Annual Report 2021

The Annual General Meeting adopted
the annual report on 22.04.2022

Kvadrat Holding A/S

Lundbergsvej 10
8400 Ebeltoft
CVR No. 15120002

Nikolaj Otto Bjørnholm
Chairman of the General Meeting

Contents

Entity details

Entity

Kvadrat Holding A/S

Lundbergsvej 10

8400 Ebeltoft

Business Registration No.: 15120002

Registered office: Syddjurs

Financial year: 01.01.2021 - 31.12.2021

Board of Directors

Nikolaj Otto Bjørnholm, Chairman

Anders Byriel

Erling Vestergaard Rasmussen

Jesper Rønn Rasmussen

Mette Rønn Bendix

Morten Rønn Rasmussen

Rasmus Byriel

Søren Byriel

Executive Board

Anders Byriel, CEO

Mette Rønn Bendix, Product Director

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
City Tower, Værkmestergade 2
8000 Aarhus 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 Kvadrat Holding A/S for the financial year 01.01.2021 - 31.12.2021.

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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021.

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.

Ebeltoft, 22.04.2022

Executive Board

Anders Byriel
CEO

Mette Rønn Bendix
Product Director

Board of Directors

Nikolaj Otto Bjørnholm
Chairman

Anders Byriel

Erling Vestergaard Rasmussen

Jesper Rønn Rasmussen

Mette Rønn Bendix

Morten Rønn Rasmussen

Rasmus Byriel

Søren Byriel

Independent auditor's report

To the shareholders of Kvadrat Holding A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Kvadrat Holding A/S for the financial year 01.01.2021 - 31.12.2021, 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 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 for Accountants’ International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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 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.

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.

Aarhus, 22.04.2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Michael Bach
State Authorised Public Accountant
Identification No (MNE) mne19691

Jens Lauridsen
State Authorised Public Accountant
Identification No (MNE) mne34323

Management commentary

Financial highlights

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	1,596,212	1,452,993	1,722,654	1,407,752	1,177,914
Gross profit/loss	606,385	521,286	593,922	494,189	397,670
Operating profit/loss	42,928	11,909	94,826	117,469	108,459
Net financials	(17,722)	(13,054)	(8,360)	(8,025)	(15,886)
Profit/loss for the year	24,926	1,195	80,170	86,207	77,753
Profit for the year excl. minority interests	16,652	(4,930)	72,964	80,573	76,751
Balance sheet total	1,591,919	1,298,793	1,250,952	1,038,731	846,927
Investments in property, plant and equipment	166,507	50,437	92,412	31,424	49,149
Equity	440,427	382,724	429,997	403,188	333,004
Equity excl. minority interests	401,900	371,164	416,506	392,443	326,847
Average number of employees	988	898	981	693	562
Ratios					
Gross margin (%)	37.99	35.88	34.48	35.10	33.76
Return on equity (%)	4.31	(1.25)	18.04	22.40	25.52
Equity ratio (%)	25.25	28.58	33.30	37.78	38.59

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

Gross margin (%):
Gross profit/loss * 100
Revenue

Return on equity (%):
Profit/loss for the year excl. minority interests * 100
Average equity excl. minority interests

Equity ratio (%):
Equity excl. minority interests * 100
Balance sheet total

Primary activities
Kvadrat has been leading the field in textile innovation since 1968 when our company was founded.

We develop, produce and sell contemporary high-quality textiles and textile-related products for architects, designers and private consumers to specify in public spaces and domestic interiors.

Development in activities and finances
The revenue for the Group for 2021 amounted to DKK 1.596m compared to DKK 1.453m in 2020. Profit before tax amounted to DKK 29,3m compared to DKK 2,6m in 2020.

The revenue for the parent company for 2021 amounted to DKK 0m compared to DKK 0,0m in 2020. Profit before tax amounted to DKK 17,0m compared to DKK (5,9)m in 2020.

The annual report for both the group and the parent company has – like previous years - been significantly affected by a high level of investments in strategic projects with the purpose of streamlining internal processes as well as readjusting our customer approach in terms of the products offered and the platform used to support the trade (online vs. offline). The investments will – according to our plans - pay off over a short period of years once the strategic projects have been completed and are fully operational.

Profit/loss for the year in relation to expected developments
The development in Group and parent company revenue and profits must be compared to the primarily positive expectations in the annual report for Kvadrat Holding A/S for 2020. The approval of the annual report for Kvadrat Holding A/S for 2020 was made while the COVID-19 virus was still affecting large portions of the global economy negatively why the outlook for profit/loss in 2021 was subject to a high degree of uncertainty.

The Executive Board and Board of Directors considers the results for 2021 to be satisfactory.

Uncertainty relating to recognition and measurement
Recognition and measurement in the consolidated financial statements and parent company financial statement are not subject to any material uncertainties.

Unusual circumstances affecting recognition and measurement
No particular circumstances exert material influence on the consolidated financial statements and parent company financial statement.

Outlook
We expect to continue investing in our current business, subsidiaries and internal processes in 2022 and strive to finalize and implement the remaining ongoing strategic projects mentioned above. As in previous years, any uncertainty is primarily related to developments in exchange rates and commodity prices.

