



Kvadrat A/S

Lundbergsvej 10
8400 Ebeltoft
CVR No. 45998517

Annual report 2020

The Annual General Meeting adopted the
annual report on 23.04.2021

Lars Monrad-Gylling

Chairman of the General Meeting

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Entity details

Entity

Kvadrat A/S
Lundbergsvej 10
8400 Ebeltoft

Business Registration No.: 45998517
Registered office: Syddjurs
Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Lars Monrad-Gylling, Chairman
Anders Byriel
Mette Rønn Bendix
Mikael Fabian Schiller
Torsten Leif Moe

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 A/S for the financial year 01.01.2020 - 31.12.2020.

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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020.

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, 23.04.2021

Executive Board

Anders Byriel
CEO

Mette Rønn Bendix
Product Director

Board of Directors

Lars Monrad-Gylling
Chairman

Anders Byriel

Mette Rønn Bendix

Mikael Fabian Schiller

Torsten Leif Moe

Independent auditor's report

To the shareholder of Kvadrat A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Kvadrat A/S for the financial year 01.01.2020 - 31.12.2020, 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 31.12.2020 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2020 - 31.12.2020 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 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 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 and 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, 23.04.2021

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

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000
Key figures					
Revenue	1,452,993	1,722,654	1,407,751	1,177,914	1,029,597
Gross profit/loss	521,506	593,359	502,845	405,598	351,483
Operating profit/loss	14,384	95,798	127,850	115,848	108,766
Net financials	(9,429)	(7,104)	(5,418)	(13,122)	(6,253)
Profit/loss for the year	6,495	82,391	96,645	85,972	86,082
Profit for the year excl. minority interests	363	75,186	91,011	84,970	83,356
Balance sheet total	1,245,420	1,198,004	990,244	800,085	641,430
Investments in property, plant and equipment	40,992	92,412	31,424	49,283	102,656
Equity	375,940	417,093	403,797	323,176	263,084
Equity excl. minority interests	364,380	403,603	393,053	317,019	256,753
Average number of employees	898	981	693	562	484
Ratios					
Gross margin (%)	35.89	34.44	35.72	34.43	34.14
Return on equity (%)	0.09	18.88	25.63	29.62	35.00
Equity ratio (%)	29.26	33.69	39.69	39.62	40.03

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

Gross margin (%):

$\frac{\text{Gross profit/loss} * 100}{\text{Revenue}}$

Return on equity (%):

$\frac{\text{Profit/loss for the year excl. minority interests} * 100}{\text{Average equity excl. minority interests}}$

Equity ratio (%):

$\frac{\text{Equity excl. minority interests} * 100}{\text{Balance sheet total}}$

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 2020 amounted to DKK 1.453m compared to DKK 1.723m in 2019. Profit before tax amounted to DKK 8,8m compared to DKK 101,8m in 2019.

The revenue for the parent company for 2020 amounted to DKK 644m compared to DKK 868m in 2019. Profit before tax amounted to DKK (15,6)m compared to DKK 82,2m in 2019.

The annual report for both the group and the parent company has – like last year - been significantly affected by a higher than usual level of investments in strategic projects with the purpose of streamlining internal processes as well as venturing into new product categories and geographical markets. Several of the strategic projects have been finalized and implemented in 2020 while the remaining projects are still ongoing and are expected to be completed and implemented during FY 2021 to 2023. The investments in the strategic projects consists of both newly hired employees specific to the strategic agenda and existing employees being dedicated partially or completely to one or more strategic projects as well as external purchases such as consultancy assistance, IT-software etc. The investments – while higher than usual in Kvadrat – will 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 negative expectations in the annual report for Kvadrat A/S for 2019. The approval of the annual report for Kvadrat A/S for 2019 coincided with the outbreak of the COVID-19 virus why the outlook for profit/loss in 2020 was subject to a high degree of uncertainty.

As expected, the COVID-19 virus had a negative effect on the overall Group performance with a drop in consolidated revenue of approximately 15 %. The impact on the individual subsidiaries of the Group varies significantly depending on how the COVID-19 virus was handled in the local markets.

The Executive Board and Board of Directors considers the results for 2020 to be satisfactory taking the uncertain expectations for 2020 and the negative effects of the COVID-19 virus into account.

Uncertainty relating to recognition and measurement

Recognition and measurement in the consolidated financial statements and parent company financial statements 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 financial statements.

Outlook

We expect to continue investing in our current business, subsidiaries and internal processes in 2021 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.

We are continuing to operate despite the COVID-19 virus and we are seeing signs that our markets, our customers and our projects are returning to operating levels comparable to those we saw before the COVID-19 virus. While relapses and additional deterioration of the COVID-19 situation globally is certainly still a possibility, we expect to see an overall improvement in the economic circumstances surrounding our business and Group in the coming years. We expect to see both revenue and profits in 2021 to be above the levels realized in 2020.

