

Annual Report 2022

The Annual General Meeting adopted
the annual report on 01.04.2023



Kvadrat A/S

Lundbergsvej 10
8400 Ebeltoft
CVR No. 45998517

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: 01.01.2022 - 31.12.2022

Board of Directors

Lars Monrad-Gylling, Chairman

Anders Byriel

Mette Rønn Bendix

Torsten Leif Moe

Mikael Fabian Schiller

Claire Midwood

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 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022.

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, 31.03.2023

Executive Board

Anders Byriel
CEO

Mette Rønn Bendix
Product Director

Board of Directors

Lars Monrad-Gylling
Chairman

Anders Byriel

Mette Rønn Bendix

Torsten Leif Moe

Mikael Fabian Schiller

Claire Midwood

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 01.01.2022 - 31.12.2022, 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 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022 - 31.12.2022 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, 31.03.2023

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

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000
Key figures					
Revenue	1,868,163	1,596,057	1,452,993	1,722,654	1,407,751
Gross profit/loss	686,164	608,673	522,182	593,359	502,845
Operating profit/loss	35,417	44,415	14,384	95,798	127,850
Net financials	(11,464)	(16,868)	(9,429)	(7,104)	(5,418)
Profit/loss for the year	16,576	27,190	6,495	82,391	96,645
Profit for the year excl. minority interests	20,285	18,909	363	75,186	91,011
Balance sheet total	1,549,524	1,527,213	1,245,420	1,198,004	990,244
Investments in property, plant and equipment	43,494	152,026	40,992	92,412	31,424
Equity	411,644	433,386	375,940	417,093	403,797
Equity excl. minority interests	378,604	396,927	364,380	403,603	393,053
Average number of employees	1,057	986	898	981	693
Ratios					
Gross margin (%)	36.73	38.14	35.94	34.44	35.72
Return on equity (%)	5.23	4.97	0.09	18.88	25.63
Equity ratio (%)	24.43	25.99	29.26	33.69	39.69

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 2022 amounted to DKK 1.868m compared to DKK 1.596m in 2021. Profit before tax amounted to DKK 33,7m compared to DKK 31,7m in 2021.

The revenue for the parent company for 2022 amounted to DKK 837m compared to DKK 726m in 2021. Profit before tax amounted to DKK 12,7m compared to DKK 1,4m in 2021.

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 A/S for 2021.

The Executive Board and Board of Directors considers the results for 2022 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.

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

Outlook

We expect to continue investing in our current business, subsidiaries and internal processes in 2023 and strive to finalize and implement the ongoing strategic projects. As in previous years, any uncertainty is primarily related to developments in exchange rates and commodity prices as well as the overall economic developments in the markets where Kvadrat is an active player.

The primarily negative impacts from COVID-19 and thereto related known-on effects diminished during FY 2022 and only select markets and regions of Kvadrat Group are negatively affected by this at the end of FY 2022.

We expect to see both revenue and profits in 2023 to be above the levels realized in 2022.

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 to best execute our Group strategy. The changes in our organizational footprint, having both sales, production and development companies in our portfolio, has meant that we have to increase the learning curriculum that we apply. We have also - in that respect - worked even more with cultural journeys to assure the corporate culture and identity.

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 do this from our own People Development department utilizing their knowledge of context and more direct availability. In 2022 this has been extended with insourcing manager training, where our own People Development department handles all learning. This we do to train our leaders in a Kvadrat context instead of sending them individually to business schools. This also creates strong social and working bonds across the organization when leaders from different parts of the company are trained together.

We continue to work on our leadership quality and also work more proactively and formalized with our People and organizational reviews. We continue to develop our own 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 33 new managers during the last 5 years. 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 in 2022 were limited to overall satisfaction and Senior management related topics as we decided to move the "big" survey to Q1 2023, due to heavy workloads in Q4 2022. In 2022 we saw a decrease from 2021 from 74 to 72. We are not content with the result even though we have included new entities and still have 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.