The primarily negative impacts from COVID-19 diminished during FY 2021 and only select markets and regions of Kvadrat Group are negatively affected by this at the end of FY 2021. While relapses and an overall deterioration of the COVID-19 situation globally and/or regionally is certainly still a possibility, we expect to see an overall improvement in the economic circumstances surrounding our business and Group in the coming year. We expect to see both revenue and profits in 2022 to be above the levels realized in 2021.

Neither the Group nor the parent company is exposed to particular risks apart from those generally occurring in our line of business.

Knowledge resources

To future-proof the Group in terms of the expected growth and expansion of the number of employees we are working proactively and continuously on developing all people in the organization to be able meet to best execute our Group strategy.

The Senior Management level of Kvadrat and management levels just below have during the past 3 years developed their competencies in leadership transition with the overall purpose to ensure high level leadership quality that is compatible to what Kvadrat has become and can evolve to in the future. We are currently more than 140 managers across production, sales subsidiaries, development companies and HQ functions. In 2021 we decided to strengthen the set up around our senior management and a larger group of leaders by creating a People Partner set up, where we internally support managers in people and performance related topics. Instead of working with external consultants to train and support our managers we will do this from our own People development utilizing their knowledge of context and more direct availability.

We continue to work on our leadership quality and also work more proactively and formalized with our leadership pool, funnel, assessment and succession. We continue, despite having to do it remotely, to develop new managers via an internal program for High Potentials that we believe could assume more responsibility in a managerial role in the future. This program has generated 28 new managers during the last 4 years. In 2021 we have complemented this with a special program for our global customer service where we have started a specialized program for talents. Finally, we are proceeding to build the necessary competencies through our Kvadrat Academy which serves as a training forum for all Kvadrat's employees. All training and competence development is organized as blended, a mix of digital and on-site learning.

In our employee surveys, the employees are asked about their general satisfaction and specific matters related to their everyday working life. The questions focus on organization, team, closest manager, own department, the individual, financial performance and culture. It is important for Kvadrat to know to which extent the employees know, believes in and act out Kvadrat's values, Kvadrat's strategy and Kvadrat's learning ambitions. In 2021 we saw a decrease from 2020 from 76 to 74. We are content with the result due to the inclusion of newly acquired entities such as Gaudium for the first time and the ongoing impact of our implementation of D365.

Our Strategic Direction in Kvadrat

The aspiration in Kvadrat is to "Push the boundaries of high-quality textiles through design and innovation". This is based on Kvadrat being a dynamic, forward-looking design company that continuously seeks to push the boundaries of aesthetics and sustainable textile design globally. Kvadrat collaborates with architects to shape spaces, designers and furniture manufacturers to craft furniture, and encourages consumers to bring their personality and identity with tactility and color into their homes.

Success in Kvadrat is defined by four KPIs: Employee Temperature, Customer Pulse, Brand Reputation and Financial Health (Revenue, EBIT, ROIC). These four KPIs are the ultimate objectives for both our short- and long-term success, and therefore, all activities must strive to maximize value across these dimensions. The four KPIs are included in Kvadrat' s global incentive program.

<u>The 2021 – 2023 Kvadrat Group Strategy</u>

The overall ambition of the 2021 – 2023 Kvadrat Group Strategy is to win market shares, reduce complexity and strengthen the organization to prepare for the future with a globally scalable business model. To support this ambition, three strategic themes have been selected:

- Win market share to maintain and develop our strong market position
- Reduce complexity to create a scalable business model and increase efficiency
- Strengthen the organization to sharpen our competitive edge

We will win market share by outperforming within our core product categories upholstery and curtains. This includes a sharp focus on new product development, globalization, and increase in customer's wallet share. Sustainability is another important lever to increase our market share. Our aim in Kvadrat is to become market leader within Sustainability by 2030. In 2021, we defined our 2030 sustainability strategy, that includes a clear direction and ambitious targets for our products as well as our global activities. Besides other commitments, we aim to increase the share of recycled and new materials in our products and ensure substantial impact reduction from our carbon emissions, packaging materials and waste. We will in 2022 commit to Science Based Target to lead the way to a zero-carbon economy.

Many brands, business areas, and markets have been added over recent years, and hence complexity has increased. Our focus is now to reduce complexity by streamlining our processes and building a simplified European warehouse footprint.

Lastly, the organization needs to be strengthened by reinforcing capabilities while developing all employees and leaders, that over time, will be the utmost enabler of the transformation of Kvadrat from regional to global, from retail to operation and from a medium seized company to a large company.

Environmental performance

Kvadrat is very environmentally conscious and continuously strives to reduce the environmental impact from our operations. More detailed information regarding our environmental performance can be found in our sustainability report below.

Research and development activities

The development of our products happens in a close collaboration between external affiliated designers and our internal product development team.

The costs related to research activities are expensed in the income statement. The costs related to development activities are either expensed in the income statement or capitalized in the balance sheet depending on the viability and economic return of the specific development project and whether the criteria for recognition in the balance sheet have been fulfilled.

The costs to research and development activities in 2021 exceeds the incurred costs in 2020 as well as the budgeted costs for 2021.