Particular risks

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 human resources in the organization to be able meet the future demands by our stakeholders and to achieve the results defined in 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 130 managers across production, sales subsidiaries, development companies and HQ functions.

This means we must step up in terms of 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 will complement this with a special program for our global customer service where we will start 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 2020 we saw a decrease from 2019 from 77 to 75. We are content with the result due to the inclusion of newly acquired entities such as VEROSOL for the first time, with a relative high impact plus going through straining times of COVID-19. Our handling of COVID-19 was rated very highly by our employees.

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 seek to push the aesthetic and sustainable boundaries of textile design globally. For the customers, Kvadrat help architects to shape spaces, designers and furniture manufacturers to craft furniture, and consumers to bring their personality and identity with tactility and color into their homes.

Success in Kvadrat is defined by Employee Temperature, Customer Pulse, Brand Reputation and Financial Health (Revenue, EBIT, ROIC). These four KPIs are the ultimate objectives, and all activities must strive at maximizing them in a coherent way both short- and long-term. This will enable us to maintain and strengthen our employee satisfaction as the ultimate driver for success, our world class NPS at 71 and brand reputation and ensure

financial development to support the future development of the Kvadrat Group. The four KPIs are included the global incentive program.

Towards 2030 ten strategic boundaries are defined to set the long-term strategic direction as a guiding start for also the mid- and short-term decision making. The strategic boundaries are:

1. Sustainability (become market leader)
2. Globalization (sharp focus on East and West in the US, Tier 1 cities in Asia and core EU markets)
3. Brand portfolio (the Kvadrat brand is the master brand)
4. Business model (built on adjacencies to textiles)
5. Textile innovation (Internal development and External partnerships)
6. Technology in product development
7. B2B segment (focus determined by performance and potential)
8. B2C focus (increase brand awareness)
9. Production set-up (own production of wool and polyester)
10. Price Strategy (premium pricing)

The 2021 – 2023 Kvadrat Group Strategy.

The overall ambition of the 2021 – 2023 Kvadrat Group Strategy is to grow our markets by winning market shares, grow our people by strengthening the organization and simplifying our business model by reducing complexity. This to prepare for the future with a globally scalable business model.

Win market shares to maintain and develop our strong market position. We are in a position where we can outcompete our competitors through a sharp and concentrated focus. We will grow our market position within upholstery (across brands and categories) but still “sell the new” in well-defined areas. This for us to become a complete and attractive partner for our customers. We will grow North America, penetrate Asia, and digitalize the commercial set-up by rolling out a Direct-to-Consumer online channel focused on accessories, investigate digital sampling, digital showrooms, and other digital tools to increase our reach and service level, and further enhance our digital engagement with customers, consumers, suppliers, and partners.

Reduce complexity to create a globally, scalable business model and increase efficiency. Kvadrat should become easy to navigate in and do business with, which will lead to a competitive advantage.

Strengthen organization to sharpen competitive edge is about reinforcing capabilities while developing the leaders and specialists of tomorrow. We want to stimulate and develop you in your daily operation as well as we feel that you want to develop Kvadrat.

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 2020 exceeds the incurred costs in 2019 as well as the budgeted costs for 2020.

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 "Textile design that moves the world" and can be found on our website at:

<https://kvadrat.dk/about/our-environment/sustainability-applied/united-universal>

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 2020, which is available at the above-mentioned link.

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 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue	1	1,452,993	1,722,654
Other operating income	2	18,073	3,027
Cost of sales		(637,620)	(781,954)
Other external expenses	3	(311,940)	(350,368)
Gross profit/loss		521,506	593,359
Staff costs	4	(461,840)	(444,694)
Depreciation, amortisation and impairment losses	5	(45,282)	(52,867)
Operating profit/loss		14,384	95,798
Income from investments in associates		3,873	13,072
Other financial income	6	25,055	12,685
Other financial expenses	7	(34,484)	(19,789)
Profit/loss before tax		8,828	101,766
Tax on profit/loss for the year	8	(2,333)	(19,375)
Profit/loss for the year	9	6,495	82,391

Consolidated balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	11	90,289	12,925
Acquired trademarks		12,280	13,347
Goodwill		83,353	59,538
Development projects in progress	11	16,298	57,956
Intangible assets	10	202,220	143,766
Land and buildings		134,263	142,193
Plant and machinery		1,513	0
Other fixtures and fittings, tools and equipment		81,633	82,838
Leasehold improvements		42,785	43,616
Property, plant and equipment in progress		20,472	1,050
Property, plant and equipment	12	280,666	269,697
Investments in associates		56,979	75,638
Other receivables		9,355	6,197
Financial assets	13	66,334	81,835
Fixed assets		549,220	495,298

