

Kvadrat A/S
Lundbergsvej 10
8400 Ebeltoft
CVR No. 45998517



Annual Report 2023

The Annual General Meeting adopted the annual report on 25.04.2024

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: 01.01.2023 - 31.12.2023

Board of Directors

Lars Monrad-Gylling, Chairman
Anders Byriel
Mette Rønn Bendix
Torsten Leif Moe
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 01.01.2023 - 31.12.2023.

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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023.

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, 25.04.2024

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

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 01.01.2023 - 31.12.2023, 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 31.12.2023 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2023 - 31.12.2023 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 by relevant law and regulations.

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 in the relevant law and regulations. We did not identify any material misstatement of the management commentary.

Aarhus, 25.04.2024

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

	2023	2022	2021	2020	2019
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	1,757,765	1,868,163	1,596,057	1,452,993	1,722,654
Gross profit/loss	639,030	661,063	604,926	522,182	593,359
Operating profit/loss	(11,521)	35,417	44,415	14,384	95,798
Net financials	(56,356)	(11,464)	(16,868)	(9,429)	(7,104)
Profit/loss for the year	(74,801)	16,576	27,190	6,495	82,391
Profit for the year excl. minority interests	(74,173)	20,285	18,909	363	75,186
Balance sheet total	1,339,252	1,549,524	1,527,213	1,245,420	1,198,004
Investments in property, plant and equipment	39,246	43,494	152,026	40,992	92,412
Equity	327,076	411,644	433,386	375,940	417,093
Equity excl. minority interests	306,480	378,604	396,927	364,380	403,603
Average number of employees	986	1,057	986	898	981
Ratios					
Gross margin (%)	36.35	35.39	37.90	35.94	34.44
Return on equity (%)	(21.65)	5.23	4.97	0.09	18.88
Equity ratio (%)	22.88	24.43	25.99	29.26	33.69

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 2023 amounted to DKK 1.758m compared to DKK 1.868m in 2022. Operating profit/loss amounted to DKK -11m compared to DKK 35m in 2022 and profit before tax amounted to DKK -60m compared to DKK 34m in 2022.

The revenue for the Parent company for 2023 amounted to DKK 734m compared to DKK 837m in 2022. Operating profit/loss amounted to DKK -55m compared to DKK -17 in 2022 and Profit before tax amounted to DKK -73m compared to DKK 13m in 2022.

The result for both the Group and the Parent company has in FY 2023 been significantly affected primarily by the following three circumstances.

Firstly, the marketplaces in which we operate were challenged in both activity levels and short-term outlooks during FY 2023 resulting in a decrease in consolidated revenue of 110 mDKK or roughly 6 % compared to FY 2022. This is – in our perspective – attributable to an array of different factors and variables but contributing factors are without any doubts increases in inflation in the markets on which we operate, higher cost of capital bringing a slowdown to especially the construction and real-estate industries as well as the increasing regional and global insecurity brought to life from a number of conflicts.

Secondly, the higher cost of capital also resulted in increased net financial costs of 56 mDKK in FY 2023 to service the net interest-bearing debts of the Group consisting primarily of short-term credit facilities, long-term credit facilities, lease liabilities as well as mortgage debts. The net financial costs in FY 2022 amounted to 11 mDKK resulting in an increase from FY 2022 to FY 2023 of 45 mDKK.

Third and final, Kvadrat Group is still in the process of developing and finetuning the sale to the North American markets which is managed via Kvadrat Inc. Previously, Kvadrat Group had a long-standing and successful partnership with a local partner ensuring the distribution and sale of Kvadrat products in North America. This partnership was terminated with effect from 1 January 2021 and Kvadrat has since been building, developing, and improving the direct sale of Kvadrat products via Kvadrat Inc. This is a strategic project for Kvadrat Group which has required a significant amount of resources and investments to make profitable within a relatively short time period in the future – as was predicted when the strategic project was started.

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 for 2023 in the annual report for Kvadrat A/S for 2022.

The Executive Board and Board of Directors consider the results for 2023 to be unsatisfactory.

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 statements.

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 that the slowdown and general uncertainty in the markets – in which we operate – will continue in FY 2024 at least partially and we therefore expect to see our revenues in FY 2024 to be close to or slightly above the level in FY 2023.

We do, however, expect our overall profitability to increase in FY 2024 compared to FY 2023 as we are working to optimize and adjust our organization and processes to the realities of the current economic climate.

The latter will also be significantly aided by a stabilization or reduction in the cost of capital.

Knowledge resources

Despite a difficult 2023, we continue to work systematically in developing all employees in the organization to be able to best execute our Group strategy. Via our two annual Performance & Learning Conversations between all employees and their direct manager, we ensure that we are aligned on what learnings need to be applied on an individual-, team- and company-level.

