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F. Junckers Industrier A/S

Værftsvej 4
4600 Køge
Central Business Registration No 66920216

Annual report 2017

The Annual General Meeting adopted the annual report on 21.03.2018

Chairman of the General Meeting

Name: Carsten Ivan Chabert

Contents

Entity details

Entity
F. Junckers Industrier A/S
Værftsvej 4
4600 Køge

Central Business Registration No: 66920216
Registered in: Køge
Financial year: 01.01.2017 - 31.12.2017

Board of Directors
Holger Carsten Hansen, Chairman
Asbjørn Berge, Vice Chairman
Jakob Wulff Moeskjær
Katja Hansen, employee representative
Michael Lund Thrane, employee representative

Executive Board
Carsten Ivan Chabert

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of F. Junckers Industrier A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Køge, 21.03.2018

Executive Board

Carsten Ivan Chabert

Board of Directors

Holger Carsten Hansen Chairman	Asbjørn Berge Vice Chairman	Jakob Wulff Moeskjær
Katja Hansen employee representative	Michael Lund Thrane employee representative	

Independent auditor's report

To the shareholder of F. Junckers Industrier A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of F. Junckers Industrier A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

As part of an audit conducted 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 consolidated financial statements and the parent 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 Entity'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 in preparing the consolidated financial statements and the parent financial statements, 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 Entity'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 consolidated financial statements and the parent 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 and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Independent auditor's report

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.

Statement on the management commentary
Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 21.03.2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

Nikolaj Thomsen
State Authorised Public Accountant
Identification number (MNE) mne33276

Management commentary

	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000	2013 DKK'000
Financial highlights					
Key figures					
Revenue	416.861	433.281	434.785	410.402	425.305
Gross profit/loss	137.678	131.828	131.272	98.082	98.524
Operating profit/loss	27.175	22.447	13.023	(21.773)	(18.605)
Net financials	(5.580)	3.554	(12.613)	(8.886)	(5.314)
Profit/loss for the year	22.285	25.255	414	(31.732)	(26.951)
Total assets	414.309	390.337	360.095	363.369	390.303
Investments in property, plant and equipment	19.444	15.083	20.026	6.327	9.773
Equity incl minority interests	166.451	144.649	121.875	118.280	106.925
Employees in average	335	327	318	332	351
Ratios					
Gross margin (%)	33,0	30,4	30,2	23,9	23,2
Net margin (%)	5,3	5,8	0,1	(7,7)	(6,3)
Return on equity (%)	14,3	19,0	0,3	(28,2)	(22,3)
Equity ratio (%)	40,2	37,1	33,8	32,6	27,4
Profit margin (%)	6,6	5,8	3,6	(6,0)	(4,8)
Liquidity ratio (%)	159,2	116,9	103,6	103,1	102,3

Investments in property, plant and equipment include financial leasing which in 2017 amounts to DKK 2,854 thousand.

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	**Calculation formula**	**Ratios**
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests x 100}}{\text{Total assets}}$	The financial strength of the entity.
Profit margin (%)	$\frac{\text{Operating profit/loss x 100}}{\text{Total assets}}$	The entity's earnings ablility
Liquidity ratio (%)	$\frac{\text{Current assets x 100}}{\text{Current liabilities other than provisions}}$	The entity's ability to meet its short-term debt obligations

Management commentary

Primary activities
F. Junckers Industrier A/S supplies solid wood flooring, floor-related products and services focusing on performance, flexibility and care for the environment.

Development in activities and finances
Revenue
Revenue in 2017 reached DKK 417 million and thus slightly below the level of 2016. The continued uncertainty surrounding Brexit and the continued decline in GBP caused a decline in revenue in England.

Results
Results for 2017 were expected to level the 2016-figures. As a result of the continued increase in profitability, operating profit of the year increased by 21% to 27 million compared to 22 million in 2016. Profit of the year amounts to 22 million. Taking the market conditions in the UK into account and the currency gains from hedging in 2016 into consideration, the results are satisfactory.

Expectations for 2018
In 2018, focus will be kept on strengthening the Company’s market position and steps will be taken in selected markets to enhance the market position. Growth in revenue is expected for 2018, supported by a solid order book in the beginning of the year.

The Company’s core products and segments are also in focus in 2018. Overall, an increase in operating profit is expected for 2018.