Manufactured goods and goods for resale		307,834	323,299
Inventories		307,834	323,299
Trade receivables		196,326	194,288
Contract work in progress	14	3,489	3,943
Receivables from associates		6,080	5,147
Deferred tax	15	22,235	17,990
Other receivables		19,636	31,631
Prepayments	16	13,375	11,843
Receivables		261,141	264,842
Cash		127,225	114,565
Current assets		696,200	702,706
Assets		1,245,420	1,198,004

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital	17	100,000	100,000
Translation reserve		(1,580)	0
Reserve for fair value adjustments of hedging instruments		(647)	0
Reserve for net revaluation according to equity method		0	10,807
Retained earnings		266,607	257,796
Proposed dividend for the financial year		0	35,000
Equity belonging to Parent's shareholders		364,380	403,603
Equity belonging to minority interests		11,560	13,490
Equity		375,940	417,093
Deferred tax	15	6,882	24,249
Other provisions	18	1,697	0
Provisions		8,579	24,249
Mortgage debt		35,891	38,107
Bank loans		186,029	193,010
Lease liabilities		16,154	18,533
Other payables	19	25,874	18,679
Non-current liabilities other than provisions	20	263,948	268,329

Current portion of non-current liabilities other than provisions	20	62,356	61,898
Bank loans		220,710	117,787
Prepayments received from customers		7,970	5,912
Trade payables		79,206	76,609
Payables to group enterprises		17,473	26,178
Payables to associates		50,325	67,344
Tax payable		15,845	5,442
Other payables	21	141,168	124,587
Deferred income	22	1,900	2,576
Current liabilities other than provisions		596,953	488,333
Liabilities other than provisions		860,901	756,662
Equity and liabilities		1,245,420	1,198,004
Financial instruments	24		
Unrecognised rental and lease commitments	25		
Assets charged and collateral	26		
Transactions with related parties	27		
Group relations	28		
Subsidiaries	29		

Consolidated statement of changes in equity for 2020

	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	0	0	10,807	257,796
Ordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	(1,580)	0	(2,356)	0
Other entries on equity	0	0	(851)	11,724	(11,727)
Tax of entries on equity	0	0	204	0	0
Dividends from associates	0	0	0	(20,175)	20,175
Profit/loss for the year	0	0	0	0	363
Equity end of year	100,000	(1,580)	(647)	0	266,607

	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	35,000	403,603	13,490	417,093
Ordinary dividend paid	(35,000)	(35,000)	(6,513)	(41,513)
Exchange rate adjustments	0	(3,936)	0	(3,936)
Other entries on equity	0	(854)	(1,549)	(2,403)
Tax of entries on equity	0	204	0	204
Dividends from associates	0	0	0	0
Profit/loss for the year	0	363	6,132	6,495
Equity end of year	0	364,380	11,560	375,940

Consolidated cash flow statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Operating profit/loss		14,384	95,798
Amortisation, depreciation and impairment losses		45,292	52,867
Working capital changes	23	87,725	(82,031)
Changes in intercompany activities		(26,656)	76,829
Cash flow from ordinary operating activities		120,745	143,463
Financial income received		25,055	12,685
Financial expenses paid		(34,484)	(19,789)
Taxes refunded/(paid)		(13,542)	(20,783)
Other cash flows from operating activities		603	(3,457)
Cash flows from operating activities		98,377	112,119
Acquisition etc. of intangible assets		(75,919)	(59,067)
Sale of intangible assets		692	1,161
Acquisition etc. of property, plant and equipment		(39,349)	(92,412)
Sale of property, plant and equipment		598	682
Dividends received from associates		20,175	1,152
Cash flows from investing activities		(93,803)	(148,484)
Free cash flows generated from operations and investments before financing		4,574	(36,365)
Loans raised		0	76,275
Repayments of loans etc.		(49,898)	0
Dividend paid		(44,940)	(74,459)
Other cash flows from financing activities		102,924	38,028
Cash flows from financing activities		8,086	39,844
Increase/decrease in cash and cash equivalents		12,660	3,479

Cash and cash equivalents beginning of year	114,565	111,086
Cash and cash equivalents end of year	127,225	114,565

Cash and cash equivalents at year-end are composed of:

Cash	127,225	114,565
Cash and cash equivalents end of year	127,225	114,565

Notes to consolidated financial statements

1 Revenue

	2020 DKK'000	2019 DKK'000
Other EU countries	1,127,031	1,222,817
Other countries	325,962	499,837
Total revenue by geographical market	1,452,993	1,722,654

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

	2020 DKK'000	2019 DKK'000
Compensation	18,073	0
Badwill	0	3,027
	18,073	3,027

Other operating income in 2020 includes 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.

