
Interim Financial Report for the Period 1 January – 30 September 2020



Brødrene A & O Johansen A/S

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Today the Board of Directors has approved the Group's interim financial report for the period 1 January – 30 September 2020.

Highlights for the third quarter and first nine months of 2020

- Consolidated revenue for the third quarter of 2020 was DKK 979.7 million, which is DKK 102.3 million, or nearly 12%, more than for the third quarter of 2019. The third quarter of 2020 had the same number of working days as the year-earlier period. Consolidated revenue for the first nine months of 2020 was DKK 2,952.3 million, which is DKK 356.8 million, or nearly 14%, more than for the same period last year. The gross profit margin for the third quarter is at the same level as in 2019, whereas it declined by 0.8 percentage point in the first three quarters due to increased project sales, more prudent recognition of supplier bonuses from international purchasing organisations and inventory write-downs.
- Operating profit (EBIT) for the third quarter of 2020 was DKK 49.8 million, corresponding to a profit margin of 5.1%, against DKK 40.6 million and 4.6% for the third quarter of 2019. Operating profit (EBIT) for the first nine months of 2020 was DKK 155.9 million, corresponding to a profit margin of 5.3%, against DKK 124.2 million and 4.8% for the first nine months of 2019. The increase in the profit margin is a result of the fact that the profit impact from revenue growth exceeds the increase in the cost base.
- Profit before tax for the third quarter of 2020 was DKK 50.2 million, which is DKK 11.2 million more than in the third quarter of last year. Profit before tax for the first nine months of 2020 amounted to DKK 154.3 million, which is DKK 35.0 million more than last year.
- As at 30 September 2020, the Group's total assets amounted to DKK 2,334.1 million, which is DKK 54.5 million more than at the same time in 2019. The increase is mainly due to a rise in trade receivables of DKK 58.4 million, increased goodwill of DKK 13.6 million, and an increase in cash of DKK 11.8 million, offset by a lower value of non-current assets amounting to DKK 35.2 million.
- As at 30 September 2020, the Group's equity was DKK 973.3 million, which is DKK 141.7 million more than at the same time in 2019. The solvency ratio is 41.7% against 36.5% at 30 September 2019.
- Cash flow from operating activities totalled DKK 56.3 million for the third quarter of 2020 and DKK 204.3 million for the first nine months of 2020, which is DKK 149.8 million and DKK 212.2 million more than for the same periods last year, mainly due to earnings growth and timing differences of trade payables. Investments for the third quarter of 2020 totalled DKK 12.0 million and DKK 44.0 million for the first nine months of 2020, compared with DKK 5.9 million and DKK 29.2 million in 2019.
- The Group's financial leverage, measured as the ratio between the interest-bearing debt and the EBITDA of the last 12 months, was 1.3 as at 30 September 2020, against 2.8 at the same time last year and 1.8 as at 31 December 2019.

Other highlights for the first nine months of 2020:

- During the partial lockdown of Danish society following the COVID-19 outbreak in the spring and late summer customers demanded increased flexibility when choosing sales platforms and trading methods. As an omnichannel company AO was able to provide this service. Existing options will be upgraded where relevant. As at 30 September 2020, the new concept, AO365, was implemented in 20% of AO's stores. With AO365, customers have full self-service access to AO's physical stores, including inventories, 24 hours a day. The concept is expected to be fully implemented at the end of 2021.
- On 20 March 2020, the Annual General Meeting approved the recommended consolidated and parent company financial statements as well as the allocation of profits, including a dividend payment of DKK 6 per preference share of DKK 10. All shareholder-elected Board members were re-elected. Afterwards the Board of Directors constituted itself with Henning Dyremose as Chairman and Michael Kjær as Deputy Chairman. The Board of Directors was authorised to acquire own preference shares equivalent to a total of 10% of the Company's share capital.
- A decision has been made to expand the capacity of the central warehouse in Albertslund. The expansion is expected to be completed in the first half of 2022 and to amount to approximately DKK 200 million, and therefore an increased investment program is required in 2021 and 2022.

Expectations for the year

Revenue and earnings for the third quarter and October were better than anticipated, so AO increases its pre-tax profit expectations for the year from DKK 185-200 million as announced in Company Announcement No. 7-2020 of 6 August 2020 to DKK 210-220 million.