We have more than 140 managers across our production-, sales-, development companies as well as our headquarters in Ebeltoft. We have continued our work with our senior management team as well as a larger group of managers with our 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 2023, we succeeded in insourcing all training activities of our managers facilitated by our People Development department. This creates strong social and professional ties across the organization when leaders from different parts of the company are trained and educated together.

We continue to work on the quality of our leadership and also work more proactively and formalized with our People and organizational reviews. We have our own new manager program and a program for High Potentials for employees that we believe could assume more responsibility in a managerial role going forward. This program has generated 41 new managers during the last 6 years. Finally, we are proceeding to build the necessary competencies through our Kvadrat Academy which serves as a training forum for all our 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 interviewed about their general satisfaction and specific matters related to their everyday working life. In 2023 we achieved a score of 72 similarly to that of FY 2022.

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. 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 – 2024 Kvadrat Group strategy

The overall ambition of the 2021 – 2024 Kvadrat Group strategy is to win market shares, increase efficiency and strengthen the organization to become a truly global business. 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 an 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.

In 2024 our focus is to: 1) grow our overseas markets by taking our North America, Middle Eastern and Asian business to the next level to release full market potential, 2) increase efficiency in selected processes to increase speed and profitability, 3) accelerating our transition towards a regenerative business, and 4) Continue strengthening our company culture. This for us to grow and simplify in accordance with our 2021 – 2024 strategy.

Environmental performance

Kvadrat is a member of the Science Based Target initiative and aims to reach net zero greenhouse gas emissions by 2040. On this journey we build upon our long-term commitment to quality design, work with our production partners to reduce our impact on resources and the environment and continuously aim to innovate materials, our products and business models to rethink the way we operate in this world.

Communicating our impact transparently to our clients through quality data is key and in FY 2023 we therefore launched our first 10 Environmental Product Declarations (EPDs) for 120 of our textile products.

More detailed information regarding our overall sustainability performance and targets can be found in our sustainability report (see link below).

Research and development activities

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

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 2023 exceeds the incurred costs in 2022.

Statutory report on corporate social responsibility

Our attitudes and initiatives regarding environmental issues, social responsibility and gender equality in management are described in our sustainability report under "Sustainability Statement" which can be found on our website at:

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

Our sustainability report outlines policies, performance and objectives for Kvadrat as a company and Group. It addresses the requirements outlined by the Danish Financial Statements Act § 99a & 99b on the reporting of corporate social responsibility (CSR).

We strive for full compliance with the upcoming Corporate Sustainability Reporting Directive (CSRD) and, thereby, the European Sustainability Reporting Standards (ESRS). Where reasonable, we complement the ESRS disclosure requirements with performance measurements of the Global Reporting Initiative (GRI) standards. We are a member of the UN Global Compact and annually submits our communication on progress (COP), detailing information about our activities and developments according to the Ten Principles of the UN Global Compact, the 17 UN Sustainable Development Goals (SDGs) as well as the general UN goals and principles.

The report is structured into four main sustainability topics – General information, Environment, Social, Governance.

Statutory report on the underrepresented gender

	2023	2022	2021
Supreme management body			
Total number of members	5	6	5
Underrepresented gender (%)	40.00	33.00	20.00
Target figures (%)	40.00	40.00	40.00

Within our highest management level (Kvadrat A/S Board), we follow the recommendations of the Danish Business Authority to pursue a 40/60% distribution of either men or women employees. This 10% allowance ensures higher levels of flexibility in response to the labour market

During 2023, a change of composition in our Kvadrat A/S Board led to a 7 p.p. increase in the representation of women in our A/S board, from 33% (2022) to 40%. Our short- and long-term goal for 2024 is to maintain this balance.

	2023	2022	2021
Other management levels			
Total number of members	30	28	30
Underrepresented gender (%)	40.00	43.00	50.00
Target figures (%)	40.00	40.00	40.00

Kvadrat follows the disclosure requirements on gender diversity within other management levels. Other management levels in Kvadrat A/S include two levels in accordance with the definition under 99b, (1) Kvadrat's executive management, and (2) management within A/S with personnel responsibilities and with direct report to

Kvadrat's executive management.

Kvadrat has the target to maintain a 40/60 gender distribution within its other management levels in Kvadrat A/S. Beyond this goal, we have the ambitious target to achieve 50% women leadership within our global middle management and executive management. To achieve our ambitions, we have developed various initiatives that foster transparency and encourage equal opportunities for women and men in other management levels and across the wider organisation.

In 2023, we prepared a global roll out of minimum paid parental leave for all Kvadrat employees. Additionally, we updated our title and role system to create the foundation for higher pay transparency. During 2024 we will prepare a detailed assessment in the Kvadrat Group of our salary distribution including both roles and genders. This will serve as a base for performing a detailed pay assessment in 2025.

