

F. Junckers Industrier A/S

Værftsvej 4

4600 Køge

Central Business Registration

No 66920216

Annual report 2018

The Annual General Meeting adopted the annual report on 11.04.2019

Chairman of the General Meeting

Name: Jesper Langebro

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Entity details

Entity

F. Junckers Industrier A/S
Værftsvej 4
4600 Køge

Central Business Registration No: 66920216
Registered in: Køge
Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Per Kristensen, Chairman
Holger Carsten Hansen, Vice Chairman
Asbjørn Berge
Thomas Voss
Marianne Frederiksen, 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 01.01.2018 - 31.12.2018.

The annual report is presented 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 Entity's financial position at 31.12.2018 and of the results of its operations and cash flows for the financial year 01.01.2018 - 31.12.2018.

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, 27.03.2019

Executive Board

Carsten Ivan Chabert

Board of Directors

Per Kristensen
Chairman

Holger Carsten Hansen
Vice Chairman

Asbjørn Berge

Thomas Voss

Marianne Frederiksen
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 01.01.2018 - 31.12.2018, 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 31.12.2018, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2018 - 31.12.2018 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.

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

Independent auditor's report

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.

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.

Independent auditor's report

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, 27.03.2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

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

Management commentary

	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Financial highlights					
Key figures					
Revenue	448,806	416,861	433,281	434,785	410,402
Gross profit/loss	130,444	137,678	131,828	131,272	98,082
Operating profit/loss	114,859	27,175	22,447	13,023	(21,773)
Net financials	533	(5,580)	3,554	(12,613)	(8,886)
Profit/loss for the year	140,829	22,285	25,255	414	(31,732)
Total assets	363,000	414,309	390,337	360,095	363,369
Investments in property, plant and equipment	14,996	19,444	15,083	20,026	6,327
Equity incl minority interests	227,618	166,451	144,649	121,875	118,280
Employees in average	344	335	327	318	332
Ratios					
Gross margin (%)	29.1	33.0	30.4	30.2	23.9
Net margin (%)	31.4	5.3	5.8	0.1	(7.7)
Return on equity (%)	71.5	14.3	19.0	0.3	(28.2)
Equity ratio (%)	62.7	40.2	37.1	33.8	32.6
Profit margin (%)	34.2	6.6	5.8	3.6	(6.0)
Liquidity ratio (%)	171.4	165.3	116.9	103.6	103.1

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

Ratios	Calculation formula	Ratios
Gross margin (%)	$\frac{\text{Gross profit/loss} \times 100}{\text{Revenue}}$	The entity's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$	The entity's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity incl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity incl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.
Profit margin (%)	$\frac{\text{Operating profit/loss} \times 100}{\text{Total assets}}$	The entity's earnings ability
Liquidity ratio (%)	$\frac{\text{Current assets} \times 100}{\text{Current liabilities other than provisions}}$	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 2018 reached DKK 449 million, a growth of 8% compared to 2017. The continued uncertainty surrounding Brexit have reduced revenue in the UK, but the growth in other parts of Europe, North and South America and in Asia more than compensates.

Results

The expectation for the year 2018 was a result in line with 2017. The first half of the 2018 developed as planned but the effects from higher raw material prices in the second half of the year put pressure on margins. As a result, the gross profit reached DKK 130 million compared to DKK 138 million in 2017. The profit for the year was impacted by sale-and-leaseback of the land and buildings in Denmark, with the result of operating profit amounting to DKK 115 million in 2018 compared to DKK 27 million in 2017. After revaluation of tax assets due to new owner structure, net profit amounted to DKK 141 million. Adjusted for non-recurring items, i.e. sale of land and buildings and revaluation of tax assets, the result is slightly dissatisfactory.

Expectations for 2019

In 2019, sales expect to be level with 2018 in most markets, with growth from Asia and North and South America, supported by a strong order book. All in all, this is expected to result in growth in revenue.