Albertslund, 13 November 2020

Niels A. Johansen
CEO

Per Toelstang
CFO

Financial and operating data for the AO Group

(DKKm)

Key figures

	Q1-3 2020	Q1-3 2019	Q3 2020	Q3 2019	Full Year 2019
Consolidated revenue	2,952.3	2,595.5	979.7	877.4	3,582.7
Gross margin	660.4	603.3	218.6	195.7	830.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	234.6	203.2	75.1	66.2	281.6
Profit or loss before financial income and expenses (EBIT)	155.9	124.2	49.8	40.6	175.9
Financial income and expenses, net	(1.6)	(4.8)	0.4	(1.5)	(6.4)
Profit or loss before tax (EBT)	154.3	119.3	50.2	39.0	168.4
Tax on profit or loss for the period	(33.4)	(25.8)	(10.8)	(8.3)	(37.4)
Net profit or loss for the period	120.9	93.5	39.4	30.7	131.0

Non-current assets	1,320.1	1,343.2	1,320.1	1,343.2	1,349.2
Current assets	1,014.0	936.4	1,014.0	936.4	957.5
Total assets	2,334.1	2,279.6	2,334.1	2,279.6	2,306.7
Share capital	28.0	28.0	28.0	28.0	28.0
Equity	973.3	831.6	973.3	831.6	870.3
Non-current liabilities	337.1	335.1	337.1	335.1	337.4
Current liabilities	1,023.7	1,112.8	1,023.7	1,112.8	1,099.0

Cash flow from operating activities	204.3	(7.9)	53.3	(93.5)	302.7
Cash flow from investing activities	(44.0)	(29.2)	(12.0)	(5.9)	(52.7)
Of which investments in property, plant and equipment, net	(22.0)	(18.0)	(7.4)	(1.8)	(26.1)
Cash flow from financing activities	(226.0)	23.3	(43.9)	99.5	(186.2)
Cash flow for the period	(65.8)	(13.9)	0.4	(0.0)	63.8

Financial ratios*

Gross profit margin	22.4%	23.2%	22.3%	22.3%	23.2%
Profit margin	5.3%	4.8%	5.1%	4.6%	4.9%
Return on capital employed**	6.7%	5.6%	2.2%	1.8%	7.9%
Return on equity**	13.1%	11.8%	4.1%	3.8%	16.1%
Solvency ratio	41.7%	36.5%	41.7%	36.5%	37.7%

Book value	348	297	348	297	311
Share price at the end of the period	566	310	566	310	348
Earnings per share (EPS Basic), DKK***	44	34	15	11	48
Diluted earnings per share (EPS-D), DKK***	44	34	15	11	48

Average number of employees****	736	735	740	733	734
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* Other financial ratios have been calculated in accordance with CFA Society Denmark's "Recommendations and Financial Ratios".

** Not translated into full-year figures.

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

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

Management's review

The consolidated financial statements include the financial statements of Brødrene A & O Johansen A/S and the wholly owned subsidiaries AO Invest A/S, Billig VVS AS (Norway), VVSochBad Sverige AB, AO Sverige AB, Vaga Tehnika Eesti OÜ (Estonia) and LampeGuru ApS. Greenline A/S was merged into Brødrene A & O Johansen A/S effective as of 1 January 2020.

The Group's financial development

Consolidated revenue for the third quarter of 2020 totalled DKK 979.7 million, which is DKK 102.3 million, or nearly 12%, more than for the same quarter of 2019. Consolidated revenue for the first nine months of 2020 totalled DKK 2,952.3 million against DKK 2,595.5 million for the same period in 2019, corresponding to a growth of nearly 14%.

In the third quarter and first nine months of 2020, there was growth in the professional market and the private online market, both in Denmark and abroad. Both the Technical Installation and Construction segments contributed to the growth. International revenue still accounts for less than 10% of total revenue.

Gross margin for the third quarter of 2020 amounted to DKK 218.6 million, corresponding to a gross profit margin of 22.3%, compared with DKK 195.7 million and the same gross profit margin in the equivalent quarter of last year. Gross margin and gross profit margin for the first nine months of 2020 totalled 660.4 million and 22.4% respectively, compared with DKK 603.3 million and 23.2% for the same period of 2019. Distribution costs for the third quarter and first nine months of 2020 constituted 3.8% of revenue, and it is practically unchanged from the same periods last year.

