</u>
<u>(113,370)</u>	<u>(143,398)</u>	Cash flow from investing activities	<u>333,303</u>	<u>(212,741)</u>
		Cash flow from financing activities		
(60,112)	(39,860)	Repayment of debt to credit institutions	(85,975)	(50,299)
25,000	45,000	Raising of loans from credit institutions	247,973	25,000
(64,758)	(51,090)	Repayment of lease liabilities	(24,169)	(25,537)
<u>(40,764)</u>	<u>(122,292)</u>	Dividends paid	<u>(122,292)</u>	<u>(40,764)</u>
<u>(140,635)</u>	<u>(168,242)</u>	Cash flow from financing activities	<u>15,537</u>	<u>(91,600)</u>
24,753	(110,375)	Cashflow for the year	(101,973)	3,723
85,913	110,666	Cash and short-term deposits at beginning of year	136,946	133,223
<u>110,666</u>	<u>291</u>	Cash and short-term deposits at end of year	<u>34,973</u>	<u>136,946</u>

just-in-time deliveries

BIKE COURIERS IN COPENHAGEN

We're seeing a huge increase in the need for just-in-time deliveries to our customers in Copenhagen. We realised we had to address this in an eco-friendly way and recognised that lorries aren't needed for lots of deliveries. So we've contracted GLS to use bike couriers for goods deliveries instead. Receiving goods on time thanks to the wonders of pedal power – can't be bad!



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 2022	28,000	(2,488)	126,000	1,088,422	1,239,934
Net profit for the year	0	0	147,000	147,469	294,469
Foreign currency translation adjustment	0	(6,156)	0	0	(6,156)
Total comprehensive income	0	(6,156)	147,000	147,469	288,313
Dividend distribution	0	0	(122,292)	0	(122,292)
Dividend, own shares	0	0	(3,708)	3,708	0
Sharebased remuneration	0	0	0	1,543	1,543
Total transactions with owners	0	0	(126,000)	5,251	(120,749)
Equity at 31 December 2022	28,000	(8,644)	147,000	1,241,142	1,407,498
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

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 2022	28,000	203,483	28,956	126,000	853,495	1,239,934
Net profit for the year	0	47,221	0	147,000	100,248	294,469
Movement for the year	0	0	12,286	0	(12,286)	0
Foreign currency translation adjustment	0	(6,156)	0	0	0	(6,156)
Total comprehensive income	0	41,065	12,286	147,000	87,962	288,313
Dividend distribution	0	0	0	(122,292)	0	(122,292)
Dividend own shares	0	0	0	(3,708)	3,708	0
Dividend received	0	(35,250)	0	0	35,250	0
Sharebased remuneration	0	0	0	0	1,543	1,543
Total transactions with owners	0	(35,250)	0	(126,000)	40,501	(120,749)
Equity at 31 December 2022	28,000	209,298	41,242	147,000	981,958	1,407,498
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	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

WINNER OF VARIOUS E-COMMERCE AWARDS

The many years we've spent focusing on innovative and efficient IT and making sustained investments in our systems has been noted both at home and abroad. So in 2022, we won no fewer than seven fantastic awards – three at the E-Commerce Awards presented by the Danish Chamber of Commerce, and the latest four we've won are 'European User Experience of the Year', 'Best Mobile Experience of the Year', 'Lovie Award apps & mobile site' and 'People's Lovie Winner award'.

e-commerce



awards



NOTES

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 2022 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 2022 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 2023, the Board of Directors and the Executive Board discussed and approved the annual report for 2022 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 16 March 2023.

BASIS OF PREPARATION

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

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

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

CHANGES IN ACCOUNTING POLICIES

Effective as of 1 January 2022, Brødrene A & O Johansen A/S has implemented:

- Amendments to IAS 37 Onerous contracts – cost of fulfilling a contract
- Amendments to IAS 16 Proceeds before intended use
- Amendments to IFRS 3 Business combinations – reference to the conceptual framework
- Annual improvements (2018-2020 cycle).

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

A Group chart can be found in the Management's Review.

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

BUSINESS COMBINATIONS

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

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

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

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

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

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

NOTES

NOTE:

- 1 liability or equity according to its content. A contingent purchase price, which is classified as a financial liability, is regularly remeasured at fair value and adjusted directly in the income statement.

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

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

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

FOREIGN CURRENCY TRANSLATION

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

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

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

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

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

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

FINANCIAL INSTRUMENTS

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

Hedge accounting is only used in connection with currency futures.

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Revenue

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

Revenue consists of contracts with a single delivery obligation, and where the individual components of the transaction price are separately identifiable. There are no material differences in relation to sales channels or operating segments.

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 recognised revenue. Subsequent adjustments to customer bonus is also recognised 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.

NOTES

NOTE:

1 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

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

Tax on profit/(loss) for the year

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

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

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

BALANCE SHEET

Intangible assets

Goodwill is initially recognised in the balance sheet at cost price as described under 'Business combinations'. Goodwill is subsequently measured at cost price less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. The determination of cash-generating units follows the management structure and internal financial management.

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

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

Property, plant and equipment, including leases

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

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

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

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

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

Land is not depreciated.

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

NOTES

NOTE:

- 1 the scrap value exceeds the carrying amount, depreciation ceases.

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

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

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

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

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

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

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

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

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

The Group has chosen not to recognise leases with a term of less than 12 months or a present value of less than DKK 30,000. Instead lease payments are recognised on a straight-line basis in the income statement. Furthermore, the Group has chosen to determine a discount rate on a portfolio of lease agreements with uniform characteristics.

