



ANNUAL REPORT 2020



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This report is translated from the statutory Danish Annual Report.

Front page: A highrise in the heart of Copenhagen. VELFAC vertical windows with noise-reducing vents keep traffic noise out, and VELUX roof windows allow light into the upper floors. VELFAC, Inhouse Studios, 2020

An
unprecedented
year generated
improved
revenue and
profit despite
COVID-19

4 2020 overview



16 Development in financial position and activities

The VKR Group achieved a significant increase in business activities which resulted in record high revenue and profit



12 Business areas

A new organisational structure and increased business activity within Roof windows & skylights and a stronger organisation even better equipped for the future of Vertical windows



21 Outlook for 2021

Expectations for 2021 are cautious, despite the approval of COVID-19 vaccines in various countries and the beginning of vaccination efforts

2020 OVERVIEW

We invest in daylight, fresh air
and a better environment

Revenue

22.6

DKK billion

(2019: DKK 21.6 billion)
A new record for
the VKR Group

Net profit

3.7

DKK billion

(2019: DKK 3.1 billion)
A new record for
the VKR Group

Return on
capital employed

48.1

percentage

(2019: 31.8%)



VKR Holding

Our purpose is to fulfil the ownership obligations on behalf of our shareholders. We also manage a substantial portfolio of financial investments



Roof windows & skylights

A new organisational structure and increased business activity within Roof windows & skylights



Vertical windows

A stronger organisation even better equipped for the future of Vertical windows

AN UNPRECEDENTED YEAR WITH COVID-19

We prioritise the health and safety
of our employees

COVID-19 restrictions



The business areas managed to keep up with increased demand and to serve their customers despite restrictions that sent workers home and temporarily closed factories

The Employee Foundation

391

grants (DKK 4 million) to employees directly or indirectly affected by COVID-19

Employees

15,400

The Nordic countries

4,300

Other regions

400

The rest of Europe

9,900

North America

800

Target Gender Equality

In the Model Company Objective, we strive to treat all employees better than most, which is why mutual respect is a core value of the VKR Group. The Group does not tolerate gender discrimination or any other form of discrimination or offensive behaviour

2020: VKR Holding A/S achieved the target of diversity on the Board. In addition, the share of female managers was increased by 50%

2030: The VELUX Group will increase the share of women in senior management positions by 40%

SUSTAINABILITY

The business areas achieved their goals in 2020 and set new ambitious sustainability targets

VELUX®

2020 results

59%

Reduction in CO₂ emissions since 2007

New targets

2030:

Carbon neutral

2041:

Lifetime carbon neutral, taking responsibility for the capture of historical carbon emissions

The VELUX Group works with WWF to capture our historical CO₂ through forest conservation



DOVISTA®
windows and doors

2020 results

26%

Reduction in CO₂ emissions per 1,000 units produced since 2016

New targets

2021:

10% reduction in unutilised production waste

2023:

100% recyclable packaging

COP report 2020: Please refer to VKR Holding's Communication on Progress (COP) report for 2020 for more information on the VKR Group's progress in sustainability and corporate social responsibility as well as on VKR Holding's responsible investment policy: www.vkr-holding.com/vkr/csr/

VKR Group's founder, Villum Kann Rasmussen, was a visionary who understood the importance of creating good relationships with the Company's stakeholders and the surrounding community. In 1965, he wrote his Model Company Objective, which said that the VKR Group should demonstrate corporate social responsibility by making products useful to society through companies that cooperate in an exemplary manner



Villum Kann Rasmussen at his carpenter bench in his summer cottage on Mandø. VKR Archives, approx. 1960

AN UNPRECEDENTED YEAR GENERATED IMPROVED REVENUE AND PROFIT DESPITE COVID-19

For the second year in a row, the VKR Group set a new record for top-line and bottom-line results, with DKK 22.6 billion in revenue and DKK 3.7 billion in net profit. The increase in net profit is attributed primarily to improved operating profit within the business areas. The VELUX Group, in particular, was a significant contributor. The return on the financial portfolio was satisfactory. As expected, it did not meet last year's record high.

The 2020 results are considered very satisfactory because net profits significantly exceeded expectations and because it was an improvement on last year's record performance.

At the beginning of the year, VKR Holding chose to divest its last business activities in large-scale solar thermal heating solutions with Arcon-Sunmark. Henceforth, the VKR Group consists primarily of the VELUX Group and the DOVISTA Group. Both VELUX and DOVISTA deliver solutions to the construction industry within two main segments: residential buildings (the residential segment) and commercial as well as public buildings (the commercial segment).

The year was greatly affected by the worldwide outbreak of COVID-19 and, in early spring, by full or partial lockdowns in many countries. In the first half of 2020, the VKR Group's revenue growth was thus negative by 0.7%. But once the countries in which the Group conducts business

The year was greatly affected by the worldwide outbreak of COVID-19, by full or partial lockdowns in many countries

began reopening, activities improved significantly. In the second half of the year, the growth in revenue was 10.2%. Total annual revenue growth was 4.9%. This was primarily attributable to the VELUX Group and to increased activity within the residential segment. The commercial segment remained more challenged.

The VKR Group will continue a strategy of actively pursuing potential acquisition opportunities that either strengthen the strategic position of existing business areas or result in a new and independent business area within the Group.

On 5 January 2021, after the closing of the 2020 financial year, the DOVISTA Group announced the acquisition of the Swiss

company Arbonia's window division. It comprises four main brands: Dobroplast, EgoKiefer, Slovaktual and Wertbau. This purchase will strengthen the DOVISTA Group's presence in Central Europe. Approval by the Competition Authorities is pending.

On 22 January 2021, also after the closing of the financial year, Altaterra announced the acquisition of the Dutch company Dakoplast within the business area of Roof windows & skylights.

VKR HOLDING'S ACTIVITIES

VKR Holding is a holding and investment company with the primary mission of creating value through the ownership of companies that bring daylight, fresh air

and a better environment into people's everyday lives. The Company's primary activity is the ownership of companies in the business areas of Roof windows & skylights and Vertical windows. VKR Holding also manages a substantial portfolio of financial investments that comprise listed shares and bonds as well as illiquid investments in loan funds, property funds and in private equity funds.

VKR Holding practises active ownership of the business areas through the Model Company Objective, current group policies and the governance structure (see the section on Governance). Within this given framework, the business areas operate autonomously, and their boards of directors are responsible for operations, strategy, risk management and so on.

One of VKR Holding's primary objectives is to generate the highest possible risk-adjusted return on all investments. In accordance with the Model Company Objective and the corporate social responsibility that VKR Holding has assumed, the Company maintains a responsible investment policy that aims to gradually transform the financial portfolio into more sustainable investments. Learn more about this policy in VKR Holding's Communication on Progress 2020 (COP) report or on VKR Holding's website: www.vkr-holding.com/vkr/csr/

The new residential neighbourhood, Bispevika, in central Oslo features large A-marked window sections in oak, which highlight the Nordic style, from Krone Windows. Oslo S development. Chris Borowiak, 2020



THE VKR HOLDING BUSINESS MODEL

VKR Holding, the VKR Group's parent company, creates value through financial investments and through the ownership of companies within the areas of daylight, fresh air and a better environment.



VKR Holding

Purpose

Our purpose is to safeguard our ownership obligations towards the business areas on behalf of shareholders. This includes ensuring that we own companies that are financially independent and that live up to the Model Company Objective.

Financial independence

The companies in the VKR Group must generate a profit that can finance growth and development over time.

Model Company Objective

The VKR Group works with products that are useful to society and strives to treat its stakeholders better than most other companies.

Active investment strategy

VKR Holding and the business areas actively pursue suitable acquisition opportunities that supplement and complement existing business.

Long-term investment horizon

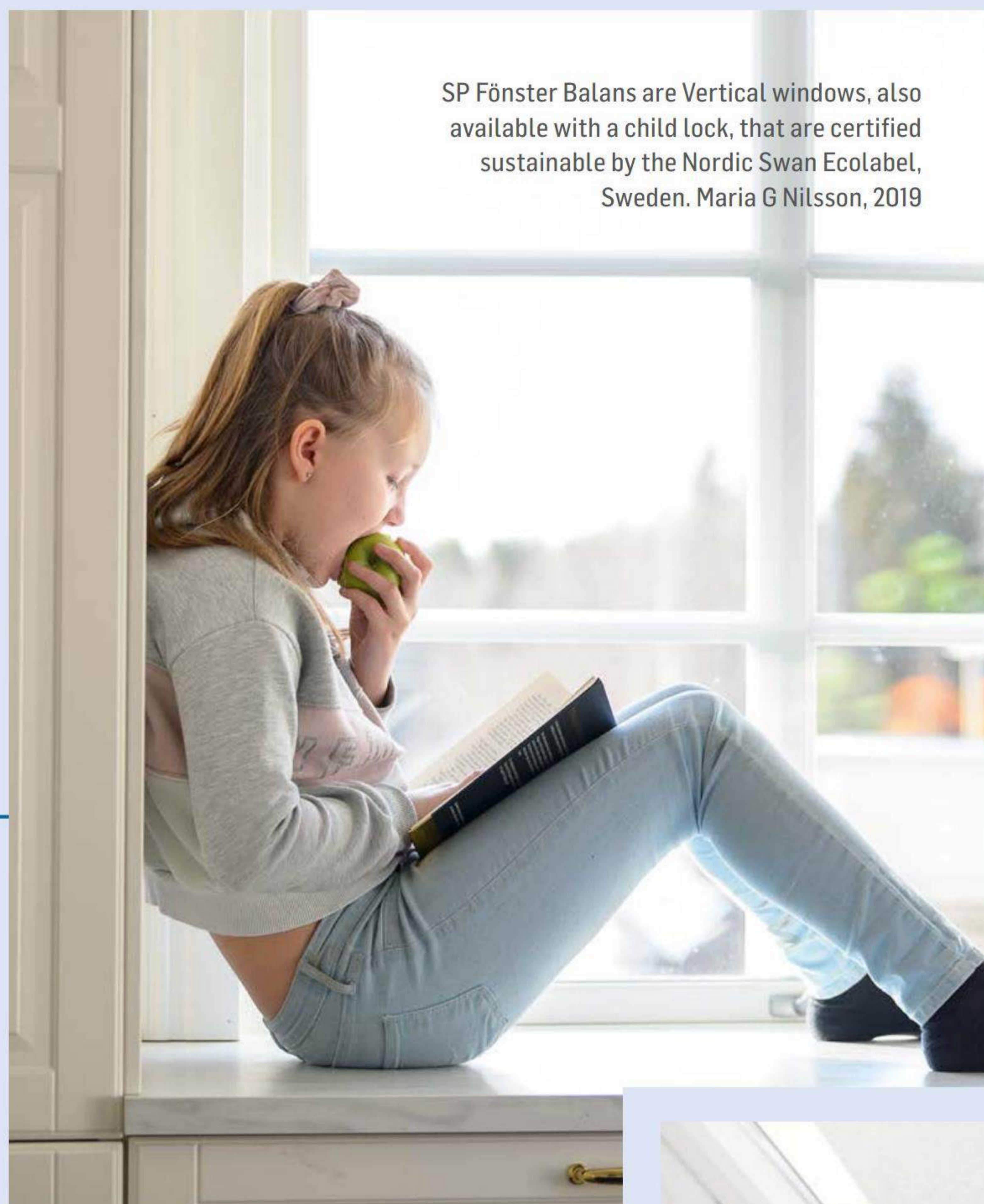
Investments in the business areas are made on an ongoing basis, and acquisitions of companies are made for long-term ownership.

Active ownership

VKR Holding practises active ownership to ensure compliance with the Group's values.



VKR Holding A/S headquarters at Breeltevej 18 in Hørsholm, Denmark. Christian Geisnæs, 2019



SP Fönster Balans are Vertical windows, also available with a child lock, that are certified sustainable by the Nordic Swan Ecolabel, Sweden. Maria G Nilsson, 2019



Vertical Windows

The business area comprises:
The DOVISTA Group

The product range includes i.a.:

- Vertical windows
- Exterior doors

The business area primarily sells its products in Northern Europe



Roof windows & skylights

The business area comprises:

VELUX
VELUX Commercial
Altaterra

The product range includes i.a.:

- Roof windows & skylights and solutions for sloped and flat roofs
- Blinds and shutters
- Products for remote control and home automation

The business area sells its products in more than 40 countries to both the residential and commercial segments



Enjoy twice as much daylight and fresh air with VELUX twin windows, Denmark. Schiller Digital, 2020



ROOF WINDOWS & SKYLIGHTS

A new organisational structure and increased business activity within Roof windows & skylights

2020 was a surprisingly good year for the VELUX Group overall, despite COVID-19. While the main business within the residential segment experienced increased business activity for the year, the commercial business was affected by the cancellation or postponement of several projects due to COVID-19.