Between 2022 and 2023, the representation of women within our other management level increased by 3 p.p. to 40%. We aim to maintain women representation in our other management level at a minimum at 40% in the short and long-run.

Statutory report on data ethics policy

Kvadrat has since 2021 a Data Ethics Policy, which sets a moral framework for collecting, processing, and protecting personal and non-personal data at Kvadrat. The statutory statement on our Data Ethics Policy is presented in the Sustainability Report (page 51).

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

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 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	1	1,757,765	1,868,163
Own work capitalised		0	563
Other operating income	2	3,506	23,428
Cost of sales		(737,645)	(809,739)
Other external expenses	3	(384,596)	(421,352)
Gross profit/loss		639,030	661,063
Staff costs	4	(568,021)	(542,630)
Depreciation, amortisation and impairment losses	5	(82,150)	(82,870)
Other operating expenses		(380)	(146)
Operating profit/loss		(11,521)	35,417
Income from investments in associates		8,017	9,713
Other financial income	6	880	614
Other financial expenses	7	(57,236)	(12,078)
Profit/loss before tax		(59,860)	33,666
Tax on profit/loss for the year	8	(14,941)	(17,090)
Profit/loss for the year	9	(74,801)	16,576

Consolidated balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	11	74,401	89,299
Acquired trademarks		5,148	31,745
Goodwill		82,612	87,995
Development projects in progress	11	1,234	0
Intangible assets	10	163,395	209,039
Land and buildings		181,828	180,508
Plant and machinery		10,981	10,712
Other fixtures and fittings, tools and equipment		63,881	135,104
Leasehold improvements		66,362	71,742
Property, plant and equipment	12	323,052	398,066
Investments in associates		47,673	41,235
Receivables from associates		16,595	0
Deposits		11,693	12,526
Financial assets	13	75,961	53,761
Fixed assets		562,408	660,866

Work in progress		2,785	8,420
Manufactured goods and goods for resale		410,412	408,466
Prepayments for goods		1,350	4,989
Inventories		414,547	421,875
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Trade receivables		182,269	247,851
Contract work in progress	14	4,087	4,225
Receivables from group enterprises		235	1,255
Receivables from associates		807	0
Deferred tax	15	39,950	39,131
Other receivables		18,084	19,684
Tax receivable		54	0
Prepayments	16	19,383	20,139
Receivables		264,869	332,285
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Cash		97,428	134,498
<hr/>			
Current assets		776,844	888,658
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Assets		1,339,252	1,549,524
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Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital	17	100,000	100,000
Translation reserve		(2,490)	(4,677)
Reserve for fair value adjustments of hedging instruments		7,938	8,741
Reserve for net revaluation according to equity method		1,461	1,404
Retained earnings		199,571	273,136
Equity belonging to Parent's shareholders		306,480	378,604
Equity belonging to minority interests		20,596	33,040
Equity		327,076	411,644
Deferred tax	15	2,590	3,005
Other provisions	18	19,048	19,925
Provisions		21,638	22,930
Mortgage debt		27,587	27,604
Bank loans		82,481	116,052
Lease liabilities		13,534	58,981
Other payables	19	13,654	13,309
Non-current liabilities other than provisions	20	137,256	215,946

Current portion of non-current liabilities other than provisions	20	40,489	55,482
Bank loans		576,821	524,516
Prepayments received from customers		9,626	34,941
Trade payables		100,391	112,736
Payables to group enterprises		254	2,764
Payables to associates		26,373	51,339
Tax payable		0	5,997
Other payables	21	97,867	109,387
Deferred income	22	1,461	1,842
Current liabilities other than provisions		853,282	899,004
Liabilities other than provisions		990,538	1,114,950
Equity and liabilities		1,339,252	1,549,524
Financial instruments	24		
Unrecognised rental and lease commitments	25		
Assets charged and collateral	26		
Transactions with related parties	27		
Group relations	28		
Pro-rata consolidated companies	29		
Subsidiaries	30		

Consolidated statement of changes in equity for 2023

	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	(4,677)	8,741	1,404	273,136
Ordinary dividend paid	0	0	0	0	0
Exchange rate adjustments	0	2,187	0	667	0
Fair value adjustments of hedging instruments	0	0	(1,029)	0	0
Other entries on equity	0	0	0	0	(2)
Tax of entries on equity	0	0	226	0	0
Dividends from associates	0	0	0	(8,627)	8,627
Profit/loss for the year	0	0	0	8,017	(82,190)
Equity end of year	100,000	(2,490)	7,938	1,461	199,571