Statutory report on corporate social responsibility

Our attitudes and initiatives regarding environmental issues, social responsibility and gender composition in management are described in our sustainability report "Our commitment to sustainability" and can be found on our website at:

https://www.kvadrat.dk/en/about/sustainability-applied/sustainability-report

The report focuses on the four main areas of our work on sustainability - Environment, Employees, Culture and Compliance.

As Kvadrat has been a member of the UN Global Compact since 2013, our sustainability report is based on the UN Global Compact's 10 principles, which we evaluate and communicate annually in terms of status, risks, development, and objectives. In addition, Kvadrat supports the UN's 17 World Objectives which are also addressed in our sustainability report.

Statutory report on the underrepresented gender

Kvadrat is subject to the rules on target figures and policies for the gender composition of management. The statutory report on the underrepresented gender is included in our sustainability report for 2021 which is available at the above-mentioned link.

Statutory report on data ethics policy

Our policies regarding data ethics can be found on our website at:

https://www.kvadrat.dk/en/legal

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 2021

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	1,596,212	1,452,993
Other operating income	2	14,852	18,740
Cost of sales		(685,641)	(635,909)
Other external expenses	3	(319,038)	(314,538)
Gross profit/loss		**606,385**	**521,286**
Staff costs	4	(495,308)	(462,070)
Depreciation, amortisation and impairment losses	5	(68,149)	(47,307)
Operating profit/loss		**42,928**	**11,909**
Income from investments in associates		4,109	3,753
Other financial income	6	3,104	2,803
Other financial expenses	7	(20,826)	(15,857)
Profit/loss before tax		**29,315**	**2,608**
Tax on profit/loss for the year	8	(4,389)	(1,413)
Profit/loss for the year	9	**24,926**	**1,195**

Consolidated balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Completed development projects	11	97,247	90,289
Acquired trademarks		37,793	12,280
Goodwill		61,904	83,355
Development projects in progress	11	6,826	16,298
Intangible assets	10	**203,770**	**202,222**
Land and buildings		198,274	177,907
Plant and machinery		2,325	1,513
Other fixtures and fittings, tools and equipment		149,700	84,462
Leasehold improvements		77,267	43,765
Property, plant and equipment in progress		33,644	20,472
Property, plant and equipment	12	**461,210**	**328,119**
Investments in associates		54,261	56,978
Receivables from associates		0	4,566
Other receivables		9,591	9,299
Financial assets	13	**63,852**	**70,843**
Fixed assets		**728,832**	**601,184**

Manufactured goods and goods for resale		397,551	307,834
Inventories		**397,551**	**307,834**
Trade receivables		222,031	196,326
Contract work in progress	14	1,856	3,489
Receivables from associates		0	6,080
Deferred tax	15	39,720	23,128
Other receivables		22,310	19,636
Prepayments	16	16,781	13,455
Receivables		**302,698**	**262,114**
Cash		**162,838**	**127,661**
Current assets		**863,087**	**697,609**
Assets		**1,591,919**	**1,298,793**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital	17	100,000	100,000
Translation reserve		4,366	(1,580)
Reserve for fair value adjustments of hedging instruments		1,488	(647)
Reserve for net revaluation according to equity method		14,431	0
Retained earnings		249,615	273,391
Proposed dividend for the financial year		32,000	0
Equity belonging to Parent's shareholders		**401,900**	**371,164**
Equity belonging to minority interests		**38,527**	**11,560**
Equity		**440,427**	**382,724**
Deferred tax	15	5,630	7,364
Other provisions	18	1,753	1,697
Provisions		**7,383**	**9,061**
Mortgage debt		30,346	35,891
Bank loans		176,857	186,029
Lease liabilities		54,392	16,154
Other payables	19	31,336	25,874
Non-current liabilities other than provisions	20	**292,931**	**263,948**

Current portion of non-current liabilities other than provisions	20	101,242	62,356
Bank loans		411,192	265,560
Prepayments received from customers		17,927	7,970
Trade payables		88,743	79,206
Payables to associates		54,027	50,325
Payables to owners and management		17,378	19,339
Tax payable		19,607	16,419
Other payables	21	139,416	139,985
Deferred income	22	1,646	1,900
Current liabilities other than provisions		**851,178**	**643,060**
Liabilities other than provisions		**1,144,109**	**907,008**
Equity and liabilities		**1,591,919**	**1,298,793**
Financial instruments	24		
Unrecognised rental and lease commitments	25		
Assets charged and collateral	26		
Transactions with related parties	27		
Subsidiaries	29		

Consolidated statement of changes in equity for 2021

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for net revaluation according to equity method DKK'000	Retained earnings DKK'000
Equity beginning of year	100,000	(1,580)	(647)	0	273,391
Exchange rate adjustments	0	5,946	0	4,455	0
Fair value adjustments of hedging instruments	0	0	2,737	0	0
Other entries on equity	0	0	0	6,856	(5,308)
Tax of entries on equity	0	0	(602)	0	0
Dividends from associates	0	0	0	(990)	990
Profit/loss for the year	0	0	0	4,110	(19,458)
Equity end of year	**100,000**	**4,366**	**1,488**	**14,431**	**249,615**