In light of the competitive situation in some markets, the operating result of 2019 is expected to be lower than in 2018.

Liquidity and capital resources

In 2018, the company renewed its agreement on future capital resources with its main bank contact. The agreement will run until further notice on an annual basis.

Provided that liquidity develops positively as expected, the company is expected to be close to debt free (NIBD) by the end of 2019.

Disclosures on non-financial issues

Ownership and Management conditions

F. Junckers Industrier A/S is owned 100% by Junckers Holding A/S. Junckers Holding A/S is owned 55.7% of Jysk-Fynsk Kapital J ApS.

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.

Management commentary

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

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 UN 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. This target is currently not achieved due to missing candidates. 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.

Management commentary

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.

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 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Revenue	1	448,806	416,861
Production costs	3, 4	(318,362)	(279,183)
Gross profit/loss		130,444	137,678
Distribution costs	3	(101,279)	(86,949)
Administrative costs	2, 3	(30,081)	(27,714)
Other operating income	5	115,775	4,160
Operating profit/loss		114,859	27,175
Other financial income	6	11,257	6,343
Other financial expenses	7	(10,724)	(11,923)
Profit/loss before tax		115,392	21,595
Tax on profit/loss for the year	8	25,437	690
Profit/loss for the year	9	140,829	22,285

Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Land and buildings		3,827	100,940
Plant and machinery		38,897	32,430
Other fixtures and fittings, tools and equipment		5,452	7,758
Property, plant and equipment in progress		10,596	11,790
Property, plant and equipment	10	58,772	152,918
Deposits		13,500	0
Other receivables		5,390	0
Deferred tax	12	54,804	34,500
Fixed asset investments	11	73,694	34,500
Fixed assets		132,466	187,418
Raw materials and consumables		26,697	31,894
Work in progress		48,491	46,281
Manufactured goods and goods for resale		60,094	61,041
Inventories		135,282	139,216
Trade receivables		63,487	57,938
Other receivables		3,740	805
Income tax receivable		179	0
Joint taxation contribution receivable		6,204	0
Prepayments	13	15,045	16,510
Receivables		88,655	75,253
Other investments		6	6
Other investments		6	6
Cash		6,591	12,416
Current assets		230,534	226,891
Assets		363,000	414,309

Consolidated balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital		65,336	65,336
Retained earnings		162,282	101,115
Equity		227,618	166,451
Subordinate loan capital		0	10,050
Mortgage debts		0	53,767
Bank loans		0	36,000
Finance lease liabilities		3,033	5,138
Other payables		1,883	3,999
Deferred income	14	1,211	1,605
Non-current liabilities other than provisions	15	6,127	110,559
Current portion of long-term liabilities other than provisions	15	3,498	13,153
Bank loans		15,868	3,532
Trade payables		64,751	62,893
Payables to group enterprises		1,096	1,165
Income tax payable		0	115
Other payables		42,921	52,707
Deferred income	16	1,121	3,734
Current liabilities other than provisions		129,255	137,299
Liabilities other than provisions		135,382	247,858
Equity and liabilities		363,000	414,309
Unrecognised rental and lease commitments	18		
Contingent liabilities	19		
Mortgages and securities	20		
Transactions with related parties	21		
Group relations	22		
Subsidiaries	23		

Consolidated statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	65,336	101,115	166,451
Extraordinary dividend paid	0	(80,000)	(80,000)
Exchange rate adjustments	0	338	338
Profit/loss for the year	0	140,829	140,829
Equity end of year	65,336	162,282	227,618