Liquidity and capital resources
In 2017, the Company renewed its agreement on future capital resources with its primary banker. The agreement is effective until 31 December 2020.

Provided that liquidity will increase as expected, the shareholder loan of DKK 10 million is to be paid off during 2018.

Disclosures on non-financial issues
Ownership and Management conditions
F. Junckers Industrier A/S is wholly owned by Junckers Holding A/S. HCB Invest ApS owns 88% of Junckers Holding A/S.

Particular risks
Significant risks have been identified, reviewed and mapped and details on how to disclose such risks have been stated. The information gathered is continuously updated. The most significant risks are identified in areas such as supply of raw wood, energy supply and breakdown in the production plant.

The Group is also exposed to currency and interest rate risks.

The policy on foreign currency and financial interest rates is currently to follow market fluctuations. Thus no hedging is currently made.

Management commentary

Current currency risks arise from sales revenue generated in export markets and from the purchase of raw materials. For both, the euro area accounts for the majority.

Intellectual capital resources

The Company possesses industry and market knowledge that enables the Company and the organisation to operate efficiently in the wood flooring industry. This knowledge is maintained on an ongoing basis by gathering relevant information and by improving the skills and qualifications of the staff. The staff and its experience are vital to the management and further development of the Company.

Environmental performance

Junckers' main impact on the external environment includes the noise, dust, energy and waste parameters. Efforts are being made to reduce the impact on the external environment by establishing noise reduction, energy projects and waste reduction to minimise the environmental impact. The Company's energy consumption at production and transportation of raw materials and finished products also affects the environment. However, the CO2 accounts are positive due to the energy utilisation of residual wood from production.

The Company is environmentally certified according to ISO 14001, certified in accordance with OHSAS 18001 and for energy according to ISO 50001. The environmental management system also includes the areas of safety in electricity work (KLS) and certification according to PEFC and FSC standards. Junckers’ products are Indoor Climate and CE-labeled.

Statutory report on corporate social responsibility

In 2011, Junckers joined the Global Compact to support the organisation's work and to strengthen its own corporate social responsibility.

Parts of the Global Compact's ten principles in terms of human rights, labor rights, environment and anti-corruption are already integrated in the Company's operations, as Junckers has already worked systematically with these areas for many years under its environmental and work environment certifications.

The Company complies with applicable laws and regulations. The daily activities and processes in the Company include working with the principles of CSR and the Company’s progress in this area is described in the annual CSR report published on www.junckers.com.

Statutory report on the underrepresented gender

The Board of Directors has adopted target figures and policies on the equal gender balance on the Board of Directors. The Company’s target is that the share of the underrepresented gender on the Board of Directors among non-employee representatives will constitute 20% within a period of five years. The policy entails that when a replacement is made of non-employee representatives on the Board of Directors, the underrepresented gender must be represented among the candidates.

As for the Board of Directors, an equal gender balance also applies on the other management levels. The target for replacing employees on the other management levels of the Company is that at least one from the underrepresented gender is among the candidates.

Management commentary

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Consolidated income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	416.861	433.281
Production costs	3, 4	(279.183)	(301.453)
Gross profit/loss		**137.678**	**131.828**
Distribution costs		(86.949)	(84.379)
Administrative costs	2	(27.714)	(28.322)
Other operating income		4.160	3.320
Operating profit/loss		**27.175**	**22.447**
Other financial income	5	6.343	16.654
Other financial expenses	6	(11.923)	(13.100)
Profit/loss before tax		**21.595**	**26.001**
Tax on profit/loss for the year	7	690	(746)
Profit/loss for the year	8	**22.285**	**25.255**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Land and buildings		100.940	96.555
Plant and machinery		32.430	30.703
Other fixtures and fittings, tools and equipment		7.758	7.248
Property, plant and equipment in progress		11.790	18.519
Property, plant and equipment	9	**152.918**	**153.025**
Deferred tax	11	34.500	33.708
Fixed asset investments	10	**34.500**	**33.708**
Fixed assets		**187.418**	**186.733**
Raw materials and consumables		31.894	33.278
Work in progress		46.281	39.703
Manufactured goods and goods for resale		61.041	58.417
Inventories		**139.216**	**131.398**
Trade receivables		57.938	60.203
Other receivables		805	2.744
Prepayments	12	16.510	3.045
Receivables		**75.253**	**65.992**
Other investments		6	6
Other investments		**6**	**6**
Cash		**12.416**	**6.208**
Current assets		**226.891**	**203.604**
Assets		**414.309**	**390.337**