The 2021 – 2023 Kvadrat Group Strategy

The overall ambition of the 2021 – 2023 Kvadrat Group Strategy is to win market shares, increase efficiency and strengthen the organization to become a truly global business partner. 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 shares 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 did in 2022 achieve improvement of our scope 1 and 2 target by the Science Based Target initiative and is aiming for scope 3 improvement start Q3 in 2023. This for us to lead the way to a zero-carbon economy.

In 2023 our focus is to: 1) take our North America business to the next level to release full market potential, 2) increase efficiency in all processes to increase speed and profitability, and 3) focus on creating a regenerative business. This for us to grow and simplify in accordance with our 2021 – 2023 strategy.

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 2022 exceeds the incurred costs in 2021 as well as the budgeted costs for 2022.

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 2022 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 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue	1	1,868,163	1,596,057
Other operating income	2	23,428	18,602
Cost of sales		(809,739)	(688,019)
Other external expenses	3	(395,688)	(317,967)
Gross profit/loss		686,164	608,673
Staff costs	4	(567,731)	(497,647)
Depreciation, amortisation and impairment losses	5	(83,016)	(66,611)
Operating profit/loss		35,417	44,415
Income from investments in associates		9,713	4,184
Other financial income	6	614	2,106
Other financial expenses	7	(12,078)	(18,974)
Profit/loss before tax		33,666	31,731
Tax on profit/loss for the year	8	(17,090)	(4,541)
Profit/loss for the year	9	16,576	27,190

Consolidated balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	11	89,299	97,247
Acquired trademarks		31,745	37,793
Goodwill		87,995	61,902
Development projects in progress	11	0	6,826
Intangible assets	10	209,039	203,768
Land and buildings		180,508	139,574
Plant and machinery		10,712	2,325
Other fixtures and fittings, tools and equipment		135,104	146,686
Leasehold improvements		71,742	76,397
Property, plant and equipment in progress		0	33,644
Property, plant and equipment	12	398,066	398,626
Investments in associates		41,235	54,262
Deposits		12,526	0
Other receivables		0	9,647
Financial assets	13	53,761	63,909
Fixed assets		660,866	666,303

Work in progress		8,420	9,383
Manufactured goods and goods for resale		408,466	387,568
Prepayments for goods		4,989	600
Inventories		421,875	397,551
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Trade receivables		247,851	221,976
Contract work in progress	14	4,225	1,856
Receivables from group enterprises		1,255	1,161
Deferred tax	15	39,131	38,202
Other receivables		19,684	22,310
Prepayments	16	20,139	16,758
Receivables		332,285	302,263
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Cash		134,498	161,096
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Current assets		888,658	860,910
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Assets		1,549,524	1,527,213
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Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital	17	100,000	100,000
Translation reserve		(4,677)	3,915
Reserve for fair value adjustments of hedging instruments		8,741	1,488
Reserve for net revaluation according to equity method		1,404	14,431
Retained earnings		273,136	242,093
Proposed dividend for the financial year		0	35,000
Equity belonging to Parent's shareholders		378,604	396,927
Equity belonging to minority interests		33,040	36,459
Equity		411,644	433,386
Deferred tax	15	3,005	5,103
Other provisions	18	19,925	1,753
Provisions		22,930	6,856
Mortgage debt		27,604	30,346
Bank loans		116,052	176,857
Lease liabilities		58,981	57,817
Other payables	19	13,309	25,890
Non-current liabilities other than provisions	20	215,946	290,910

Current portion of non-current liabilities other than provisions	20	55,482	97,817
Bank loans		524,516	381,227
Prepayments received from customers		34,941	17,927
Trade payables		112,736	88,302
Payables to group enterprises		2,764	947
Payables to associates		51,339	54,061
Tax payable		5,997	18,729
Other payables	21	109,387	135,405
Deferred income	22	1,842	1,646
Current liabilities other than provisions		899,004	796,061
Liabilities other than provisions		1,114,950	1,086,971
Equity and liabilities		1,549,524	1,527,213
Financial instruments	24		
Unrecognised rental and lease commitments	25		
Assets charged and collateral	26		
Transactions with related parties	27		
Group relations	28		
Subsidiaries	30		

