

F. Junckers Industrier A/S

Værftsvej 4

4600 Køge

Central Business Registration

No 66920216

Annual report 2019

The Annual General Meeting adopted the annual report on 27.03.2020

Chairman of the General Meeting

Name: Thomas Quistgaard

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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: 01.01.2019 - 31.12.2019

Board of Directors

Per Kristensen, Chairman
Holger Carsten Hansen, Vice Chairman
Thomas Voss
Asbjørn Berge
Henrik Sigurd Kaaterud, 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 01.01.2019 - 31.12.2019.

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 Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019.

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, 27.03.2020

Executive Board

Carsten Ivan Chabert

Board of Directors

Per Kristensen
Chairman

Holger Carsten Hansen
Vice Chairman

Thomas Voss

Asbjørn Berge

Henrik Sigurd Kaaterud
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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 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, 27.03.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33963556

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

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Revenue	440.832	448.806	416.861	433.281	434.785
Gross profit/loss	123.558	131.400	137.678	131.828	131.272
Operating profit/loss	(2.464)	114.859	27.175	22.447	13.023
Net financials	(1.336)	533	(5.580)	3.554	(12.613)
Profit/loss for the year	8.240	140.829	22.285	25.255	414
Total assets	372.659	363.000	414.309	390.337	360.095
Investments in property, plant and equipment	11.135	14.996	19.444	15.083	20.026
Equity incl minority interests	236.094	227.618	166.451	144.649	121.875
Employees in average	363	344	335	327	318
Ratios					
Gross margin (%)	28,0	29,3	33,0	30,4	30,2
Net margin (%)	1,9	31,4	5,3	5,8	0,1
Return on equity (%)	3,6	71,5	14,3	19,0	0,3
Equity ratio (%)	63,4	62,7	40,2	37,1	33,8
Profit margin (%)	(0,7)	34,2	6,6	5,8	3,6
Liquidity ratio (%)	180,0	171,4	165,3	116,9	103,6

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 2019 reached DKK 441 million, which is DKK 8 million lower than 2018.

The expectation for 2019 was an increase in revenue driven by Asia, North and South America but with an operating result lower than 2018 due to the competitive situation in some markets. Revenue in Asia increased significantly from 2018 to 2019, but due to postponement of orders to customers in US the expected increase was not fulfilled for North and South America.

Results

Gross profit reached DKK 124 million compared to DKK 131 million in 2018. The reduction is mainly a consequence of the lower revenue and switching costs related to the postponed orders.

The Operating result is a loss of DKK 2 million compared with a profit of DKK 7 million in 2018, excluding gain from sales-and-leaseback of land and buildings in Denmark. The operating result includes the full year rental expenses compared with only half a year in 2018.

The result for the year is dissatisfactory.

Expectations for 2020

In 2020, sales are expected to be DKK 5 – 10 million above 2019, which is supported by a strong order books.

Supported by initiated cost savings in 2019 the operating result is expected to increase by DKK 5-10 million in 2020 compared to 2019.

Liquidity and capital resources

In early 2020, the Group 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 Group is expected to reduce its debt during 2020.

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.

Management commentary

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. 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.

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

Intellectual capital resources

The Group possesses industry and market knowledge that enables the Group 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 Group.

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 Group'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 Parent 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 Group's operations, as Junckers has already worked systematically with these areas for many years under its environmental and work environment certifications.

The Group complies with applicable laws and regulations. The daily activities and processes in the Group include working with the principles of CSR and the Group's progress in this area is described in the annual CSR report published on <https://www.junckers.com/about/corporate-social-responsibility-csr>.

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

Management commentary

among non-employee representatives will constitute 20% within 2022. 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.