Consolidated cash flow statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Operating profit/loss		114,859	27,175
Amortisation, depreciation and impairment losses		23,341	19,341
Working capital changes	17	(13,357)	(9,001)
Other adjustments		0	(210)
Cash flow from ordinary operating activities		124,843	37,305
Financial income received		11,257	6,343
Financial income paid		(10,724)	(11,923)
Income taxes refunded/(paid)		(1,365)	(22)
Cash flows from operating activities		124,011	31,703
Acquisition etc of property, plant and equipment		(14,996)	(19,444)
Sale of property, plant and equipment		85,801	210
Loans		(5,390)	0
Deposit		(13,500)	0
Cash flows from investing activities		51,915	(19,234)
Loans raised		0	52,273
Dividend paid		(80,000)	0
Repayment/installments on loans etc		(114,087)	(6,982)
Cash flows from financing activities		(194,087)	45,291
Increase/decrease in cash and cash equivalents		(18,161)	57,760
Cash and cash equivalents beginning of year		8,884	(48,876)
Cash and cash equivalents end of year		(9,277)	8,884
Cash and cash equivalents at year-end are composed of:			
Cash		6,591	12,416
Short-term debt to banks		(15,868)	(3,532)
Cash and cash equivalents end of year		(9,277)	8,884

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
1. Revenue		
Europe	324,216	316,489
North and South America	54,116	36,263
Asia	59,017	52,373
Other countries	11,457	11,736
	448,806	416,861

The Group has one product segment which consists of wood flooring and floor-related products like oil and varnish.

	2018 DKK'000	2017 DKK'000
2. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	537	590
Tax services	25	25
Other services	345	127
	907	742

	2018 DKK'000	2017 DKK'000
3. Staff costs		
Wages and salaries	151,890	140,768
Pension costs	10,780	9,811
Other social security costs	7,555	6,633
	170,225	157,212
Average number of employees	344	335

	Remunera- tion of manage- ment 2018 DKK'000	Remunera- tion of manage- ment 2017 DKK'000
Total amount for management categories	4,344	4,335
	4,344	4,335

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
4. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	16,946	19,341
	16,946	19,341

In connection with the sale of land and buildings an impairment loss of DKK 6,396 thousand have been reclassified to profit from sale of tangible assets in note 5.

	2018 DKK'000	2017 DKK'000
5. Other operating income		
Profit from sale of tangible fixed assets	107,523	183
Other income	8,252	3,977
	115,775	4,160

	2018 DKK'000	2017 DKK'000
6. Other financial income		
Exchange rate adjustments	9,831	4,988
Other financial income	1,426	1,355
	11,257	6,343

	2018 DKK'000	2017 DKK'000
7. Other financial expenses		
Financial expenses from group enterprises	557	769
Exchange rate adjustments	7,018	6,084
Other financial expenses	3,149	5,070
	10,724	11,923

	2018 DKK'000	2017 DKK'000
8. Tax on profit/loss for the year		
Tax on current year taxable income	1,071	102
Change in deferred tax for the year	(20,304)	(792)
Refund in joint taxation arrangement	(6,204)	0
	(25,437)	(690)

Notes to consolidated financial statements

			2018	2017
			DKK'000	DKK'000
9. Proposed distribution of profit/loss				
Extraordinary dividend distributed in the financial year			80,000	0
Retained earnings			60,829	22,285
			140,829	22,285
	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
10. Property, plant and equipment				
Cost beginning of year	234,982	530,615	39,405	11,790
Exchange rate adjustments	(12)	0	0	0
Transfers	(23,742)	34,609	0	(10,843)
Additions	0	5,347	0	9,649
Disposals	(195,830)	(18,907)	0	0
Cost end of year	15,398	551,664	39,405	10,596
Depreciation and impairment losses beginning of the year	(134,042)	(498,185)	(31,647)	0
Exchange rate adjustments	10	0	3	0
Transfers	14,936	(14,952)	0	0
Impairment losses for the year	0	(6,395)	0	0
Depreciation for the year	(3,395)	(11,242)	(2,309)	0
Reversal regarding disposals	110,920	18,007	0	0
Depreciation and impairment losses end of the year	(11,571)	(512,767)	(33,953)	0
Carrying amount end of year	3,827	38,897	5,452	10,596
Recognised assets not owned by entity	-	243	4,657	-

A reassessment has been made regarding plant and machinery in connection to the land and buildings sold. This has resulted in an impairment loss for the year of DKK 6,396 thousand.