Consolidated statement of changes in equity for 2022

	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	3,915	1,488	14,431	242,093
Ordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	(8,592)	0	(2,269)	0
Fair value adjustments of hedging instruments	0	0	9,361	0	0
Other entries on equity	0	0	0	0	0
Tax of entries on equity	0	0	(2,108)	0	0
Dividends from associates	0	0	0	(20,471)	20,471
Profit/loss for the year	0	0	0	9,713	10,572
Equity end of year	100,000	(4,677)	8,741	1,404	273,136

	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	396,927	36,459	433,386
Ordinary dividend paid	(35,000)	(35,000)	(10,972)	(45,972)
Exchange rate adjustments	0	(10,861)	0	(10,861)
Fair value adjustments of hedging instruments	0	9,361	0	9,361
Other entries on equity	0	0	11,262	11,262
Tax of entries on equity	0	(2,108)	0	(2,108)
Dividends from associates	0	0	0	0
Profit/loss for the year	0	20,285	(3,709)	16,576
Equity end of year	0	378,604	33,040	411,644

Consolidated cash flow statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Operating profit/loss		35,417	44,415
Operating profit/loss from discontinued operations		0	(13,300)
Amortisation, depreciation and impairment losses		83,016	66,611
Working capital changes	23	(52,123)	(119,513)
Changes in intercompany activities		(7,933)	(17,309)
Profit from sale of shares		(19,454)	0
Cash flow from ordinary operating activities		38,923	(39,096)
Financial income received		614	2,106
Financial expenses paid		(12,078)	(18,974)
Taxes refunded/(paid)		(32,850)	(24,800)
Other cash flows from operating activities		5,075	1,216
Cash flows from operating activities		(316)	(79,548)
Acquisition etc. of intangible assets		(7,614)	(19,394)
Acquisition etc. of property, plant and equipment		(45,740)	(76,099)
Sale of property, plant and equipment		6,218	1,836
Sale of fixed asset investments		0	30,800
Dividends received from associates		20,471	990
Cash flows from investing activities		(26,665)	(61,867)
Free cash flows generated from operations and investments before financing		(26,981)	(141,415)
Loans raised		0	14,769
Repayments of loans etc.		(96,964)	0
Dividend paid		(45,972)	0
Other cash flows from financing activities		143,319	160,517
Cash flows from financing activities		383	175,286
Increase/decrease in cash and cash equivalents		(26,598)	33,871

Cash and cash equivalents beginning of year	161,096	127,225
Cash and cash equivalents end of year	134,498	161,096

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

Cash	134,498	161,096
Cash and cash equivalents end of year	134,498	161,096

Notes to consolidated financial statements

1 Revenue

	2022 DKK'000	2021 DKK'000
Other EU countries	1,380,529	1,217,445
Other countries	487,634	378,612
Total revenue by geographical market	1,868,163	1,596,057

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

	2022 DKK'000	2021 DKK'000
Compensation	(35)	0
Salary reimbursement	3,267	3,750
Profit from sale of shares	19,454	14,238
Public grants	616	614
Other income	126	0
	23,428	18,602

3 Fees to the auditor appointed by the Annual General Meeting

	2022 DKK'000	2021 DKK'000
Statutory audit services	1,261	1,222
Other assurance engagements	26	112
Tax services	751	316
Other services	667	267
	2,705	1,917

4 Staff costs

	2022	2021
	DKK'000	DKK'000
Wages and salaries	479,231	421,996
Pension costs	40,122	39,366
Other staff costs	48,941	38,160
	568,294	499,522
Staff costs classified as assets	(563)	(1,875)
	567,731	497,647
Average number of full-time employees	1,057	986