	Proposed dividend for the financial year DKK'000	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	0	371,164	11,560	382,724
Exchange rate adjustments	0	10,401	0	10,401
Fair value adjustments of hedging instruments	0	2,737	0	2,737
Other entries on equity	0	1,548	18,693	20,241
Tax of entries on equity	0	(602)	0	(602)
Dividends from associates	0	0	0	0
Profit/loss for the year	32,000	16,652	8,274	24,926
Equity end of year	**32,000**	**401,900**	**38,527**	**440,427**

Consolidated cash flow statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Operating profit/loss		42,928	11,909
Operating profit/loss from discontinued operations		(13,300)	0
Amortisation, depreciation and impairment losses		68,150	46,631
Working capital changes	23	(120,973)	88,785
Changes in intercompany activities		4,656	(22,638)
Cash flow from ordinary operating activities		**(18,539)**	**124,687**
Financial income received		0	26,100
Financial expenses paid		(17,722)	(39,156)
Taxes refunded/(paid)		(24,925)	(7,336)
Other cash flows from operating activities		917	4,311
Cash flows from operating activities		**(60,269)**	**108,606**
Acquisition etc. of intangible assets		(19,394)	(75,919)
Sale of intangible assets		0	692
Acquisition etc. of property, plant and equipment		(79,188)	(46,818)
Sale of property, plant and equipment		1,836	598
Sale of fixed asset investments		30,800	0
Dividends received from associates		990	20,175
Cash flows from investing activities		**(64,956)**	**(101,272)**
Free cash flows generated from operations and investments before financing		**(125,225)**	**7,334**
Loans raised		14,769	0
Repayments of loans etc.		0	(49,898)
Dividend paid		0	(44,940)
Other cash flows from financing activities		145,633	100,348
Cash flows from financing activities		**160,402**	**5,510**
Increase/decrease in cash and cash equivalents		**35,177**	**12,844**

Cash and cash equivalents beginning of year	127,661	114,817
Cash and cash equivalents end of year	**162,838**	**127,661**

Cash and cash equivalents at year-end are composed of:		
Cash	162,838	127,661
Cash and cash equivalents end of year	**162,838**	**127,661**

Notes to consolidated financial statements

1 Revenue

	2021 DKK'000	2020 DKK'000
Other EU countries	1,217,600	1,127,031
Other countries	378,612	325,962
Total revenue by geographical market	**1,596,212**	**1,452,993**

The Group's business is divided into business segments and geographical markets.

The Group's primary segment comprises development and sale of design textiles and textile-related products. Secondary business areas are irrelevant. Referring to S. 96 of the Danish Financial Statements Act, Management does not want to provide additional information on the geographical distribution of revenue since a detailed distribution of revenue by geographical market will be highly detrimental to the Group's competitive situation.

2 Other operating income

	2021 DKK'000	2020 DKK'000
Compensation	0	18,064
Profit from sale of shares	14,238	0
Public grants	614	676
	14,852	**18,740**

Other operating income in 2020 included compensation received from state support schemes regarding salaries and fixed costs, which were established as a result of the eruption and spread of COVID-19 in 2020. No compensation has been received in 2021. Profits from sale of shares includes profits from sale of shares in subsidiaries.

3 Fees to the auditor appointed by the Annual General Meeting

	2021 DKK'000	2020 DKK'000
Statutory audit services	1,280	1,557
Other assurance engagements	112	79
Tax services	326	543
Other services	265	1,240
	1,983	**3,419**

4 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	419,657	407,500
Pension costs	39,366	33,877
Other staff costs	38,160	28,514
	497,183	**469,891**
Staff costs classified as assets	(1,875)	(7,821)
	495,308	**462,070**

Average number of full-time employees	**988**	**898**

	Remuneration of manage-ment 2021 DKK'000	Remuneration of manage-ment 2020 DKK'000
Total amount for management categories	9,417	7,490
	9,417	**7,490**

5 Depreciation, amortisation and impairment losses

	2021 DKK'000	2020 DKK'000
Amortisation of intangible assets	33,854	16,885
Depreciation on property, plant and equipment	34,645	29,132
Profit/loss from sale of intangible assets and property, plant and equipment	(350)	1,290
	68,149	**47,307**

6 Other financial income

	2021 DKK'000	2020 DKK'000
Financial income from associates	0	179
Other interest income	3,104	2,624
	3,104	**2,803**

7 Other financial expenses

	2021 DKK'000	2020 DKK'000
Other interest expenses	20,826	15,857
	20,826	**15,857**

8 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Current tax	23,317	23,766
Change in deferred tax	(18,928)	(22,353)
	4,389	**1,413**

9 Proposed distribution of profit/loss

	2021 DKK'000	2020 DKK'000
Ordinary dividend for the financial year	32,000	0
Retained earnings	(15,348)	(4,930)
Minority interests' share of profit/loss	8,274	6,125
	24,926	**1,195**