The outbreak of COVID-19 at the beginning of the year and the subsequent lockdown in many countries meant that builders merchants were forced to close in some countries. Several factories within the VELUX Group also had to close partially or completely. This negatively affected business. With the gradual reopening of society in each country, business quickly returned. In the second half of 2020, demand for VELUX Group products was high especially within the residential segment. This included demand for Roof windows and accessories, such as blinds and shutters.

In 2020, the VELUX Group implemented a new organisational structure for the main business. The goal was to ensure better focus, the productive use of competencies and a more effective organisation with clear roles and a clear division of responsibilities. Among other things, the European sales and marketing organisation was divided into four regions in order to improve service to customers.

Within the commercial business, expectations for 2020 were not fully realised. The integration of previously acquired companies continued and a new common strategy for the commercial business was launched. Its purpose is to construct a unified organisation to accelerate growth and to become a leading supplier of roof window solutions for commercial buildings.

In 2020, the VELUX Group continued to be at the forefront of the climate agenda with the launch of an ambitious sustainability strategy. By 2030, VELUX has committed to becoming CO₂ neutral¹ and to halving its future CO₂ emissions across the entire Group's value chain² in line with the Paris Agreement's most ambitious 1.5-degree goal. By 2041,

VELUX has taken a unique 'climate oath' to become 'Lifetime Carbon Neutral' on its 100th birthday. Over the next 20 years, the company's historical CO₂ footprint since its founding in 1941 – corresponding to a total of DKK 5.6 million tons of CO₂ – will be captured through forest projects developed and run by the World Wildlife Fund.

As part of the goal to be on the cutting edge of product development, the establishment of a new product innovation centre was announced in the second half of 2020. Located in Østbirk, Denmark, the centre will centralise and expand research and development and will host approximately 350 employees.

In 2020 overall, the VELUX Group delivered significantly better than expected, and better than 2019. This is considered very satisfactory.

On 22 January 2021, Altaterra announced the completion of an agreement with the owners of the Dutch company Dakoplast. Altaterra will take over all the Dutch company's activities, including its online sales platform, Dakvenster.com. The Dakoplast acquisition (Dakvenster.com) will support Altaterra's online sales strategy for roof windows and related products.

1: cf. Greenhouse Gas Protocol scope 1 and 2

2: cf. Greenhouse Gas Protocol scope 3

THE BUSINESS AREA ROOF WINDOWS & SKYLIGHTS



The latest generation of VELUX roof windows lets the daylight in, Denmark. Jesper Jørgen Photography, 2020



Seaside ambiance and atmosphere at the Bispevika housing development in central Oslo with custom-made Krone windows, Norway. Oslo S development. Chris Borowiak, 2020



VERTICAL WINDOWS

A stronger organisation even better equipped
for the future of Vertical windows

In 2020, the COVID-19 outbreak affected the DOVISTA Group's activities and impacted all major markets. The UK market was further afflicted by uncertainty regarding Brexit. In Denmark, sales within the builders merchants developed positively, while the project market was characterised by postponed or cancelled projects due to the uncertainty arising from the pandemic. In Sweden and Norway, the DOVISTA Group succeeded in strengthening and expanding its market share in markets defined by limited growth.

Throughout 2020, the DOVISTA Group worked intensively to build a more streamlined organisational structure and to strengthen organisational processes that satisfy customer needs. To support this effort, there was a strong focus on increased use of both internal and external digital solutions together with the optimal utilisation of resources.

Throughout 2020,
the DOVISTA Group
worked intensively to
build a more streamlined
organisational structure
and to strengthen organi-
sational processes that
satisfy customer needs.

In 2020, the DOVISTA Group could not fully realise expected growth in revenue due to the COVID-19 outbreak and the ongoing lack of clarification regarding Brexit. Despite these challenges, the DOVISTA Group delivered a profit on par with expectations, which is considered satisfactory.

On 5 January 2021, following the close of the financial year, the DOVISTA Group announced the acquisition of the window division of the Swiss company, Arbonia Group. Headquartered in Switzerland, the window division manages four main brands: Dobroplast, EgoKiefer, Slovaktual and Wertbau, serving the principal markets of Germany, Poland, Slovakia and Switzerland. The acquisition will strengthen the DOVISTA Group's position in Central Europe and will expand its portfolio and production capacity.

THE BUSINESS AREA VERTICAL WINDOWS

DOVISTA[®]
windows and doors

VELFAC[®]

rational[®]

Trarydfönster



Mockfjärds
DIN FÖNSTERMÄSTARE

natre[®]
FÖNSTER

Lian

(O)H
DOORS & PANELS



DEVELOPMENT IN FINANCIAL POSITION AND ACTIVITIES

The VKR Group achieved a significant increase in business activities which resulted in record high revenue and profit.

The Group's revenue growth was organically driven and can primarily be attributed to the VELUX Group. The improvement in the bottom line was due to considerable growth in operating profit. As expected, the yield on the financial portfolio did not reach last year's record high. In 2020, the VKR Group received a total of DKK 56 million in COVID-19 grants, of which less than one million DKK was granted in Denmark.

Revenue and operating profit

In 2020, the VKR Group's revenue totalled DKK 22.6 billion compared to DKK 21.6 billion the previous year. The growth in revenue was 4.9%, thus exceeding expectations for 2020. The underlying growth was actually slightly higher due to divestment activities in 2020, including the divestment of Arcon-Sunmark in large-scale solar thermal heating solutions. From a market point of view, growth was primarily driven by Western European markets with the exception of the United Kingdom. In addition, revenue increased in North America. In Central and Eastern Europe, there was generally less progress, although variation existed between markets.

Revenue in 2020 was negatively affected by exchange rates, particularly the NOK, GBP and USD.

The growth in revenue was 4.9%, thus exceeding expectations for 2020. The underlying growth was actually slightly higher due to divestment activities in 2020.

In 2020, profit before depreciation (EBITDA) was DKK 4.8 billion compared to DKK 3.7 billion the previous year. The increase was chiefly driven by higher revenue and lower costs within the business area of Roof windows & skylights. The lower costs are primarily related to fewer expenses for marketing and travel activities, among other things, due to the COVID-19 pandemic. This is not expected to be repeated in a normal year.

Profit before goodwill amortisation (EBITA) in 2020 was DKK 4.2 billion as compared to DKK 3.0 billion in 2019.

Operating investments

The VKR Group invested a total of DKK 0.6 billion (net) in tangible fixed assets in 2020, corresponding to 2.7% of revenue. Investments were thereby on par with last year and lower than the business areas expected. COVID-19 meant that several investments were postponed until later.

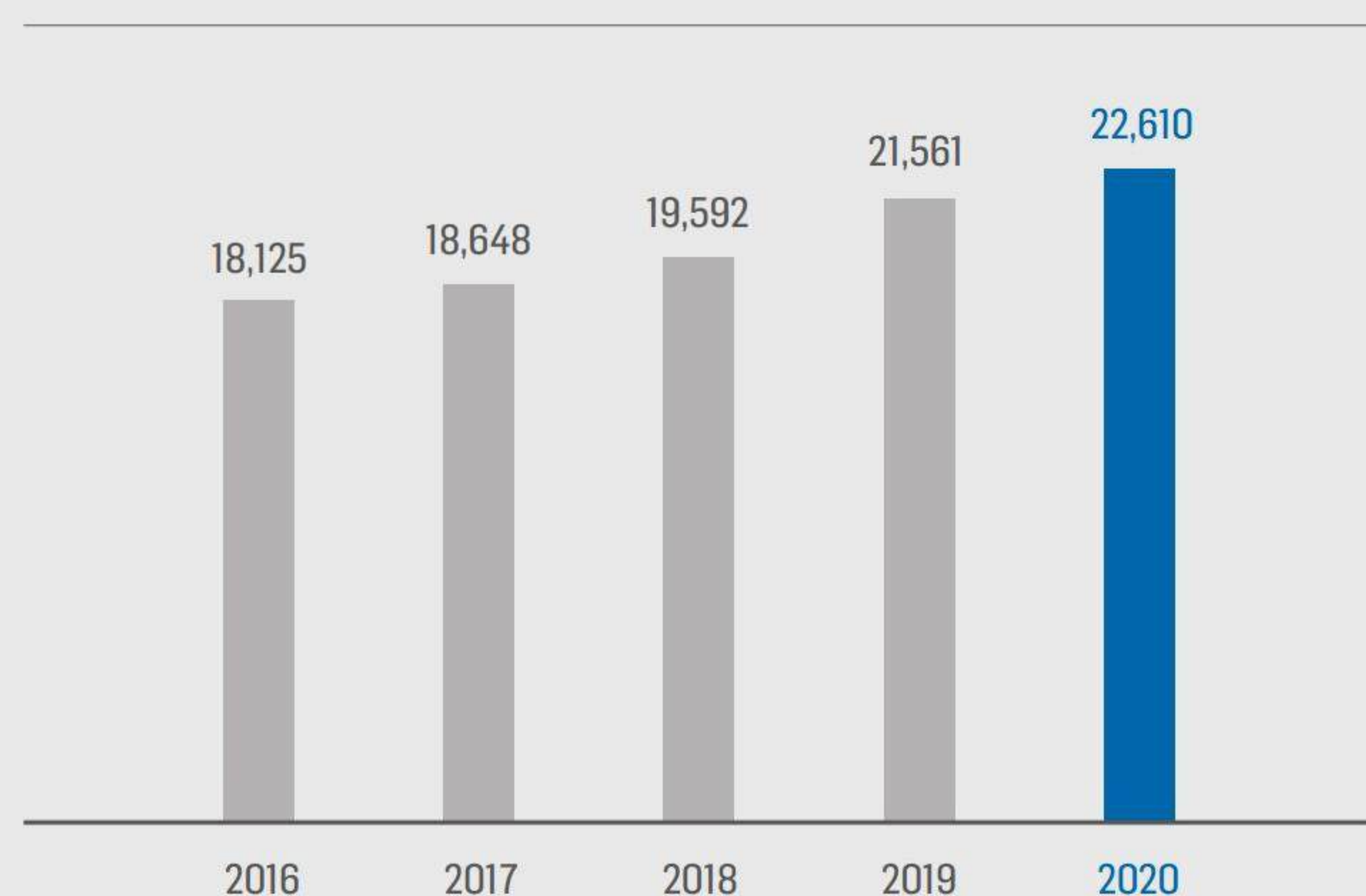
In 2020, the VELUX Group undertook a number of energy-enhancing investments to reduce CO₂ emissions. In addition, investments were made in increased production capacity and in the ongoing improvement of factory efficiency.

In 2020, the DOVISTA Group undertook a number of capacity and efficiency investments in its continuing implementation of ERP systems. Investments in factory energy improvements were also made by shifting to LED lighting.