Investments in subsidiaries in the parent company's financial statements

Investments in subsidiaries are measured according to the equity method.

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

Mergers of subsidiaries in the Group

During the year Brødrene A & O Johansen A/S and EA Værktøj A/S merged. The merger was carried out with Brødrene A & O Johansen A/S as the continuing company.

Prior to the merger the merged company was a 100% owned subsidiary in the Group and has as such been under the control of the same party. The merge of the companies has been carried out using the book-value method.

The merger has had no effect on the consolidated financial statements.

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.



ACQUISITION OF EA

With our finger on the pulse and a constant desire to go on evolving, AO has always accelerated the evolution of the industry – and successfully, too. The acquisition of EA Værktøj has allowed us to add an exciting new team of trades, further complementing our emphasis on making life easier and more convenient for our customers, allowing them to buy everything they need under one roof. Pictured here is AO Holbæk, which was the first AO store to carry a range of EA products.

*blurring
industry*



boundaries

FESTOOL

Mobil og præcis savn
Den nye akku bordru
I systainer-format.

FEIN

FEIN

FESTOOL FAM!

NOTES

NOTE:

- 1 The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and is written down over the income statement if the carrying amount is higher than the recoverable amount.

The recoverable amount is generally calculated as the present value of the expected future net cash flow from the activity to which goodwill is linked. The impairment of goodwill is recognised in a separate item in the income statement. Deferred tax assets are assessed annually and recognised only to the extent that it is probable that they will be utilised.

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

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

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

Inventories

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

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

The net realisable value is calculated as the expected sale price less costs to execute the sale and is determined on the basis of marketability, obsolescence, and expected development in the sales price. The value of inventories accounted for at fair value is specified in note 16 of the annual report.

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. Receivables and impairments are specified in note 17 of the annual report.

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.

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

Corporation tax and deferred tax

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

NOTES

NOTE:

- 1 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.

Accruals and deferred income

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

CASH FLOW STATEMENT

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

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

Cash flow from operating activities

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

Cash flow from investing activities

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

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

Cash flow from financing activities

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

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

Cash and cash equivalents

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

Segment information

The Group 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, parentheses are used to indicate negative results and deductions.

NOTES

NOTE:

2 SIGNIFICANT ESTIMATED UNCERTAINTIES AND ASSUMPTIONS

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

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

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

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

Significant accounting judgements, estimates and assumptions

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

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.

EA Værktøj Engros A/S and EA Værktøj Ejendomme A/S merged with Brødrene A & O Johansen A/S and AO Invest A/S and are today driven as one cash-generating unit. They are driven as one cash-generating unit as the core business activities are integrated to a degree that makes separation impossible.

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 27.

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.



digitised documents

DIGITAL PACKING SLIPS

AO prints more than a million invoices and packing slips each year. This is tiresome, expensive – and certainly not eco-friendly. That's why we've now developed digital packing slips. These have reduced the amount of paper we use while also making it easier for customers to check their orders and what we've delivered to them.

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.

The same products are sold to the two segments. The customer base and pricing structure differ significantly which is why B2B and B2C have been identified as separate operating segments.

Geographical information

The Group operates primarily in Denmark. International revenue amounts to DKK 407.2 million (2021: DKK 389.9 million) and less than 10% of the total Group's revenue relates to foreign countries, and the same applied in 2021.

Less than 10% of the book value of the assets of the Group is related to assets outside of Denmark.

Sales channels

Digital as well as physical sales channels are used in connection with the Group's sales. Digital sales channels are defined as sales through websites and apps. For 2022 sales through digital sales channels amount to DKK 2,621.9 million (2021: DKK 2,405.2 million) while sales through physical sales channels amount to DKK 2,753.1 million (2021: DKK 2,394.6 million).

Major customers

Just as in 2021, the Group has not traded with any individual customer representing more than 10% of the Group's total revenue for 2022.

SEGMENT INFORMATION 2022

	B2B	B2C	Total
Revenue	4,735,570	639,436	5,375,006
Cost of goods sold	- 3,440,334	- 411,277	- 3,851,611
Product margin	1,295,236	228,159	1,523,395
Distribution	- 165,803	- 47,268	- 213,071
Gross margin	1,129,433	180,891	1,310,324
Direct expenses	- 483,811	- 135,441	- 619,252
EBITDA before indirect expenses	645,622	45,450	691,072
Indirect expenses			- 199,505
EBITDA			491,567
Depreciation and amortisation			- 108,014
EBIT			383,553
Financial income and expenses			- 6,125
EBT			377,428
Key figures	B2B	B2C	Total
Gross margin %	23.8%	28.3%	24.4%
EBITDA (before indirect expenses) %	13.6%	7.1%	12.9%
EBITDA %			9.1%

NOTES

(All amounts are in DKK thousands)

NOTE:

3 Segment information (continued)

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%

4 Cost of sales

Company		Consolidated	
2021	2022	2022	2021
(3,407,209)	(3,960,528)	(4,144,030)	(3,583,489)
(191,546)	(194,024)	(213,071)	(209,637)
(3,598,755)	(4,154,552)	(4,357,101)	(3,793,126)
Change in inventories:			
448,757	552,192	580,478	478,002
1,799	11,609	11,683	1,807
(5,682)	(15,237)	(15,054)	(8,603)
552,192	834,240	865,953	580,478
107,318	285,676	288,846	109,272
(3,491,437)	(3,868,876)	(4,068,255)	(3,683,854)



THREE 25TH ANNIVERSARIES

AO was the first wholesaler to bring self-service stores to Denmark, and we celebrated the 25th anniversaries of three of our stores just in this year. Just how successful we've been at bringing digital services and tools to our stores, making them popular among our customers, is shown by the huge number of visitors to all our stores all over Denmark every day.