Consolidated balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		65.336	65.336
Retained earnings		101.115	79.313
Equity		**166.451**	**144.649**
Subordinate loan capital		10.050	17.032
Mortgage debts		53.767	49.696
Bank loans		36.000	0
Finance lease liabilities		5.138	4.792
Other payables		3.999	0
Deferred income	13	1.605	0
Non-current liabilities other than provisions	14	**110.559**	**71.520**
Current portion of long-term liabilities other than provisions	14	13.153	6.901
Bank loans		3.532	55.084
Trade payables		62.893	46.788
Payables to group enterprises		1.165	1.187
Income tax payable		115	35
Other payables		52.707	61.166
Deferred income	15	3.734	3.007
Current liabilities other than provisions		**137.299**	**174.168**
Liabilities other than provisions		**247.858**	**245.688**
Equity and liabilities		**414.309**	**390.337**
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Mortgages and securities	19		
Group relations	20		
Subsidiaries	21		

Consolidated statement of changes in equity for 2017

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	65.336	79.313	144.649
Exchange rate adjustments	0	(483)	(483)
Profit/loss for the year	0	22.285	22.285
Equity end of year	**65.336**	**101.115**	**166.451**

Consolidated cash flow statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Operating profit/loss		27.175	22.447
Amortisation, depreciation and impairment losses		19.341	19.214
Working capital changes	16	(9.001)	(33.956)
Other adjustments		(210)	(788)
Cash flow from ordinary operating activities		**37.305**	**6.917**
Financial income received		6.343	16.654
Financial income paid		(11.923)	(13.100)
Income taxes refunded/(paid)		(22)	(862)
Cash flows from operating activities		**31.703**	**9.609**
Acquisition etc of property, plant and equipment		(19.444)	(15.083)
Sale of property, plant and equipment		210	0
Cash flows from investing activities		**(19.234)**	**(15.083)**
Loans raised		52.273	0
Instalments on loans etc		(6.982)	(3.694)
Cash flows from financing activities		**45.291**	**(3.694)**
Increase/decrease in cash and cash equivalents		**57.760**	**(9.168)**
Cash and cash equivalents beginning of year		(48.876)	(39.708)
Cash and cash equivalents end of year		**8.884**	**(48.876)**
Cash and cash equivalents at year-end are composed of:			
Cash		12.416	6.208
Short-term debt to banks		(3.532)	(55.084)
Cash and cash equivalents end of year		**8.884**	**(48.876)**

Loans raised (DKK 52,273 thousand) is part of the Group’s new finance arrangement where short term loan (revolving credit of DKK 55,084 thousand at beginning of 2017) was partly replaced by long term loan.

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
Europe	316.489	337.055
North and South America	36.263	38.856
Asia	52.373	46.422
Other countries	11.736	10.948
	416.861	**433.281**

	2017 DKK'000	2016 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	590	666
Tax services	25	45
Other services	127	29
	742	**740**

	2017 DKK'000	2016 DKK'000
3. Staff costs		
Wages and salaries	140.768	134.449
Pension costs	9.811	9.723
Other social security costs	6.633	8.139
	157.212	**152.311**
Average number of employees	**335**	**327**

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Total amount for management categories	4.335	4.520
	4.335	**4.520**

	2017 DKK'000	2016 DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	19.341	19.214
	19.341	**19.214**

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
5. Other financial income		
Exchange rate adjustments	4.988	15.950
Other financial income	1.355	704
	6.343	**16.654**

	2017 DKK'000	2016 DKK'000
6. Other financial expenses		
Financial expenses from group enterprises	769	401
Exchange rate adjustments	6.084	6.537
Other financial expenses	5.070	6.162
	11.923	**13.100**

	2017 DKK'000	2016 DKK'000
7. Tax on profit/loss for the year		
Tax on current year taxable income	102	746
Change in deferred tax for the year	(792)	0
	(690)	**746**