	Equity belonging to Parent's shareholders DKK'000	Equity belonging to minority interests DKK'000	Total DKK'000
Equity beginning of year	378,604	33,040	411,644
Ordinary dividend paid	0	(5,816)	(5,816)
Exchange rate adjustments	2,854	0	2,854
Fair value adjustments of hedging instruments	(1,029)	0	(1,029)
Other entries on equity	(2)	(6,000)	(6,002)
Tax of entries on equity	226	0	226
Dividends from associates	0	0	0
Profit/loss for the year	(74,173)	(628)	(74,801)
Equity end of year	306,480	20,596	327,076

Consolidated cash flow statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Operating profit/loss		(11,521)	35,417
Amortisation, depreciation and impairment losses		82,532	83,016
Working capital changes	23	21,500	(52,123)
Changes in intercompany activities		(22,526)	(7,933)
Profit from sale of shares		0	(19,454)
Cash flow from ordinary operating activities		69,985	38,923
Financial income received		880	614
Financial expenses paid		(57,234)	(12,078)
Taxes refunded/(paid)		(22,226)	(32,850)
Other cash flows from operating activities		1,652	5,075
Cash flows from operating activities		(6,943)	(316)
Acquisition etc. of intangible assets		(14,222)	(7,614)
Sale of intangible assets		(39)	0
Acquisition etc. of property, plant and equipment		(37,878)	(45,740)
Sale of property, plant and equipment		10,893	6,218
Dividends received from associates		8,627	20,471
Cash flows from investing activities		(32,619)	(26,665)
Free cash flows generated from operations and investments before financing		(39,562)	(26,981)
Repayments of loans etc.		(43,996)	(96,964)
Dividend paid		(5,816)	(45,972)
Other cash flows from financing activities		52,304	143,319
Cash flows from financing activities		2,492	383
Increase/decrease in cash and cash equivalents		(37,070)	(26,598)

Cash and cash equivalents beginning of year	134,498	161,096
Cash and cash equivalents end of year	97,428	134,498

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

Cash	97,428	134,498
Cash and cash equivalents end of year	97,428	134,498

Notes to consolidated financial statements

1 Revenue

	2023	2022
	DKK'000	DKK'000
Other EU countries	1,283,088	1,380,529
Other countries	474,677	487,634
Total revenue by geographical market	1,757,765	1,868,163

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

	2023	2022
	DKK'000	DKK'000
Compensation	73	(35)
Salary reimbursement	2,152	3,267
Profit from sale of shares	5	19,454
Public grants	1,270	616
Other income	6	126
	3,506	23,428

3 Fees to the auditor appointed by the Annual General Meeting

	2023	2022
	DKK'000	DKK'000
Statutory audit services	1,474	1,378
Other assurance engagements	20	0
Tax services	228	721
Other services	734	684
	2,456	2,783

4 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	526,321	502,508
Pension costs	41,700	40,122
	568,021	542,630
Average number of full-time employees	986	1,057

	Remuneration of management 2023 DKK'000	Remuneration of management 2022 DKK'000
Executive Board	7,372	7,815
Board of Directors	1,132	1,166
	8,504	8,981

5 Depreciation, amortisation and impairment losses

	2023	2022
	DKK'000	DKK'000
Amortisation of intangible assets	45,287	42,815
Depreciation on property, plant and equipment	36,863	40,055
	82,150	82,870

6 Other financial income

	2023	2022
	DKK'000	DKK'000
Other interest income	880	614
	880	614

7 Other financial expenses

	2023	2022
	DKK'000	DKK'000
Other financial expenses	57,236	12,078
	57,236	12,078

8 Tax on profit/loss for the year

	2023	2022
	DKK'000	DKK'000
Current tax	15,949	22,225
Change in deferred tax	(1,008)	(5,135)
	14,941	17,090

9 Proposed distribution of profit/loss

	2023 DKK'000	2022 DKK'000
Retained earnings	(74,173)	20,285
Minority interests' share of profit/loss	(628)	(3,709)
	(74,801)	16,576

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	151,269	76,047	173,317	105
Exchange rate adjustments	72	0	424	0
Transfers	105	513	0	(105)
Additions	3,796	0	9,103	1,234
Disposals	(24,227)	(57,730)	(2,385)	0
Cost end of year	131,015	18,830	180,459	1,234
Amortisation and impairment losses beginning of year	(61,970)	(44,302)	(85,322)	(105)
Exchange rate adjustments	(70)	0	(338)	0
Transfers	(105)	(513)	0	105
Amortisation for the year	(18,557)	(12,158)	(14,572)	0
Reversal regarding disposals	24,088	43,291	2,385	0
Amortisation and impairment losses end of year	(56,614)	(13,682)	(97,847)	0
Carrying amount end of year	74,401	5,148	82,612	1,234