anniversary

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022 NOTE:		2022	2021
		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:		
(789)	(1,304)	Statutory audit	(1,654)	(1,044)
(8)	(17)	Tax and VAT related advisory services	(17)	(8)
(100)	(185)	Other services	(185)	(100)
(897)	(1,506)		(1,856)	(1,152)
		7 Staff costs		
(326,917)	(395,023)	Wages and salaries	(412,237)	(347,348)
(25,391)	(28,789)	Pension contributions	(30,211)	(26,667)
0	(1,543)	Share-based remuneration	(1,543)	0
(4,675)	(5,519)	Other social security costs	(9,401)	(8,972)
(1,680)	(3,105)	Other staff expenses	(3,140)	(1,744)
(358,663)	(433,979)	Staff costs excl. temporary employees	(456,532)	(384,731)
(45,114)	(42,622)	Wages temporary employees	(43,708)	(45,114)
(403,777)	(476,601)	Staff costs total	(500,240)	(429,845)
		Wages and salaries include remuneration for:		
(2,625)	(2,508)	Board of Directors	(3,588)	(3,763)
(2,625)	(2,508)	Board of Directors total	(3,588)	(3,763)
(24,221)	(27,224)	Executive Board	(27,224)	(24,221)
0	(1,089)	Share-based remuneration	(1,089)	0
(2,583)	(2,639)	Pension contributions	(2,639)	(2,583)
(26,804)	(30,952)	Executive Board total	(30,952)	(26,804)
(29,429)	(33,460)	Board of Directors and Executive Board total	(34,540)	(30,567)
742	856	Average number of full-time employees	889	784
663	789	Average number of full-time employees excl. temporary employees	822	705

The Group only has defined contribution plans .

The increase in full time employees for the Group primarily relates to the acquisition of EA Værktøj which contributed with 110 FTEs from april 2022.

In March 2022 certain members of the Executive Board as well as other management employees were awarded Restricted Stock Units (RSUs). The share-based remuneration makes up a part of the Long Term Incentive (LTI) programme for the Group management. The LTI is implemented in order to align the priorities of the management with that of the shareholders. All RSUs has a vesting period of 3 years and the fair value is included on a straight line basis over the vesting period in staff costs.

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022 NOTE:		2022	2021
		8 Depreciation and amortisation		
(24,783)	(26,060)	Intangible assets	(26,113)	(24,809)
(37,853)	(43,458)	Property, plant and equipment	(58,337)	(50,180)
(23,133)	(23,766)	Right-of-use assets, external	(24,046)	(25,537)
(41,625)	(27,323)	Right-of-use assets, subsidiaries	0	0
232	135	Gains/losses from the disposal of assets	482	25
(127,162)	(120,472)		(108,014)	(100,501)
		9 Financial income		
1,898	2,065	Interest income from current assets	2,085	2,035
604	411	Interest income from subsidiaries	0	0
5,551	1,500	Gain from sale of subsidiary	1,500	5,552
6,505	(616)	Foreign exchange gains, net	(551)	6,133
14,558	3,360		3,033	13,720
		10 Financial expenses		
(2,301)	(5,493)	Interest expenses on liabilities	(8,571)	(3,408)
(682)	(755)	Expenses, lease liabilities, external	(310)	(668)
(1,027)	(992)	Expenses, lease liabilities, subsidiaries	0	0
0	0	Other financial expenses	0	0
(87)	(20)	Other interest expenses	(277)	(250)
0	0	Interest expense to subsidiaries	0	0
(4,097)	(7,260)		(9,158)	(4,326)
		11 Tax on profit or loss for the year		
(58,162)	(61,980)	Current tax for the year	(72,642)	(72,838)
6	(2)	Adjustment related to previous years	6	(2)
0	(74)	Addition from acquisition	(1,253)	0
(58,156)	(62,056)		(73,889)	(72,840)
572	(7,087)	Adjustment of deferred tax for the year	(9,430)	96
3	398	Adjustment of deferred tax for previous years	360	422
(57,581)	(68,745)	Total	(82,959)	(72,322)
		Tax on profit/loss for the year can be explained as follows:		
		Calculated tax on profit/loss before tax, not incl.		
58,678	69,519	subsidiaries' profits	82,472	73,633
		Tax effect of:		
(1,393)	(1,070)	Non-taxable income	(1,071)	(1,394)
305	618	Other non-deductible costs	670	503
(9)	(322)	Adjustment of tax for previous years	888	(420)
57,581	68,745		82,959	72,322
21.6%	21.8%	Effective tax rate	22.0%	22.2%
(62,894)	(83,403)	Taxes paid during the financial year	(89,970)	(71,064)

NOTES

(All amounts are in DKK thousands)

COMPANY			NOTE:	CONSOLIDATED		
Goodwill	Intellectual property rights	Software	12 Intangible assets	Goodwill	Intellectual property rights	Software
368,313	60,344	303,747	Cost at 1 January 2022	412,030	61,955	307,503
0	0	0	Foreign currency translation adjustment	0	0	0
87,655	8,158	0	Additions from acquisitions	87,655	8,158	0
0	0	41,010	Additions during the year	0	0	41,010
0	0	0	Disposals during the year	0	0	0
455,968	68,502	344,757	Cost at 31 December 2022	499,685	70,113	348,513
0	(17,704)	(257,625)	Amortisation and depreciation at 1 January 2022	0	(18,792)	(261,380)
0	0	0	Foreign currency translation adjustment	0	0	0
0	(3,115)	(22,944)	Amortisation and depreciation for the year	0	(3,168)	(22,945)
0	0	0	Disposals during the year	0	0	0
0	(20,819)	(280,569)	Amortisation and depreciation at 31 December 2022	0	(21,960)	(284,325)
455,968	47,683	64,188	Carrying amount at 31 December 2022	499,685	48,153	64,188
Goodwill	Intellectual property rights	Software		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 2021	0	(18,792)	(261,380)
368,313	42,640	46,122	Carrying amount at 31 December 2021	412,030	43,163	46,123

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, Greenline's, LampeGuru's and EA Værktøj's trademarks, domain names, etc.