3 Fees to the auditor appointed by the Annual General Meeting

	2020 DKK'000	2019 DKK'000
Statutory audit services	1,453	1,219
Other assurance engagements	79	0
Tax services	543	585
Other services	1,167	88
	3,242	1,892

4 Staff costs

	2020	2019
	DKK'000	DKK'000
Wages and salaries	407,270	393,118
Pension costs	33,877	22,992
Other staff costs	28,514	31,482
	469,661	447,592
Staff costs classified as assets	(7,821)	(2,898)
	461,840	444,694
Average number of full-time employees	898	981

	Remuneration of manage- ment 2020	Remuneration of manage- ment 2019
	DKK'000	DKK'000
Executive Board	6,930	10,529
Board of Directors	800	800
	7,730	11,329

5 Depreciation, amortisation and impairment losses

	2020	2019
	DKK'000	DKK'000
Amortisation of intangible assets	16,209	22,290
Depreciation on property, plant and equipment	27,783	30,570
Profit/loss from sale of intangible assets and property, plant and equipment	1,290	7
	45,282	52,867

6 Other financial income

	2020	2019
	DKK'000	DKK'000
Other interest income	25,055	12,685
	25,055	12,685

7 Other financial expenses

	2020	2019
	DKK'000	DKK'000
Other financial expenses	34,484	19,789
	34,484	19,789

8 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	23,741	19,282
Change in deferred tax	(21,408)	93
	2,333	19,375

9 Proposed distribution of profit/loss

	2020 DKK'000	2019 DKK'000
Ordinary dividend for the financial year	0	35,000
Retained earnings	363	40,186
Minority interests' share of profit/loss	6,132	7,205
	6,495	82,391

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	28,760	31,009	139,724	57,956
Exchange rate adjustments	(61)	0	(51)	0
Transfers	92,885	20	0	(84,501)
Additions	24	1,613	28,488	42,843
Disposals	(1,094)	0	0	0
Cost end of year	120,514	32,642	168,161	16,298
Amortisation and impairment losses beginning of year	(15,835)	(17,662)	(80,186)	0
Exchange rate adjustments	10	0	42	0
Transfers	(5,373)	(20)	0	0
Amortisation for the year	(9,429)	(2,680)	(4,664)	0
Reversal regarding disposals	402	0	0	0
Amortisation and impairment losses end of year	(30,225)	(20,362)	(84,808)	0
Carrying amount end of year	90,289	12,280	83,353	16,298

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 2021. The ERP-system was successfully launched in 2020 while the digital trading platform is expected to be ready for full-scale use in 2021-2022. Management expects a significant potential from the optimization and digitalisation 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	175,931	0	208,572	89,268	1,050
Exchange rate adjustments	(132)	0	(732)	(1,306)	0
Transfers	(6,089)	2,321	(5,843)	1,943	6,089
Additions	1,868	1,325	14,615	9,851	13,333
Disposals	0	0	(3,112)	(2,067)	0
Cost end of year	171,578	3,646	213,500	97,689	20,472
Depreciation and impairment losses beginning of year	(33,738)	0	(125,734)	(45,652)	0
Exchange rate adjustments	2	0	455	509	0
Transfers	0	(1,680)	4,723	(1,902)	0
Depreciation for the year	(3,579)	(453)	(13,976)	(9,775)	0
Reversal regarding disposals	0	0	2,665	1,916	0
Depreciation and impairment losses end of year	(37,315)	(2,133)	(131,867)	(54,904)	0
Carrying amount end of year	134,263	1,513	81,633	42,785	20,472

13 Financial assets

	Investments in associates DKK'000	Other receivables DKK'000
Cost beginning of year	64,831	6,197
Additions	0	3,158
Cost end of year	64,831	9,355
Revaluations beginning of year	10,807	0
Exchange rate adjustments	(2,356)	0
Amortisation of goodwill	(2,901)	0
Share of profit/loss for the year	4,036	0
Adjustment of intra-group profits	2,739	0
Dividend	(20,175)	0
Other adjustments	(2)	0
Revaluations end of year	(7,852)	0
Carrying amount end of year	56,979	9,355

Investments in associates comprise unamortised goodwill of DKK 6,9m at 31.12.2020.