	Remuneration of manage- ment 2022	Remuneration of manage- ment 2021
	DKK'000	DKK'000
Executive Board	7,815	9,148
Board of Directors	1,166	1,498
	8,981	10,646

5 Depreciation, amortisation and impairment losses

	2022	2021
	DKK'000	DKK'000
Amortisation of intangible assets	42,815	33,854
Depreciation on property, plant and equipment	40,055	33,115
Profit/loss from sale of intangible assets and property, plant and equipment	146	(358)
	83,016	66,611

6 Other financial income

	2022	2021
	DKK'000	DKK'000
Other interest income	614	2,106
	614	2,106

7 Other financial expenses

	2022	2021
	DKK'000	DKK'000
Other financial expenses	12,078	18,974
	12,078	18,974

8 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	22,225	22,891
Change in deferred tax	(5,135)	(18,350)
	17,090	4,541

9 Proposed distribution of profit/loss

	2022 DKK'000	2021 DKK'000
Ordinary dividend for the financial year	0	35,000
Retained earnings	20,285	(16,091)
Minority interests' share of profit/loss	(3,709)	8,281
	16,576	27,190

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	137,572	75,416	132,608	6,826
Exchange rate adjustments	(8)	0	236	0
Transfers	7,841	0	0	(7,841)
Additions	5,864	631	40,473	1,120
Cost end of year	151,269	76,047	173,317	105
Amortisation and impairment losses beginning of year	(40,325)	(37,623)	(70,706)	0
Exchange rate adjustments	6	0	(236)	0
Impairment losses for the year	0	0	0	(105)
Amortisation for the year	(21,651)	(6,679)	(14,380)	0
Amortisation and impairment losses end of year	(61,970)	(44,302)	(85,322)	(105)
Carrying amount end of year	89,299	31,745	87,995	0

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 Management does not see 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	180,079	3,916	271,722	140,127	33,644
Exchange rate adjustments	(25)	(53)	(89)	1,918	0
Transfers	33,644	0	(89)	89	(33,644)
Additions	11,649	9,833	11,696	10,316	0
Disposals	0	(1,372)	(6,098)	(2,601)	0
Cost end of year	225,347	12,324	277,142	149,849	0
Depreciation and impairment losses beginning of year	(40,505)	(1,591)	(125,036)	(63,730)	0
Exchange rate adjustments	3	20	43	402	0
Transfers	0	0	23	(23)	0
Depreciation for the year	(4,337)	(642)	(19,952)	(15,124)	0
Reversal regarding disposals	0	601	2,884	368	0
Depreciation and impairment losses end of year	(44,839)	(1,612)	(142,038)	(78,107)	0
Carrying amount end of year	180,508	10,712	135,104	71,742	0

13 Financial assets

	Investments in associates DKK'000	Deposits DKK'000	Other receivables DKK'000
Cost beginning of year	39,831	0	9,647
Transfers	0	9,647	(9,647)
Additions	0	2,879	0
Cost end of year	39,831	12,526	0
Revaluations beginning of year	14,431	0	0
Exchange rate adjustments	(2,269)	0	0
Amortisation of goodwill	(2,901)	0	0
Share of profit/loss for the year	9,851	0	0
Adjustment of intra-group profits	2,763	0	0
Dividend	(20,471)	0	0
Revaluations end of year	1,404	0	0
Carrying amount end of year	41,235	12,526	0

Investments in associates comprise unamortised goodwill of DKK 1,1m at 31.12.2022.