10 Intangible assets

	Completed development projects DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	120,514	32,642	168,161	16,298
Exchange rate adjustments	(9)	0	203	0
Transfers	22,854	13,104	0	(22,854)
Additions	1,321	29,670	3,842	13,960
Disposals	(7,108)	0	(39,598)	(578)
Cost end of year	**137,572**	**75,416**	**132,608**	**6,826**
Amortisation and impairment losses beginning of year	(30,225)	(20,362)	(84,806)	0
Exchange rate adjustments	7	0	(203)	0
Transfers	0	(13,104)	0	0
Amortisation for the year	(17,793)	(4,157)	(11,904)	0
Reversal regarding disposals	7,686	0	26,209	0
Amortisation and impairment losses end of year	**(40,325)**	**(37,623)**	**(70,704)**	**0**
Carrying amount end of year	**97,247**	**37,793**	**61,904**	**6,826**

11 Development projects

The completed development projects and development projects in progress primarily consists of a new ERP-system as well as a digital trading platform as part of a substantial digital strategic plan towards 2023 and onwards. The ERP-system was successfully launched in 2020 while the first phases of the digital trading platform has been launched at the end of 2021. Management expects a significant potential from the optimization and digitalization of the business, as future cash flows will ensure repayment of investments in the development projects, and so Management does not find any indication of impairment to exist.

12 Property, plant and equipment

	Land and buildings DKK'000	Plant and machinery DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000	Property, plant and equipment in progress DKK'000
Cost beginning of year	223,368	3,646	216,330	99,183	20,472
Exchange rate adjustments	2,653	21	170	1,579	0
Transfers	1,893	0	9,277	524	0
Additions	22,805	1,525	84,079	44,926	13,172
Disposals	0	(1,276)	(35,119)	(4,591)	0
Cost end of year	**250,719**	**3,916**	**274,737**	**141,621**	**33,644**
Depreciation and impairment losses beginning of year	(45,461)	(2,133)	(131,868)	(55,418)	0
Exchange rate adjustments	(481)	(21)	(127)	(729)	0
Transfers	(1,893)	0	(9,277)	(524)	0
Depreciation for the year	(4,610)	(544)	(17,753)	(11,738)	0
Reversal regarding disposals	0	1,107	33,988	4,055	0
Depreciation and impairment losses end of year	**(52,445)**	**(1,591)**	**(125,037)**	**(64,354)**	**0**
Carrying amount end of year	**198,274**	**2,325**	**149,700**	**77,267**	**33,644**

13 Financial assets

	Investments in associates DKK'000	Receivables from associates DKK'000	Other receivables DKK'000
Cost beginning of year	64,850	5,202	9,299
Transfers	(25,020)	0	0
Additions	0	0	292
Disposals	0	(5,202)	0
Cost end of year	**39,830**	**0**	**9,591**
Revaluations beginning of year	(7,872)	(636)	0
Exchange rate adjustments	4,455	0	0
Transfers	14,728	0	0
Amortisation of goodwill	(2,901)	0	0
Share of profit/loss for the year	10,776	0	0
Adjustment of intra-group profits	(3,765)	0	0
Dividend	(990)	0	0
Reversal regarding disposals	0	636	0
Revaluations end of year	**14,431**	**0**	**0**
Carrying amount end of year	**54,261**	**0**	**9,591**

Investments in associates comprise unamortised goodwill of DKK 4,0m at 31.12.2021.

Associates	**Registered in**	**Ownership %**
Wooltex UK Ltd.	England	46.00
3 Days of Design ApS	Denmark	20.00
Innvik AS	Norway	30.00

14 Contract work in progress

	2021 DKK'000	2020 DKK'000
Contract work in progress	20,248	22,293
Progress billings	(18,392)	(18,804)
	1,856	**3,489**

15 Deferred tax

	2021 DKK'000	2020 DKK'000
Intangible assets	(27,760)	(9,569)
Property, plant and equipment	(22,952)	(9,767)
Inventories	5,457	4,512
Receivables	(731)	(1,180)
Provisions	12,486	(81)
Liabilities other than provisions	9,239	(2,209)
Tax losses carried forward	58,351	34,058
Deferred tax	**34,090**	**15,764**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	15,764	(6,793)
Recognised in the income statement	18,928	22,353
Recognised directly in equity	(602)	204
End of year	**34,090**	**15,764**

Deferred tax has been recognised in the balance sheet as follows	2021 DKK'000	2020 DKK'000
Deferred tax assets	39,720	23,128
Deferred tax liabilities	(5,630)	(7,364)
	34,090	**15,764**

Deferred tax assets

Deferred tax assets consist primarily of timing differences on depreciation of fixed assets as well as tax-loss carryforwards from foreign subsidiaries and parent company, which are expected to use the losses within 1-5 years as a result of future positive operations.

16 Prepayments

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

17 Contributed capital

	Number	Nominal value DKK'000
The shares are not divided into classes	1,000	100,000
	1,000	**100,000**

18 Other provisions

Other provisions comprise primarily costs from other obligations expected to be incurred by the Group.

19 Other payables

	2021 DKK'000	2020 DKK'000
Holiday pay obligation	14,357	12,881
Other costs payable	16,979	12,993
	31,336	**25,874**

20 Non-current liabilities other than provisions

	Due within 12 months 2021 DKK'000	Due within 12 months 2020 DKK'000	Due after more than 12 months 2021 DKK'000	Outstanding after 5 years 2021 DKK'000
Mortgage debt	2,878	2,862	30,346	22,123
Bank loans	71,934	36,787	176,857	23,896
Lease liabilities	15,899	2,607	54,392	42,624
Other payables	10,531	20,100	31,336	12,881
	101,242	**62,356**	**292,931**	**101,524**

21 Other payables

	2021 DKK'000	2020 DKK'000
VAT and duties	4,612	21,037
Wages and salaries, personal income taxes, social security costs, etc. payable	21,421	28,328
Holiday pay obligation	35,729	21,778
Derivative financial instruments	13,389	16,505
Other costs payable	64,265	52,337
	139,416	**139,985**

Derivative financial instruments are described in note 22.