Notes to consolidated financial statements

	Deposits DKK'000	Other receivables DKK'000	Deferred tax DKK'000
11. Fixed asset investments			
Cost beginning of year	0	0	34,500
Additions	13,500	5,390	20,304
Cost end of year	13,500	5,390	54,804
Carrying amount end of year	13,500	5,390	54,804

12. Deferred tax

The Group's deferred tax asset relates to tax loss carry forwards and depreciable assets. Taking into account possibilities on future utilisation, a total deferred tax asset has been recognised of DKK 54,804 thousand.

The Group has tax asset of DKK 80,706 thousand which has not been recognised in the annual report.

13. Prepayments

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

14. Long-term deferred income

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

	Instalments within 12 months 2018 DKK'000	Instalments within 12 months 2017 DKK'000	Instalments beyond 12 months 2018 DKK'000
15. Liabilities other than provisions			
Mortgage debts	0	5,892	0
Bank loans	0	4,000	0
Finance lease liabilities	1,615	1,757	3,033
Other payables	1,883	1,504	1,883
Deferred income	0	0	1,211
	3,498	13,153	6,127

16. Short-term deferred income

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

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
17. Change in working capital		
Increase/decrease in inventories	3,934	(7,818)
Increase/decrease in receivables	(7,019)	(9,261)
Increase/decrease in trade payables etc	(10,610)	8,349
Other changes	338	(271)
	(13,357)	(9,001)

	2018 DKK'000	2017 DKK'000
18. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	347,607	3,798

	2018 DKK'000	2017 DKK'000
19. Contingent liabilities		
Recourse and non-recourse guarantee commitments	500	520
Contingent liabilities in total	500	520

The Entity participates in a Danish joint taxation arrangement where JYSK-FYNSK KAPITAL A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

20. Mortgages and securities

The Group has made a pledge of nominally DKK 70,000 thousand (2017: DKK 70,000 thousand) as collateral for debt to banks and credit institutions amounting to DKK 0 thousand (2017: DKK 99,804 thousand). The pledge comprises the following assets at the balance date, with a total value of DKK 237,666 thousand (2017: DKK 229,584 thousand).

	2018 DKK'000	2017 DKK'000
Inventories	135,282	139,216
Trade receivables	63,487	57,938
Plant and machinery	38,897	32,430
	237,666	229,584

Notes to consolidated financial statements

21. Transactions with related parties

Only non arm's-length transactions with related parties are disclosed in the financial statements. All related party transactions carried out during the financial year have been made on an arm's length bases.

22. Group relations

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

- JYSK-FYNSK KAPITAL A/S, Hedensted

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

- F. Junckers Industrier A/S, Køge

	<u>Registered in</u>	<u>Equity inte- rest %</u>
23. 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 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Revenue	1	400,795	370,998
Production costs	2, 3	(318,362)	(279,183)
Gross profit/loss		82,433	91,815
Distribution costs	2	(61,287)	(54,074)
Administrative costs	2	(22,086)	(21,482)
Other operating income	4	115,732	4,160
Operating profit/loss		114,792	20,419
Income from investments in group enterprises		(498)	6,971
Other financial income	5	10,542	6,525
Other financial expenses	6	(10,469)	(12,954)
Profit/loss before tax		114,367	20,961
Tax on profit/loss for the year	7	26,462	1,324
Profit/loss for the year	8	140,829	22,285

Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Land and buildings		3,636	100,735
Plant and machinery		38,876	32,332
Other fixtures and fittings, tools and equipment		5,452	7,758
Property, plant and equipment in progress		10,596	11,790
Property, plant and equipment	9	58,560	152,615
Investments in group enterprises		14,015	63,394
Deposits		13,500	0
Other receivables		5,390	0
Deferred tax	11	54,804	34,500
Fixed asset investments	10	87,709	97,894
Fixed assets		146,269	250,509
Raw materials and consumables		26,681	31,894
Work in progress		48,491	46,281
Manufactured goods and goods for resale		50,131	49,549
Inventories		125,303	127,724
Trade receivables		42,945	35,589
Receivables from group enterprises		24,485	21,527
Other receivables		2,924	51
Joint taxation contribution receivable		6,204	0
Prepayments	12	14,333	15,800
Receivables		90,891	72,967
Other investments		6	6
Other investments		6	6
Cash		98	9,138
Current assets		216,298	209,835
Assets		362,567	460,344