	2017 DKK'000	2016 DKK'000
8. Proposed distribution of profit/loss		
Retained earnings	22.285	25.255
	22.285	**25.255**

Notes to consolidated financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
9. Property, plant and equipment				
Cost beginning of year	223.609	518.973	36.761	18.519
Transfers	11.291	6.694	0	(17.985)
Additions	82	5.462	2.644	11.256
Disposals	0	(514)	0	0
Cost end of year	**234.982**	**530.615**	**39.405**	**11.790**
Depreciation and impairment losses beginning of the year	(127.054)	(488.270)	(29.513)	0
Depreciation for the year	(6.988)	(10.219)	(2.134)	0
Reversal regarding disposals	0	304	0	0
Depreciation and impairment losses end of the year	**(134.042)**	**(498.185)**	**(31.647)**	**0**
Carrying amount end of year	**100.940**	**32.430**	**7.758**	**11.790**
Recognised assets not owned by entity	**-**	**178**	**7.228**	**-**

Additions in property, plant and equipment include financial leasing of DKK 2,854 thousand.

	Deferred tax DKK'000
10. Fixed asset investments	
Cost beginning of year	33.708
Additions	792
Cost end of year	**34.500**
Carrying amount end of year	**34.500**

11. Deferred tax

The Group's deferred tax asset relates to tax loss carry forwards and depreciable assets. Taking into account uncertainty about future utilisation, a total deferred tax asset has been recognised of DKK 34,500 thousand.

The Group has tax asset of DKK 125,529 thousand which has not been recognised in the annual report.

Notes to consolidated financial statements

12. Prepayments

Prepayments comprise expenses incurred for subsequent financial years including costs for contracts for subsequent periods.

13. Long-term deferred income

Long-term deferred income comprises prepayments received concerning subsequent financial years, with instalments beyond 12 months.

14. Liabilities other than provisions	**Instalments within 12 months 2017 DKK'000**	**Instalments within 12 months 2016 DKK'000**	**Instalments beyond 12 months 2017 DKK'000**	**Outstanding after 5 years DKK'000**
Subordinate loan capital	0	0	10.050	0
Mortgage debts	5.892	5.340	53.767	30.238
Bank loans	4.000	0	36.000	0
Finance lease liabilities	1.757	1.561	5.138	0
Other payables	1.504	0	3.999	0
Deferred income	0	0	1.605	0
	13.153	**6.901**	**110.559**	**30.238**

Subordinated loans	**Outstanding amount DKK'000**	**Time of maturity**
Subordinated loan capital	10.050	31.01.2020
	10.050	

The loan is granted as subordinate loan capital and is subordinate to any claim that the Company's bankers may have with the Company or its subsidiaries. The interest rate is 8% pa (compound interest) and falls due with the principal. The terms of the loan are conditional on the Company's current direct and indirect ownership.

15. Short-term deferred income

Deferred income comprises prepayments received concerning subsequent financial years, with instalments within 12 months.

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
16. Change in working capital		
Increase/decrease in inventories	(7.818)	(24.920)
Increase/decrease in receivables	(9.261)	(8.183)
Increase/decrease in trade payables etc	8.349	131
Other changes	(271)	(984)
	(9.001)	**(33.956)**

	2017 DKK'000	2016 DKK'000
17. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**11.249**	**3.279**

	2017 DKK'000	2016 DKK'000
18. Contingent liabilities		
Recourse and non-recourse guarantee commitments	520	520
Contingent liabilities in total	**520**	**520**

The Entity participates in a Danish joint taxation arrangement in which HCB Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore alternatively liable from the financial year 2013 for income taxes etc. for the jointly taxed entities, but only for the share by which the Entity is included in the Group, and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

19. Mortgages and securities

The Group has made a pledge of nominally DKK 70,000 thousand (2016: DKK 70,000 thousand) as collateral for debt to banks and credit institutions amounting to DKK 99,804 thousand (2016: DKK 110,121 thousand). The pledge comprises the following assets at the balance date, with a total value of DKK 221,346 thousand (2016: DKK 222,304 thousand).