22 Deferred income

Deferred income includes grants for DKK 4,9m related to development projects in progress, of which DKK 3,2m has been recognized in line with the depreciation of the associated development project.

23 Changes in working capital

	2021 DKK'000	2020 DKK'000
Increase/decrease in inventories	(88,444)	15,465
Increase/decrease in receivables	(27,249)	5,872
Increase/decrease in trade payables etc.	(5,280)	67,448
	(120,973)	**88,785**

24 Derivative financial instruments

The Company have no hedged currencies at the balance date 31 December 2021.

Other payables include the negative fair value of an interest rate swap of DKK 13,1m and DKK 0,2m, respectively. The interest rate swap was made to hedge a fixed interest rate on the Company's floating-rate mortgage loan. The interest swap has a principal amount of DKK 20,0m and 18,1m, respectively and ensures a fixed interest rate of 4,82% and 5,18% in the remaining term of 16 years and 2 years.

25 Unrecognised rental and lease commitments

	2021 DKK'000	2020 DKK'000
Total liabilities under rental or lease agreements until maturity	**254,260**	**180,527**

26 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The carrying amount of mortgaged buildings is DKK 198m recognised under land and buildings as well as DKK 34m recognised under property, plant and equipment in progress.

27 Transactions with related parties

The annual report only dislose transactions with related parties that have not been completed on market terms. No such transactions have been completed during the financial year.

28 Pro-rata consolidated companies

	Registered in	Ownership %
Kvadrat Maharam Pty. Ltd.	Australia	50.00
Kvadrat Shade B.V.	Netherlands	50.00
Magniberg Design AB	Sweden	50.00

29 Subsidiaries

	Registered in	Ownership %
Danskina BV	Netherlands	100.00
Febrik BV	Netherlands	51.70
Gaudium BV	Netherlands	100.00
ASA BV	Netherlands	100.00
de Pol BV	Netherlands	100.00
Kinnasand GmbH	Germany	100.00
Kvadrat AB	Sweden	100.00
Kvadrat AG	Switzerland	97.00
Kvadrat Asia Investment Ltd.	Hong Kong	50.50
Kvadrat China Co. Ltd.	China	50.50
Kvadrat Singapore Pte. Ltd.	Singapore	50.50
Kvadrat A/S	Denmark	100.00
Kvadrat Austria GmbH	Austria	97.00
Kvadrat BV	Netherlands	95.10
Kvadrat Finland Oy	Finland	100.00
Kvadrat GmbH	Germany	98.00
Kvadrat Iberia S.L.	Spain	95.00
Kvadrat Inc.	USA	100.00
Kvadrat Japan Co. Ltd.	Japan	80.00
Kvadrat Korea Co. Ltd.	South Korea	100.00
Kvadrat Ltd	United Kingdom	100.00
Kvadrat Middle East DMCC	UAE	100.00
Kvadrat Norge AS	Norway	100.00
Kvadrat Properties Ltd.	United Kingdom	100.00
Kvadrat SA	France	95.00
Kvadrat Acoustics A/S	Denmark	79.00
Fabric Systems Ltd.	United Kingdom	79.00
Kvadrat Soft Cells A/S Inc.	USA	79.00
Kvadrat Soft Cells Hong Kong Ltd.	Hong Kong	79.00
Kvadrat Soft Cells Sp. Z.o.o.	Poland	79.00
Kvadrat SpA	Italy	100.00
Kvadrat Czech Republic s.r.o.	Czech Republic	100.00

	Registered in	Ownership %
Kvadrat Tekstil Ticaret A.S.	Turkey	100.00
Personal Design SrL	Italy	100.00
REALLY ApS	Denmark	68.00
Sahco GmbH	Germany	100.00
SCI Kvadrat Properties Ltd.	France	100.00
Tinghuset Ebeltoft A/S	Denmark	100.00
VEROSOL Holding BV	Netherlands	100.00
VEROSOL Services BV	Netherlands	100.00
VEROSOL Nederland BV	Netherlands	100.00
VEROSOL Fabrics BV	Netherlands	100.00
VEROSOL Properties BV	Netherlands	100.00
VEROSOL Australia Pty Ltd.	Australia	80.00
Tecnología de Control Solar Espana Holding SLU	Spain	100.00
VEROSOL Ibérica SAU	Spain	100.00
Tecnologia de Control Solar Mexicana, SA de CV	Mexico	100.00
Tecnologia de Control Solar Mexicana de Servicios, SA de CV	Mexico	100.00
VW Solarflex SA de CV	Mexico	100.00
Convert A/S	Denmark	66.67
Ejendomsselskabet Convert ApS	Denmark	66.67