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

The spread of COVID-19 throughout the world can potentially have an influence on the business for Junckers Group in 2020. Year to date, the spread of COVID-19 has not to a material extent impacted Junckers Group, however at this time it is not possible to predict the influence in the coming months. As the potential impact is unknown at this time, this has not been included when setting the expectations for activity and earnings in 2020.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue	2	440.832	448.806
Production costs	4, 5	(317.274)	(317.406)
Gross profit/loss		123.558	131.400
Distribution costs	4	(100.815)	(101.279)
Administrative costs	3, 4, 5	(28.272)	(30.081)
Other operating income	6	3.978	115.775
Other operating expenses		(913)	(956)
Operating profit/loss		(2.464)	114.859
Other financial income	7	6.850	11.257
Other financial expenses	8	(8.186)	(10.724)
Profit/loss before tax		(3.800)	115.392
Tax on profit/loss for the year	9	12.040	25.437
Profit/loss for the year	10	8.240	140.829

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019</u> <u>DKK'000</u>	<u>2018</u> <u>DKK'000</u>
Acquired licences		1.850	359
Prepayments for intangible assets		696	1.829
Intangible assets	11	2.546	2.188
Land and buildings		3.947	3.827
Plant and machinery		37.107	38.538
Other fixtures and fittings, tools and equipment		3.419	5.452
Property, plant and equipment in progress		9.476	8.767
Property, plant and equipment	12	53.949	56.584
Deposits		14.024	13.500
Other receivables		4.290	5.390
Deferred tax	14	52.082	54.804
Fixed asset investments	13	70.396	73.694
Fixed assets		126.891	132.466
Raw materials and consumables		30.669	26.697
Work in progress		56.700	48.491
Manufactured goods and goods for resale		72.742	60.094
Inventories		160.111	135.282
Trade receivables		50.099	63.487
Other receivables		2.464	3.740
Income tax receivable		93	179
Joint taxation contribution receivable		15.362	6.204
Prepayments	15	13.767	15.045
Receivables		81.785	88.655
Other investments		6	6
Other investments		6	6
Cash		3.866	6.591
Current assets		245.768	230.534
Assets		372.659	363.000

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital		65.336	65.336
Retained earnings		162.758	162.282
Proposed dividend		8.000	0
Equity		236.094	227.618
Finance lease liabilities		1.535	3.033
Other payables		15.619	13.264
Deferred income	16	1.107	1.211
Non-current liabilities other than provisions	17	18.261	17.508
Current portion of long-term liabilities other than provisions	17	4.625	4.797
Bank loans		28.402	15.868
Trade payables		48.692	52.071
Payables to group enterprises		975	1.096
Other payables		34.718	42.921
Deferred income	18	892	1.121
Current liabilities other than provisions		118.304	117.874
Liabilities other than provisions		136.565	135.382
Equity and liabilities		372.659	363.000
Events after the balance sheet date	1		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Mortgages and securities	22		
Transactions with related parties	23		
Group relations	24		
Subsidiaries	25		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	65.336	162.282	0	227.618
Exchange rate adjustments	0	236	0	236
Profit/loss for the year	0	240	8.000	8.240
Equity end of year	65.336	162.758	8.000	236.094

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Operating profit/loss		(2.464)	114.859
Amortisation, depreciation and impairment losses		14.242	23.341
Working capital changes	19	(22.723)	(12.120)
Cash flow from ordinary operating activities		(10.945)	126.080
Financial income received		6.850	11.257
Financial income paid		(8.186)	(10.724)
Income taxes refunded/(paid)		6.290	(1.365)
Cash flows from operating activities		(5.991)	125.248
Acquisition etc of intangible assets		(723)	0
Acquisition etc of property, plant and equipment		(11.135)	(14.996)
Sale of property, plant and equipment		0	85.801
Loans		1.100	(5.390)
Deposit		(524)	(13.500)
Cash flows from investing activities		(11.282)	51.915
Dividend paid		0	(80.000)
Other loans		5.009	0
Repayment/installments on loans etc		(2.995)	(115.324)
Cash flows from financing activities		2.014	(195.324)
Increase/decrease in cash and cash equivalents		(15.259)	(18.161)
Cash and cash equivalents beginning of year		(9.277)	8.884
Cash and cash equivalents end of year		(24.536)	(9.277)
Cash and cash equivalents at year-end are composed of:			
Cash		3.866	6.591
Short-term debt to banks		(28.402)	(15.868)
Cash and cash equivalents end of year		(24.536)	(9.277)