Parent balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Contributed capital		65,336	65,336
Reserve for net revaluation according to the equity method		0	36,287
Retained earnings		162,282	64,828
Equity		227,618	166,451
Subordinate loan capital		0	10,050
Mortgage debts		0	53,767
Bank loans		0	36,000
Finance lease liabilities		3,033	5,138
Other payables		1,883	3,999
Deferred income	13	1,211	1,605
Non-current liabilities other than provisions	14	6,127	110,559
Current portion of long-term liabilities other than provisions	14	3,498	13,154
Bank loans		15,868	145
Trade payables		62,888	61,457
Payables to group enterprises		11,444	63,368
Other payables		34,668	44,888
Deferred income	15	456	322
Current liabilities other than provisions		128,822	183,334
Liabilities other than provisions		134,949	293,893
Equity and liabilities		362,567	460,344
Unrecognised rental and lease commitments	16		
Contingent liabilities	17		
Mortgages and securities	18		
Related parties with controlling interest	19		
Transactions with related parties	20		

Parent statement of changes in equity for 2018

	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	36,287	64,828	166,451
Extraordinary dividend paid	0	0	(80,000)	(80,000)
Exchange rate adjustments	0	338	0	338
Dividends from group enterprises	0	(49,219)	49,219	0
Transfer to reserves	0	13,092	(13,092)	0
Profit/loss for the year	0	(498)	141,327	140,829
Equity end of year	65,336	0	162,282	227,618

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
1. Revenue		
Europe	291,958	286,959
North and South America	38,363	20,519
Asia	59,017	52,062
Other countries	11,457	11,458
	400,795	370,998

The company has one product segment which consists of wood flooring and floor-related products like oil and varnish.

	2018 DKK'000	2017 DKK'000
2. Staff costs		
Wages and salaries	133,939	122,745
Pension costs	10,190	9,208
Other social security costs	3,190	2,706
	147,319	134,659
Average number of employees	309	299

	Remunera- tion of manage- ment 2018 DKK'000	Remunera- tion of manage- ment 2017 DKK'000
Total amount for management categories	4,344	4,335
	4,344	4,335

	2018 DKK'000	2017 DKK'000
3. Depreciation, amortisation and impairment losses		
Depreciation on property, plant and equipment	16,931	19,211
	16,931	19,211

In connection with the sale of land and buildings an impairment loss of DKK 6,396 thousand have been reclassified to profit from sale of tangible assets in note 4.

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
4. Other operating income		
Profit from sale of tangible fixed assets	107,523	183
Other income	8,209	3,977
	115,732	4,160
5. Other financial income		
Financial income arising from group enterprises	561	0
Exchange rate adjustments	9,947	4,903
Other financial income	34	1,622
	10,542	6,525
6. Other financial expenses		
Financial expenses from group enterprises	1,542	1,753
Exchange rate adjustments	6,671	5,997
Other financial expenses	2,256	5,204
	10,469	12,954
7. Tax on profit/loss for the year		
Tax on current year taxable income	46	70
Change in deferred tax for the year	(20,304)	(1,394)
Refund in joint taxation arrangement	(6,204)	0
	(26,462)	(1,324)
8. Proposed distribution of profit/loss		
Extraordinary dividend distributed in the financial year	80,000	0
Transferred to reserve for net revaluation according to the equity method	(498)	6,971
Retained earnings	61,327	15,314
	140,829	22,285