The gross profit margin for the third quarter is unchanged compared with the same quarter last year, whereas it declined by 0.8 percentage point in the first nine months compared with the same period of 2019. The decline is attributable to increased project sales, inventory write-downs, and a more prudent recognition of supplier contributions from international purchasing organisations.

Total operating expenses for the third quarter of 2020, including depreciation and amortisation, amounted to DKK 168.8 million, which is DKK 13.6 million more than for the same period last year. DKK 4.0 million of this increase is attributable to a general provision for bad debts caused by COVID-19, whereas the rest is primarily attributable to additional expenses for digital marketing, additional expenses for IT, and expenses related to the acquired business of LampeGuru. Total operating expenses for the first nine months of 2020, including depreciation and amortisation, totalled DKK 504.5 million, which is 5.3% more than for the same period in 2019.

In the third quarter of 2020, external expenses totalled DKK 50.3 million, which is DKK 11.7 million more than in the third quarter of last year. External expenses for the first nine months of 2020 amounted to DKK 138.1 million, which is DKK 19.2 million more than last year. DKK 8.0 million of this increase is attributable to a general provision for bad debts caused by COVID-19, whereas the rest is primarily attributable to additional expenses for digital marketing, additional expenses for IT, and expenses related to the acquired business of LampeGuru.

In the third quarter of 2020, staff costs of DKK 93.2 million increased by DKK 2.3 million, or 2.5%, compared with the same period last year. The increase is, among other things, attributable to the acquired business of LampeGuru. In the first nine months of 2020, staff costs of DKK 287.7 million increased by DKK 6.6 million, or 2.3%, compared with the same period last year. In the first nine months of 2020, the average number of employees was 736 against 735 in the same period last year.

Depreciation and amortisation totalled DKK 25.3 million in the third quarter of 2020 and DKK 78.7 million in the first nine months of 2020. These figures are practically unchanged from the same periods last year.

Operating profit (EBIT) for the third quarter of 2020 was DKK 49.8 million, which is 5.1% of revenue. Compared to the same period last year, EBIT is DKK 9.3 million higher, and the profit margin is up by 0.5 percentage point due to the fact that the profit impact from revenue growth exceeds the increase in the cost base. EBIT for the first nine months of 2020 was DKK 155.9 million, corresponding to 5.3% of revenue. Compared to the same period last year, EBIT is DKK 31.7 million higher, and the profit margin is up by 0.5 percentage point. The increase in EBIT is mainly attributable to the effect of revenue growth, partially offset by a declining gross profit margin and supported by an increase in total operating expenses.

Financial income and expenses, net, for the third quarter of 2020 were positive at DKK 0.4 million, which is DKK 1.9 million higher than in the same quarter of 2019. The income is attributable to positive currency translation adjustments, primarily SEK and NOK. Financial income and expenses, net, for the first nine months of 2020 were negative at DKK 1.6 million, which is DKK 3.2 million less than for the first nine months of 2019. The difference is partly attributable to lower interest expenses due to lower debt to credit institutions, partly to positive currency translation adjustments.

For the third quarter of 2020, the Group recorded a pre-tax profit of DKK 50.2 million against DKK 39.0 million reported for the same period last year. For the first nine months of 2020, the Group recorded a pre-tax profit of DKK 154.3 million, which is DKK 35.0 million, or nearly 30%, higher than in the first nine months of 2020.

Tax is in accordance with applicable tax rates in the areas where the Group is operating, equalling an average tax rate of approximately 22%.

A post-tax profit of DKK 39.4 million was recorded for the third quarter of 2020 against DKK 30.7 million for the third quarter of 2019. A post-tax profit of DKK 120.9 million was recorded for the first nine months of 2020, compared with DKK 93.5 million for the same period last year.

As at 30 September 2020, the Group's total assets amounted to DKK 2,334.1 million, which is DKK 54.5 million, or approximately 2%, more than at the same time last year.