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 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
Cost beginning of year	225,347	12,324	277,142	149,849
Exchange rate adjustments	101	(134)	410	(2,005)
Additions	6,703	2,269	15,735	14,539
Disposals	0	(1,221)	(90,620)	(24,229)
Cost end of year	232,151	13,238	202,667	138,154
Depreciation and impairment losses beginning of year	(44,839)	(1,612)	(142,038)	(78,107)
Exchange rate adjustments	(12)	(2)	(236)	374
Transfers	0	0	17	(17)
Depreciation for the year	(5,472)	(1,854)	(14,526)	(15,011)
Reversal regarding disposals	0	1,211	17,997	20,969
Depreciation and impairment losses end of year	(50,323)	(2,257)	(138,786)	(71,792)
Carrying amount end of year	181,828	10,981	63,881	66,362

13 Financial assets

	Investments in associates DKK'000	Receivables from associates DKK'000	Deposits DKK'000
Cost beginning of year	39,831	0	12,526
Transfers	6,381	0	0
Additions	0	16,595	0
Disposals	0	0	(833)
Cost end of year	46,212	16,595	11,693
Revaluations beginning of year	1,404	0	0
Exchange rate adjustments	667	0	0
Amortisation of goodwill	(371)	0	0
Share of profit/loss for the year	7,978	0	0
Adjustment of intra-group profits	410	0	0
Dividend	(8,627)	0	0
Revaluations end of year	1,461	0	0
Carrying amount end of year	47,673	16,595	11,693

Investments in associates comprise unamortised goodwill of DKK 742k at 31.12.2023.

Transfer amount of 6.381 tDKK is the equity value of Convert A/S that was previously classified as a subsidiary but

from December 2023 classified as an associate company due to a reduction in ownership and control.

Associates	Registered in	Ownership %
Wooltex UK Ltd.	England	46.00
3 Days of Design ApS	Denmark	20.00
Innvik AS	Norway	30.00
Convert A/S	Denmark	48.67

14 Contract work in progress

	2023 DKK'000	2022 DKK'000
Contract work in progress	22,293	22,293
Progress billings	(18,206)	(18,068)
	4,087	4,225

15 Deferred tax

	2023 DKK'000	2022 DKK'000
Intangible assets	(13,684)	(23,903)
Property, plant and equipment	(2,732)	(18,814)
Inventories	5,449	6,544
Receivables	(1,180)	(1,283)
Provisions	70	11,722
Liabilities other than provisions	1,522	3,457
Tax losses carried forward	47,915	58,403
Deferred tax	37,360	36,126

Changes during the year	2023 DKK'000	2022 DKK'000
Beginning of year	36,126	33,099
Recognised in the income statement	1,008	5,135
Recognised directly in equity	226	(2,108)
End of year	37,360	36,126

Deferred tax has been recognised in the balance sheet as follows	2023 DKK'000	2022 DKK'000
Deferred tax assets	39,950	39,131
Deferred tax liabilities	(2,590)	(3,005)
	37,360	36,126

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

	2023 DKK'000	2022 DKK'000
Holiday pay obligation	13,654	13,309
	13,654	13,309

20 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Mortgage debt	2,827	2,810	27,587	16,174
Bank loans	35,023	44,976	82,481	0
Lease liabilities	2,639	7,696	13,534	0
Other payables	0	0	13,654	13,654
	40,489	55,482	137,256	29,828

21 Other payables

	2023 DKK'000	2022 DKK'000
VAT and duties	0	5,681
Wages and salaries, personal income taxes, social security costs, etc. payable	25,048	16,025
Holiday pay obligation	19,856	21,894
Derivative financial instruments	5,372	4,185
Other costs payable	47,591	61,602
	97,867	109,387

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 3,8m 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

	2023	2022
	DKK'000	DKK'000
Increase/decrease in inventories	291	(24,324)
Increase/decrease in receivables	71,480	(26,946)
Increase/decrease in trade payables etc.	(50,271)	(853)
	21,500	(52,123)

24 Derivative financial instruments

The Company have no hedged currencies at the balance date 31 December 2023.

Other payables include the negative fair value of an interest rate swap of DKK 5,4m. The interest 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 ensures a fixed interest rate of 4,82% in the remaining term of 14 years.

25 Unrecognised rental and lease commitments

	2023	2022
	DKK'000	DKK'000
Total liabilities under rental or lease agreements until maturity	243,036	246,948

26 Assets charged and collateral

Mortgage debt (Kvadrat A/S) is secured by way of mortgage on properties. The carrying amount of mortgaged buildings is DKK 143m recognised under land and buildings. A owners mortgage of DKK 8m in properties has been pledged as security for outstanding balances with banks.