Notes to consolidated financial statements

	2017 DKK'000	2016 DKK'000
Inventories	130.988	131.398
Trade receivables	57.938	60.203
Plant and machinery	32.430	30.703
	221.346	**222.304**

The Group has provided collateral in the form of assets pledged for mortgage financing. The collateral comprises the following assets at the balance date, with a total value of DKK 141,128 thousand (2016: DKK 134,506 thousand):

	2017 DKK'000	2016 DKK'000
Land and buildings	100.940	96.555
Plant and machinery	32.430	30.703
Other fixtures and fittings, tools and equipment	7.758	7.248
	141.128	**134.506**

20. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

- HCB Invest ApS, Kgs. Lyngby

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

- F. Junckers Industrier A/S, Køge

	Registered in	Equity interest %
21. Subsidiaries		
Junckers Parkett GmbH	Germany	100,0
Junckers France S.A.S.	France	100,0
Junckers Limited	Great Britain	100,0
Junckers Iberica S.A	Spain	100,0
Junckers Hardwood Inc.	US	100,0
Junckers Italy S.r.l.	Italy	100,0

Parent income statement for 2017

	Notes	2017 DKK'000	2016 DKK'000
Revenue	1	370.998	388.856
Production costs	2, 3	(279.183)	(300.937)
Gross profit/loss		**91.815**	**87.919**
Distribution costs		(54.074)	(48.530)
Administrative costs		(21.482)	(19.833)
Other operating income		4.160	2.968
Operating profit/loss		**20.419**	**22.524**
Income from investments in group enterprises		6.971	(567)
Other financial income	4	6.525	15.858
Other financial expenses	5	(12.954)	(12.452)
Profit/loss before tax		**20.961**	**25.363**
Tax on profit/loss for the year	6	1.324	(108)
Profit/loss for the year	7	**22.285**	**25.255**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Land and buildings		100.735	96.496
Plant and machinery		32.332	30.331
Other fixtures and fittings, tools and equipment		7.758	7.248
Property, plant and equipment in progress		11.790	18.519
Property, plant and equipment	8	**152.615**	**152.594**
Investments in group enterprises		63.394	56.906
Deferred tax	10	34.500	33.106
Fixed asset investments	9	**97.894**	**90.012**
Fixed assets		**250.509**	**242.606**
Raw materials and consumables		31.894	32.954
Work in progress		46.281	39.703
Manufactured goods and goods for resale		49.549	49.050
Inventories		**127.724**	**121.707**
Trade receivables		35.589	37.597
Receivables from group enterprises		21.527	23.235
Other receivables		51	1.667
Prepayments	11	15.800	1.330
Receivables		**72.967**	**63.829**
Other investments		6	6
Other investments		**6**	**6**
Cash		**9.138**	**463**
Current assets		**209.835**	**186.005**
Assets		**460.344**	**428.611**

Parent balance sheet at 31.12.2017

	Notes	2017 DKK'000	2016 DKK'000
Contributed capital		65.336	65.336
Reserve for net revaluation according to the equity method		36.287	29.799
Retained earnings		64.828	49.514
Equity		**166.451**	**144.649**
Subordinate loan capital		10.050	17.032
Mortgage debts		53.767	49.696
Bank loans		36.000	0
Finance lease liabilities		5.138	4.792
Other payables		3.999	0
Deferred income	12	1.605	0
Non-current liabilities other than provisions	13	**110.559**	**71.520**
Current portion of long-term liabilities other than provisions	13	13.154	6.901
Bank loans		145	55.084
Trade payables		61.457	45.091
Payables to group enterprises		63.368	52.329
Other payables		44.888	52.868
Deferred income	14	322	169
Current liabilities other than provisions		**183.334**	**212.442**
Liabilities other than provisions		**293.893**	**283.962**
Equity and liabilities		**460.344**	**428.611**

Unrecognised rental and lease commitments	15
Contingent liabilities	16
Mortgages and securities	17
Related parties with controlling interest	18
Transactions with related parties	19

Parent statement of changes in equity for 2017

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	65.336	29.799	49.514	144.649
Value adjustments	0	(483)	0	(483)
Profit/loss for the year	0	6.971	15.314	22.285
Equity end of year	**65.336**	**36.287**	**64.828**	**166.451**

Notes to parent financial statements

	2017 DKK'000	2016 DKK'000
1. Revenue		
Europe	286.959	303.759
North and South America	20.519	28.127
Asia	52.062	46.421
Other countries	11.458	10.549
	370.998	**388.856**