Non-current assets of DKK 1,320.1 million are DKK 23.1 million, net, lower than at the same time last year. The deviation is attributable to lower book value of right-of-use assets and fixtures and operating equipment as a result of investments being lower than depreciation.

As at 30 September 2020, current assets totalled DKK 1,014.0 million, or DKK 77.6 million more compared with the same period last year. Inventories increased by DKK 5.5 million to DKK 473.4 million, whereas trade receivables went up by DKK 58.4 million to DKK 503.4 million due to higher revenue in August and September 2020, when compared to the same months last year.

Cash and short-term deposits of DKK 14.6 million are DKK 11.8 million higher than at 30 September 2019.

At 30 September 2019, equity amounted to DKK 973.3 million, corresponding to a solvency ratio of 41.7%, and is DKK 141.7 million higher than at the same time last year driven by the period's earnings after tax minus dividend payments of DKK 16.3 million.

The Group's payables to credit institutions amounted to DKK 311.0 million at 30 September 2020 and are DKK 393.2 million lower than at 30 September 2019 due to cash flow from operations in the fourth quarter of 2019 and the first three quarters of 2020

As at 30 September 2020, trade payables amounted to DKK 757.9 million and are DKK 261.4 million higher than at the same time last year due to increased activity and timing differences in payments to suppliers.

Other payables of DKK 103.7 million are DKK 20.6 million higher than at the same time last year.

Cash flow from operating activities before working capital changes for the third quarter of 2020 was DKK 75.4 million, which is DKK 9.8 million more than for the same period last year. The increased revenue has a negative effect on the development of inventories and receivables of DKK 53.9 million, which is DKK 9.3 million more than in the same period last year. Timing differences in payments to suppliers at the end of the third quarter of 2020 resulted in an increase in trade payables of DKK 35.5 million in the third quarter, which is DKK 148.2 million more than in the same period last year. In the third quarter of 2020, working capital increased by DKK 18.4 million, compared with an increase of DKK 157.2 million for the same quarter last year. In the third quarter of 2020, cash flow from operating activities was positive at DKK 56.3 million against a negative of DKK 93.5 million for the third quarter of last year.

Cash flow from operating activities for the first nine months of 2020 was positive at DKK 204.3 million against a negative of DKK 7.9 million for the same period last year. The improvement is attributable to an increase in cash flow from operating activities before working capital of DKK 32.8 million and a more favourable development in working capital of DKK 180.0 million, which essentially is attributable to timing differences in supplier payments.

Net investments for the third quarter of 2020 totalled DKK 12.0 million against DKK 5.9 million in the third quarter last year. Net investments for the first nine months of 2020 amounted to DKK 44.0 million against DKK 29.2 million in the same period last year. A decision has been made to expand the capacity of the central warehouse in Albertslund. The expansion is expected to be completed in the first half of 2022 and to amount to approximately DKK 200 million, and therefore an increased investment program is required in 2021 and 2022.

In the nine months ended 30 September 2020, the Group's total payables to credit institutions decreased by net DKK 393.2 million to DKK 311.0 million. A cash pool agreement has been entered into, meaning that cash and short-term deposits are offset against payables to credit institutions on calculation of interest.

Significant risks

As mentioned in the annual report for 2019, under the paragraph "Internal controls and risk management", the Company assesses on an ongoing basis the most significant risks in connection with the Company's activities. In addition to the risks mentioned in the annual report, the Group is sensitive to the overall development in Danish and Swedish economy as well as business trends in the building industries of these countries.

Incentive programme and treasury shares

An incentive programme may be prepared in accordance with the remuneration policy approved by the Annual General Meeting on 20 March 2020. The remuneration policy is available in full on the Company's website www.ao.dk.

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

On 30 September 2020, the Company held a total of 82,390 treasury shares.

Outlook

Revenue and earnings for the third quarter and October were better than anticipated, so AO increases its pre-tax profit expectations for the year from DKK 185-200 million as announced in Company Announcement No. 7-2020 of 6 August 2020 to DKK 210-220 million.