CUBY SHUTTLE SYSTEM

Logistics – and a fast, flexible central warehouse into the bargain – has always been something of a focal point for our customers, and for us as well. This has become more and more important over the years. That's why we've now invested in a second warehouse facility to enhance the quality of our working practices and increase the speed of our packing operations, and hence our productivity. And we're also making significant savings on packaging which underpin our emphasis on eco-friendly solutions.

Cuby



NOTES

(All amounts are in DKK thousands)

NOTE:

12 Intangible assets (continued)

Goodwill

At 31 December 2022, 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
B2B Denmark	142,795	12%	1.5%
B2B Sweden	47,017	12%	1.5%
B2C	309,873	12%	2.5%

In 2022 Goodwill has been allocated to the two operating segments B2B and B2C, which is reflected above. In addition B2B has been further split into Danish and Swedish goodwill in order to reflect the CGUs.

In 2021, Goodwill was divided into two CGUs (AO Denmark and AO Sweden). The WACC for both CGUs was 11% and the terminal growth rate was 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 2023 and forecasts for 2024-2027 approved by Management, and an adjusted discount rate of 10%. 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. The discount rate has been increased compared to previous years as a result of increasing interest rates.

The applied 5-year growth rate and growth in terminal values are not expected to exceed the long term average growth rate of the Group's operating segments. For both operating segments profit margins and market shares are expected to reflect the financial targets of outgrowing the market by 2 percentage points of achieving an EBITDA margin of 10%.

By 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	2022		2021	
	Completed	Work in progress	Completed	Work in progress
Cost at 1 January	118,651	461	92,932	1,302
Additions during the year	14,758	22,279	24,417	461
Transfer	461	(461)	1,302	(1,302)
Cost at 31 December	133,870	22,279	118,651	461
Amortisation and depreciation at 1 January	(81,989)	0	(61,672)	0
Amortisation and depreciation for the year	(21,286)	0	(20,317)	0
Amortisation and depreciation at 31 December	(103,275)	0	(81,989)	0
Carrying amount at 31 December	30,595	22,279	36,662	461

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
195,148	23,229	501,052	Cost at 1 January 2022	910,438	20,159	516,454
0	0	0	Foreign currency translation adjustment	(2,093)	(6)	(550)
0	2,018	8,119	Additions from acquisitions	25,608	2,018	8,119
769	3,540	54,451	Additions during the year	102,020	3,651	54,516
(5,359)	0	(137)	Disposals during the year	(3,281)	0	(383)
190,558	28,787	563,485	Cost at 31 December 2022	1,032,692	25,822	578,156
(44,540)	(11,207)	(303,299)	Amortisation and depreciation at 1 January 2022	(219,126)	(9,811)	(317,078)
0	0	0	Foreign currency translation adjustment	845	185	445
(3,799)	(3,036)	(36,596)	Amortisation and depreciation for the year	(18,764)	(2,587)	(36,986)
0	0	72	Disposals during the year	223	0	245
(48,339)	(14,243)	(339,823)	Amortisation and depreciation at 31 December 2022	(236,822)	(12,213)	(353,374)
142,219	14,544	223,662	Carrying amount at 31 December 2022	795,870	13,609	224,782
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	(211,367)	(8,321)	(286,137)
0	0	0	Foreign currency translation adjustment	(17)	(14)	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

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		8,140		
Rørvang 1-9, DK-2620 Albertslund	Central warehouse		29,687		
Herstedvang 9-13, DK-2620 Albertslund	Central warehouse		3,694		
Herstedvang 6, DK-2620 Albertslund	Central warehouse		5,674		
Mossvej 2, DK-8700 Horsens	Central warehouse		19,167		
Administration and central warehouse total			66,362	517,406	322,392
Stores					
Østbanegade 169, DK-2100 Østerbro	Store	1990	478		
Prags Boulevard 53, DK-2300 Amager	Store	1990	923		
Rørvang 1-9, DK-2620 Albertslund	Store	1990	1,907		
Gl. Køge Landevej 362, DK-2650 Hvidovre	Store	1999	619		
Håndværkervænget 18-20, DK-2670 Greve	Store	1995	713		
Englandsvej 360, DK-2770 Kastrup	Store	1996	437		
Kokkedal Industripark 42A, DK-2980 Hørsholm	Store	2014	702		
Industrivej 16, DK-3000 Helsingør	Store	2013	736		
Herredsvejen 12, DK-3400 Hillerød	Store	2013	751		
Centervej 44, DK-3600 Fr.sund	Store	2020	700		
Sandemandsvej 10, DK-3700 Rønne	Store	2003	768		
Industrivej 40B, DK-4000 Roskilde	Store	2017	1,069		
Industriparken 1, DK-4100 Ringsted	Store	2022	864		
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		
Middelfartsvej 8, DK-5000 Odense	Store	2000	1,111		
Ove Gjeddes Vej 18, DK-5220 Odense SØ	Store	2017	800		
Mandal Alle 5, DK-5500 Middelfart	Store	2022	1,343		
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 8, DK-7100 Vejle	Store	2022	1,564		
Ibæk Strandvej 12, DK-7100 Vejle	Store	2014	702		
Søren Frichs Vej 24, DK-8000 Århus	Store	2004	1,089		
Jens Juuls Vej 7, DK-8260 Viby	Store	2014	700		
Lillehøjvej 42, DK-8600 Silkeborg	Store	2018	800		
Allégade 40, DK-8700 Horsens	Store	1990	1,500		
Toldbodgade 24, DK-8930 Randers	Store	2004	1,337		
Brodalsvågen 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			32,523	269,990	121,908
Buildings under construction				8,474	
Land and buildings			98,885	795,870	444,300