Associates	Registered in	Ownership %
Wooltex UK Ltd.	England	46,0
3 Days of Design ApS	Denmark	20,0
Innvik AS	Norway	30,0
Convert A/S	Denmark	40,0

14 Contract work in progress

	2020 DKK'000	2019 DKK'000
Contract work in progress	22,293	22,293
Progress billings	(18,804)	(18,350)
	3,489	3,943

15 Deferred tax

	2020 DKK'000	2019 DKK'000
Intangible assets	(9,569)	(7,154)
Property, plant and equipment	(9,767)	(13,724)
Inventories	4,512	0
Receivables	(1,180)	(1,180)
Equity	0	32
Provisions	(81)	0
Liabilities other than provisions	(1,683)	(1,701)
Tax losses carried forward	33,121	17,636
Other taxable temporary differences	0	(168)
Deferred tax	15,353	(6,259)

Changes during the year	2020 DKK'000	2019 DKK'000
Beginning of year	(6,259)	(15,248)
Recognised in the income statement	21,408	(93)
Recognised directly in equity	204	(1,110)
Acquisitions form investments	0	10,192
End of year	15,353	(6,259)

Deferred tax has been recognised in the balance sheet as follows	2020 DKK'000	2019 DKK'000
Deferred tax assets	22,235	17,990
Deferred tax liabilities	(6,882)	(24,249)
	15,353	(6,259)

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 contractual obligations expected to be incurred by the Group.

19 Other payables

	2020 DKK'000	2019 DKK'000
Holiday pay obligation	12,881	4,064
Other costs payable	12,993	14,615
	25,874	18,679

20 Non-current liabilities other than provisions

	Due within 12 months 2020 DKK'000	Due within 12 months 2019 DKK'000	Due after more than 12 months 2020 DKK'000	Outstanding after 5 years 2020 DKK'000
Mortgage debt	2,862	3,449	35,891	25,070
Bank loans	36,787	45,748	186,029	69,578
Lease liabilities	2,607	2,216	16,154	4,297
Other payables	20,100	10,485	25,874	12,881
	62,356	61,898	263,948	111,826

21 Other payables

	2020 DKK'000	2019 DKK'000
VAT and duties	21,168	5,930
Wages and salaries, personal income taxes, social security costs, etc. payable	28,328	16,328
Holiday pay obligation	34,659	26,609
Derivative financial instruments	16,505	15,576
Other costs payable	40,508	60,144
	141,168	124,587

Derivative financial instruments are described in note 22.

22 Deferred income

Deferred income includes grants for DKK 4,4m related to development projects in progress, of which DKK 2,5m has been recognized in line with the depreciation of the associated development project.

23 Changes in working capital

	2020 DKK'000	2019 DKK'000
Increase/decrease in inventories	15,465	(81,697)
Increase/decrease in receivables	5,720	(7,662)
Increase/decrease in trade payables etc.	66,540	7,328
	87,725	(82,031)

24 Derivative financial instruments

The Company have no hedged currencies at the balance date 31 December 2020.

Other payables include the negative fair value of an interest rate swap of DKK 16,1m and DKK 0,4m, 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 17 years and 3 years.

25 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Total liabilities under rental or lease agreements until maturity	197,142	132,889

26 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The carrying amount of mortgaged buildings is DKK 134m recognised under land and buildings as well as DKK 21m recognised under property, plant and equipment in progress.

27 Transactions with related parties

The annual report only disclose transactions with related parties that have not been completed on market terms.

No such transactions have been completed during the financial year.

28 Group relations

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

Kvadrat Holding A/S, CVR-nr. 15 12 00 02, Ebeltoft, Denmark.

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

Kvadrat Holding A/S, CVR-nr. 15 12 00 02, Ebeltoft, Denmark.

29 Subsidiaries

	Registered in	Ownership %
Danskina BV	Netherlands	100,0
Feabrik BV	Netherlands	51,7
Gaudium BV	Netherlands	100,0
ASA BV	Netherlands	100,0
de Pol BV	Netherlands	100,0
Kinnasand GmbH	Germany	100,0
Kvadrat AB	Sweden	100,0
Kvadrat AG	Switzerland	97,0
Kvadrat Asia Investment Ltd.	Hong Kong	50,5
Kvadrat China Co. Ltd.	China	50,5
Kvadrat Singapore Pte. Ltd.	Singapore	50,5
Kvadrat Austria GmbH	Austria	97,0
Kvadrat BV	Netherlands	95,1
Kvadrat Finland Oy	Finland	100,0
Kvadrat GmbH	Germany	100,0
Kvadrat Iberia S.L.	Spain	95,0
Kvadrat Inc.	USA	100,0
Kvadrat Japan Co. Ltd.	Japan	80,0
Kvadrat Korea Co. Ltd.	South Korea	100,0
Kvadrat Ltd.	United Kingdom	100,0
Kvadrat Middle East DMCC	UAE	100,0
Kvadrat Norge AS	Norway	100,0
Kvadrat SA	France	95,0
Kvadrat Soft Cells A/S	Denmark	79,0
Fabric Systems Ltd.	United Kingdom	79,0
Kvadrat Soft Cells A/S Inc.	USA	79,0
Kvadrat Soft Cells Hong Kong Ltd.	Hong Kong	79,0
Kvadrat Soft Cells Sp. Z.o.o.	Polnad	79,0
Kvadrat SpA	Italy	95,0