Events after the end of the interim period

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

Additional information

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

Company announcements in 2020

Announcement no. 1	Major shareholder announcement – Nordea Funds Ltd.	20 February 2020
Announcement no. 2	Annual report 2019	21 February 2020
Announcement no. 3	Notice convening the Annual General Meeting of Brødrene A & O Johansen A/S	21 February 2020
Announcement no. 4	Result of the Annual General Meeting of Brødrene A & O Johansen A/S	20 March 2020
Announcement no. 5	Articles of Association	20 March 2020
Announcement no. 6	Interim financial report for the first quarter of 2020	27 May 2020
Announcement no. 7	Upward adjustment of expectations for 2020	6 August 2020
Announcement no. 8	Interim financial report for the first half of 2020	27 August 2020
Announcement no. 9	Notification of transactions of persons discharging managerial responsibilities	31 August 2020

Management's statement

Today the Board of Directors and the Executive Board have discussed and approved the interim financial report of Brødrene A & O Johansen A/S for the period 1 January - 30 September 2020.

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

In our opinion the interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 September 2020 and of the results of the Group's operations and cash flows for the period 1 January – 30 September 2020.

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

Albertslund, 13 November 2020

Executive Board

Niels A. Johansen
CEO

Per Toelstang
CFO

Stefan Funch Jensen
CDO

Lili Johansen
CHRO

Gitte Lindeskov
CIO

Board of Directors

Henning Dyremose
Chairman of the Board

Michael Kjær
Deputy Chairman

René Alberg

Erik Holm

Carsten Jensen

Niels A. Johansen

Jonas Kvist

Preben Damgaard Nielsen

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Income statement and statement of comprehensive income

(All amounts are in DKK thousands)	Note:	Q1-3 2020	Q1-3 2019	Q3 2020	Q3 2019	Full Year 2019
Revenue	3	2,952,325	2,595,488	979,724	877,399	3,582,683
Cost of sales		(2,178,988)	(1,893,329)	(723,885)	(647,083)	(2,618,056)
Distribution costs		(113,099)	(99,281)	(37,330)	(34,681)	(134,522)
Gross profit		660,238	602,878	218,509	195,635	830,105
Other operating income		211	400	68	70	472
Gross margin		660,449	603,278	218,577	195,705	830,577
External expenses		(138,068)	(118,903)	(50,279)	(38,542)	(165,382)
Staff costs		(287,737)	(281,180)	(93,228)	(90,936)	(383,569)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		234,644	203,195	75,070	66,227	281,626
Depreciation and amortisation		(78,711)	(79,043)	(25,255)	(25,672)	(105,761)
Operating profit or loss (EBIT)		155,933	124,153	49,815	40,555	175,866
Write-down of financial assets		-	-	-	-	(1,000)
Financial income		2,835	1,214	1,841	337	2,366
Financial expenses		(4,430)	(6,046)	(1,433)	(1,870)	(8,794)
Profit or loss before tax (EBT)		154,338	119,321	50,223	39,023	168,437
Tax on profit or loss for the period		(33,438)	(25,800)	(10,799)	(8,312)	(37,437)
Net profit or loss for the period		120,900	93,521	39,424	30,710	131,001
Other comprehensive income						
Items reclassified to the income statement						
Foreign currency translation adjustment relating to foreign entities		(1,573)	(2,278)	(764)	(808)	(1,092)
Tax on other comprehensive income		-	-	-	-	-
Other comprehensive income after tax		(1,573)	(2,278)	(764)	(808)	(1,092)
Total comprehensive income		119,327	91,243	38,660	29,902	129,909
Earnings per share						
Earnings per share (EPS)		44	34	15	11	48
Diluted earnings per share (EPS-D)		44	34	15	11	48

Balance sheet

(All amounts are in DKK thousands)

ASSETS	Note:	2020.09.30	2019.09.30	2019.12.31
Non-current assets				
Intangible assets				
Goodwill	4	384,932	371,334	384,932
Intellectual property rights		46,788	47,382	49,287
Software		34,832	34,708	35,566
		466,552	453,425	469,785
Property, plant and equipment				
Land and buildings		648,395	649,928	649,324
Leasehold improvements		661	3,879	697
Fixtures and operating equipment		139,852	159,051	157,526
Right-of-use assets		64,649	75,902	71,884
		853,557	888,760	879,431
Other non-current assets				
Other Investments		-	1,000	-
		-	1,000	-
Total non-current assets		1,320,109	1,343,184	1,349,216
Current assets				
Inventories	5	473,444	467,942	458,969
Trade receivables	6	503,502	445,063	395,112
Other receivables		9,966	8,699	8,959
Prepayments and accrued income		12,501	11,921	14,015
Cash and short-term deposits		14,622	2,782	80,407
Total current assets		1,014,035	936,406	957,462
Total assets		2,334,144	2,279,590	2,306,678