Notes to consolidated financial statements

1. Events after the balance sheet date

The spread of COVID-19 throughout the world can potentially have an influence on the business for Junckers Group in 2020. Year to date, the spread of COVID-19 has not to a material extent impacted Junckers Group, however at this time it is not possible to predict the influence in the coming months. As the potential impact is unknown at this time, this has not been included when setting the expectations for activity and earnings in 2020.

	2019 DKK'000	2018 DKK'000
2. Revenue		
Europe	292.337	324.216
North and South America	55.391	54.116
Asia	79.159	59.017
Other countries	13.945	11.457
	440.832	448.806

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

	2019 DKK'000	2018 DKK'000
3. Fees to the auditor appointed by the Annual General Meeting		
Statutory audit services	712	537
Tax services	158	25
Other services	180	345
	1.050	907

	2019 DKK'000	2018 DKK'000
4. Staff costs		
Wages and salaries	156.482	151.890
Pension costs	11.139	10.780
Other social security costs	8.328	7.555
	175.949	170.225
Average number of employees	363	344

Notes to consolidated financial statements

	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	4.210	4.344
	4.210	4.344
	2019 DKK'000	2018 DKK'000
5. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	363	565
Depreciation on property, plant and equipment	13.879	16.381
	14.242	16.946
	2019 DKK'000	2018 DKK'000
6. Other operating income		
Profit from sale of tangible fixed assets	0	107.523
Other income	3.978	8.252
	3.978	115.775
	2019 DKK'000	2018 DKK'000
7. Other financial income		
Exchange rate adjustments	6.084	9.831
Other financial income	766	1.426
	6.850	11.257
	2019 DKK'000	2018 DKK'000
8. Other financial expenses		
Financial expenses from group enterprises	321	557
Exchange rate adjustments	5.679	7.018
Other financial expenses	2.186	3.149
	8.186	10.724

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
9. Tax on profit/loss for the year		
Tax on current year taxable income	600	1.071
Change in deferred tax for the year	2.722	(20.304)
Refund in joint taxation arrangement	(15.362)	(6.204)
	(12.040)	(25.437)
	2019 DKK'000	2018 DKK'000
10. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	8.000	0
Extraordinary dividend distributed in the financial year	0	80.000
Retained earnings	240	60.829
	8.240	140.829
	Acquired licences DKK'000	Prepay- ments for intangible assets DKK'000
11. Intangible assets		
Cost beginning of year	14.950	1.829
Transfers	1.328	(1.328)
Additions	528	195
Cost end of year	16.806	696
Amortisation and impairment losses beginning of year	(14.591)	0
Exchange rate adjustments	(2)	0
Amortisation for the year	(363)	0
Amortisation and impairment losses end of year	(14.956)	0
Carrying amount end of year	1.850	696

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
12. Property, plant and equipment				
Cost beginning of year	15.398	536.714	39.405	8.767
Exchange rate adjustments	12	59	0	0
Transfers	253	6.960	0	(7.214)
Additions	287	2.869	56	7.923
Disposals	0	(1.203)	(581)	0
Cost end of year	15.950	545.399	38.880	9.476
Depreciation and impairment losses beginning of the year	(11.571)	(498.176)	(33.953)	0
Exchange rate adjustments	(157)	218	0	0
Transfers	0	160	(160)	0
Depreciation for the year	(275)	(11.675)	(1.929)	0
Reversal regarding disposals	0	1.181	581	0
Depreciation and impairment losses end of the year	(12.003)	(508.292)	(35.461)	0
Carrying amount end of year	3.947	37.107	3.419	9.476
Recognised assets not owned by entity	-	243	4.657	-
13. Fixed asset investments				
Cost beginning of year		13.500	5.390	54.804
Additions		524	0	0
Disposals		0	(1.100)	(2.722)
Cost end of year		14.024	4.290	52.082
Carrying amount end of year		14.024	4.290	52.082
14. 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 52,082 thousand.