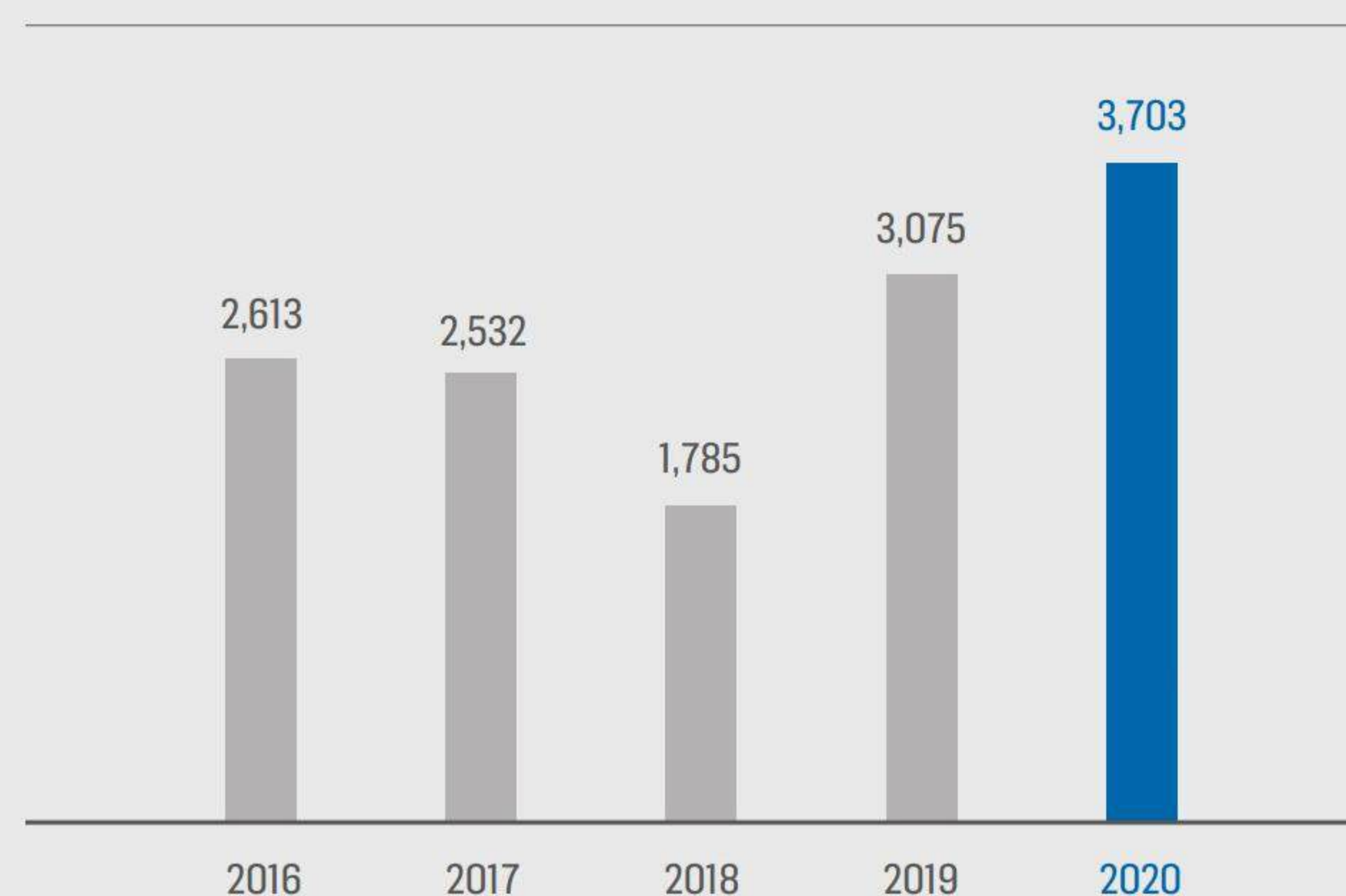
Cash flows from operating activities and working capital

In 2020, cash flows from operating activities before tax amounted to DKK 5.9 billion as compared to DKK 3.9 billion in 2019. The increase is attributable to an improved operating profit and a reduction of working capital due to, among other things, COVID-19 related effects.

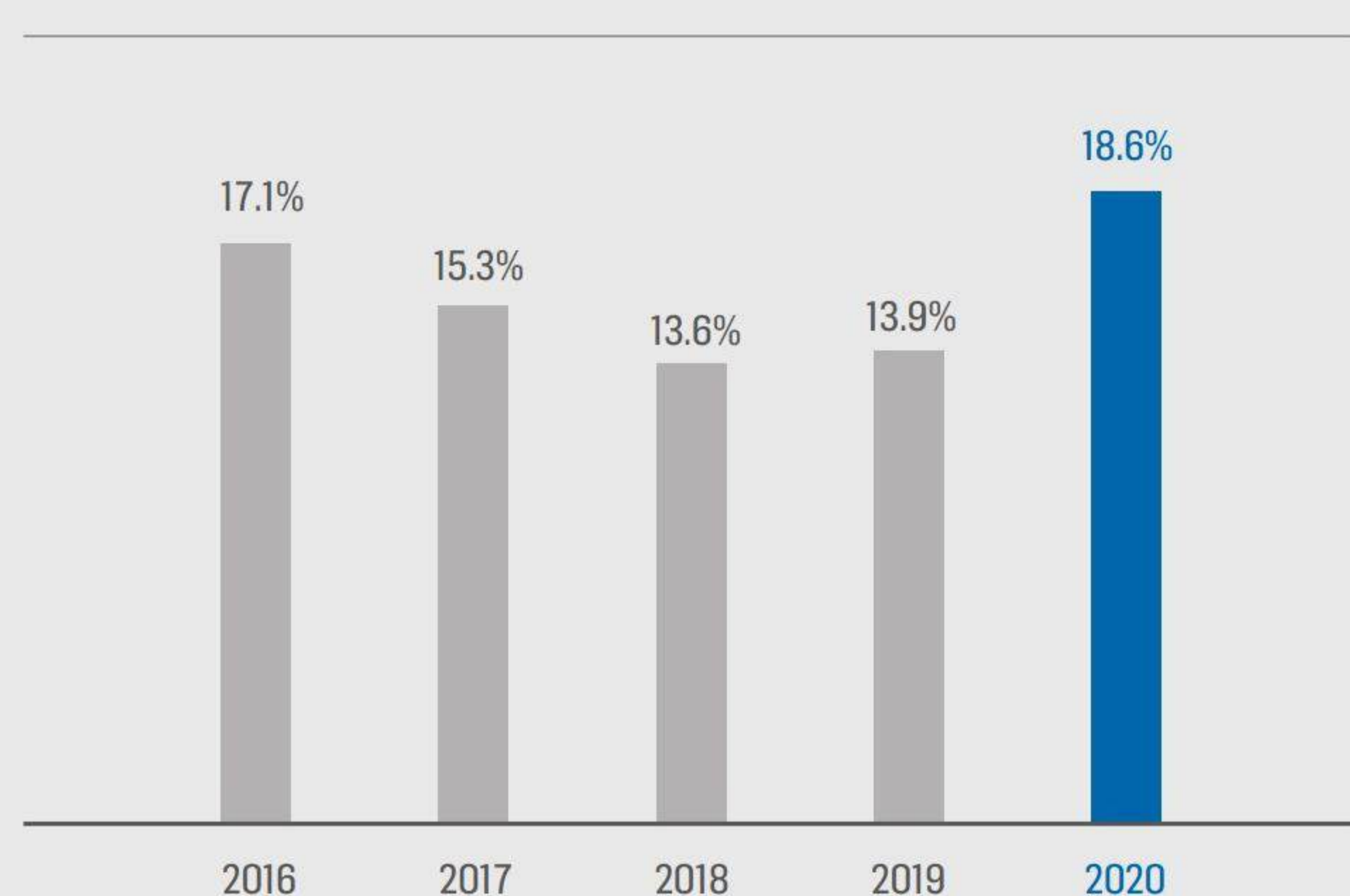
NET REVENUE – DKKm



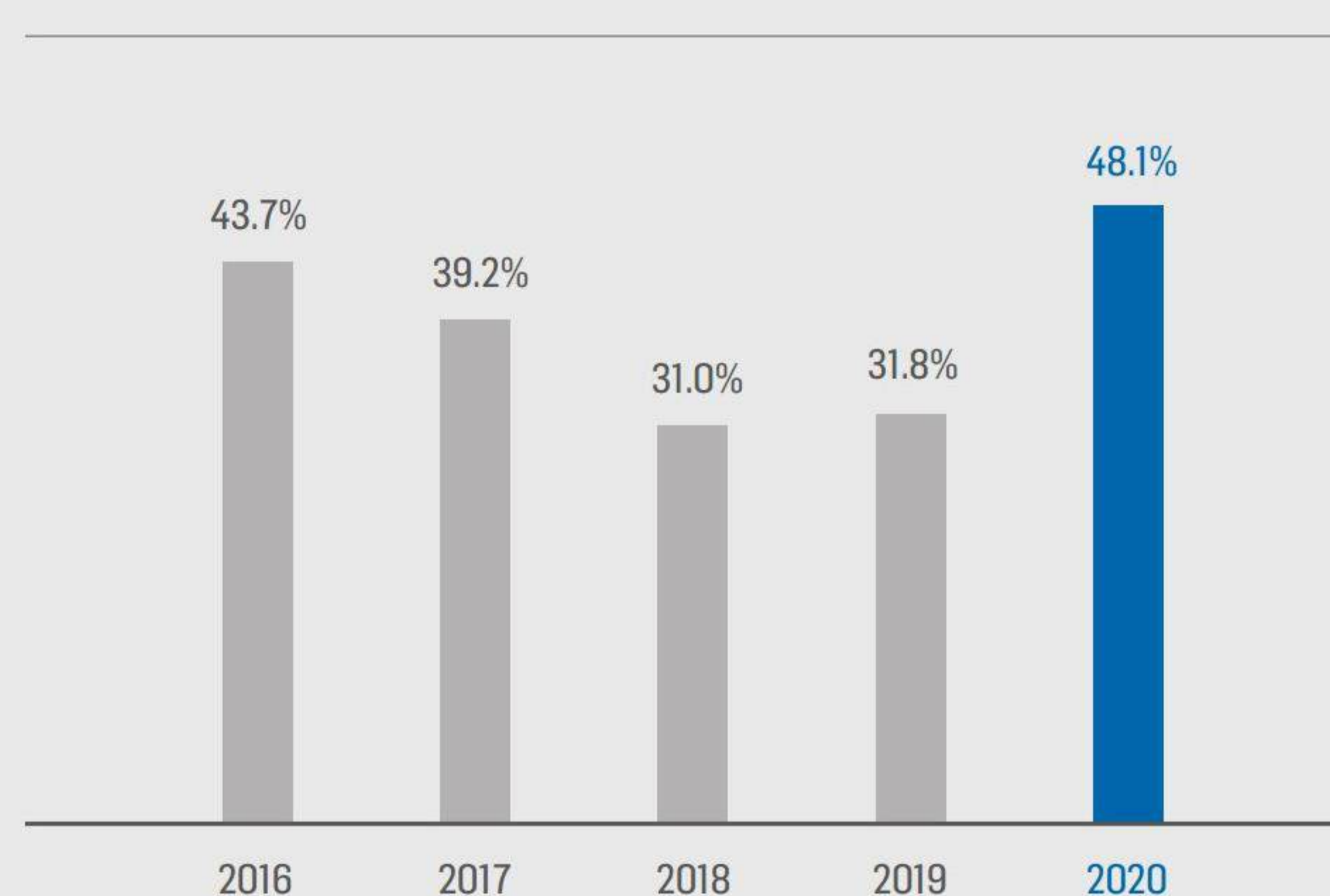
NET PROFIT – DKKm



EBITA MARGIN – %



RETURN ON CAPITAL EMPLOYED – %



CONSOLIDATED FINANCIAL HIGHLIGHTS FOR THE GROUP

Key figures (DKKm)	2020	2019	2018	2017	2016
Net revenue	22,610	21,561	19,592	18,648	18,125
Earnings before depreciation (EBITDA)	4,837	3,689	3,225	3,324	3,556
Earnings before goodwill amortisation (EBITA)	4,199	3,005	2,669	2,849	3,095
Earnings before financial items and tax (EBIT)	4,049	2,857	2,617	2,820	3,014
Net financials	734	1,175	-281	458	462
Net profit for the year	3,703	3,075	1,785	2,532	2,613
Investment in tangible fixed assets (net)	604	599	592	864	238
Free cash flow before tax	5,221	3,226	663	2,164	3,264
Total assets	27,334	23,812	21,102	19,720	17,940
Equity	22,009	19,230	16,914	15,948	14,276
Financial ratios (%)					
EBITA margin	18.6	13.9	13.6	15.3	17.1
Return on capital employed	48.1	31.8	31.0	39.2	43.7
Equity ratio	80.5	80.8	80.2	80.9	79.6
Average number of employees	15,267	16,123	15,459	14,764	13,885

Financial ratios have been prepared in accordance with the Danish Finance Society's recommendations. Reference is made to the accounting policies.

Cash flows from operating activities after tax increased to DKK 5.0 billion in 2020 as compared to DKK 3.5 billion the previous year.

Financial investments

VKR Holding holds a substantial portfolio of financial investments where the return can significantly affect results in any given year.

In 2020, the return on VKR Holding's financial portfolio was DKK 0.7 billion corresponding to 6%. This was better than expected, but lower than the record high of 2019. The return in 2020 was primarily

driven by unrealised capital gains on listed shares and illiquid investments. In addition, fixed income assets generated a positive return. The financial markets were generally marked by large fluctuations during the year. The outbreak of COVID-19 at the beginning of the year caused financial markets to plummet, while the last few months of 2020 yielded extraordinarily high returns following the resolution of the US presidential election and the prospect of COVID-19 vaccine approvals.

In 2020, the portfolio strategy generated a satisfactory return.

Taxation

In 2020, the tax for the year amounted to DKK 1.1 billion as compared to DKK 1.0 billion the previous year.

Net profit

The VKR Group reported a net profit of DKK 3.7 billion in 2020 compared to DKK 3.1 billion in 2019.