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

14 Contract work in progress

	2022 DKK'000	2021 DKK'000
Contract work in progress	22,293	20,248
Progress billings	(18,068)	(18,392)
	4,225	1,856

15 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	(23,903)	(27,760)
Property, plant and equipment	(18,814)	(22,220)
Inventories	6,544	5,457
Receivables	(1,283)	(731)
Provisions	11,722	12,486
Liabilities other than provisions	3,457	9,237
Tax losses carried forward	58,403	56,630
Deferred tax	36,126	33,099

Changes during the year	2022 DKK'000	2021 DKK'000
Beginning of year	33,099	15,353
Recognised in the income statement	5,135	18,350
Recognised directly in equity	(2,108)	(604)
End of year	36,126	33,099

Deferred tax has been recognised in the balance sheet as follows	2022 DKK'000	2021 DKK'000
Deferred tax assets	39,131	38,202
Deferred tax liabilities	(3,005)	(5,103)
	36,126	33,099

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 contractual obligations expected to be incurred by the Group.

19 Other payables

	2022 DKK'000	2021 DKK'000
Holiday pay obligation	13,309	14,357
Other costs payable	0	11,533
	13,309	25,890

20 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Mortgage debt	2,810	2,878	27,604	24,650
Bank loans	44,976	71,934	116,052	0
Lease liabilities	4,920	12,474	58,981	37,565
Other payables	2,776	10,531	13,309	13,309
	55,482	97,817	215,946	75,524

21 Other payables

	2022 DKK'000	2021 DKK'000
VAT and duties	5,681	4,743
Wages and salaries, personal income taxes, social security costs, etc. payable	16,025	21,421
Holiday pay obligation	21,894	35,729
Derivative financial instruments	4,185	13,389
Other costs payable	61,602	60,123
	109,387	135,405

Derivative financial instruments are described in note 24.

22 Deferred income

Deferred income includes grants for DKK 5,3m related to development projects in progress, of which DKK 3,4m has been recognized in line with the depreciation of the associated development project. Deferred income is recognized as other income in the income statement and in note 2.

23 Changes in working capital

	2022 DKK'000	2021 DKK'000
Increase/decrease in inventories	(24,324)	(88,444)
Increase/decrease in receivables	(26,946)	(27,352)
Increase/decrease in trade payables etc.	(853)	(3,717)
	(52,123)	(119,513)

24 Derivative financial instruments

The Company have no hedged currencies at the balance date 31 December 2022.

Other payables include the negative fair value of an interest rate swap of DKK 4,1m and DKK 0,1m, 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 15 years and 1 years.

25 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Total liabilities under rental or lease agreements until maturity	246,948	269,347

26 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The carrying amount of mortgaged buildings is DKK 181m recognised under land and buildings.

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 Pro-rata consolidated companies

	Registered in	Ownership %
Kvadrat Maharam Pty. Ltd.	Australia	50.00

30 Subsidiaries

	Registered in	Ownership %
Danskina BV	Netherlands	100.00
Febrik BV	Netherlands	51.67
Gaudium BV	Netherlands	99.80
ASA BV	Netherlands	99.80
de Pol BV	Netherlands	99.80
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 Austria GmbH	Austria	97.00
Kvadrat BV	Netherlands	95.00
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 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 %
Personal Design SrL	Italy	100.00
Kvadrat REALLY ApS	Denmark	95.00
Sahco GmbH	Germany	100.00
Kvadrat Shade Holding BV	Netherlands	100.00
Kvadrat Shade Services BV	Netherlands	100.00
Kvadrat High Performance Textiles BV	Netherlands	100.00
Kvadrat Shade Assembly BV	Netherlands	100.00
Kvadrat Shade 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
Tecnología de Control Solar Mexicana, SA de CV	Mexico	100.00
Tecnología 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

Parent income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Revenue	1	836,748	725,909
Other operating income	2	21,590	17,675
Cost of sales		(551,522)	(492,144)
Other external expenses		(134,629)	(126,576)
Gross profit/loss		172,187	124,864
Staff costs	3	(158,539)	(153,046)
Depreciation, amortisation and impairment losses	4	(30,376)	(28,834)
Operating profit/loss		(16,728)	(57,016)
Income from investments in group enterprises		19,463	67,480
Income from investments in associates		10,777	4,184
Other financial income	5	8,633	1,910
Other financial expenses	6	(9,405)	(15,150)
Profit/loss before tax		12,740	1,408
Tax on profit/loss for the year	7	7,545	18,440
Profit/loss for the year	8	20,285	19,848