Notes to consolidated financial statements

The Group has tax asset of DKK 67,241 thousand which has not been recognised in the consolidated financial statements.

15. Prepayments

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

16. Long-term deferred income

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

	Instalments within 12 months 2019 DKK'000	Instalments within 12 months 2018 DKK'000	Instalments beyond 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
17. Liabilities other than provisions				
Finance lease liabilities	1.417	1.615	1.535	0
Other payables	3.208	3.182	15.619	9.488
Deferred income	0	0	1.107	0
	4.625	4.797	18.261	9.488

18. Short-term deferred income

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

	2019 DKK'000	2018 DKK'000
19. Change in working capital		
Increase/decrease in inventories	(24.829)	3.934
Increase/decrease in receivables	15.942	(7.019)
Increase/decrease in trade payables etc	(13.365)	(9.373)
Other changes	(471)	338
	(22.723)	(12.120)
20. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	318.373	347.607

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
21. Contingent liabilities		
Recourse and non-recourse guarantee commitments	150	500
Contingent liabilities in total	150	500

The Parent 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 Parent 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.

22. Mortgages and securities

The Group has made a pledge of nominally DKK 70,000 thousand (2018: DKK 70,000 thousand) as collateral for debt to banks and credit institutions amounting to DKK 28,402 thousand (2018: DKK 15,868 thousand). The pledge comprises the following assets at the balance date, with a total value of DKK 209,604 thousand (2018: DKK 207,124 thousand).

	2019 DKK'000	2018 DKK'000
Inventories	143,038	125,303
Trade receivables	29,783	42,945
Plant and machinery	36,883	38,876
	209,604	207,124

23. 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.

24. 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

Notes to consolidated financial statements

	<u>Registered in</u>	<u>Equity inte- rest %</u>
25. 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 2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Revenue	1	403.108	400.795
Production costs	2, 3	(323.865)	(317.406)
Gross profit/loss		79.243	83.389
Distribution costs	2	(65.581)	(61.287)
Administrative costs	2	(21.131)	(22.086)
Other operating income	4	4.028	115.732
Other operating expenses		(913)	(956)
Operating profit/loss		(4.354)	114.792
Income from investments in group enterprises		753	(498)
Other financial income	5	6.320	10.542
Other financial expenses	6	(7.110)	(10.469)
Profit/loss before tax		(4.391)	114.367
Tax on profit/loss for the year	7	12.631	26.462
Profit/loss for the year	8	8.240	140.829

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Acquired licences		1.852	359
Prepayments for intangible assets		696	1.829
Intangible assets	9	2.548	2.188
Land and buildings		3.912	3.636
Plant and machinery		36.884	38.517
Other fixtures and fittings, tools and equipment		3.419	5.452
Property, plant and equipment in progress		9.477	8.767
Property, plant and equipment	10	53.692	56.372
Investments in group enterprises		15.004	14.015
Deposits		13.500	13.500
Other receivables		4.290	5.390
Deferred tax	12	52.082	54.804
Fixed asset investments	11	84.876	87.709
Fixed assets		141.116	146.269
Raw materials and consumables		30.656	26.681
Work in progress		56.700	48.491
Manufactured goods and goods for resale		55.682	50.131
Inventories		143.038	125.303
Trade receivables		29.783	42.945
Receivables from group enterprises		29.028	24.485
Other receivables		2.173	2.924
Joint taxation contribution receivable		15.362	6.204
Prepayments	13	12.455	14.333
Receivables		88.801	90.891
Other investments		6	6
Other investments		6	6
Cash		728	98
Current assets		232.573	216.298
Assets		373.689	362.567