This growth can be attributed to the VELUX Group's increased operating profit. As expected, the return on financial investments did not match the record high of 2019.



Rational AURAPLUS in a modern, functional villa. A wide, fixed window section comprising three layers of glass over a double patio door, which provides plenty of light to the open plan kitchen-dining room, Denmark. Rational, 2019

However, the 2020 results exceeded expectations, which were cautious and lower than for 2019. 2020 was in many ways an unprecedented year characterised by uncertainty about COVID-19 and its consequences on society. The positive growth in the second half of the year was surprising and exceeded all expectations. It was complemented by lower costs driven by the effects of COVID-19. Against this backdrop, Management considers this year's net profit to be very satisfactory.

Financial resources

On 31 December 2020, the financial resources of the VKR Group amounted

to DKK 13.4 billion. It was a substantial increase compared to 2019, when financial resources were DKK 9.9 billion. This upsurge primarily reflects additional investments and unrealised capital gains on listed shares.

Total assets in the VKR Group also increased. At year end, it reached DKK 27.3 billion as compared to DKK 23.8 billion in 2019.

On 31 December 2020, equity in the VKR Group amounted to DKK 22.0 billion, which is a considerable increase compared to DKK 19.2 billion the previous

year. In 2020, the equity ratio decreased marginally to 80.5% from 80.8% in 2019.

The VKR Group manages a large stock of cash that can be used to invest in the Group's existing companies and to finance any acquisitions.

Following the annual general meeting in March 2020, an ordinary dividend of DKK 1.0 billion was distributed. At the annual general meeting in March 2021, a dividend of DKK 2.0 billion has been proposed. The higher dividend will celebrate VILLUM FONDEN's 50th anniversary. It has been planned for several years and has been coordinated with shareholder representatives. We are pleased that, despite COVID-19, we achieved sound results and therefore can pay out an increased dividend. It will be used for a number of exceptional grants to mark the anniversary.

Innovation and development activities

In 2020, the VKR Group maintained its focus on continuously developing and improving the product range. The goal is to meet increasing expectations and requirements regarding energy efficiency and indoor climate in new buildings and in renovations. The VELUX Group launched several new products in 2020. This includes a new "soft" roller shutter with a modern design that integrates elegantly with the roof. The new shutter makes it even easier to keep the heat out and to ensure complete darkness, for example, in the bedroom. The new product was well-received and has already been recognised with an award in the Netherlands. The VELUX Group's focus on product development was further underscored by plans to build an innovation centre in Østbirk, Denmark for all its product development activities.

The Group's innovative culture and product development results in numerous patent applications each year. As of 31 December 2020, VKR Holding owns and manages 2,368 active patents distributed among 544 unique inventions. To maintain the Group's competitive advantage, these patents, together with other intellectual property rights, are actively and systematically protected.





Despite COVID-19, production of VELUX roof windows continued at VELUX (CHINA) CO., LTD. in Langfang, China. JinYan Zhao, 2020

Employees

At the end of 2020, the VKR Group had approximately 15,400 employees, which was about 600 fewer than the previous year. Among other things, this was due to the divestment of activities and to the adjustment of production capacity. The largest percentage of employees work in Poland (approx. 3,600) and in Denmark (approx. 2,900). In total, about 42% of the Group's employees work in these two countries. In addition, there are a significant number of employees in Germany, Hungary, Sweden, France and the United States.

Corporate social responsibility

Ever since the establishment of the VKR Group, corporate social responsibility has been an integral part of the business. As early as 1965, the Group's founder, Villum Kann Rasmussen, formulated the Model Company Objective, which still exemplifies the overarching mission of the Group's work.

So it is only natural that the VKR Group actively supports the UN Global Compact and Sustainable Development Goals (SDGs). In 2016, VKR Holding and all business areas joined the UN Global Compact. We communicate annually on progress in relation to the Ten Principles of human and employee rights, environment and anti-corruption through a Communication on Progress (COP) report.

VKR Holding's COP report also constitutes the VKR Group's statutory report on corporate social responsibility for the financial year 2020 in accordance with section 99a of the Danish Financial Statements Act. The report can be found on our website (www.vkr-holding.com/vkr/csr/) and on the UN Global Compact's website. The COP report also includes additional information on the Model Company Objective, VKR Holding's new policy for responsible investments and the work of the philanthropic foundations associated with the VKR Group.

In 2021, the business areas will publish their own COP reports. The reports will include additional information on progress made towards addressing the UN Sustainable Development Goals and the UN Global Compact principles. Both the VELUX Group and the DOVISTA Group place sustainability high on their agenda, and both have set ambitious new targets in their new sustainability strategies. The VELUX Group may have the world's most ambitious goals in the construction industry: to become CO₂ neutral by 2030 and to take full responsibility for capturing historical CO₂ emissions by becoming 'Lifetime Carbon Neutral' by 2041.

Work environment

The VKR Group's business areas have a strong focus on a positive and safe work environment. Extra effort is placed on taking care of the many employees at the manufacturing facilities. This involves, for example, ensuring that work is in line with the international standard for working conditions: ISO 45001 (occupational health and safety management system). VKR Holding's Board of Directors receives regular reports on the business areas' work environment.

Diversity goals

In VKR Holding, employees and board members are always selected based on qualifications and skills. At the same time, the value of diversity is acknowledged. In 2019, this resulted in VKR Holding A/S setting a new goal to reach an even gender distribution on its Board of Directors by 2024.

In 2020, a new female board member was appointed. This means that by the end of the year, there were two female and four male board members, which fulfils the diversity target¹. This is also the case for the Board of Directors appointed at the annual general meeting of the parent company for the Group's largest business area, VELUX A/S².

1. In accordance with the guidance of the Danish Business Authority (March 2016).
2. Employee representatives not included.

OUTLOOK FOR 2021



One of this year's new products, VELUX Soft Shutters, blocks the sun's rays before they hit your windowpane and helps to keep your home cool on warm, sunny days, Denmark. Jesper Jørgen Photography, 2019

Expectations for 2021 are cautious, despite the approval of COVID-19 vaccines in various countries and the beginning of vaccination efforts. Still, it is anticipated that the Company will return to a more normal daily routine during the year, with fewer restrictions and more limited lockdowns. It will likely mean that the travel and experience economy will be prioritised at the expense of construction and renovation. But the activity in the building industry is expected to attain a more moderate level than in the second half of 2020.

The importance of having a dynamic business model that can handle changes in structural conditions has proven to be absolutely necessary in such unpredictable times as during the COVID-19 pandemic.

The VKR Group will continue to give this a high priority in 2021.

After surprisingly high growth in 2020, the VKR Group's activity level is expected to continue to increase next year. This is partly due to the DOVISTA Group's acquisition of Arbonia's window division in early 2021. Profits are expected to stay on par with the year before. This is because 2020 was an extraordinary year. In 2021, a lower cost level is neither expected nor planned to be continued once the effects of the pandemic gradually decrease. Finally, there is a drag on investments and working capital after the unprecedented year of 2020. This means that cash flows are expected to be reduced in 2021. This outlook is characterised by considerable uncertainty, in which a significant factor is the duration

of restrictions on civilian mobility as a result of COVID-19. The return on the financial portfolio in itself constitutes an uncertainty that can affect profits in both directions.

Even though 2021 looks to be a challenging year, we remain confident in the business areas' strategies. We also expect that the journey of growth in Roof windows & skylights and in Vertical windows will continue towards 2025. VKR Holding's acquisition strategy will remain unchanged in the coming years. Potential acquisitions will be pursued both within the existing business areas, such as the DOVISTA Group's acquisition of Arbonia's window division in early 2021, and with a view towards establishing a new business area if the right opportunity arises.

RISK FACTORS

Economic trends affect the VKR Group's business areas, which are dependent on the ability to maintain strong market positions. Among other things, this is achieved through a dedicated focus on product development and on streamlining the value chain. The individual business areas are considered well-positioned in the relevant markets.

In addition, VKR Holding has a portfolio of financial investments, in which returns are dependent on financial market developments. The VKR Group is therefore

exposed to both operating and financial risks. Finally, there is always a risk of unforeseen events, such as the COVID-19 crisis of 2020. The crisis is an example of

a risk that highlights the need for enterprise and flexibility in the business model. The VKR Group's business areas managed the situation with great skill.

OPERATING RISKS

The level of activity in the construction industry is one of the greatest risk factors to the VKR Group as a whole. The macroeconomic conditions in the individual markets are among the primary growth drivers in the building industry. In 2020, business was affected by an unforeseen risk, in the form of the worldwide outbreak of COVID-19. This caused uncertainty and unpredictability in the implementation of current and planned construction projects. Initially, it was estimated that activity levels would be adversely affected by the COVID-19 crisis. But the need for daylight and fresh air in the residential sector turned out to be even more important during the COVID-19 crisis and ended up having a positive impact.

The decline in commodity prices had a positive impact on the business areas' earnings in 2020.

The ongoing trend towards energy-efficient buildings and renewable energy sources highlights the importance of these areas, which to a large extent set the framework for future business opportunities. The VKR Group's business areas continuously focus on ensuring that their products and services live up to current and future demands and with societal expectations. Therefore, the Group is interested in ambitious political goals for energy-efficient solutions and for free and open competition.

Product quality and product liability

The VKR Group is highly dependent on the quality of the products sold by the business areas. Failure to maintain high quality standards may expose the Group to reputational risks, potential warranty expenses and lower earnings. Moreover, high quality is necessary to secure and extend market positions.

It is therefore a high cost burden if products do not live up to their expected quality. The risk is managed by comprehensive quality and environmental management systems that monitor all products from the Group's own production and from suppliers. Continual and thorough testing of products is carried out internally and by independent and certified external testing institutions.

Credit risk

The VKR Group's customer receivables are widely distributed, both in terms of geography and in the number of customers. In addition, standard procedures have been established to manage customers' credit agreements.

Due to the significant geographic distribution of the Group's activities, VKR Holding utilises many different banks around the world. VKR Holding generally relies

on large, international banks to obtain the required services and to minimise the risk related to investing in cash and cash equivalents. The most important of these banks are credit rated on an ongoing basis.

IT security

The business areas are highly dependent on IT systems in daily operations in order to manage the entire value chain, from product development to product delivery. IT system crashes or compromised IT systems may result in a partial or com-

plete suspension of business activities or in an increased risk of fraud.

For this reason, a high IT security level is prioritised to counter the increasingly sophisticated attacks on the Group's IT systems. This includes maintenance and improvement of our technical IT platforms as well as ongoing training of employees. Moreover, we constantly strive to improve our ability to identify successful attacks so that they can be stopped at an early stage. In addition, we work to improve IT contingency plans so

that systems can be restored as soon as possible in case of a system crash.

The need for a high level of IT security was highlighted in February 2020, when the DOVISTA Group was exposed to a ransomware attack. An effective and professional management of the attack (the shutdown of servers and an immediate follow-up) ensured that the damage was limited so that all systems were quickly restored, and customers were not affected.

FINANCIAL RISKS

Market risk

VKR Holding owns a large portfolio of financial investments. The investments are exposed to risks according to geography, market, industry and the type of financial instrument. The primary risk is related to share price exposure, in which a significant decrease in share price may have a similar negative impact on VKR Holding's results. The portfolio is not deemed to be leveraged because VKR Holding rarely has significant external financing.

Interest rate risk

Fluctuations in interest rates have a major impact on the VKR Group's return on financial investments. The bond portfolio is particularly affected by increases or decreases in the interest rate, whereas other asset classes are influenced to a lesser extent. However, the interest rate risk of financial investments is considered moderate, and interest rates are monitored on an ongoing basis.

The VKR Group rarely takes on external interest-bearing debt, which is reflected in the Group's high equity ratio. Consequently, the interest rate risk on debt is considered limited. There may be advan-

tages in raising external financing for larger investments and acquisitions as well as for negative cash flows. Increased external financing will affect the interest rate risk depending on the type of loan, its duration, etc. But it should be seen in connection with the interest rate risk on financial investments.

Obviously, the interest rate level also constitutes a significant operational risk.

Foreign exchange risk

The VKR Group operates sales and production activities worldwide. A significant part of the business is conducted in EUR. Due to the Danish pegged exchange rate policy (in which the value of the DKK is kept stable against EUR), there are only minor fluctuations and, consequently, no significant currency risk. The largest exposures in terms of risk relate to GBP and PLN.

The Group does not engage in the hedging of operational foreign currency exposure.

In connection with the purchase and sale of companies or assets, an ad hoc assessment is made of whether the currency risk should to be covered externally.