NOTES

(All amounts are in DKK thousands)

COMPANY			NOTE:	CONSOLIDATED		
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14 Right-of-use assets and lease liabilities

COMPANY				CONSOLIDATED		
Land and buildings	Fixtures and operating equipment	Total	Right-of-use assets	Land and buildings	Fixtures and operating equipment	Total
157,031	15,931	172,962	Balance at 1 January 2022	53,271	16,820	70,091
0	0	0	Foreign currency translation adjustment	(172)	(67)	(239)
77,757	6,897	84,654	Additions during the year	30,292	6,887	37,179
(3,026)	(714)	(3,740)	Disposals during the year	(3,036)	(714)	(3,750)
2,485	0	2,485	Remeasurement of lease liability	1,505	0	1,505
(43,554)	(7,535)	(51,089)	Amortisation and depreciation for the year	(16,231)	(7,815)	(24,046)
190,693	14,579	205,272	Carrying amount at 31 December 2022	65,629	15,111	80,740

COMPANY				CONSOLIDATED		
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

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022	NOTE:	2022	2021
14 Right-of-use assets and lease liabilities (continued)				
Lease liabilities				
Maturity of lease liabilities				
46,565	77,490	0-1 year	29,278	24,719
119,213	118,190	1-5 years	45,158	43,523
20,416	19,499	>5 years	13,939	9,529
Total un-discounted lease liabilities at 31 December			88,375	77,771
35,746	76,887	Short-term lease liabilities, less than 1 year	28,973	16,627
137,216	133,427	Long-term lease liabilities, more than 1 year	56,836	53,464
Lease liabilities recognised in the balance sheet			85,809	70,091
Amounts recognised in the income statement				
(1,709)	(1,747)	Interest expenses on lease liabilities	(310)	(668)
(593)	(318)	Expenses related to low value leasing arrangements	(318)	(593)
(1,072)	(1,639)	Expenses related to short term leasing arrangements	(1,639)	(1,072)
(64,758)	(51,089)	Depreciation related to right-of-use assets	(24,046)	(25,537)
(68,132)	(54,793)	Total	(26,313)	(27,870)

In relation to leases, including low-value and short-term leasing arrangements, the Group has paid TDKK 22,330 towards leasing contracts in 2022 (2021: TDKK 25,543). Hereof interest payments related to leasing liabilities amount to TDKK 808 (2021: TDKK 668) and instalments on leasing liabilities amount to TDKK 24,169 (2021: 25,537)

NOTES

(All amounts are in DKK thousands)

NOTE:

15 Investments in subsidiaries (Company)

	2022	2021
Cost at 1 January	126,575	151,128
Additions during the year	39,745	26,827
Disposal due to merger	(38,745)	(51,380)
Cost at 31 December	127,575	126,575
Value adjustment at 1 January	203,483	217,395
Disposal due to merger	0	(9,280)
Dividends	(35,250)	(47,008)
Foreign currency translation adjustments	(6,156)	(2,088)
Subsidiaries' results	47,221	44,465
Value adjustment at 31 December	209,297	203,483
Carrying amount at 31 December	336,872	330,058

	2021	2022
Ownership interest	Ownership interest	
100%	100%	
100%	100%	
100%	100%	
100%	100%	
0%	100%	

Name

AO Invest A/S
 AO Sverige AB
 VVSochBAD Sverige AB
 Billig VVS AS
 LampeGuru AS

Registered office

Albertslund
 Sweden
 Sweden
 Norway
 Norway

16 Inventories

COMPANY	
2021	2022
7,061	20,766

Carrying amount of inventories recognised at net selling price

Consolidated	
2022	2021
20,887	7,437

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 customers with large balances .

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

CONSOLIDATED	Loss ratio	2022		Total
		Receivable amount	Expected loss	
Not yet due	1.7%	622,040	(10,718)	611,322
Due within 1-30 days	6.8%	13,787	(935)	12,852
Due within 31-60 days	9.6%	6,250	(603)	5,647
Due in more than 60 days	82.8%	38,568	(31,950)	6,618
Total at 31 December 2022		680,645	(44,206)	636,439

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

COMPANY	Loss ratio	2022		Total
		Receivable amount	Expected loss	
Not yet due	1.8%	601,879	(10,658)	591,221
Due within 1-30 days	7.6%	12,199	(931)	11,268
Due within 31-60 days	9.8%	6,116	(602)	5,514
Due in more than 60 days	85.1%	35,560	(30,258)	5,302
Total at 31 December 2022		655,754	(42,449)	613,305

COMPANY	Loss ratio	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

*Expected losses are shown including VAT.

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

In 2022 an additional bad debt provision of DKK 10 million has been recognised. The provision is related to perceived increased risk on trade receivables as a result of a perceived greater risk of bankruptcies amongst the Groups' customers in the Danish construction business.