Kvadrat A/S has pledged its assets with a corporate mortgage as security for outstanding balances with banks. The nominal amount of the corporate mortgage is DKK 200m. The corporate mortgage includes acquired trademarks, plants and machinery, other fixtures and fittings, tools and equipment, inventories and trade receivables.

The carrying amount of acquired trademarks is DKK 15.7m.

The carrying amount of plants and machinery is DKK 3.3m.

The carrying amount of other fixtures and fittings, tools and equipment (leased not included) is DKK 21.6m.

The carrying amount of inventories is DKK 240.7m.

The carrying amount of trade receivables is DKK 17.4m.

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, Ebeltøft, 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, Ebeltøft, Denmark.

29 Pro-rata consolidated companies

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

30 Subsidiaries

	Registered in	Ownership %
Feabrik BV	Netherlands	83.90
Kvadrat Weaving 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	75.00
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 Acoustics Inc.	USA	79.00
Kvadrat Soft Cells Hong Kong Ltd.	Hong Kong	79.00
Kvadrat Acoustics 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	98.10
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
Verosol Ibérica SAU	Spain	100.00
Tecnologia de Control Solar Mexicana, SA de CV	Mexico	100.00
Tecnologia de Control Solar Mexicana de Servicios, SA de CV	Mexico	100.00
VW Solarflex SA de CV	Mexico	100.00
Magniberg Design AB	Sweden	60.00
Kvadrat Middle East Textiles LLC	UAE	100.00

Parent income statement for 2023

	Notes	2023 DKK'000	2022 DKK'000
Revenue	1	733,793	836,748
Other operating income	2	1,878	21,689
Cost of sales		(491,021)	(551,522)
Other external expenses		(97,452)	(127,783)
Gross profit/loss		147,198	179,132
Staff costs	3	(170,977)	(165,385)
Depreciation, amortisation and impairment losses	4	(31,358)	(30,475)
Other operating expenses		(216)	0
Operating profit/loss		(55,353)	(16,728)
Income from investments in group enterprises		14,136	19,463
Income from investments in associates		9,190	10,777
Other financial income	5	2,511	8,633
Other financial expenses	6	(43,702)	(9,405)
Profit/loss before tax		(73,218)	12,740
Tax on profit/loss for the year	7	(955)	7,545
Profit/loss for the year	8	(74,173)	20,285

Parent balance sheet at 31.12.2023

Assets

	Notes	2023 DKK'000	2022 DKK'000
Completed development projects	10	68,183	81,187
Acquired trademarks		15,728	18,476
Intangible assets	9	83,911	99,663
Land and buildings		143,420	143,154
Plant and machinery		3,317	3,664
Other fixtures and fittings, tools and equipment		27,872	33,077
Leasehold improvements		2,176	4,475
Property, plant and equipment	11	176,785	184,370
Investments in group enterprises		290,740	310,526
Investments in associates		52,534	46,929
Receivables from associates		16,595	0
Deposits		1,774	1,855
Financial assets	12	361,643	359,310
Fixed assets		622,339	643,343

Work in progress		2,785	8,420
Manufactured goods and goods for resale		236,549	243,881
Prepayments for goods		1,350	4,989
Inventories		240,684	257,290
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Trade receivables		17,388	23,036
Receivables from group enterprises		67,335	153,702
Receivables from associates		807	0
Deferred tax	13	19,527	19,844
Other receivables		8,407	13,983
Prepayments	14	11,799	11,581
Receivables		125,263	222,146
<hr/>			
Cash		9,228	10,282
<hr/>			
Current assets		375,175	489,718
<hr/>			
Assets		997,514	1,133,061
<hr/>			

Equity and liabilities

	Notes	2023 DKK'000	2022 DKK'000
Contributed capital		100,000	100,000
Reserve for fair value adjustments and hedging instruments		7,938	8,741
Reserve for net revaluation according to equity method		21,354	7,099
Reserve for development costs		56,966	56,966
Retained earnings		120,222	205,798
Equity		306,480	378,604
Provisions for investments in group enterprises	15	5,921	2,842
Provisions		5,921	2,842
Mortgage debt		27,587	30,414
Bank loans		73,281	97,489
Lease liabilities		6,266	8,273
Other payables	16	13,654	13,309
Non-current liabilities other than provisions	17	120,788	149,485

Current portion of non-current liabilities other than provisions	17	35,854	47,180
Bank loans		389,592	370,122
Prepayments received from customers		1,161	2,312
Trade payables		52,909	62,872
Payables to group enterprises		34,653	47,382
Payables to associates		25,837	50,988
Other payables	18	24,319	21,274
Current liabilities other than provisions		564,325	602,130

Liabilities other than provisions		685,113	751,615
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Equity and liabilities		997,514	1,133,061
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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 2023