Parent income statement for 2021

	Notes	2021 DKK'000	2020 DKK'000
Other external expenses		(414)	(1,690)
Gross profit/loss		**(414)**	**(1,690)**
Staff costs	1	(1,380)	(560)
Operating profit/loss		**(1,794)**	**(2,250)**
Income from investments in group enterprises		20,255	(1,415)
Income from investments in associates		(74)	(120)
Other financial income	2	1,012	561
Other financial expenses	3	(2,366)	(2,643)
Profit/loss before tax		**17,033**	**(5,867)**
Tax on profit/loss for the year	4	558	937
Profit/loss for the year	5	**17,591**	**(4,930)**

Parent balance sheet at 31.12.2021

Assets

	Notes	2021 DKK'000	2020 DKK'000
Other fixtures and fittings, tools and equipment		3,015	2,830
Property, plant and equipment	6	**3,015**	**2,830**
Investments in group enterprises		416,743	377,997
Investments in associates		0	0
Receivables from associates		0	4,566
Financial assets	7	**416,743**	**382,563**
Fixed assets		**419,758**	**385,393**
Receivables from group enterprises		15,896	33,871
Deferred tax	8	1,495	937
Other receivables		126	0
Tax receivable		287	704
Joint taxation contribution receivable		673	963
Prepayments	9	0	80
Receivables		**18,477**	**36,555**
Current assets		**18,477**	**36,555**
Assets		**438,235**	**421,948**

Equity and liabilities

	Notes	2021 DKK'000	2020 DKK'000
Contributed capital		100,000	100,000
Reserve for net revaluation according to equity method		268,862	270,490
Retained earnings		1,038	674
Proposed dividend for the financial year		32,000	0
Equity		**401,900**	**371,164**
Bank loans		15,857	29,399
Payables to group enterprises		1,194	0
Payables to owners and management		17,378	19,339
Tax payable		705	0
Joint taxation contribution payable		0	1,636
Other payables	10	1,201	410
Current liabilities other than provisions		**36,335**	**50,784**
Liabilities other than provisions		**36,335**	**50,784**
Equity and liabilities		**438,235**	**421,948**
Contingent liabilities	11		
Assets charged and collateral	12		
Related parties with controlling interest	13		
Transactions with related parties	14		

Parent statement of changes in equity for 2021

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Retained earnings DKK'000	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	100,000	270,490	674	0	371,164
Exchange rate adjustments	0	943	0	0	943
Other entries on equity	0	12,202	0	0	12,202
Profit/loss for the year	0	(14,773)	364	32,000	17,591
Equity end of year	**100,000**	**268,862**	**1,038**	**32,000**	**401,900**

Notes to parent financial statements

1 Staff costs

	2021 DKK'000	2020 DKK'000
Wages and salaries	1,380	560
	1,380	**560**

Average number of full-time employees	**0**	**0**

	Remuneration of Management 2021 DKK'000	Remuneration of Management 2020 DKK'000
Total amount for management categories	1,380	560
	1,380	**560**

2 Other financial income

	2021 DKK'000	2020 DKK'000
Financial income from group enterprises	900	382
Financial income from associates	112	179
	1,012	**561**

3 Other financial expenses

	2021 DKK'000	2020 DKK'000
Financial expenses from group enterprises	0	477
Other interest expenses	2,366	2,166
	2,366	**2,643**

4 Tax on profit/loss for the year

	2021 DKK'000	2020 DKK'000
Change in deferred tax	(558)	(937)
	(558)	**(937)**

5 Proposed distribution of profit and loss

	2021 DKK'000	2020 DKK'000
Ordinary dividend for the financial year	32,000	0
Retained earnings	(14,409)	(4,930)
	17,591	**(4,930)**

6 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK'000
Cost beginning of year	2,830
Additions	185
Cost end of year	**3,015**
Carrying amount end of year	**3,015**

7 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000
Cost beginning of year	107,507	20
Transfers	20	(20)
Additions	5,354	0
Cost end of year	**112,881**	**0**
Revaluations beginning of year	270,490	(20)
Exchange rate adjustments	943	0
Transfers	(730)	730
Share of profit/loss for the year	20,255	(73)
Investments with negative equity value depreciated over receivables	702	(637)
Other adjustments	12,202	0
Revaluations end of year	**303,862**	**0**
Carrying amount end of year	**416,743**	**0**

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

8 Deferred tax

	2021 DKK'000	2020 DKK'000
Tax losses carried forward	1,495	937
Deferred tax	**1,495**	**937**

Changes during the year	2021 DKK'000	2020 DKK'000
Beginning of year	937	0
Recognised in the income statement	558	937
End of year	**1,495**	**937**

Deferred tax assets
Tax losses carried forward are expected to be used within 1-5 years.

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

10 Other payables

	2021 DKK'000	2020 DKK'000
Wages and salaries, personal income taxes, social security costs, etc. payable	960	0
Other costs payable	241	410
	1,201	**410**

11 Contingent liabilities

	2021 DKK'000	2020 DKK'000
Recourse and non-recourse guarantee commitments	232,498	187,952
Contingent liabilities to group enterprises	**232,498**	**187,952**

The Company serves as the administration company in a Danish joint taxation. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed companies and for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for the jointly taxed companies. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

12 Assets charged and collateral
The Company has guaranteed the subsidiaries' bank debt. The guaranteed bank debt amounts to DKK 232m at 31.12.2021, which consist of the subsidiaries' drawing on credit facilities.