	2017 DKK'000	2016 DKK'000
2. Staff costs		
Wages and salaries	122.745	117.288
Pension costs	9.208	8.959
Other social security costs	2.706	3.238
	134.659	**129.485**
Average number of employees	**299**	**289**

	Remuneration of management 2017 DKK'000	Remuneration of management 2016 DKK'000
Total amount for management categories	4.335	4.520
	4.335	**4.520**

	2017 DKK'000	2016 DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	19.211	19.087
	19.211	**19.087**

	2017 DKK'000	2016 DKK'000
4. Other financial income		
Exchange rate adjustments	4.903	15.107
Other financial income	1.622	751
	6.525	**15.858**

Notes to parent financial statements

5. Other financial expenses	2017 DKK'000	2016 DKK'000
Financial expenses from group enterprises	1.753	2.111
Exchange rate adjustments	5.997	5.504
Other financial expenses	5.204	4.837
	12.954	**12.452**

6. Tax on profit/loss for the year	2017 DKK'000	2016 DKK'000
Tax on current year taxable income	70	108
Change in deferred tax for the year	(1.394)	0
	(1.324)	**108**

7. Proposed distribution of profit/loss	2017 DKK'000	2016 DKK'000
Transferred to reserve for net revaluation according to the equity method	6.971	(567)
Retained earnings	15.314	25.822
	22.285	**25.255**

Notes to parent financial statements

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Property, plant and equipment in progress DKK'000
8. Property, plant and equipment				
Cost beginning of year	222.815	516.445	36.140	18.519
Transfers	11.291	6.694	0	(17.985)
Additions	82	5.462	2.644	11.256
Disposals	0	(514)	0	0
Cost end of year	**234.188**	**528.087**	**38.784**	**11.790**
Depreciation and impairment losses beginning of the year	(126.320)	(486.115)	(28.892)	0
Depreciation for the year	(7.133)	(9.944)	(2.134)	0
Reversal regarding disposals	0	304	0	0
Depreciation and impairment losses end of the year	**(133.453)**	**(495.755)**	**(31.026)**	**0**
Carrying amount end of year	**100.735**	**32.332**	**7.758**	**11.790**
Recognised assets not owned by entity	**-**	**178**	**7.228**	**-**

Additions in property, plant and equipment include financial leasing of DKK 2,854 thousand.

	Investments in group enterprises DKK'000	Deferred tax DKK'000
9. Fixed asset investments		
Cost beginning of year	27.108	33.106
Additions	0	1.394
Cost end of year	**27.108**	**34.500**
Revaluations beginning of year	29.798	0
Exchange rate adjustments	(483)	0
Share of profit/loss for the year	2.340	0
Adjustment of intra-group profits	4.631	0
Revaluations end of year	**36.286**	**0**
Carrying amount end of year	**63.394**	**34.500**

Notes to parent financial statements

10. Deferred tax

The Company's deferred tax asset relates to tax loss carry forwards and depreciable assets. Taking into account the uncertainty about future utilisation, a total deferred tax asset has been recognised of DKK 34,500 thousand.

The Company has tax asset of DKK 125,529 thousand which has not been recognised in the annual report.

11. Prepayments

Prepayments comprise expenses incurred for subsequent financial years including costs for contracts for subsequent periods.

12. Long-term deferred income

Long-term deferred income comprises prepayments received concerning subsequent financial years, with instalments beyond 12 months.

	Instalments within 12 months 2017 DKK'000	Instalments within 12 months 2016 DKK'000	Instalments beyond 12 months 2017 DKK'000	Outstanding after 5 years DKK'000
13. Liabilities other than provisions				
Subordinate loan capital	0	0	10.050	0
Mortgage debts	5.893	5.340	53.767	30.238
Bank loans	4.000	0	36.000	0
Finance lease liabilities	1.757	1.561	5.138	0
Other payables	1.504	0	3.999	0
Deferred income	0	0	1.605	0
	13.154	**6.901**	**110.559**	**30.238**

	Outstanding amount DKK'000	Time of maturity
Subordinated loans		
Subordinated loan capital	10.050	31.01.2020
	10.050	

The loan is granted as subordinate loan capital and is subordinate to any claim that the Company's bankers may have with the Company or its subsidiaries. The interest rate is 8% pa (compound interest) and falls due with the principal. The terms of the loan are conditional on the Company's current direct and indirect ownership.