Financial investments are exposed to a derived currency risk because the portfolio is diversified globally. The primary currency risk is USD. Currency hedging is conducted in accordance with our guidelines. But considering the size of the portfolio, only a limited share of the portfolio's currency risk is hedged.

Liquidity risk and financial resources

The VKR Group has sufficient cash available to cover daily operations and to support potential acquisitions.

VKR Holding acts as internal bank to the business areas. Consequently, the majority of cash is held in the parent company via various liquidity tools, including cash pools. As a result, most of the companies in the Group have proportionately low balances with external banks. VKR Holding continuously monitors cash flow development in the business areas.

VELUX INTEGRA®, top-hung roof windows with electric or manual control, combines panoramic views with a balcony-like feeling that fills your room with natural daylight, Denmark. Jesper Jørgen Photography, 2019



GOVERNANCE

As early as 1965, the founder of the Group, Villum Kann Rasmussen, formulated the Model Company Objective. Every Group company aspires to fulfil this objective. It mandates that the companies act responsibly towards stakeholders, while ensuring profits for continued growth. The objective forms the essence of the VKR Group's approach to corporate social responsibility. It defines the overarching goal of achieving sustainability and the Group's contribution to the UN Sustainable Development Goals and its Global Compact initiative.

To supplement the objective, the Board of Directors of VKR Holding has approved 16 Group policies which constitute the Group's guidelines on corporate governance. Management and the Boards of the business areas are responsible for ensuring compliance with the guidelines. The VKR Holding Board has decided that the above-mentioned policies should be made public. The policies are available on VKR Holding's website: www.vkr-holding.com/governance/

In 2021, the above-mentioned Group policies will be supplemented with a new policy on data ethics.

In December 2020, the Danish Committee on Corporate Governance adjusted its recommendations on corporate governance. VKR Holding is not bound by the rules mandating detailed reporting on the implementation of the recommendations, as is the case for listed companies. Nevertheless, VKR Holding will seek to comply with the recommendations when it is deemed relevant and appropriate for the Company. One of the new recommendations is a description of the Company's purpose, which we consider to be extremely relevant. As mentioned above, this was already defined for the VKR Group by the founder back in 1965.

Overall, the VKR Group has three levels of governance: shareholders, VKR Holding and the business areas. A formal agreement on active ownership and interaction between the three levels has been established.

Shareholders

The shareholders perform all the functions bequeathed to the owners of the Company at the general meetings. In addition, four ordinary shareholders' meetings are held each year between shareholder representatives and VKR Holding's Chairmanship and Executive Management. At these meetings, the

shareholders are informed of developments in the VKR Group, including the strategy, risk profile and performance of the Group's companies. The meetings are always held according to a pre-approved agenda.

VKR Holding

In March 2020, Thomas Thune Andersen, the former deputy chair, was elected chair of the Board at VKR Holding's annual general meeting. He replaced Søren Bjerre-Nielsen, who resigned at his own request after 24 years on the Board. In addition, two new members were elected to the Board: Lise Kaae, who is CEO of Heartland A/S, and Jørgen Jensen, chair of VELUX A/S and former CEO of Widex, who was elected the new deputy chair. VKR Holding's Board of Directors now consists of six board members. Up to two members are elected from the Company's shareholders, including members of the Board of VILLUM FONDEN, while at least three board members are elected independently of the shareholders, including from VILLUM FONDEN. One of the maximum two board members elected from the group of shareholders should also serve on the Board of VILLUM FONDEN.

All board members must meet the prevailing Fit and Proper Criteria. The chair is elected by the shareholders at the

Shareholders

A shareholders

VILLUM FONDEN

Other B shareholders



VKR Holding



VKR

— Financial investments

Business areas



Roof windows & skylights



Vertical windows

annual general meeting. The Board is responsible for the overall management of VKR Holding. It operates according to an annual schedule to ensure discussion of and progress on significant strategic, financial and operational matters, as well as on initiatives such as those regarding the environment, employees and the organisation. The Board of Directors also ensures ongoing communication between the Company and its shareholders so that expectations and positions are aligned.

According to the annual schedule, four ordinary board meetings are held each year. Extraordinary board meetings are held when necessary. In 2020, two such meetings were held. To ensure that the Board of Directors has first-hand knowledge of the Group's activities, at least one of the annual meetings includes a trip to visit the business areas. In June 2020, the Board of Directors visited the VELUX production plant 'A/S Østbirk Bygningsindustri' in Østbirk, Denmark as well as DOVISTA A/S and VELFAC's showroom in Horsens, Denmark.

In addition, the executive managers of the business areas regularly update VKR Holding's Board on business developments based upon documentation prepared for their own boards.

Internal board evaluations have previously been carried out within VKR Holding. In accordance with recommendations from the Danish Committee on Corporate Governance, external assistance will be included for a board evaluation of VKR Holding during the first half of 2021.

Committees

As preparatory bodies to the Board of Directors, two committees have been established: the Audit Committee and the Nomination Committee.

The purpose of the Audit Committee is to assist the Board of Directors of VKR Holding in supervising the Company's risk management processes, including its internal control systems, as well as financial reporting and external audits. The committee also assists the Board of Directors in evaluating the VKR Group's

aggregate risks. The committee consists of two members appointed by the Board: Anne Broeng (Chair) and Jørgen Tang-Jensen. The committee holds two scheduled meetings annually.

The purpose of the Nomination Committee is to ensure the appropriate composition of the Boards of Directors of VKR Holding A/S and of the business areas' parent companies. The committee acts as a preparatory body for VKR Holding's Board, which is the decision-making body. On behalf of the Board of Directors, the committee also evaluates the composition of VKR Holding's Board of Directors. The Nomination Committee comprises the chairmanship and the CEO of VKR Holding A/S. The committee convenes at least once a year.

Business areas

VKR Holding's business areas primarily operate independently of VKR Holding. The Boards of Directors of the business areas are responsible for all operations, strategy, reputation and risk management of their companies. The strategy, capital resources and risk profile of the business areas are regularly aligned with VKR Holding.

As part of the interaction between VKR Holding and the business areas, the Boards of the business areas include a member of VKR Holding's Board of Directors or its Executive Management. Only independent members of VKR Holding's Board can serve on the board of a business area.

The VKR Group's overall Group policies support the operational independence of the business areas by allowing the Boards of the business areas to implement supplemental or more comprehensive policies where appropriate.

Tax governance

The VKR Group's tax management and strategy are based upon the Model Company Objective. It entails acting responsibly while ensuring financial profit for continued growth. The VKR Group is a global company that pays taxes in many countries. It is important for us to have a responsible approach to taxes.

Our approach to the timely payment of taxes directly and/or indirectly supports several UN Sustainable Development Goals (SDGs), including SDGs # 1, 4 and 16. The VKR Group cooperates with tax authorities in a timely, open and honest manner and has voluntarily joined the Danish tax authorities' Tax Governance programme to increase knowledge sharing and transparency.

VKR Holding's tax policy has been approved by the Board of Directors and made public. The policy is available on VKR Holding's website:

www.vkr-holding.com/governance/



VELUX employees, Quang Huy Nguyen and Sebastian Leise, at JTJ Sonneborn, Germany. Jesper Westley, 2020



Our approach to the timely payment of taxes directly and/or indirectly supports several UN Sustainable Development Goals, including SDGs # 1, 4 and 16.

The Board of VKR Holding is responsible for tax in VKR Holding and the VKR Group, while the boards of the business areas are responsible for tax in the individual business areas. The business area boards must ensure that relevant procedures have been established for reporting to VKR Holding on compliance with tax policies, tax risks and related trends.

Internally, the VKR Group has tax experts who are either qualified to determine the tax implications of transactions or are able to assess the need for external tax advice.

Business in the VKR Group is driven by a commercial rationale in which the tax

implications of commercial transactions are evaluated, and relevant deductions and incentives are applied, all within the framework of relevant legislation. The Group does not engage in artificial, non-business-driven planning of transactions or in business structures used solely for the purpose of saving taxes.

Whistle-blower scheme

The VKR Group has a whistle-blower programme in which stakeholders can report non-compliance or suspected non-compliance in relation to applicable legislation, internal policies and so on. The whistle-blower programme is being actively used, and all enquiries are followed up.

Target equality

In the Model Company Objective, we strive to treat employees of all categories better than most others, which is why mutual respect is a core value of the VKR Group. Therefore, we easily identify with the UN Global Compact's 'Target Gender Equality' initiatives. However, we view this initiative from a broader perspective by striving to treat each other properly and with respect regardless of age, race, gender, religion or sexual orientation. In 2020, VKR Holding's Board of Directors addressed our approach to harassment, for example based on gender, as well as other forms of discrimination. In the VKR Group, we do not tolerate gender discrimination or any other form of discrimination or offensive behaviour.

Tropical rainforest in Thailand.
Getty Images, 2020



SUSTAINABILITY
STRATEGY 2030

It's our nature



Read more about The VKR Group's contribution to the UN Sustainable Development Goals (SDGs) in VKR Holding's 2020 COP report

The VELUX Group works with WWF to capture our historical CO₂ through forest conservation



Becoming Lifetime Carbon Neutral



Capture our historical carbon footprint through forest conservation

← **2020** →

VELUX TODAY



Reduce our future carbon footprint of our company and value chain

THE BOARD OF DIRECTORS OF VKR HOLDING A/S



THOMAS THUNE ANDERSEN

Chair
Appointed Chair: 2020
Appointed: 2010

Chair of the Nomination Committee

Chair of the Boards of:

- Ørsted A/S
- Lloyd's Register Group
- Lloyd's Register Foundation

Board member of:

- IMI plc
- BW Group Ltd.
- Green Hydrogen Systems A/S



JØRGEN JENSEN

Deputy Chair
Appointed Deputy Chair: 2020
Appointed: 2020

Deputy Chair of the Nomination Committee

Chair of the Boards of:

- VELUX A/S
- 3Shape A/S
- Ambu A/S
- Healthcare DANMARK
- Micro Matic A/S

Deputy Chair of:

- Weibel Scientific A/S



ANNE BROENG

Member of the Board of Directors
Appointed: 2012

Chair of the Audit Committee

Chair of the Boards of:

- Velliv
- Asta & Jul. P. Justesen Fond

Board member of:

- VELUX A/S
- NNIT A/S
- ATP
- IFU
- Sleep Cycle AB
- Aquaporin A/S
- Rodinia ApS



OSCAR MOSGAARD

Member of the Board of Directors
Appointed: 2016

Head of Large Corporates and Institutions, Corporate Finance at PwC Denmark



JØRGEN TANG-JENSEN

Member of the Board of Directors
Appointed: 2018

Directly elected by the shareholders in VKR Holding A/S in accordance with the Governance statutes

Member of the Audit Committee

Chair of the Boards of:

- Strøjer Tegl A/S
- Tænk tanken Europa

Board member of:

- VILLUM FONDEN
- ROCKWOOL INTERNATIONAL A/S
- Maj Invest Holding



LISE KAAE

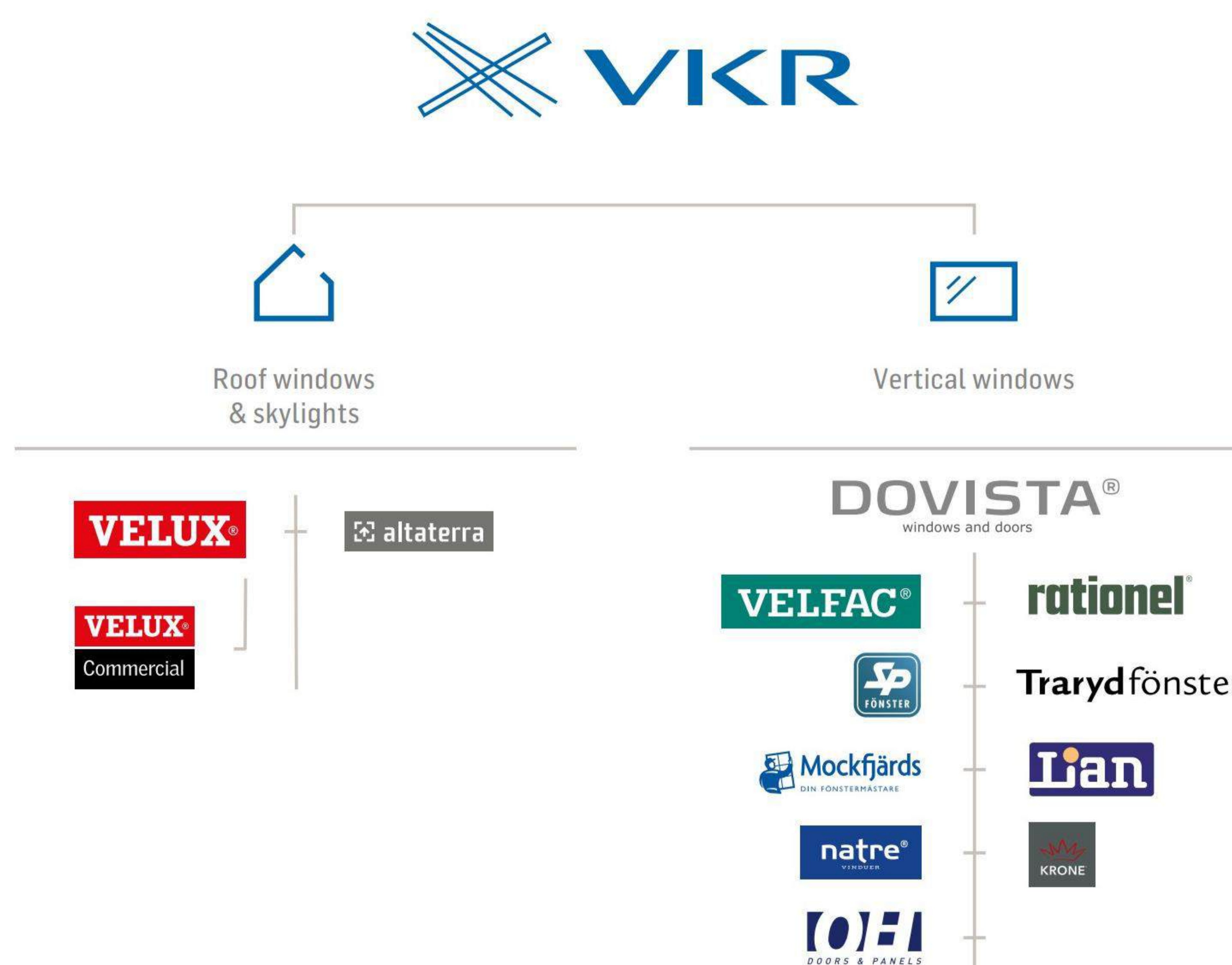
Member of the Board of Directors
Appointed: 2020

CEO of Heartland A/S

Board member of:

- Chr. Hansen Holding A/S
- Klarna Bank AB

THE VKR GROUP PER 31 DECEMBER 2020



COMPANY INFORMATION

VKR Holding A/S
 Breeltevej 18
 2970 Hørsholm
 Denmark

Telephone
 +45 39 69 11 44

Website
www.vkr-holding.com

Company reg.no. (CVR):
 30 83 04 15

Registered office
 Hørsholm

Founded
 7 February 1968

Financial year
 1 January – 31 December

Financial statements no.
 53

BOARD OF DIRECTORS

Thomas Thune Andersen
 Chair

Jørgen Jensen
 Deputy Chair

Anne Broeng
Oscar Mosgaard
Jørgen Tang-Jensen
Lise Kaae

EXECUTIVE MANAGEMENT

Mads Kann-Rasmussen
 CEO

AUDITOR

EY
 Godkendt
 Revisionspartnerselskab
 Dirch Passers Allé 36
 2000 Frederiksberg

GENERAL MEETING

The annual general meeting will be held on 25 March 2021 at the Company's address.



The VELUX Commercial Stick system forms the center in a sustainable Dutch office building.
Norbert van Onna, 2020

FINANCIAL STATEMENTS 2020

INCOME STATEMENT 1 JANUARY – 31 DECEMBER

DKKm	Note	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
Net revenue	1	22,610	21,561		
Changes in inventories of finished goods, work in progress and goods for resale		-332	145		
Work performed for own account and capitalised		23	29		
Other operating income		106	83	3,344	2,670
		22,407	21,819	3,344	2,670
Costs of raw materials, consumables and goods for resale		6,688	7,066		
Other external costs	2	5,084	5,435	531	555
Employee costs	3	5,798	5,628	51	48
Depreciation, amortisation and impairment losses		788	831	60	29
Profit before financial items and tax		4,049	2,857	2,703	2,039
Profit after tax in subsidiaries	10			956	512
Profit after tax in associates	10	16	23	12	17
Financial income	4	1,203	1,391	1,126	1,338
Financial expenses	5	469	216	348	138
Profit before tax		4,799	4,056	4,448	3,769
Tax on profit for the year	6	1,096	981	745	694
Net profit for the year	7	3,703	3,075	3,703	3,075
Distribution of profit:					
DKKm					
Proposed dividend				2,000	1,000
Transferred to equity reserves				1,703	2,075
Total distribution of profit				3,703	3,075

BALANCE SHEET 31 DECEMBER

DKK m	Note	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
ASSETS					
Fixed assets					
Intangible fixed assets					
Completed development projects		69	95		
Acquired patents, licences, trademarks etc.		340	345	334	383
Goodwill		1,050	1,212		
Development projects under construction		2	4		
Total intangible fixed assets	8	1,461	1,656	334	383
Tangible fixed assets					
Land and buildings		2,294	2,346	321	327
Plant and machinery		1,544	1,502		
Other fixtures and fittings, tools and equipment		179	193	9	13
Tangible fixed assets under construction		318	323	1	2
Total tangible fixed assets	9	4,336	4,363	331	342
Investments					
Investments in subsidiaries				3,122	3,270
Investments in associates		299	306	282	275
Other investments		2,533	2,000	2,439	1,772
Other long-term receivables		19	19	0	1
Total investments	10	2,851	2,325	5,843	5,317
Total fixed assets		8,648	8,345	6,509	6,042
Current assets					
Inventories	11	2,389	2,714		
Receivables					
Trade receivables		1,952	1,867		
Contract work in progress	12	85	82		
Receivables from subsidiaries				3,555	4,805
Receivables from associates			9		0
Corporation tax receivable		81	72	25	
Deferred tax assets	13	157	178		
Other current receivables		428	453	18	67
Prepayments	14	220	229	1	4
Total receivables		2,925	2,891	3,598	4,876
Securities		11,894	9,012	11,723	8,790
Cash and cash equivalents		1,478	850	939	277
Total current assets		18,686	15,467	16,260	13,943
TOTAL ASSETS		27,334	23,812	22,768	19,985

BALANCE SHEET 31 DECEMBER

DKKm	Note	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
EQUITY AND LIABILITIES					
Equity					
Share capital	15	110	110	110	110
Reserve for exchange rate adjustments		-303			
Reserve for hedging transactions				-3	
Retained earnings		20,202	18,120	19,902	18,120
Proposed dividend		2,000	1,000	2,000	1,000
Total equity		22,009	19,230	22,009	19,230
Provisions					
Deferred tax liabilities	16	213	243	83	93
Other provisions	17	531	429		
Total provisions		744	672	83	93
Liabilities					
Non-current liabilities	18	37	35		
Current liabilities					
Current portion of non-current liabilities	18	15	1		
Credit institutions		53	10		
Prepayments from customers		183	167		
Trade payables		1,372	1,233	16	29
Payables to subsidiaries				564	484
Payables to associates		7	13		
Corporation tax		61	210		68
Other current debt		2,852	2,241	96	82
Total current liabilities		4,544	3,875	677	663
Total liabilities		4,581	3,910	677	663
TOTAL EQUITY AND LIABILITIES		27,334	23,812	22,768	19,985
Contingent liabilities and other contractual obligations	19				
Related parties	20				
Currency risks and use of derivative financial instruments	21				
Special items	22				

STATEMENT OF CHANGES IN EQUITY

GROUP					
DKK m	Share capital	Reserve for exchange rate adjustments	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	110		18,120	1,000	19,230
Dividend paid				-1,000	-1,000
Net profit for the year			1,703	2,000	3,703
Exchange rate adjustments, foreign subsidiaries		-303			-303
Actuarial gains and losses on pension obligations			-21		-21
Tax on equity transactions			4		4
Other adjustments			397		397
Equity at 31 December 2020	110	-303	20,202	2,000	22,009

PARENT COMPANY					
DKK m	Share capital	Reserve for hedging transactions	Retained earnings	Proposed dividend	Total
Equity at 1 January 2020	110		18,120	1,000	19,230
Exchange rate adjustments			-319		-319
Dividend paid				-1,000	-1,000
Net profit for the year			1,703	2,000	3,703
Fair value adjustment of hedging instruments		-4	2		-2
Tax on equity transactions		1	0		1
Other adjustments			396		396
Equity at 31 December 2020	110	-3	19,902	2,000	22,009

CASH FLOW STATEMENT

DKK m	GROUP	
	2020	2019
Operating cash flow before changes in working capital	4,922	3,753
Changes in working capital	972	133
Corporation tax paid	-870	-436
Cash flow from operating activities	5,024	3,450
Acquisition and disposal of enterprises and activities	23	
Acquisition and disposal of intangible and tangible fixed assets	-696	-660
Cash flow used in operating investing activities	-674	-660
Purchase and sale of securities	-3,056	-1,797
Cash flow used in investing activities	-3,730	-2,457
Financial income and financial expenses	307	196
Net proceeds from loans	70	27
Dividends from associates	5	9
Dividends paid	-1,000	-1,000
Cash flow used in financing activities	-618	-768
Total cash flow for the year	676	226
Cash and cash equivalents, beginning of year	850	617
Exchange rate adjustments	-48	7
Cash and cash equivalents, year end	1,478	850

NOTES

1	Net revenue	GROUP	
		2020	2019
	DKKm		
	By geographical segments:		
	Europe	20,264	19,301
	Rest of the world	2,347	2,260
	Total net revenue	22,610	21,561

Pursuant to section 96 (1) of the Danish Financial Statements Act, net revenue is not disclosed by business segments.

2	Fee to auditors appointed at the annual general meeting	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
	DKKm				
	Total fee				
	Fee to auditor appointed at the annual general meeting	19	23	2	1
	Other auditors	1	2		
		19	25	2	1
	The fee can be specified as follows:				
	Statutory audit	12	11	0	0
	Tax consultancy	2	2	1	1
	Other assurance engagements	0	0		
	Non-audit services	4	11		
	Total fee to auditors appointed at the annual general meeting	19	25	2	1

3	Employee costs	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
	DKKm				
	Wages and salaries	4,908	4,725	47	44
	Pensions	299	300	4	4
	Other social security costs	591	604	0	0
	Total employee costs	5,798	5,628	51	48
	Average number of employees (full time)	15,267	16,123	41	42

Employee costs comprise remuneration of the Executive Management and of the Board of Directors DKKm 9 (2019: DKKm 10).

NOTES

4 Financial income

The parent company's interest income from subsidiaries amounted to DKKm 102.9 (2019: DKKm 39.2).

The Group's bank interest income amounted to DKKm 4.9 (2019: DKKm 3.6), while the parent company's bank interest income amounted to DKKm 0.1 (2019: DKKm 0.1).

5 Financial expenses

The parent company's interest expenses to subsidiaries amounted to DKKm 0.6 (2019: DKKm 1.4).

The Group's bank interest expenses amounted to DKKm 7.9 (2019: DKKm 4.6), while the parent company's bank interest expenses amounted to DKKm 3.0 (2019: DKKm 1.8).

6 Tax on profit for the year	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
DKKm				
Current tax for the year	1,112	1,004	762	631
Prior year adjustment	-6	-16	-7	-18
Change in deferred tax for the year	-10	-7	-9	80
Total tax on profit for the year	1,096	981	745	694

The Group's current and deferred tax including prior year adjustments amounted to DKKm 1,096 (2019: DKKm 981), equivalent to an effective tax rate of 22.8% (2019: 24.2%).

7 Distribution of profit	PARENT COMPANY	
	2020	2019
DKKm		
Proposed dividend	2,000	1,000
Transferred to equity reserves	1,703	2,075
Total distribution of profit	3,703	3,075

NOTES

8 Intangible fixed assets

GROUP

DKK m	Completed development projects	Acquired patents, licences, trademarks, etc.	Goodwill	Development projects under construction *	Total
Cost at 1 January 2020	665	714	2,840	4	4,222
Exchange rate and other adjustments	-4	-3	-12		-19
Additions during the year	2	91		5	98
Disposals during the year		-29	-22	-3	-54
Transferred	3	3		-3	3
Cost at 31 December 2020	666	776	2,807	2	4,251
Amortisation and impairment losses at 1 January 2020	570	369	1,628		2,566
Exchange rate and other adjustments	-4	-3	-5		-12
Amortisation for the year	31	96	150		277
Disposals during the year		-25	-17		-43
Amortisation and impairment losses at 31 December 2020	597	436	1,756	0	2,789
Carrying amount at 31 December 2020	69	340	1,050	2	1,461

* Development projects under construction include prepayments for intangible fixed assets.