Parent balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Completed development projects	10	81,187	90,648
Acquired trademarks		18,476	14,358
Development projects in progress	10	0	55
Intangible assets	9	99,663	105,061
Land and buildings		143,154	101,184
Plant and machinery		3,664	1,457
Other fixtures and fittings, tools and equipment		33,077	39,077
Leasehold improvements		4,475	5,391
Property, plant and equipment in progress		0	33,644
Property, plant and equipment	11	184,370	180,753
Investments in group enterprises		310,526	345,796
Investments in associates		46,929	62,882
Deposits		1,855	1,587
Financial assets	12	359,310	410,265
Fixed assets		643,343	696,079

Work in progress		8,420	9,383
Manufactured goods and goods for resale		243,881	247,080
Prepayments for goods		4,989	600
Inventories		257,290	257,063
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Trade receivables		23,036	31,698
Receivables from group enterprises		153,702	128,628
Deferred tax	13	19,844	13,959
Other receivables		13,983	15,038
Prepayments	14	11,581	8,341
Receivables		222,146	197,664
<hr/>			
Cash		10,282	6,697
<hr/>			
Current assets		489,718	461,424
<hr/>			
Assets		1,133,061	1,157,503
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Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		100,000	100,000
Reserve for fair value adjustments and hedging instruments		8,741	1,488
Reserve for net revaluation according to equity method		7,099	70,854
Reserve for development costs		56,966	54,720
Retained earnings		205,798	134,865
Proposed dividend for the financial year		0	35,000
Equity		378,604	396,927
Provisions for investments in group enterprises	15	2,842	2,699
Provisions		2,842	2,699
Mortgage debt		30,414	33,224
Bank loans		97,489	160,957
Lease liabilities		8,273	10,189
Other payables	16	13,309	17,727
Non-current liabilities other than provisions	17	149,485	222,097

Current portion of non-current liabilities other than provisions	17	47,180	74,126
Bank loans		370,122	286,735
Prepayments received from customers		2,312	3,166
Trade payables		62,872	53,533
Payables to group enterprises		47,382	28,306
Payables to associates		50,988	52,827
Other payables	18	21,274	37,087
Current liabilities other than provisions		602,130	535,780
Liabilities other than provisions		751,615	757,877
Equity and liabilities		1,133,061	1,157,503
Financial instruments	19		
Unrecognised rental and lease commitments	20		
Contingent liabilities	21		
Assets charged and collateral	22		
Related parties with controlling interest	23		
Transactions with related parties	24		

Parent statement of changes in equity for 2022

	Contributed capital DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for development costs DKK'000	Retained earnings DKK'000
Equity beginning of year	100,000	1,488	70,854	54,720	134,865
Ordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	0	(4,497)	0	(10,861)
Fair value adjustments of hedging instruments	0	9,361	0	0	0
Other entries on equity	0	0	17,946	0	(13,449)
Tax of entries on equity	0	(2,108)	0	0	0
Dividends from group enterprises	0	0	(83,332)	0	83,332
Dividends from associates	0	0	(24,086)	0	24,086
Transfer to reserves	0	0	0	2,246	(2,246)
Profit/loss for the year	0	0	30,214	0	(9,929)
Equity end of year	100,000	8,741	7,099	56,966	205,798

	Proposed dividend for the year DKK'000	Total DKK'000
Equity beginning of year	35,000	396,927
Ordinary dividend paid	(35,000)	(35,000)
Exchange rate adjustments	0	(15,358)
Fair value adjustments of hedging instruments	0	9,361
Other entries on equity	0	4,497
Tax of entries on equity	0	(2,108)
Dividends from group enterprises	0	0
Dividends from associates	0	0
Transfer to reserves	0	0
Profit/loss for the year	0	20,285
Equity end of year	0	378,604