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022	NOTE:	2022	2021
17 Trade receivables (continued)				
Provision for losses on receivables:				
		Provision for losses on receivables at 1 January excl. VAT	41,189	30,478
29,637	39,325	Realised loss during the year		
(2,385)	(14,009)	- use of previous provision	(14,547)	(2,468)
12,073	10,899	Adjustment of provisions for losses	10,979	13,179
39,325	36,215	Provision for losses on receivables at 31 December	37,621	41,189
(229)	(120)	Recognised previously written-off receivables	(121)	(229)
284	0	Losses recognised in the year and not previously provided for	0	284
12,128	10,779	Operating effect, net from loss and provision for losses on receivables	10,858	13,234
18 Earnings per share				
253,818	294,469	Net profit or loss for the year		
28,000,000	28,000,000	Average number of shares in circulation		
(823,900)	(823,900)	Average number of own shares		
27,176,100	27,176,100	Average number of shares in circulation The average dilution effect of outstanding share options		
0	15,710	Diluted average number of outstanding share options		
27,176,100	27,191,810	Earnings per share (EPS) of DKK 10.	10.8	9.3
		Diluted earnings per share (EPS-D) of DKK 10	10.8	9.3
19 Corporation tax receivable/payable				
0	0	Corporation tax paid on account during the year	6,130	5,442
0	0	Tax on taxable profit for the year	(7,699)	(7,049)
0	0	Tax payable relating to previous years	(1,932)	(1,574)
0	0	Total corporation tax receivable/payable	(3,501)	(3,181)

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 2022, the equity share of total equity and liabilities amounted to 42.4% (2021: 45.6%). The target is to obtain an equity ratio of a minimum of 40%. The financial gearing as at december 2022 was 1.1 (2021: 0.5). 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:

A-share capital:			
56,440 shares of	DKK	100 each	5,640,000
<hr/>			
B-share capital:			
22,360,000 shares of	DKK	1 each	22,360,000
<hr/>			
Total share capital			28,000,000

Of the Company's share capital of DKK 28,000 DKK 5,640 is in the form of A-shares and DKK 22,360 is in the form of B-shares. Each A-share of DKK 100 carries 1,000 votes whereas each B-share of DKK 1 carries one vote. In addition to the difference in the number of voting rights, the two share classes differ in the following respects:

The A-shares are non-negotiable securities. The B-shares are listed on Nasdaq Copenhagen. The B-share capital has a preferential dividend right of 6%. In case of liquidation, B-shares take precedence over A-shares. As at december 31 2022 there are no outstanding obligations related to preferential dividends to B-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	
	2022	2021	2022	2021	2022	2021
1 January	823,900	823,900	824	824	2.9%	2.9%
Holding at 31 December	823,900	823,900	824	824	2.9%	2.9%

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 2022 amounts to TDKK 147,000 corresponding to DKK 5.25 per share.

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	
2021	2022	NOTE:	2022	2021
		21		
		Deferred tax		
21,339	21,183	Deferred tax at 1 January	52,192	52,578
0	0	Foreign currency translation adjustment	(139)	(25)
419	1,190	Merger / Acquisition of enterprise	3,499	(60)
(572)	7,087	Change in deferred tax for the year	9,421	115
(3)	(397)	Change in deferred tax relating to previous years	(361)	(416)
21,183	29,063	Deferred tax at 31 December	64,612	52,192
		Deferred tax relates to:		
9,381	10,098	Intangible assets	10,129	9,401
18,628	26,177	Property, plant and equipment	61,726	49,804
(6,826)	(5,729)	Receivables	(5,758)	(6,840)
0	(1,483)	Liabilities	(1,485)	29
0	0	Tax deficit	0	(202)
21,183	29,063	Deferred tax at the end of the year	64,612	52,192
		22		
		Other payables		
14,000	18,003	Holiday allowance	19,609	15,452
20,002	19,380	Salary related items	21,705	22,028
3,000	1,500	Acquisition of enterprise and earn-out	1,500	3,000
1,766	2,702	VAT and taxes	8,148	5,263
16,012	25,311	Other payables	26,179	16,573
54,780	66,896		77,141	62,316

NOTES

(All amounts are in DKK thousands)

COMPANY			CONSOLIDATED	
2021	2022	NOTE:	2022	2021
		23 Financing activities		
54,958	95,048	Mortgage loans - floating interest rate - 5 years	444,300	202,307
59,061	53,519	Bank loans - floating short-term interest rate	47,400	59,313
172,962	210,314	Lease liabilities - floating interest rate	85,809	70,091
286,981	358,882		577,509	331,711
		<i>Payables relating to financing activities:</i>		
321,136	286,981	Beginning-of-year	331,711	348,432
(60,112)	(39,860)	Repayment of debt to credit institutions	(85,975)	(50,299)
25,000	45,000	Raising of loans from credit institutions	247,973	25,000
0	29,408	Debt from acquisition	68,083	0
65,715	88,443	Addition, lease liabilities, net	39,886	34,115
(64,758)	(51,090)	Repayment, lease liabilities	(24,169)	(25,537)
286,981	358,882	Year-end	577,509	331,711

According to the leases there are no contingent rents. The contractual cash flows appear from note 27.

NOTES

(All amounts are in DKK thousands)

NOTE:

24 Acquisition of enterprise

On April 1 2022 the Group gained control of EA Værktøj Engros A/S and EA Værktøj Ejendomme A/S by acquiring all the shares in the two companies.

EA Værktøj is a specialist wholesaler within brackets, electrical and handtools, work clothes and PPE. The primary customers of EA are carpenters and woodworkers and the sales are carried out from 7 stores in Jutland, on Funen and Zealand.