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK'000</u>	<u>2018 DKK'000</u>
Contributed capital		65.336	65.336
Retained earnings		162.758	162.282
Proposed dividend		8.000	0
Equity		<u>236.094</u>	<u>227.618</u>
Finance lease liabilities		1.535	3.033
Other payables		15.619	13.264
Deferred income	14	1.107	1.211
Non-current liabilities other than provisions	15	<u>18.261</u>	<u>17.508</u>
Current portion of long-term liabilities other than provisions	15	4.625	4.797
Bank loans		28.402	15.868
Trade payables		47.163	50.208
Payables to group enterprises		11.142	11.444
Other payables		27.774	34.668
Deferred income	16	228	456
Current liabilities other than provisions		<u>119.334</u>	<u>117.441</u>
Liabilities other than provisions		<u>137.595</u>	<u>134.949</u>
Equity and liabilities		<u>373.689</u>	<u>362.567</u>
Unrecognised rental and lease commitments	17		
Contingent liabilities	18		
Mortgages and securities	19		
Related parties with controlling interest	20		
Transactions with related parties	21		

Parent statement of changes in equity for 2019

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	65.336	162.282	0	227.618
Exchange rate adjustments	0	236	0	236
Profit/loss for the year	0	240	8.000	8.240
Equity end of year	65.336	162.758	8.000	236.094

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
1. Revenue		
Europe	263.654	291.958
North and South America	47.093	38.363
Asia	71.599	59.017
Other countries	20.762	11.457
	403.108	400.795

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

	2019 DKK'000	2018 DKK'000
2. Staff costs		
Wages and salaries	140.131	133.939
Pension costs	10.585	10.190
Other social security costs	4.028	3.190
	154.744	147.319

Average number of employees	329	309
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	Remunera- tion of manage- ment 2019 DKK'000	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	4.210	4.344
	4.210	4.344

	2019 DKK'000	2018 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	363	565
Depreciation on property, plant and equipment	13.776	16.366
	14.139	16.931

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
4. Other operating income		
Profit from sale of tangible fixed assets	0	107.523
Other income	4.028	8.209
	4.028	115.732
5. Other financial income		
Financial income arising from group enterprises	742	561
Exchange rate adjustments	5.151	9.947
Other financial income	427	34
	6.320	10.542
6. Other financial expenses		
Financial expenses from group enterprises	321	1.542
Exchange rate adjustments	4.866	6.671
Other financial expenses	1.923	2.256
	7.110	10.469
7. Tax on profit/loss for the year		
Tax on current year taxable income	9	46
Change in deferred tax for the year	2.722	(20.304)
Refund in joint taxation arrangement	(15.362)	(6.204)
	(12.631)	(26.462)
8. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	8.000	0
Extraordinary dividend distributed in the financial year	0	80.000
Transferred to reserve for net revaluation according to the equity method	0	(498)
Retained earnings	240	61.327
	8.240	140.829

Notes to parent financial statements

	Acquired licences DKK'000	Prepay- ments for intangible assets DKK'000		
9. Intangible assets				
Cost beginning of year	14.950	1.829		
Transfers	1.328	(1.328)		
Additions	528	195		
Cost end of year	16.806	696		
Amortisation and impairment losses beginning of year	(14.591)	0		
Amortisation for the year	(363)	0		
Amortisation and impairment losses end of year	(14.954)	0		
Carrying amount end of year	1.852	696		
	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	14.616	534.162	38.784	8.767
Transfers	253	6.960	0	(7.213)
Additions	286	2.831	56	7.923
Cost end of year	15.155	543.953	38.840	9.477
Depreciation and impairment losses beginning of the year	(10.980)	(495.645)	(33.332)	0
Transfers	0	160	(160)	0
Depreciation for the year	(263)	(11.584)	(1.929)	0
Depreciation and impairment losses end of the year	(11.243)	(507.069)	(35.421)	0
Carrying amount end of year	3.912	36.884	3.419	9.477
Recognised assets not owned by entity	-	243	4.657	-