	Registered in	Ownership %
Kvadrat Tekstil Ticaret A.S.	Turkey	100,0
Personal Design SrL	Italy	100,0
REALLY ApS	Denmark	68,0
Sahco GmbH	Germany	100,0
VEROSOL Holding BV	Netherlands	100,0
VEROSOL Services BV	Netherlands	100,0
VEROSOL Nederland BV	Netherlands	100,0
VEROSOL Fabrics BV	Netherlands	100,0
VEROSOL Properties BV	Netherlands	100,0
VEROSOL Holding Pty	Australia	100,0
VEROSOL Austalia Pty Ltd.	Australia	100,0
Tecnología de Control Solar Espana Holding SLU	Spain	100,0
VEROSOL Ibérica SAU	Spain	100,0
Tecnología de Control Solar Mexicana, SA de CV	Mexico	100,0
Tecnología de Control Solar Mexicana de Servicios, SA de CV	Mexico	100,0
VW Solarflex SA de CV	Mexico	100,0
Uniggardin A/S	Denmark	80,0

Parent income statement for 2020

	Notes	2020 DKK'000	2019 DKK'000
Revenue	1	643,813	868,173
Other operating income	2	3,848	3,016
Cost of sales		(448,487)	(554,824)
Other external expenses		(107,306)	(128,584)
Gross profit/loss		91,868	187,781
Staff costs	3	(141,543)	(131,612)
Depreciation, amortisation and impairment losses	4	(19,608)	(21,938)
Operating profit/loss		(69,283)	34,231
Income from investments in group enterprises		53,159	36,351
Income from investments in associates		4,913	12,466
Other financial income	5	3,291	4,578
Other financial expenses	6	(7,718)	(5,366)
Profit/loss before tax		(15,638)	82,260
Tax on profit/loss for the year	7	16,001	(7,075)
Profit/loss for the year	8	363	75,185

Parent balance sheet at 31.12.2020

Assets

	Notes	2020 DKK'000	2019 DKK'000
Completed development projects	10	83,993	3,285
Acquired trademarks		17,866	21,374
Goodwill		0	0
Development projects in progress	10	7,255	50,089
Intangible assets	9	109,114	74,748
Land and buildings		103,518	105,852
Other fixtures and fittings, tools and equipment		48,863	52,246
Leasehold improvements		7,537	8,319
Property, plant and equipment in progress		20,472	7,139
Property, plant and equipment	11	180,390	173,556
Investments in group enterprises		261,685	146,767
Investments in associates		65,484	90,426
Receivables from associates		0	5,100
Other receivables		1,939	928
Financial assets	12	329,108	243,221
Fixed assets		618,612	491,525

Manufactured goods and goods for resale		200,409	241,837
Inventories		200,409	241,837
<hr/>			
Trade receivables		24,533	21,693
Receivables from group enterprises		127,857	173,534
Receivables from associates		5,150	9,694
Other receivables		13,911	23,149
Prepayments	13	7,884	7,299
Receivables		179,335	235,369
<hr/>			
Cash		5,621	32,489
<hr/>			
Current assets		385,365	509,695
<hr/>			
Assets		1,003,977	1,001,220
<hr/>			

Equity and liabilities

	Notes	2020 DKK'000	2019 DKK'000
Contributed capital		100,000	100,000
Translation reserve		(3,936)	0
Reserve for fair value adjustments and hedging instruments		(647)	0
Reserve for development costs		59,551	0
Retained earnings		209,412	268,603
Proposed dividend for the financial year		0	35,000
Equity		364,380	403,603
Deferred tax	14	2,978	19,183
Provisions		2,978	19,183
Mortgage debt		35,891	38,107
Bank loans		161,137	165,410
Lease liabilities		12,172	13,915
Other payables	15	25,874	18,679
Non-current liabilities other than provisions	16	235,074	236,111
Current portion of non-current liabilities other than provisions	16	57,041	56,574
Bank loans		81,839	66,596
Prepayments received from customers		133	0
Trade payables		34,290	43,709
Payables to group enterprises		89,417	56,116
Payables to associates		93,956	68,635
Other payables	17	44,869	50,693
Current liabilities other than provisions		401,545	342,323
Liabilities other than provisions		636,619	578,434
Equity and liabilities		1,003,977	1,001,220
Financial instruments	18		
Unrecognised rental and lease commitments	19		
Contingent liabilities	20		
Assets charged and collateral	21		
Related parties with controlling interest	22		
Transactions with related parties	23		