The acquisition is in line with the Group's focus on becoming a specialist wholesaler for all tradesmen. Prior to the acquisition, AO primarily served the plumbers and electricians. With the acquisition of EA, the AO Group also serves carpenter and woodworkers as well.

For the financial year 2020/2021 which ended September 30 2021 EA reported a revenue of DKK 280 million. EA Værktøj Engros has been merged into Brødrene A & O Johansen A/S and contributes with TDKK 193,605 and an EBT of TDKK 5,482 to the results of 2022. The result of EA has been negatively affected by costs related to the restructuring and integrating EA Værktøj into the Group.

The fair value of acquired assets, liabilities and contingent liabilities, and acquisition price for EA Værktøj has been calculated and can be specified as follows:

	TDKK
Property, plant and equipment	56,818
Inventories	66,135
Trade receivables	47,315
Other receivables	1,250
Cash	137
Interest-bearing debt including lease liabilities	(94,266)
Trade payables	(31,609)
Provisions	(4,886)
Other payables	(9,315)
Acquired net assets	<u>31,579</u>
Goodwill	87,655
Rights	8,158
Deferred tax liabilities	-992
Price of acquisition	<u>126,400</u>
Acquisitions costs	1,825
Cash paid on acquisition	126,400
Cash acquired	(137)
Net cash effect 2022 from acquisition of EA Værktøj	<u>126,263</u>

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 ware 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. Complet VVS has been merged into the Group parent company Brødrene A & O Johansen A/S and contributes with 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 in 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 determined 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	<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 669,893 (2021: TDKK 508,472) 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 110,777 (2021: TDKK 112,440) 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 -8,933 at 31 December 2022 (2021: TDKK -151).

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 28.

The company manages cash pooling for the Group entities and is jointly and severally liable for this. At 31 December 2022, the cash-pool arrangement amounts to TDKK 34,682 (2021: TDKK 121,256).

NOTES

NOTE:

26 Share based remuneration

In order to motivate and retain members of the Executive Board and other managers in the Group, Brødrene A & O Johansen A has introduced an incentive programme based on the shares of the company. The programme is designed to align the interests of the participants of the share programme with the interests of the shareholders. The intention is to promote long term value creation in the Group.

in 2022 a total of 62,838 Restricted Stock Units (RSUs) have been granted to certain members of the Executive Board as well as other managers.

The RSUs are measured at fair value at the time of the grant using a Black & Scholes model. The fair value is recognised as staff costs and equity on a straight line basis over the vesting period of 36 months. 9 months of the vesting period is included in 2022.

The RSUs can only be settled in shares and no subsequent measurement of the fair value is performed.

Restricted Stock Units						2022
	Outstanding RSUs Jan 1	Released during the year	Granted during the year	Outstanding RSUs Dec 31	Fair value at the time of the grant	Vesting date
Executive Board						
Grant 2022	0	0	44,370	44,370	4,357	March 2025
Executive Board total	0	0	44,370	44,370		
Other employees						
Grant 2022	0	0	18,468	18,468	1,813	March 2025
Other employees total	0	0	18,468	18,468		
Total	0	0	62,838	62,838		

NOTES

(All amounts are in DKK thousands)

NOTE:

27 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 0.4 million at 31 December 2022, and therefore no further information is provided.

The Group had no significant currency risks relating to receivables or payables in foreign currencies at 31 December 2022, and the consolidated results would therefore not be affected to any major extent by changes in exchange rates at 31 December 2022.

The Group has the following currency exposure at 31 December:

Consolidated/Company	2022			2021		
	EUR	OTHER*	TOTAL	EUR	OTHER*	TOTAL
Trade payables	66,278	39,297	105,575	50,154	41,170	91,324
Payables to credit institutions	153,708	25,808	179,516	7,841	(2,747)	5,094
Net exposure	219,986	65,105	285,091	57,995	38,423	96,418
Risk in exchange rate fluctuation	1%	10%		1%	10%	
Estimated	2,200	6,511	8,710	580	3,842	4,422

* 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:

27 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 2022, the Group's interest-bearing debt, determined as payables to credit institutions and lease liabilities less negotiable securities and cash increased by DKK 347.7 million to DKK 542.5 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 5.4 million (2021: approximately DKK 1.9 million).

Liquidity risks

In connection with borrowing, it is the Group's policy to ensure the greatest possible flexibility by spreading the loans on different maturity/renewal dates and on different lenders to ensure the best possible terms. The Group's cash resources comprise cash and short-term deposits, securities and undrawn credit facilities. It is the Group's aim to have sufficient cash resources in order to make appropriate decisions also in connection with unforeseen liquidity fluctuations.

The Group's payables fall due as follows:

CONSOLIDATED	Carrying amount	Contractual cash flows	2022		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	444,300	597,429	33,663	144,279	419,488
Bank loans	47,400	47,400	47,400	0	0
Lease liabilities	85,809	88,375	29,278	45,158	13,939
Trade payables	1,181,319	1,181,319	1,181,319	0	0
31 December	1,758,828	1,914,523	1,291,660	189,437	433,427

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

NOTES

(All amounts are in DKK thousands)

NOTE:

27 Financial risks (continued)

The Company's payables fall due as follows:

COMPANY	Carrying amount	Contractual cash flows	2022		
			Less than 1 year	1 to 5 years	More than 5 years
Mortgage loans	95,048	130,558	7,406	32,051	91,100
Bank loans	53,519	53,519	53,519	0	0
Lease liabilities	210,314	215,179	77,490	118,190	19,499
Trade payables	1,154,025	1,154,025	1,154,025	0	0
Intra-group balances	28,032	28,032	0	28,032	0
31 December	1,540,939	1,581,315	1,292,441	178,274	110,599

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

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 336.0 million (2021: DKK 258.0 million). In the balance sheet the Supply Chain Finance programmes are classified as trade payables.