Notes to parent financial statements

	Investments in group enterprises DKK'000	Deposits DKK'000	Other receivables DKK'000	Deferred tax DKK'000
11. Fixed asset investments				
Cost beginning of year	27.108	13.500	5.390	54.804
Disposals	0	0	(1.100)	(2.722)
Cost end of year	27.108	13.500	4.290	52.082
Revaluations beginning of year	(13.093)	0	0	0
Exchange rate adjustments	236	0	0	0
Share of profit/loss for the year	1.768	0	0	0
Adjustment of intra-group profits	(1.015)	0	0	0
Revaluations end of year	(12.104)	0	0	0
Carrying amount end of year	15.004	13.500	4.290	52.082

12. 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 52,082 thousand.

The Company has tax asset of DKK 67,241 thousand which has not been recognised in the financial statements.

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.

Notes to parent financial statements

	Instalments within 12 months 2019 DKK'000	Instalments within 12 months 2018 DKK'000	Instalments beyond 12 months 2019 DKK'000	Outstanding after 5 years DKK'000
15. Liabilities other than provisions				
Finance lease liabilities	1.417	1.615	1.535	0
Other payables	3.208	3.182	15.619	9.488
Deferred income	0	0	1.107	0
	4.625	4.797	18.261	9.488

16. Deferred income

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

	2019 DKK'000	2018 DKK'000
17. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	314.151	341.843
18. Contingent liabilities		
Recourse and non-recourse guarantee commitments	150	500
Contingent liabilities in total	150	500

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.

19. Mortgages and securities

The Group has made a pledge of nominally DKK 70,000 thousand (2018: DKK 70,000 thousand) as collateral for debt to banks and credit institutions amounting to DKK 28,402 thousand (2018: DKK 15,868 thousand). The pledge comprises the following assets at the balance date, with a total value of DKK 209,604 thousand (2018: DKK 207,124 thousand).

Notes to parent financial statements

	2019 DKK'000	2018 DKK'000
Inventories	143,038	125,303
Trade receivables	29,783	42,945
Plant and machinery	36,883	38,876
	209,604	207,124

20. 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.

Jysk-Fynsk Kapital J ApS, Hedensted owns majority of the shares in Junckers Holding A/S and thereby has a controlling interest of the Company.

JYSK-FYNSK KAPITAL A/S, Hedensted owns majority of the shares in Jysk-Fynsk Kapital J ApS and thereby has a controlling interest of the Company.

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.

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.

Changes to presentation prior year

In the financial statement minor presentation changes regarding 2018 figures have been made by the management. We agree with the management on these changes. The following changes are both made in the Consolidated financial statements and Parent financial statements.

Other operating expenses

Expenses related to other operating income are presented as other operating expenses. Regarding the expenses in 2018, the expenses was presented as production costs.

Intangible assets

A part of the assets related to Property, plant and equipment are presented as intangible assets. In the financial statements 2018 the assets was presented as property, plant and equipment.

Trade payables

A part of trade payables are presented as non-current other payables. In the financial statements 2018 the trade payables was presented as current trade payables.

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.

Accounting policies

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.

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.

Accounting policies

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.

Other operating expenses

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

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

Intellectual property rights etc

Intellectual property rights comprise software and prepayments for software.

Accounting policies

The basis for the amortization is cost less estimated residual value after the end of useful life. Straight-line amortization is made based on an estimate useful life of 3 years. Estimated useful lives and residual values are reassessed annually.

Intellectual property rights are written down to the lower of recoverable amount and carrying amount.

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.

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.

Accounting policies

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.

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.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Accounting policies

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.

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.