Balance sheet

(All amounts are in DKK thousands)

EQUITY AND LIABILITIES

Note:	2020.09.30	2019.09.30	2019.12.31
Equity			
Share capital	28,000	28,000	28,000
Reserve for foreign currency translation adjustments	(4,072)	(3,685)	(2,499)
Retained earnings	949,395	807,322	828,001
Proposed dividend for the financial year	-	-	16,800
Total equity	973,323	831,636	870,302
Non-current liabilities			
Deferred tax	58,681	60,413	58,497
Credit institutions	201,979	218,581	215,355
Lease liabilities	43,432	53,561	49,088
Frozen holiday pay	29,985	2,573	9,923
Other non-current liabilities	3,000	-	4,500
Total non-current liabilities	337,077	335,128	337,362
Current liabilities			
Credit institutions	109,058	485,613	287,107
Lease liabilities	21,218	22,342	22,796
Trade payables	757,873	496,468	704,652
Corporation tax	1,927	23,662	8,393
Amounts owed to subsidiaries	28,387	-	-
Other payables	103,665	83,100	74,249
Provisions for liabilities	1,616	1,641	1,816
Total current liabilities	1,023,744	1,112,826	1,099,014
Total liabilities	1,360,821	1,447,954	1,436,376
Total equity and liabilities	2,334,144	2,279,590	2,306,678

Cash flow statement

(All amounts are in DKK thousands)

	Q1-3 2020	Q1-3 2019	Q3 2020	Q3 2019	Full year 2019
Operating profit or loss	155,933	124,153	49,815	40,555	175,866
Depreciation and amortisation	78,711	79,043	25,255	25,672	105,761
Other non-cash operating items, net	(304)	(1,678)	366	(622)	(501)
Cash flow from operations before change in working capital	234,340	201,517	75,436	65,605	281,126
Change in inventories	(14,475)	(32,578)	(11,047)	(9,072)	(18,962)
Change in receivables	(107,884)	(73,861)	(42,808)	(35,478)	(26,690)
Change in trade payable and other current payables	105,500	(90,439)	35,491	(112,666)	110,763
Total change in working capital	(16,859)	(196,878)	(18,366)	(157,216)	65,112
Cash flow from operations	217,481	4,639	57,070	(91,611)	346,237
Net financials paid	(1,596)	(4,403)	408	(1,390)	(5,508)
Corporation tax paid	(11,598)	(8,182)	(1,194)	(538)	(37,980)
Cash flow from operating activities	204,287	(7,946)	56,284	(93,539)	302,750
Purchase of intangible assets	(16,512)	(11,175)	(4,553)	(4,194)	(18,356)
Purchase of property, plant and equipment, net	(22,025)	(18,032)	(7,421)	(1,755)	(26,126)
Acquisition of enterprise	(5,500)	-	-	-	(8,254)
Cash flow from investing activities	(44,037)	(29,207)	(11,974)	(5,949)	(52,736)
Change in payables to credit institutions	(191,425)	(69,944)	(37,824)	(23,249)	(171,195)
Raising of loans from credit institutions	-	127,671	-	128,785	25,000
Repayment of lease liabilities	(18,304)	(18,120)	(6,061)	(6,064)	(23,738)
Dividends paid	(16,306)	(16,306)	-	-	(16,306)
Cash flow from financing activities	(226,035)	23,301	(43,885)	99,472	(186,239)
Cash flow for the period	(65,785)	(13,852)	425	(16)	63,774
Cash and short-term deposits at beginning of period	80,407	16,633	14,197	2,798	16,633
Cash and short-terms deposits at end of period	14,622	2,781	14,622	2,782	80,407

Statement of changes in equity

(All amounts are in DKK thousands)