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

NOTES

(All amounts are in DKK thousands)

NOTE:

27 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 2022 amounts to DKK 577.5 million (2021: DKK 331.7 million) incl. lease liabilities at the end of the year.

The methods and assumptions applied in determining fair values of financial instruments are presented below for each class of financial instrument. The methods used have not been changed compared to last year.

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

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

Trade receivables, cash and short-term deposits, and trade payables are subject to a short credit period and are considered to have a fair value that corresponds to the carrying amount. No further fair value information for financial assets is given when the carrying amount is assumed to be a proper measure of the fair value of the assets.

NOTES

(All amounts are in DKK thousands)

NOTE:

28 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	
2021	2022		2022	2021
121,449	125,744	Sale of goods	0	0
42,703	44,623	Rental expenses	0	0
5,001	3,728	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 notes 9 and 10.

The Company has entered into building leases with AO Invest A/S, cf. note 14.

As the Company is jointly taxed with other Danish group entities, it is liable to pay taxes of TDKK -1,360 (2021: TDKK -2,662).

29 Subsequent events

No events have occurred after 31 December 2022 that are considered to have a material effect on the annual report for 2022.

30 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 2022:

- ▶ IFRS 17 Insurance Contracts
- ▶ IFRS 17 Insurance Contracts - Amendments to IFRS 17: Initial Application and IFRS 17 and IFRS 9 Financial Instruments - Comparative Information
- ▶ IAS 1 Presentation of Financial Statements - Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Deferral of Effective Date)
- ▶ IAS 12 Income Taxes - Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- ▶ IAS 1 Presentation of Financial Statements - Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- ▶ 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
- ▶ Annual Improvements to IFRSs 2018-2020 Cycle.

NOTES

(All amounts are in DKK thousands)

NOTE:

30 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

Rørvang 3
DK-2620 Albertslund

Phone: +45 70 28 00 00

Website: www.ao.dk

CVR number: 58 21 06 17

LEI code: 5299004B6ZEGVCR9ZR75

ID code: DK0060803831

Founded: 1914

Registered office: Albertslund

Board of Directors

Henning Dyremose, Chairman

Michael Kjær, Deputy Chairman

René Alberg

Erik Holm

Leif Hummel

Marlene L. Jakobsen

Niels A. Johansen

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

Revisionspartnerselskab

Annual General Meeting

The Annual General Meeting will be held on 16 March 2023.

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 of Directors since 2007.
- Member of the Board of Directors since 1997.
- Chairman of the Audit Committee at Brødrene A & O Johansen A/S.
- Elected by class A shareholders.
- Henning Dyremose has been a member of the Board of Directors for more than 12 years, and therefore he cannot be identified as independent of special interests according to the 'Danish 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.

Managerial 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, Kjær 11-11-11 ApS, Paul Kjær Invest ApS.
- Born in 1956.
- Nationality: Danish.
- Deputy Chairman of the Board of Directors since 2007.
- Member of the Board of Directors since 2002.
- Member of the Audit Committee at Brødrene A & O Johansen A/S.
- Elected by class A shareholders.
- Michael Kjær has been a Member of the Board for more than 12 years, and therefore he cannot be identified as independent of special interests according to the 'Danish 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.

Managerial 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,
On The Spot A/S,
PR Trading A/S,
UVC Care 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,
Futurum ApS,
Dansk Erhverv (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 of Directors.
- Member of the Board of Directors since 2006.
- Re-elected in 2022, term of office expires in 2026.

• Erik Holm

- Manager of Erik Holm Holding ApS, JU-CH Holding ApS.
- Born in 1960.
- Nationality: Danish.
- Member of the Board of Directors since 2009.
- Member of the Audit Committee at Brødrene A & O Johansen A/S.
- Elected by class A shareholders.
- Erik Holm has been a Member of the Board for more than 12 years, and therefore he cannot be identified as independent of special interests according to the 'Danish 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:**
Norr11 Holding ApS,
Norr11 International ApS,
Hotel Koldingfjord A/S,
ScanCom International A/S.
- **Deputy Chairman of the Board at:**
SP Group A/S,
Arvid Nilssons Fond.
- **Member of the Board at:**
AO Invest A/S,
Miluda Invest ApS,
Dragsholm Slot P/S,
Hotelselskabet af 8. februar 2018 K/S.

• **Leif Hummel**

- Warehouse Operations Manager.
- Born in 1963.
- Nationality: Danish.
- Staff-elected member of the Board of Directors.
- Member of the Board of Directors since 2022. Previously a member of the Board of Directors between 2014 and 2018.
- Re-elected in 2022, term of office expires in 2026.

• **Marlene Lindbjerg Jakobsen**

- Store Manager.
- Born in 1983.
- Nationality: Danish.
- Staff-elected member of the Board of Directors.
- Member of the Board of Directors since 2022.
- Elected in 2022, term of office expires in 2026.

• **Niels Axel Johansen**

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

Managerial posts

- **Chairman of the Board at:**
Avenir Invest ApS.
- Niels A. Johansen is also the CEO and member of the Board of Directors of a consolidated company and the Chairman of the Board of three consolidated companies:

This picture shows the installer of the future working hard on the green transition. It has been created using artificial intelligence and is offered by AI engine Midjourney. At AO, we usually say we don't know what the future will bring, but we do know what we're bringing to the future! Artificial intelligence has now eliminated some of that uncertainty.



the future