Parent statement of changes in equity for 2020

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000
Equity beginning of year	100,000	0	0	0	268,603
Ordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	(3,936)	0	0	0
Other entries on equity	0	0	(851)	0	(3)
Tax of entries on equity	0	0	204	0	0
Transfer to reserves	0	0	0	59,551	(59,551)
Profit/loss for the year	0	0	0	0	363
Equity end of year	100,000	(3,936)	(647)	59,551	209,412

	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	35,000	403,603
Ordinary dividend paid	(35,000)	(35,000)
Exchange rate adjustments	0	(3,936)
Other entries on equity	0	(854)
Tax of entries on equity	0	204
Transfer to reserves	0	0
Profit/loss for the year	0	363
Equity end of year	0	364,380

Notes to parent financial statements

1 Revenue

	2020 DKK'000	2019 DKK'000
Other EU countries	470,899	656,989
Other countries	172,914	211,184
Total revenue by geographical market	643,813	868,173

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

The Company'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 Company's competitive situation.

2 Other operating income

	2020 DKK'000	2019 DKK'000
Compensation	3,848	0
Badwill	0	3,016
	3,848	3,016

Other operating income in 2020 includes 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.

3 Staff costs

	2020 DKK'000	2019 DKK'000
Wages and salaries	136,569	122,886
Pension costs	10,449	9,463
Other social security costs	1,375	2,161
	148,393	134,510
Staff costs classified as assets	(6,850)	(2,898)
	141,543	131,612
Average number of full-time employees	221	225

	Remuneration of manage- ment 2020 DKK'000	Remuneration of manage- ment 2019 DKK'000
Executive Board	6,930	10,529
Board of Directors	800	800
	7,730	11,329

4 Depreciation, amortisation and impairment losses

	2020 DKK'000	2019 DKK'000
Amortisation of intangible assets	7,301	6,480
Depreciation on property, plant and equipment	12,307	15,458
	19,608	21,938

5 Other financial income

	2020 DKK'000	2019 DKK'000
Financial income from group enterprises	2,416	2,409
Other financial income	875	2,169
	3,291	4,578

6 Other financial expenses

	2020 DKK'000	2019 DKK'000
Other financial expenses	7,718	5,366
	7,718	5,366

7 Tax on profit/loss for the year

	2020 DKK'000	2019 DKK'000
Current tax	0	4,831
Change in deferred tax	(16,001)	2,244
	(16,001)	7,075

8 Proposed distribution of profit and loss

	2020 DKK'000	2019 DKK'000
Ordinary dividend for the financial year	0	35,000
Retained earnings	363	40,185
	363	75,185

9 Intangible assets

	Completed development projects DKK'000	Acquired trademarks DKK'000	Goodwill DKK'000	Development projects in progress DKK'000
Cost beginning of year	8,942	35,083	16,974	50,089
Transfers	84,501	0	0	(84,501)
Additions	0	0	0	41,667
Cost end of year	93,443	35,083	16,974	7,255
Amortisation and impairment losses beginning of year	(5,657)	(13,709)	(16,974)	0
Amortisation for the year	(3,793)	(3,508)	0	0
Amortisation and impairment losses end of year	(9,450)	(17,217)	(16,974)	0
Carrying amount end of year	83,993	17,866	0	7,255

10 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 2021. The ERP-system was successfully launched in 2020 while the digital trading platform is expected to be ready for full-scale use in 2021-2022. Management expects a significant potential from the optimization and digitalisation 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

11 Property, plant and equipment

	Land and buildings 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	139,159	118,927	17,964	7,139
Additions	0	5,041	767	13,333
Cost end of year	139,159	123,968	18,731	20,472
Depreciation and impairment losses beginning of year	(33,307)	(66,681)	(9,645)	0
Depreciation for the year	(2,334)	(8,424)	(1,549)	0
Depreciation and impairment losses end of year	(35,641)	(75,105)	(11,194)	0
Carrying amount end of year	103,518	48,863	7,537	20,472

12 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Receivables from associates DKK'000	Other receivables DKK'000
Cost beginning of year	181,269	80,421	5,100	928
Transfers	13,351	(13,351)	0	0
Additions	77,265	3,727	0	1,011
Disposals	0	0	(5,100)	0
Cost end of year	271,885	70,797	0	1,939
Revaluations beginning of year	(34,502)	10,005	0	0
Exchange rate adjustments	(2,490)	(2,389)	0	0
Transfers	(5,718)	5,718	0	0
Amortisation of goodwill	786	(2,901)	0	0
Share of profit/loss for the year	50,754	5,075	0	0
Adjustment of intra-group profits	1,619	2,739	0	0
Dividend	(17,660)	(23,548)	0	0
Investments with negative equity value depreciated over receivables	(2,986)	0	0	0
Other adjustments	(3)	(12)	0	0
Revaluations end of year	(10,200)	(5,313)	0	0
Carrying amount end of year	261,685	65,484	0	1,939

Investments in group enterprises comprise unamortised goodwill of DKK 55,4m at 31.12.2020.