	Share Capital	Foreign currency translation adjustment	Proposed dividend for the financial year	Retained earnings	Total equity
Equity at 1 January 2020	28,000	(2,499)	16,800	828,001	870,302
Net profit or loss for the period	-	-	-	120,900	120,900
Foreign currency translation adjustment	-	(1,573)	-	-	(1,573)
Total comprehensive income	-	(1,573)	-	120,900	119,327
Dividend distribution	-	-	(16,306)	-	(16,306)
Dividend, own shares	-	-	(494)	494	-
Total transactions with owners	-	-	(16,800)	494	(16,306)
Equity at 30 September 2020	28,000	(4,072)	-	949,395	973,323
Equity at 1 January 2019	28,000	(1,407)	16,800	713,306	756,699
Net profit or loss for the period	-	-	-	93,521	93,521
Foreign currency translation adjustment	-	(2,278)	-	-	(2,278)
Total comprehensive income	-	(2,278)	-	93,521	91,243
Dividend distribution	-	-	(16,306)	-	(16,306)
Dividend, own shares	-	-	(494)	494	-
Total transactions with owners	-	-	(16,800)	494	(16,306)
Equity at 30 September 2019	28,000	(3,685)	-	807,322	831,636
Equity at 1 January 2019	28,000	(1,407)	16,800	713,306	756,699
Net profit or loss for the year	-	-	16,800	114,201	131,001
Foreign currency translation adjustment	-	(1,092)	-	-	(1,092)
Total comprehensive income	-	(1,092)	16,800	114,201	129,909
Dividend distribution	-	-	(16,306)	-	(16,306)
Dividend, own shares	-	-	(494)	494	-
Total transactions with owners	-	-	(16,800)	494	(16,306)
Equity at 31 December 2019	28,000	(2,499)	16,800	828,001	870,302

Notes

1 Accounting policies

The interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

The accounting policies are unchanged from the accounting policies applied in the consolidated and parent company financial statements for 2019, to which reference is made. The consolidated and parent company financial statements for 2019 contain a full description of the accounting policies.

2 Accounting estimates and judgements

Estimation uncertainty

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

The most significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements and parent company financial statements for 2019. For a more detailed description of the estimation uncertainty, reference is made to the consolidated and parent company financial statements for 2019.

3 Segment information

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

According to IFRS 15, revenue for the third quarter of 2020 is categorised into Technical Installation totalling DKK 694.5 million (2019: DKK 623.6 million) and Construction totalling DKK 285.2 million (2019: DKK 253.8 million).

According to IFRS 15, revenue for the first nine months of 2020 is categorised into Technical Installation totalling DKK 2,110.5 million (2019: DKK 1,856.2 million) and Construction totalling DKK 841.8 million (2019: DKK 739.3 million).

The Group operates primarily in Denmark, and less than 10% of its revenue relates to foreign countries. This was also the case in the first nine months of 2019.

The Group has not traded with any individual customer representing more than 10% of the Group's total revenue. This was also the case in the first nine months of 2019.

In the first nine months of 2020, revenue from the private market segment totals DKK 397.6 million or 13.5% of total sales against DKK 305.6 million or approximately 12% in the first nine months of 2019.

4 Goodwill and intangible assets

The annual impairment test of intangible assets, including goodwill and intellectual property rights, is performed at 31 December 2020, after the completion of budgets and strategy plans for the coming period.

At 30 September 2020, management is of the opinion that there has been no indication of impairment of the carrying amount of goodwill and intellectual property rights, and therefore no impairment test of goodwill and intellectual property rights has been performed at 30 September 2020. For a more detailed description, reference is made to the consolidated and parent company financial statements for 2019.

5 Inventories

In order to meet the assessed higher risk associated with COVID-19, an inventory write-down of DKK 2.0 million was recorded for the third quarter of 2020. As at 30 September, this reserve amounts to DKK 7.5 million.

6 Trade receivables

An estimate is used to assess the recoverability of receivables according to the same principles as applied in the financial statements for 2019.

As a result of the COVID-19 outbreak and the subsequent reduction in business activity in many industries and sectors, additional provisions of DKK 4.0 million have been made in the third quarter of 2020 in order to meet the assessed higher risk associated with bad debts. As at 30 September, these provisions total DKK 8.0 million, corresponding to approximately 2% of the total debtor mass.