PARENT COMPANY

DKK m	Acquired patents, licences, trademarks, etc.
Cost at 1 January 2020	656
Cost at 31 December 2020	656
Amortisation and impairment losses at 1 January 2020	273
Amortisation for the year	49
Amortisation and impairment losses at 31 December 2020	322
Carrying amount 31 December 2020	334

NOTES

9	Tangible fixed assets	GROUP			
DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Tangible fixed assets under construction **	Total
Cost at 1 January 2020	5,054	6,078	968	323	12,423
Exchange rate and other adjustments	-154	-203	-24	-12	-393
Additions during the year	52	234	75	283	644
Disposals during the year	-36	-151	-90	0	-277
Transferred	89	173	10	-275	-3
Cost at 31 December 2020	5,005	6,132	939	318	12,394
Depreciation and impairment losses at 1 January 2020	2,709	4,576	775		8,060
Exchange rate and other adjustments	-78	-156	-20		-254
Impairment losses for the year		5			5
Depreciation for the year	114	305	88		507
Disposals during the year	-34	-141	-85		-260
Transferred	0	-2	2		0
Depreciation and impairment losses at 31 December 2020	2,711	4,588	760	0	8,058
Carrying amount at 31 December 2020	2,294	1,544	179	318	4,336

PARENT COMPANY				
DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Tangible fixed assets under construction **	Total
Cost at 1 January 2020	1,075	39	2	1,116
Additions during the year	0	0	1	2
Disposals during the year	-17		0	-17
Transferred	2		-2	0
Cost at 31 December 2020	1,060	39	1	1,101
Depreciation and impairment losses at 1 January 2020	748	26		774
Depreciation for the year	7	4		11
Disposals during the year	-16			-16
Depreciation and impairment losses at 31 December 2020	739	30	0	769
Carrying amount at 31 December 2020	321	9	1	331

** Tangible fixed assets under construction include prepayments for tangible fixed assets.

NOTES

10 Investments

GROUP

DKK m	Investments in associates	Other investments	Other long-term receivables	Total
Cost at 1 January 2020	258	1,842	19	2,119
Exchange rate and other adjustments	0	0	0	0
Additions during the year		654	1	655
Disposals during the year	-19	-127	0	-146
Cost at 31 December 2020	240	2,369	19	2,627
Value adjustments at 1 January 2020	48	158		206
Net profit for the year and value adjustments	16	-1		15
Dividends for the year	-5			-5
Disposals during the year	0	7		7
Value adjustments at 31 December 2020	59	164	0	223
Carrying amount at 31 December 2020	299	2,533	19	2,851

PARENT COMPANY

DKK m	Investments in subsidiaries	Investments in associates	Other investments***	Other long-term receivables	Total
Cost at 1 January 2020	4,186	224	1,617	1	6,028
Additions during the year			775		775
Disposals during the year			-115	-1	-116
Cost at 31 December 2020	4,186	224	2,276	0	6,686
Value adjustments at 1 January 2020	-916	51	155		-710
Exchange rate and other adjustments	-308				-308
Net profit for the year and value adjustments	956	12	-1		966
Dividends for the year	-796	-5			-801
Disposals during the year			10		10
Value adjustments at 31 December 2020	-1,064	58	163	0	-843
Carrying amount at 31 December 2020	3,122	282	2,439	0	5,843

*** The Company's investments in Other investments primarily include investments in loan funds, property funds, private equity (capital funds) and similar passive investments (collectively referred to as "investment funds").

For this type of investment, fair value cannot be measured on basis of observations in an active market but is based on information of valuation from the funds themselves. At the conclusion of new investments in investment funds, VKR Holding receives information about the funds' overall principles for valuation and these are accepted if the Company chooses to invest in the investment fund.

The fair value of its investments in investment funds is based on quarterly reports received. VKR Holding neither receives detailed information about fair value calculation of the investment funds, nor information about the key assumptions used in the fair valuation. The fair value of all investment funds is calculated based on non-observable inputs.

For specification of investments in subsidiaries and associates, refer to the company overview in the end of the annual report.

NOTES

11	Inventories	GROUP	
		2020	2019
	DKKm		
	Raw materials and consumables	778	764
	Work in progress	496	500
	Finished goods and goods for resale	1,114	1,450
	Inventories at 31 December	2,389	2,714

12	Contract work in progress	GROUP	
		2020	2019
	DKKm		
	Sales value of construction contracts	291	461
	On-account invoicing	-235	-399
	Contract work in progress at 31 December	56	62
	Recognised as follows:		
	Contract work in progress (assets)	85	82
	Prepayments from customers (liabilities)	-29	-20
	Contract work in progress at 31 December	56	62

13	Deferred tax assets	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
	DKKm				
	Deferred tax assets at 1 January	178	148	0	15
	Exchange rate adjustments	-4	1		
	Change in deferred tax for the year recognised in the income statement	-17	28		-15
	Tax on equity transactions		1		
	Deferred tax assets at 31 December	157	178	0	0

At 31 December 2020, the Group has recognised tax assets of DKKm 157. The tax assets represent tax loss carry forwards of DKKm 7 and unused tax credits from timing differences of DKKm 150. Based on budgets until 2022, Management has considered that future taxable income will be available for utilisation of the tax assets.

14	Prepayments	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
	DKKm				
	Prepaid costs	220	229	1	4
	Prepayments at 31 December	220	229	1	4

NOTES

15 Share capital

At 31 December 2020, the share capital comprises:
 10,000,000 A shares of DKK 1 each
 99,869,000 B shares of DKK 1 each
 The share capital has not changed during the past five years.
 Each A share carries 10 voting rights, and each B share carries 1 voting right.

16 Deferred tax liabilities	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
DKKm				
Deferred tax liabilities at 1 January	243	179	93	0
Exchange rate adjustments	0	0		
Acquisition of enterprises		3		
Change in deferred tax for the year recognised in the income statement	-30	61	-10	93
Deferred tax liabilities at 31 December	213	243	83	93

17 Other provisions

The provisions mainly relate to warranty provisions, and DKKm 213 are expected to fall due within a year after the end of the financial year (2019: DKKm 134).

18 Non-current liabilities

DKKm	GROUP			
	Total non-current liabilities 31/12 2020	Current portion of non-current liabilities (0-1 year)	Long-term portion of non-current liabilities (more than 1 year)	Non-current liabilities falling due more than five years after the balance sheet date
Non-current liabilities are recognised as follows:				
Leases	23	9	1	13
Other non-current liabilities	29	6	20	3
Total non-current liabilities at 31 December 2020	52	15	21	16

NOTES

19	Contingent liabilities and other contractual obligations	GROUP		PARENT COMPANY	
		2020	2019	2020	2019
	DKKm				
	Lease obligations (operating leases) falling due within five years, total	211	233	2	2
	Commitment relating to investment in equity funds	1,480	1,705	1,362	1,595
	Rental obligations	461	548	57	57
	Guarantees	198	238		
	Other contractual obligations	225	596		

The parent company is jointly taxed with the other Danish companies within the VKR Group. The Company has unlimited joint and several liabilities with the other jointly Danish taxed companies for company taxes, interest thereon, etc. and for Danish tax withheld at source for dividend, interest and royalties within the joint taxation group. The parent company's rental obligations include DKKm 11 to subsidiaries (2019: DKKm 11).

20 Related parties

Transactions between VKR Holding A/S and its related parties are settled on an arm's length basis. Pursuant to section 98c of the Danish Financial Statements Act, the Company has chosen to disclose transactions not conducted on an arm's length basis. The Company has not had any transactions of this type during the financial year.

21 Currency risks and use of derivative financial instruments

The parent company uses hedging instruments such as forward exchange contracts and currency swaps to hedge recognised and unrecognised transactions.

The parent company is included as a counterparty in forward exchange contracts and commodity futures contracts with individual subsidiaries regarding the hedging of those companies' foreign exchange risks and price risks. Hedging of recognised transactions mainly comprises receivables and liabilities. Furthermore, hedging is made regarding expected foreign exchange risks related to goods purchased and sale of goods within the next year and for commodity price risks within 1-2 years.

Moreover, foreign exchange risks are hedged externally on an ad hoc basis for individual financial transactions.

22 Special items

As mentioned in the Management's review, the VKR Group has received COVID-19 grants during 2020. Management considers this income to deviate from operating activities.

The total amount of COVID-19 grants is DKKm 55.9 of which DKKm 0.6 has been received in Denmark. The total amount of COVID-19 grants is included in the consolidated income statement as other operating income.

ACCOUNTING POLICIES

The annual report of VKR Holding A/S for 2020 is presented in accordance with the provisions of the Danish Financial Statements Act for class C (large) companies.

The accounting policies applied in the preparation of the financial statements remain unchanged in comparison with last year.

The financial statements are presented in Danish kroner rounded to the nearest million, and due to this rounding, the sum of the individual items may differ from the totals.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidation

On consolidation of the parent company, VKR Holding A/S, and the subsidiaries, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Business combinations

Newly acquired or established enterprises are recognised in the parent company financial statements from the date of acquisition. Divested companies are recognised in the parent company financial statements until the date of divestment. Comparative figures are not restated for newly acquired companies. Discontinued operations are presented separately.

The acquisition date is the date on which the Company obtains control of the acquiree.

When acquiring new enterprises, the purchase method is applied, if controlling influence is achieved upon acquisition. The identifiable assets and liabilities of the acquired companies are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax is recognised by the revaluations made.

The excess of the total consideration transferred, the value of non-controlling interests and the fair value of any equity investments previously held in the acquired company over the total identifiable assets and liabilities measured at fair value is recognised as goodwill under Investments in subsidiaries or Investments in associates.

Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life; usually between 5 and 15 years.

Any deficit of the total consideration transferred (badwill) is recognised in the income statement at the acquisition date.

The purchase consideration transferred as payment for the acquired company consists of the fair value of assets transferred, liabilities assumed, and equity instruments issued. If the contingent purchase consideration depends on future events, or the

performance of contractual obligations forms part of the total consideration transferred, this part of the consideration transferred is recognised at fair value at the acquisition date. Fair value changes in contingent purchase considerations are recognised in the income statement until final settlement.

Transactions costs incurred as part of an acquisition are recognised in the income statement as incurred.

If determination of the consideration transferred or measurement of the identifiable assets, liabilities or contingent liabilities is uncertain at the date of acquisition, initial recognition is made at provisional fair values. Adjustments to the provisional amounts (including change of goodwill) may be made retrospectively for up to 12 months following the acquisition date and comparative figures are restated. After the end of the 12-month period, any further adjustments are recognised as errors.

Whenever the disposal of a subsidiary leads to a loss of controlling influence, the profit or loss is calculated as the difference between the selling price minus cost of sales and the book value. If the Company retains any equity holdings in the enterprise sold, the remaining shares are remeasured at fair value.

If put options are issued as part of the consideration transferred regarding a business combination, the put options received by the minority interests are considered redeemed at the acquisition date. The minority interest is removed, and a liability is recognised at fair value at initial measurement. The fair value is calculated as the present value of the exercise price of the option. The subsequent measurement is carried at amortised cost with ongoing recognition of interest expenses in the income statement and revaluation of goodwill.

Intra-group business combinations

The book value method is used for intra-group business combinations, such as purchases and sales of equity holdings, mergers, demergers, transfers of assets, share exchanges etc., which include only companies controlled by the parent company. When using the book value method, the acquisition is presumed completed at the date of acquisition, and comparative figures are not restated. The difference between the agreed consideration and the book value of the acquired enterprise is recognised in equity.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rates at the transaction date. Exchange rate differences are recognised in the income statement as financial income and financial expenses.

Monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates on the balance sheet date and the time at which the receivable or payable arose or was recognised

in the latest annual report is recognised in the income statement as financial income and financial expenses.

On recognition of foreign enterprises, the income statements are translated at average exchange rates and the balance sheet items are translated at the exchange rates at the balance sheet date. Exchange rate differences arising on translation are recognised directly in equity.

Exchange rate adjustments of intra-group balances with independent foreign enterprises considered part of the total investment in the subsidiary are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as fair value hedges of a recognised asset or liability are recognised 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 designated as and qualifying for recognition as hedges of future assets or liabilities are recognised in other receivables or other payables and in equity.

If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred at the cost of the asset or liability, respectively. If the future transaction results in financial income or financial expenses, amounts previously recognised in equity are recognised in the income statement in the period when the hedged item affects the results. For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement when they occur.