	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	8,741	7,099	56,966	205,798
Exchange rate adjustments	0	0	2,071	0	781
Fair value adjustments of hedging instruments	0	(1,029)	0	0	0
Other entries on equity	0	0	38,621	0	(38,621)
Tax of entries on equity	0	226	0	0	0
Dividends from group enterprises	0	0	(39,259)	0	39,259
Dividends from associates	0	0	(10,504)	0	10,504
Profit/loss for the year	0	0	23,326	0	(97,499)
Equity end of year	100,000	7,938	21,354	56,966	120,222

	Total DKK'000
Equity beginning of year	378,604
Exchange rate adjustments	2,852
Fair value adjustments of hedging instruments	(1,029)
Other entries on equity	0
Tax of entries on equity	226
Dividends from group enterprises	0
Dividends from associates	0
Profit/loss for the year	(74,173)
Equity end of year	306,480

Notes to parent financial statements

1 Revenue

	2023	2022
	DKK'000	DKK'000
Other EU countries	611,145	667,784
Other countries	122,648	168,964
Total revenue by geographical market	733,793	836,748

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

	2023	2022
	DKK'000	DKK'000
Compensation	0	(727)
Salary reimbursement	1,654	2,735
Profit from sale of shares	0	19,454
Other income	224	30
Public grants	0	98
Gain on disposal of fixed assets	0	99
	1,878	21,689

3 Staff costs

	2023	2022
	DKK'000	DKK'000
Wages and salaries	157,363	152,328
Pension costs	11,508	10,935
Other social security costs	2,106	2,122
	170,977	165,385
Average number of full-time employees	218	225

	Remuneration of Manage- ment 2023 DKK'000	Remuneration of Manage- ment 2022 DKK'000
Executive Board	7,372	7,815
Board of Directors	1,132	1,166
	8,504	8,981

4 Depreciation, amortisation and impairment losses

	2023 DKK'000	2022 DKK'000
Amortisation of intangible assets	19,337	18,783
Depreciation on property, plant and equipment	12,021	11,692
	31,358	30,475

5 Other financial income

	2023 DKK'000	2022 DKK'000
Financial income from group enterprises	1,382	966
Other financial income	1,129	7,667
	2,511	8,633

6 Other financial expenses

	2023 DKK'000	2022 DKK'000
Financial expenses from group enterprises	665	0
Other financial expenses	43,037	9,405
	43,702	9,405

7 Tax on profit/loss for the year

	2023 DKK'000	2022 DKK'000
Current tax	955	0
Change in deferred tax	0	(7,993)
Adjustment concerning previous years	0	448
	955	(7,545)

8 Proposed distribution of profit and loss

	2023 DKK'000	2022 DKK'000
Retained earnings	(74,173)	20,285
	(74,173)	20,285

9 Intangible assets

	Completed development projects DKK'000	Acquired trademarks DKK'000
Cost beginning of year	118,253	42,709
Additions	3,724	0
Disposals	(139)	(15,230)
Cost end of year	121,838	27,479
Amortisation and impairment losses beginning of year	(37,066)	(24,233)
Reversal of impairment losses	0	15,230
Amortisation for the year	(16,589)	(2,748)
Amortisation and impairment losses end of year	(53,655)	(11,751)
Carrying amount end of year	68,183	15,728

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
Cost beginning of year	183,838	4,023	89,490	15,340
Additions	3,746	93	674	0
Disposals	0	0	(167)	0
Cost end of year	187,584	4,116	89,997	15,340
Depreciation and impairment losses beginning of year	(40,684)	(359)	(56,413)	(10,865)
Depreciation for the year	(3,480)	(440)	(5,802)	(2,299)
Reversal regarding disposals	0	0	90	0
Depreciation and impairment losses end of year	(44,164)	(799)	(62,125)	(13,164)
Carrying amount end of year	143,420	3,317	27,872	2,176
Recognised assets not owned by entity	0	0	6,289	0

12 Financial assets

	Investments in group enterprises DKK'000	Investments in associates DKK'000	Receivables from associates DKK'000	Deposits DKK'000
Cost beginning of year	317,726	39,830	0	1,855
Transfers	(38,028)	6,381	0	0
Additions	10,315	0	16,595	0
Disposals	(14,304)	0	0	(81)
Cost end of year	275,709	46,211	16,595	1,774
Revaluations beginning of year	(7,200)	7,099	0	0
Exchange rate adjustments	1,533	538	0	0
Transfers	31,647	0	0	0
Amortisation of goodwill	(6,087)	(371)	0	0
Share of profit/loss for the year	18,518	9,151	0	0
Adjustment of intra-group profits	1,705	410	0	0
Dividend	(39,259)	(10,504)	0	0
Investments with negative equity value depreciated over receivables	(913)	0	0	0
Investments with negative equity value transferred to provisions	3,078	0	0	0
Other adjustments	(379)	0	0	0
Reversal regarding disposals	12,388	0	0	0
Revaluations end of year	15,031	6,323	0	0
Carrying amount end of year	290,740	52,534	16,595	1,774

Investments in group enterprises comprise unamortised goodwill of DKK 34,8m at 31.12.2023.