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
9. Property, plant and equipment				
Cost beginning of year	234,188	528,087	38,784	11,790
Transfers	(23,742)	34,585	0	(10,843)
Additions	0	5,347	0	9,649
Disposals	(195,830)	(18,907)	0	0
Cost end of year	14,616	549,112	38,784	10,596
Depreciation and impairment losses beginning of the year	(133,453)	(495,755)	(31,026)	0
Transfers	14,936	(14,936)	0	0
Impairment losses for the year	0	(6,395)	0	0
Depreciation for the year	(3,383)	(11,242)	(2,306)	0
Reversal regarding disposals	110,920	18,092	0	0
Depreciation and impairment losses end of the year	(10,980)	(510,236)	(33,332)	0
Carrying amount end of year	3,636	38,876	5,452	10,596
Recognised assets not owned by entity	-	243	4,657	-

A reassessment has been made regarding plant and machinery in connection to the land and buildings sold. This has resulted in an impairment loss for the year of DKK 6,396 thousand.

Notes to parent financial statements

	Investments in group enterprises DKK'000	Deposits DKK'000	Other receivables DKK'000	Deferred tax DKK'000
10. Fixed asset investments				
Cost beginning of year	27,108	0	0	34,500
Additions	0	13,500	5,390	20,304
Cost end of year	27,108	13,500	5,390	54,804
Revaluations beginning of year	36,286	0	0	0
Exchange rate adjustments	338	0	0	0
Share of profit/loss for the year	1,479	0	0	0
Adjustment of intra-group profits	(1,977)	0	0	0
Dividend	(49,219)	0	0	0
Revaluations end of year	(13,093)	0	0	0
Carrying amount end of year	14,015	13,500	5,390	54,804

11. Deferred tax

The Company's deferred tax asset relates to tax loss carry forwards and depreciable assets. Taking into account possibilities on future utilisation, a total deferred tax asset has been recognised of DKK 54,804 thousand.

The Company has tax asset of DKK 80,706 thousand which has not been recognised in the annual report.

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.

Notes to parent financial statements

	Instalments within 12 months 2018 DKK'000	Instalments within 12 months 2017 DKK'000	Instalments beyond 12 months 2018 DKK'000
14. Liabilities other than provisions			
Subordinate loan capital	0	0	0
Mortgage debts	0	5,893	0
Bank loans	0	4,000	0
Finance lease liabilities	1,615	1,757	3,033
Other payables	1,883	1,504	1,883
Deferred income	0	0	1,211
	3,498	13,154	6,127

15. Deferred income

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

	2018 DKK'000	2017 DKK'000
16. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	341,843	3,798
17. Contingent liabilities		
Recourse and non-recourse guarantee commitments	500	520
Contingent liabilities in total	500	520

The Entity participates in a Danish joint taxation arrangement where JYSK-FYNSK KAPITAL A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore secondarily liable for income taxes etc for the jointly taxed entities, which is limited to the equity interest by which the entity participates in the Group, as well as secondarily liable for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

18. Mortgages and securities

The Group has made a pledge of nominally DKK 70,000 thousand (2017: DKK 70,000 thousand) as collateral for debt to banks and credit institutions amounting to DKK 0 thousand (2017: DKK 99,804 thousand). The pledge comprises the following assets at the balance date, with a total value of DKK 231,609 thousand (2017: DKK 217,172 thousand).

Notes to parent financial statements

	2018 DKK'000	2017 DKK'000
Inventories	125,303	127,724
Trade receivables	42,945	35,589
Receivables from group enterprises	24,485	21,527
Plant and machinery	<u>38,876</u>	<u>32,332</u>
	<u>231,609</u>	<u>217,172</u>

19. 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.

20. Transactions with related parties

Only non arm's-length transactions with related parties are disclosed in the financial statements. All related party transactions carried out during the financial year have been made on an arm's length bases.

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 (large).

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.

Receivables

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

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.

Income tax payable or receivable

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.

Accounting policies

Prepayments

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

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.

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.