Notes to parent financial statements

1 Revenue

	2022 DKK'000	2021 DKK'000
Other EU countries	667,784	584,316
Other countries	168,964	141,593
Total revenue by geographical market	836,748	725,909

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

	2022 DKK'000	2021 DKK'000
Compensation	(727)	0
Salary reimbursement	2,735	3,437
Profit from sale of shares	19,454	14,238
Other income	30	0
Public grants	98	0
	21,590	17,675

3 Staff costs

	2022 DKK'000	2021 DKK'000
Wages and salaries	145,482	140,187
Pension costs	10,935	10,728
Other social security costs	2,122	2,131
	158,539	153,046

Average number of full-time employees	225	229
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	Remuneration of Manage- ment 2022 DKK'000	Remuneration of Manage- ment 2021 DKK'000
Executive Board	7,815	9,148
Board of Directors	1,166	1,498
	8,981	10,646

4 Depreciation, amortisation and impairment losses

	2022 DKK'000	2021 DKK'000
Amortisation of intangible assets	18,783	15,849
Depreciation on property, plant and equipment	11,692	12,985
Profit/loss from sale of intangible assets and property, plant and equipment	(99)	0
	30,376	28,834

5 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	966	957
Other financial income	7,667	953
	8,633	1,910

6 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	0	324
Other financial expenses	9,405	14,826
	9,405	15,150

7 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Change in deferred tax	(7,993)	(17,539)
Adjustment concerning previous years	448	0
Refund in joint taxation arrangement	0	(901)
	(7,545)	(18,440)

8 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Ordinary dividend for the financial year	0	35,000
Retained earnings	20,285	(15,152)
	20,285	19,848

9 Intangible assets

	Completed development projects DKK'000	Acquired trademarks DKK'000	Development projects in progress DKK'000
Cost beginning of year	112,439	35,083	55
Transfers	55	0	(55)
Additions	5,759	7,626	0
Cost end of year	118,253	42,709	0
Amortisation and impairment losses beginning of year	(21,791)	(20,725)	0
Amortisation for the year	(15,275)	(3,508)	0
Amortisation and impairment losses end of year	(37,066)	(24,233)	0
Carrying amount end of year	81,187	18,476	0

10 Development projects

The completed development projects 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 Management does not see any indication of impairment to exist.

11 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	139,159	1,724	91,160	14,293	33,644
Transfers	33,644	0	0	0	(33,644)
Additions	11,035	2,989	1,992	1,047	0
Disposals	0	(690)	(3,662)	0	0
Cost end of year	183,838	4,023	89,490	15,340	0
Depreciation and impairment losses beginning of year	(37,975)	(267)	(52,083)	(8,902)	0
Depreciation for the year	(2,709)	(167)	(6,853)	(1,963)	0
Reversal regarding disposals	0	75	2,523	0	0
Depreciation and impairment losses end of year	(40,684)	(359)	(56,413)	(10,865)	0
Carrying amount end of year	143,154	3,664	33,077	4,475	0

12 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Deposits DKK'000
Cost beginning of year	289,017	48,807	1,587
Transfers	3,010	(3,010)	0
Additions	37,618	0	268
Disposals	(11,919)	(5,967)	0
Cost end of year	317,726	39,830	1,855
Revaluations beginning of year	56,779	14,075	0
Exchange rate adjustments	(2,149)	(2,348)	0
Transfers	(1,753)	1,753	0
Amortisation of goodwill	(6,967)	(2,901)	0
Share of profit/loss for the year	32,335	10,915	0
Adjustment of intra-group profits	(5,904)	2,763	0
Dividend	(83,332)	(24,086)	0
Investments with negative equity value depreciated over receivables	(800)	0	0
Investments with negative equity value transferred to provisions	143	0	0
Other adjustments	(7,306)	0	0
Reversal regarding disposals	11,754	6,928	0
Revaluations end of year	(7,200)	7,099	0
Carrying amount end of year	310,526	46,929	1,855

Investments in group enterprises comprise unamortised goodwill of DKK 31,7m at 31.12.2022.