Investments in associates comprise unamortised goodwill of DKK 742k at 31.12.2023.

Transfer amount of 6.381 tDKK is the equity value of Convert A/S that was previously classified as a subsidiary but from December 2023 classified as an associate company due to a reduction in ownership and control.

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
Convert A/S	Denmark	48.67

13 Deferred tax

	2023	2022
	DKK'000	DKK'000
Intangible assets	(13,367)	(16,833)
Property, plant and equipment	(2,798)	(4,196)
Inventories	4,778	6,001
Provisions	70	104
Liabilities other than provisions	148	611
Tax losses carried forward	30,696	34,157
Deferred tax	19,527	19,844

	2023	2022
	DKK'000	DKK'000
Changes during the year		
Beginning of year	19,844	13,959
Recognised in the income statement	0	7,993
Recognised directly in equity	226	(2,108)
Tax losses used by group enterprises	(543)	0
End of year	19,527	19,844

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

	2023	2022
	DKK'000	DKK'000
Holiday pay obligation	13,654	13,309
	13,654	13,309

17 Non-current liabilities other than provisions

	Due within 12 months 2023 DKK'000	Due within 12 months 2022 DKK'000	Due after more than 12 months 2023 DKK'000	Outstanding after 5 years 2023 DKK'000
Mortgage debt	2,827	2,810	27,587	16,174
Bank loans	30,388	39,641	73,281	0
Lease liabilities	2,639	4,729	6,266	0
Other payables	0	0	13,654	13,654
	35,854	47,180	120,788	29,828

18 Other payables

	2023 DKK'000	2022 DKK'000
VAT and duties	1	(1)
Wages and salaries, personal income taxes, social security costs, etc. payable	7,795	6,860
Holiday pay obligation	7,417	7,844
Derivative financial instruments	5,372	4,185
Other costs payable	3,734	2,386
	24,319	21,274

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 2023.

Other payables include the negative fair value of an interest rate swap of DKK 5.4m. 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 20m and ensures a fixed interest rate of 4,82% in the remaining term of 14 years.

20 Unrecognised rental and lease commitments

	2023 DKK'000	2022 DKK'000
Total liabilities under rental or lease agreements until maturity	10,072	12,992

21 Contingent liabilities

	2023 DKK'000	2022 DKK'000
Recourse and non-recourse guarantee commitments	505,287	413,165
Contingent liabilities to group enterprises	505,287	413,165
Recourse and non-recourse guarantee commitments	6,527	0
Contingent liabilities to associates	6,527	0

The Company has provided a guarantee for the bank debt of subsidiaries and Kvadrat Holding A/S. The secured bank debt amounts to DKK 512m at 31.12.2023, which consists of the subsidiaries drawing on the credit facilities at their bank.

The Company has provided performance guarantees for DKK 29.2m at 31.12.2023.

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 143.4m recognised under land and buildings. A owners mortgage of DKK 8m in properties has been pledged as security for outstanding balances with banks.

The Company has pledged its assets with a corporate mortgage as security for outstanding balances with banks. The nominal amount of the corporate mortgage is DKK 200m. The corporate mortgage includes acquired trademarks, plants and machinery, other fixtures and fittings, tools and equipment, inventories and trade receivables.

The carrying amount of acquired trademarks is DKK 15.7m.

The carrying amount of plants and machinery is DKK 3.3m.

The carrying amount of other fixtures and fittings, tools and equipment (leased not included) is DKK 21.6m.

The carrying amount of inventories is DKK 240.7m.

The carrying amount of trade receivables is DKK 17.4m.

23 Related parties with controlling interest

The Parent Kvadrat Holding A/S, Central Business Reg. No: 15 12 00 02, Ebeltøft 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. The reclassifications of the comparative figures has resulted in changes to the distribution of gross profit/loss and operating profit/loss.

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).

Own work capitalised

Own work capitalised comprises staff costs and other costs incurred in the financial year and recognised in cost for proprietary intangible assets and property, plant and equipment.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including profit from the sale of intangible assets and property, plant and equipment, and salary refunds.

Cost of sales

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

Other operating expenses

Other operating expenses comprise expenses of a secondary nature as viewed in relation to the Entity's primary activities, including loss from the sale of intangible assets and 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.

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.

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

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.

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.