Investments in associates comprise unamortised goodwill of DKK 6,9m at 31.12.2020.

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

Investments in associates	Registered in	Ownership %
Wooltex UK Ltd.	England	46,0
3 Days of Design ApS	Denmark	20,0
Innvik AS	Norway	30,0
Convert A/S	Denmark	40,0
Kvadrat Maharam Pty. Ltd.	Australia	50,0
Kvadrat Shade BV	Netherlands	50,0

13 Prepayments

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

14 Deferred tax

	2020	2019
	DKK'000	DKK'000
Intangible assets	8,236	5,967
Property, plant and equipment	8,918	11,388
Inventories	(4,677)	0
Equity	0	(32)
Provisions	81	159
Liabilities other than provisions	4,892	1,701
Tax losses carried forward	(14,472)	0
Deferred tax	2,978	19,183

	2020	2019
	DKK'000	DKK'000
Changes during the year		
Beginning of year	19,183	15,829
Recognised in the income statement	(16,001)	2,244
Recognised directly in equity	(204)	1,110
End of year	2,978	19,183

15 Other payables

	2020	2019
	DKK'000	DKK'000
Holiday pay obligation	12,881	4,064
Other costs payable	12,993	14,615
	25,874	18,679

16 Non-current liabilities other than provisions

	Due within 12	Due within 12	Due after	Outstanding
	months	months	more than 12	after 5 years
	2020	2019	months	2020
	DKK'000	DKK'000	DKK'000	DKK'000
Mortgage debt	2,862	3,449	35,891	25,070
Bank loans	32,187	40,424	161,137	64,978
Lease liabilities	1,892	2,216	12,172	4,297
Other payables	20,100	10,485	25,874	12,881
	57,041	56,574	235,074	107,226

17 Other payables

	2020 DKK'000	2019 DKK'000
Wages and salaries, personal income taxes, social security costs, etc. payable	12,243	1,752
Holiday pay obligation	7,559	11,286
Derivative financial instruments	16,505	15,576
Other costs payable	8,562	22,079
	44,869	50,693

Derivative financial instruments are described in note 18.

18 Derivative financial instruments

The Company have no hedges currencies at the balance sheet date 31 December 2020.

Other payables include the negative fair value of an interest rate swap of DKK 16,1m and DKK 0,4m, 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 17 years and 3 years.

19 Unrecognised rental and lease commitments

	2020 DKK'000	2019 DKK'000
Total liabilities under rental or lease agreements until maturity	11,284	13,391

20 Contingent liabilities

	2020 DKK'000	2019 DKK'000
Recourse and non-recourse guarantee commitments	137,899	105,310
Contingent liabilities to group enterprises	137,899	105,310

The Company has provided a guarantee for the bank debt of subsidiaries and Kvadrat Holding A/S. The secured bank debt amounts to DKK 138m at 31.12.2020, which consists of the subsidiaries drawing on the credit facilities at their bank.

The Company has provided performance guarantees for DKK 6,8m at 31.12.2020.

The Company participates in a Danish joint taxation arrangement with Kvadrat Holding A/S serving as the administration company. 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.

21 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The carrying amount of mortgaged buildings is DKK 104m recognised under land and buildings as well as DKK 21m recognised under property, plant and equipment in progress.

22 Related parties with controlling interest

The Parent Kvadrat Holding A/S, Central Business Reg. No: 15 12 00 02, Ebeltoft holds all shares in the Company and thus has a controlling interest in the Company.

23 Transactions with related parties

The annual report only disclose 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).

Changes in accounting policies

In accordance with an interpretation from the Danish Business Authority, bank overdraft withdrawals are classified as cash flows from financing activities in the cash flow statements as opposed to previously when bank overdraft withdrawals were classified as cash in the cash flow statement.

The change results in an increase on cash flows from financing activities of DKK 102,9m in 2020 (DKK 38,0m for 2019) and an increase in cash of DKK 220,7m 31.12.2020 (DKK 117,8m 31.12.2019).

The comparative figures have been restated.

Apart from the areas mentioned above, the annual report has been presented applying the accounting policies consistent with last year.

Recognition and measurement

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

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

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

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

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

Consolidated financial statements

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

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.

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.

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.

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 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.

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.

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.

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 be 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.