Investments in associates comprise unamortised goodwill of DKK 1,1m at 31.12.2022.

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	46.00
3 Days of Design ApS	Denmark	20.00
Innvik AS	Norway	30.00
Kvadrat Maharam Pty. Ltd.	Australia	50.00

13 Deferred tax

	2022 DKK'000	2021 DKK'000
Intangible assets	(16,833)	(19,735)
Property, plant and equipment	(4,196)	(6,413)
Inventories	6,001	4,904
Provisions	104	139
Liabilities other than provisions	611	3,375
Tax losses carried forward	34,157	31,689
Deferred tax	19,844	13,959

	2022 DKK'000	2021 DKK'000
Changes during the year		
Beginning of year	13,959	(2,978)
Recognised in the income statement	7,993	17,539
Recognised directly in equity	(2,108)	(602)
End of year	19,844	13,959

Deferred tax assets

Deferred tax assets consists primarily of timing differences on depreciation of fixed assets as well as tax-loss carryforwards, which the company expects to use within 1-5 years as a result of future positive operations.

14 Prepayments

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

15 Provisions for investments in group enterprises

Provisions for investments in group enterprises is a result of investment in group enterprises with negative equity.

16 Other payables

	2022 DKK'000	2021 DKK'000
Holiday pay obligation	13,309	12,918
Other costs payable	0	4,809
	13,309	17,727

17 Non-current liabilities other than provisions

	Due within 12 months 2022 DKK'000	Due within 12 months 2021 DKK'000	Due after more than 12 months 2022 DKK'000	Outstanding after 5 years 2022 DKK'000
Mortgage debt	2,810	2,878	30,414	15,675
Bank loans	39,641	58,774	97,489	0
Lease liabilities	1,953	1,943	8,273	0
Other payables	2,776	10,531	13,309	13,309
	47,180	74,126	149,485	28,984

18 Other payables

	2022 DKK'000	2021 DKK'000
Wages and salaries, personal income taxes, social security costs, etc. payable	6,861	13,601
Holiday pay obligation	7,844	8,106
Derivative financial instruments	4,185	13,389
Other costs payable	2,384	1,991
	21,274	37,087

Derivative financial instruments are described in note 19.

19 Derivative financial instruments

The Company have no hedges currencies at the balance sheet date 31 December 2022.

Other payables include the negative fair value of an interest rate swap of DKK 4,1m and DKK 0,1m, 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 15 years and 1 years.

20 Unrecognised rental and lease commitments

	2022 DKK'000	2021 DKK'000
Total liabilities under rental or lease agreements until maturity	12,992	14,180

21 Contingent liabilities

	2022 DKK'000	2021 DKK'000
Recourse and non-recourse guarantee commitments	413,165	235,988
Contingent liabilities to group enterprises	413,165	235,988

The Company has provided a guarantee for the bank debt of subsidiaries and Kvadrat Holding A/S. The secured bank debt amounts to DKK 413m at 31.12.2022, which consists of the subsidiaries drawing on the credit facilities at their bank.

The Company has provided performance guarantees for DKK 42,2m at 31.12.2022.

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.

22 Assets charged and collateral

Mortgage debt is secured by way of mortgage on properties. The carrying amount of mortgaged buildings is DKK 143m recognised under land and buildings.

23 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.

24 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).

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.

Public grants

Public grants are recognised when a final commitment has been received from the grantor and it is probable that the conditions of the grant will be fulfilled. Grants are recognised as income in the income statement as earned. Grants awarded for acquisition of assets are recognised as deferred income in the balance sheet, which is taken to income on a straight-line basis over the useful life of the asset.

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.

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:

	Useful life
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.

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.

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 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.