Notes to parent financial statements

14. Deferred income

Deferred income comprises prepayments received concerning subsequent financial years, with instalments within 12 months.

	2017 DKK'000	2016 DKK'000
15. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	**11.249**	**3.279**

	2017 DKK'000	2016 DKK'000
16. Contingent liabilities		
Recourse and non-recourse guarantee commitments	520	520
Contingent liabilities in total	**520**	**520**

The Entity participates in a Danish joint taxation arrangement in which HCB Invest ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore alternatively liable from the financial year 2013 for income taxes etc. for the jointly taxed entities, but only for the share by which the Entity is included in the Group, and from 1 July 2012 also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these entities. The total known net liability of the jointly taxed entities under the joint taxation arrangement is evident from the administration company's financial statements.

Notes to parent financial statements

17. Mortgages and securities

The Company has made a pledge of nominally DKK 70,000 thousand (2016: DKK 70,000 thousand) as collateral for debt to banks and credit institutions amounting to DKK 99,804 thousand (2016: DKK 110,121 thousand). The Company's pledge comprises the following assets at the balance date, with a total value of DKK 208,934 thousand (2016: DKK 212,870 thousand).

	2017 DKK'000	2016 DKK'000
Inventories	119.496	121.707
Trade receivables	35.589	37.597
Receivables from group enterprises	21.527	23.235
Plant and machinery	32.322	30.331
	208.934	**212.870**

The Company has provided collateral in the form of assets pledged for mortgage financing. The collateral comprises the following assets at the balance date, with a total value of DKK 140,825 thousand (2016: DKK 134,075 thousand):

	2017 DKK'000	2016 DKK'000
Land and buildings	100.735	96.496
Plant and machinery	32.332	30.331
Other fixtures and fittings, tools and equipment	7.758	7.248
	140.825	**134.075**

18. Related parties with controlling interest

Junckers Holding A/S, Køge owns all shares in F. Junckers Industrier A/S and thereby has a controlling interest of the Company.

19. Transactions with related parties

Related party transactions are traded on market terms.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (big).

The accounting policies applied to these consolidated financial statements and parent financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Accounting policies

Foreign currency translation
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date.

Income statement
Revenue
Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs
Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

For the sales companies in the Group, the product consumption of the year includes ordinary write-down of inventories and other costs incurred in order to achieve revenue for the financial year.

Distribution costs
Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc. as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment attached to the distribution process.

Administrative costs
Administrative expenses comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income
Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Accounting policies

Income from investments in group enterprises
Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income
Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on transactions in foreign currencies.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises and net capital losses on transactions in foreign currencies.

Tax on profit/loss for the year
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The parent company is jointly taxed with all Danish subsidiaries and other group-linked Danish companies. Current Danish corporation tax is distributed among the jointly taxed companies in proportion to their taxable income (full distribution with reimbursement regarding tax deficit).

Balance sheet
Property, plant and equipment
Land and buildings, plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-manufactured assets, cost comprises direct and indirect costs of materials, components, sub suppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Buildings	25 years
Plant, floor factory	20 years
Other plant and machinery	7 years
Other fixtures and fittings, tools and equipment	3-5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Investments in group enterprises

Investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus or minus unrealised intra-group profits or losses.

Net revaluation of investments in group enterprises is transferred to the reserve for net revaluation according to the equity method under the equity.

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Deferred tax

Deferred tax is recognised by all temporary differences between the accounting and tax values of assets and liabilities where the tax value of the assets is calculated on the basis of the planned use of the individual asset.

Deferred tax assets, including the tax value of taxable carry-forwards, are recognised in the balance sheet at the value that the asset is expected to be realised either by offsetting in deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at cost, calculated according to the standard cost method or net realisable value, where this is lower.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Financing costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Accounting policies

Other investments
Investments recognised under current assets comprise unlisted equity investments measured at fair value (market price) at the balance sheet date.

Cash
Cash comprises cash in hand and bank deposits.

Mortgage debt
At the time of borrowing, mortgage debt to mortgage credit institutions is measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt is subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Finance lease liabilities
Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases
Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities
Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Income tax receivable or payable
Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income is measured at cost.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Accounting policies

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.