13 Related parties with controlling interest
Related parties with a controlling interest comprise the Company's Executive Board and Board of Directors.

14 Transactions with related parties
The annual report only dislose transactions with related parties that have not been completed on market terms. No such transactions have been completed during the financial year.

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.

A few reclassifications of the comparative figures have been made in the consolidated financial statements as well as in the parent financial statements to make the figures comparable with this year. The changes have not had any impact on neither profit nor equity in the consolidated and parent financial statements.

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. Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

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. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

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

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Divested or wound-up enterprises are recognised in the consolidated income statement up to the time of their divestment or winding-up.

The purchase method is applied at the acquisition of new enterprises, under which identifiable assets and liabilities of these enterprises are measured at fair value at the acquisition date. Provisions for costs of restructuring of the enterprise acquired are only made in so far as such restructuring was decided by the enterprise acquired prior to acquisition. Allowance is made for the tax effect of restatements.

Positive differences in amount (goodwill) between cost of the acquired share and fair value of the assets and liabilities taken over are recognised under intangible assets, and they are amortised systematically over the income statement based on an individual assessment of their useful life. If the useful life cannot be estimated reliably, it is fixed at 10 years. Useful life is reassessed annually. Negative balances (negative goodwill) are recognised as income in the income statement.

Profit or loss from divestment of enterprises

Profits or losses from divestment or winding-up of subsidiaries are calculated as the difference between selling price or settlement price and the carrying amount of the net assets at the time of divestment or winding-up, inclusive of non-amortised goodwill and estimated divestment or winding-up expenses.

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. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries which are considered part of the total investment in the subsidiary in question are classified directly as equity.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.
Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging the fair value of a recognised asset or a recognised liability are recorded in the income statement together with changes in the value of the hedged asset or the hedged liability.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

For derivative financial instruments that do not comply with the requirements for being treated as hedging instruments, changes in fair value are recognised currently in the income statement as financial income or financial expenses.

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.

Contract work in progress is included in revenue based on the stage of completion so that revenue corresponds to the selling price of the work performed in the financial year (the percentage-of-completion method).

Other operating income

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

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as revenue recognition of grants recieved related to the intagible fixed assets and gains and losses from the sale of intangible assets as well as property, plant and equipment.

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 intra-group profits or losses.

Income from investments in associates
Income from investments in associates comprises the pro rata share of the individual associates' profit/loss after pro rata elimination of intra-group profits or losses.

Other financial income
Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses
Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

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 is jointly taxed with all of its Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Goodwill
Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc.
Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under Reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries, external costs and amortisation that are directly and indirectly attributable to the development projects.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation on property, plant and equipment used in the development process are recognised in cost based on time spent on each project.

Completed development projects are amortised on a straight-line basis using their estimated useful lives which are determined based on a specific assessment of each development project. If the useful life cannot be estimated reliably, it is fixed at 10 years. For development projects protected by intellectual property rights, the maximum amortisation period is the remaining duration of the relevant rights.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

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

Property, plant and equipment
Land and buildings 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 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	30-40 years
Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	contract period

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

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
In the parent financial statements, 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 unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to reserve for net revaluation according to the equity method in equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

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

Investments in associates
Investments in associates are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity values plus unamortised goodwill and plus or minus unrealised pro rata intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in associates.

Associates with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant associate, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in associates is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 10 years.

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

Investments in associates fall within the definitions of both participating interests and associates, yet in these consolidated financial statements they have been presented as investments in associates because this designation reflects more accurately the Group's involvement in the relevant entities.

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

Inventories
Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price, design fee's plus delivery costs.

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

Contract work in progress
Contract work in progress is measured at the selling price of the work carried out at the balance sheet date.

The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

If the selling price of a project in progress cannot be made up reliably, it is measured at the lower of costs incurred and net realisable value.

Each contract in progress is recognised in the balance sheet under receivables or liabilities other than provisions, depending on whether the net value, calculated as the selling price less prepayments received, is positive or negative.

Costs of sales work and of securing contracts as well as finance costs are recognised in the income statement as incurred.

Deferred tax
Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Tax payable or receivable
Current tax payable or receivable is recognised in the balance sheet, stated as tax computed on this year's

taxable income, adjusted for prepaid tax.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

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

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.

Minority interests
On initial recognition, minority interests are measured at the minority interests' share of the acquiree's net assets measured at fair value. No goodwill related to the minority interests' equity interests in the acquiree is recognised.

Other provisions
Other provisions comprise anticipated costs of decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

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.

Lease liabilities
Lease liabilities 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 liabilities 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.

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

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Joint taxation contributions payable or receivable
Current joint taxation contributions payable or receivable are recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred income
Deferred income comprises income received for recognition in subsequent financial years. Deferred income include grants received for development projects according to the Danish Financial Statements Act's requirement for gross presentation cannot be offset in the development cost in the balance sheet, but must presented separately under liabilities. Prepayment are measured at cost less a straight line income recognition in line with the linear depreciation of the associated activated project.

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 shortterm bank loans.