INCOME STATEMENT

Net revenue

Income from the sale of goods for resale and finished goods as well as the sale of services is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end. Contract work in progress is recognised as net revenue by reference to the stage of completion. Accordingly, net revenue corresponds to the sales value of the work carried out during the financial year (the percentage of completion method).

Other operating income and costs

Other operating income and costs include items secondary to the activities of the companies, including COVID-19 grants and gains and losses on disposal of intangible and tangible fixed assets.

Other external costs

Other external costs comprise distribution costs and costs relating to sales, advertising, administration, office premises, bad debt losses, operating leases, etc.

Employee costs

Employee costs comprise wages, salaries, pensions and other social security costs etc., for the Company employees.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the profit after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

The proportionate share of the profit after tax of the associates is recognised in both the parent company and the consolidated income statements after elimination of the proportionate share of intra-group profits/losses.

Financial income and financial expenses

Financial income and financial expenses are recognised in the income statement at the amounts relating to the financial year. Financial items comprise interest income and interest expenses, financial expenses related to finance leases, realised and unrealised gains and losses on securities, debt and transactions in foreign currencies, etc.

Tax on profit/loss for the year

Tax for the year comprises current tax and deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes in equity transactions is recognised directly in equity.

Changes in deferred tax as a consequence of changes in tax rates are recognised in the income statement.

The Company is taxed jointly with all Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated between profit- and loss-making companies in proportion to their taxable income (full absorption with refunds for tax losses). The jointly taxed companies are taxed under the on-account tax scheme. The Company manages the joint taxation and consequently settles the total Danish tax from the jointly taxed companies' taxable income.

BALANCE SHEET

Intangible fixed assets

Gains and losses from sale of intangible fixed assets are recognised in the income statement as other operating income or other operating expenses.

Goodwill

Goodwill is measured at cost less accumulated amortisation and is amortised on a straight-line basis over the amortisation period, which is 5-15 years. The amortisation period is determined based on the expected repayment period, and this is longest for strategic acquisitions with strong market positions and a long-term earnings profile.

Development projects

Development costs comprise costs, salaries and amortisation directly and indirectly attributable to the companies' development

activities. Development projects that are clearly defined, identifiable, and with evidenced future utilisation are recognised as intangible fixed assets if there is sufficient assurance that future earnings will be generated. Other development costs are recognised in the income statement as incurred. Capitalised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs are amortised on a straight-line basis over the expected useful life. The amortisation period is usually 3-5 years.

Acquired patents, licences, trademarks etc.

Acquired patents, licences, trademarks etc – including software – are measured at cost less accumulated amortisation and impairment losses. Acquired patents are amortised on a straight-line basis over the remaining patent period. Licences, trademarks and software are amortised over the agreement period. For licenses and trademarks, the period is usually up to 5 years, while software is typically amortised over 3-5 years. Additional impairment is made when deemed necessary.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses. Tangible fixed assets are written down to the net realisable value if this is lower than the carrying amount. Land is not depreciated. Assets held under finance leases are treated in the same way as the Company's other tangible fixed assets.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

- Buildings 30-40 years
- Plant and machinery 5-10 years
- Other fixtures and fittings, tools and equipment 3-5 years

Depreciation is calculated taking into account any residual value after useful life and impairment losses. The depreciation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Gains and losses from sale of tangible fixed assets are recognised in the income statement as other operating income or other operating expenses.

INVESTMENTS

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured in accordance with the equity method. The Company considers the equity method a consolidation method.

On initial recognition, investments in subsidiaries and associates are measured at cost corresponding to the fair value of the purchase consideration excluding costs of acquisition. The cost price is allocated in accordance with the acquisition method, cf. the accounting policies above regarding Business combinations.

Investments in subsidiaries and associates are subsequently adjusted by the share of profit/loss after tax calculated according to the Group's accounting policies eliminated for unrealised intra-group profits/losses, as well as subsequent adjustments to the fair value of contingent purchase considerations. Investment properties in associates are measured at fair value.

Subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the negative net asset value if the amount owed is considered irrecoverable. If the negative net asset value exceeds the receivable, the remaining amount is recognised as other provisions in the balance sheet, if there is a legal or actual obligation to cover the imbalance.

Other investments

Other investments that do not have fixed expiry dates and are recognised as fixed assets are measured at fair value at the balance sheet date. The fair value represents the market value of the assets forming part of an active market. Other securities that the Company intends to hold until maturity and with fixed expiry dates are recognised at amortised cost.

CURRENT ASSETS

Inventories

Inventories are measured at cost in accordance with the FIFO method. If the net realisable value is lower than cost, inventories are written down to this lower value. The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs. The cost of manufactured goods and work in progress includes direct and indirect production costs.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses.

Contract work in progress

Contract work in progress is measured at the selling price of the work performed less on-account invoicing and expected losses. If the selling price of a construction contract cannot be reliably measured, the selling price is measured at the lower of costs incurred and net realisable value. Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Prepayments

Prepayments relates to goods and services not yet received and expenses incurred for goods and services which will not be used until the subsequent financial year.

Securities

Listed securities recognised as current assets are measured at fair value at the balance sheet date.

EQUITY

Reserve for exchange rate adjustments

Reserve for exchange rate adjustments comprises the share of exchange rate differences arising on translation of financial statements of subsidiaries and associates with a functional currency other than DKK and exchange rate adjustments of assets and liabilities considered part of the Company's net investments in such companies. The reserve is dissolved by divestment of the foreign enterprises.

Reserve for hedging transactions

The reserve for hedging transactions includes the accumulated net change in the fair value of hedging transactions that meet the criteria for hedging future payment flows and the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging is no longer effective. The reserve does not represent a company law binding and may therefore be negative.

Dividend

The expected dividend payment for the year is disclosed as a separate item under equity.

LIABILITIES

Deferred tax

Deferred tax is measured by the balance sheet liability method of all temporary differences between the accounting and taxable value of assets and liabilities. Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation. That will be either by elimination in tax on future earnings or against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of tax rules and rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to become current tax. Changes in deferred tax due to changes in tax rates are recognised in the income statement except for items recognised directly in equity.

Other provisions

Other provisions comprise anticipated costs related to warranties, losses on work in progress, restructurings, pension obligations, etc.

Liabilities

Financial liabilities are recognised at the date of borrowing, net of transaction costs incurred. In subsequent periods, financial liabilities are measured at amortised cost. Premiums/discounts are accrued over the term of the liability. Capitalised obligations on finance leases are recognised as liabilities other than provisions. Other liabilities other than provisions are measured at net realisable value.

CASH FLOW STATEMENT

The cash flow statement shows the Group's cash flow from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents, and the Group's cash and cash equivalents at the beginning and at the end of the year. The cash flow effect of acquisitions and disposals of enterprises is included in cash flows used in investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the acquisition date, and cash flows from disposals of enterprises is recognised up until the date of disposal.

FINANCIAL HIGHLIGHTS

The financial highlights have been calculated in accordance with the Danish Finance Society's Recommendations & Financial Ratios 2015.

Earnings before financial items and tax (EBIT) correspond to Profit before financial items and tax as shown in the income statement.

The financial ratios mentioned are calculated as follows:

EBITA margin:

$$\frac{\text{EBITA} \times 100}{\text{Net revenue}}$$

Return on capital employed:

$$\frac{\text{EBITA} \times 100}{\text{Average capital employed, including goodwill}}$$

Equity ratio (Solidity):

$$\frac{\text{Equity excluding minority interest} \times 100}{\text{Total assets}}$$

EBITA:

Earnings before goodwill amortisation, financial items and tax.

Capital employed, including goodwill:

Intangible and tangible fixed assets + other receivables + working capital.

Goodwill is recognised at carrying amount + accumulated amortisation.

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Management have today discussed and approved the annual report of VKR Holding A/S for 2020.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, equity, liabilities and financial position at 31 December 2020 and of the results of the Group's and the parent company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's review includes a fair review of the development in the Group's and the parent company's operations and financial matters, of the net profit for the year and of the Group's and the parent company's financial position.

We recommend that the annual report be adopted at the annual general meeting.

Hørsholm, 12 March 2021

EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

Mads Kann-Rasmussen
CEO

Thomas Thune Andersen
Chair

Anne Broeng

Jørgen Jensen
Deputy Chair

Oscar Mosgaard

Jørgen Tang-Jensen

Lise Kaae

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF VKR HOLDING A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of VKR Holding A/S for the financial year 1 January – 31 December 2020, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the parent company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2020 and of the results of the Group's and the parent company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Management's responsibilities for financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the 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 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 the 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 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 parent company'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 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 parent company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the 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 Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's review is in accordance with the 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 Management's review.

Copenhagen, 12 March 2021

EY

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
mne21332

Morten Østergaard Koch
State Authorised
Public Accountant
mne35420

COMPANY OVERVIEW 31 DECEMBER 2020

● Subsidiary ○ Associate or joint venture

Argentina

- VELUX Argentina S.A.

Australia

- VELUX Australia Pty. Ltd.

Austria

- JET Gruppe Austria GmbH
- VELUX Österreich GmbH

Belarus

- Unitary enterprise "VELUX Roof Windows"

Belgium

- VELUX Belgium S.A.

Bosnia and Herzegovina

- VELUX Bosna i Hercegovina d.o.o.

Bulgaria

- VELUX Bulgaria EOOD

Canada

- VELUX Canada Inc.

Chile

- VELUX Chile SpA

China

- Dovista (Guangzhou) Windows and Doors Technology Co., Ltd
- VELUX (CHINA) CO., Ltd.

Croatia

- VELUX Hrvatska d.o.o.

Czech Republic

- BKR ČR, s.r.o.
- VELUX Česká republika, s.r.o.

Denmark

- A/S Østbirk Bygningsindustri
- AS Solvarmeservice A/S
- Core Bolig IV Investoraktieselskab Nr. 1 – 38%
- Core Bolig VIII Investoraktieselskab Nr. 1 – 22%
- DOVISTA A/S
- Greystone Special Situations Fund K/S – 33%
- Gåsdal Bygningsindustri A/S
- Homecontrol A/S
- Krone Holding ApS – 59%
- Krone Vinduer A/S – 55%
- O.H. Industri A/S
- Skærbæk Bygningsindustri A/S
- SolarCAP A/S
- Thyregod Bygningsindustri A/S
- Velterm A/S
- VELUX A/S
- VELUX Commercial Domex A/S
- VELUX Danmark A/S
- VELUX Newco A/S
- Ventilation Holding ApS
- Vitral A/S
- VKR Invest ApS
- VKR Newco A/S

Estonia

- VELUX Eesti OÜ

Finland

- Kurikka Timber OY - 50%
- VELUX Suomi Oy

France

- KH-SK France S.A.S.
- Velsol France S.A.S.

- VELUX France S.A.S.

- VKR France S.A.S.

Germany

- Arcon-Sunmark GmbH
- DEUTSCHE-CAP GmbH
- JET Brakel Aero GmbH
- JET Daylight & Ventilation GmbH
- JET Germany GmbH & Co. KG
- JET Germany Holding GmbH
- JET Grundbesitz GmbH & Co. KG
- JET Grundbesitz Holding GmbH
- JET Lichtkuppel-Zentrum GmbH
- JET RaWa GmbH
- JET Schaumstoff-Formteile GmbH
- JET Steinbrecher GmbH
- JET Tageslicht & RWA GmbH
- JTJ Sonneborn Industrie GmbH
- Ulrich Kreft Vermögensverwaltungs GmbH
- VELFAC GmbH
- VELUX Deutschland GmbH

Hungary

- Altaterra Kft.
- VELUX Magyarország LKR Korlátolt Felelősségű Társaság

Ireland

- DOVISTA IRL Ltd.
- VELFAC Ireland Ltd.

Italy

- VELUX Italia s.p.a.

Japan

- VELUX-Japan Ltd.

VELUX Newco A/S and VKR Newco A/S are included in the consolidated financial statements of VKR Holding A/S. The two companies are without activity and do not present an annual report, cf. section 6 (1.6) of the Danish Financial Statements Act.

COMPANY OVERVIEW 31 DECEMBER 2020

● Subsidiary ○ Associate or joint venture

Latvia

- VELUX Latvia SIA

Lithuania

- UAB "DOVISTA"
- UAB "Vital"
- "VELUX Lietuva", UAB

The Netherlands

- Daylighttechnics B.V.
- JET BIK Producten B.V.
- JET BIK Projecten B.V.
- JET Group B.V.
- JET Group Holding B.V.
- JET Group International B.V.
- VELUX Nederland B.V.

New Zealand

- VELUX New Zealand Ltd.

Norway

- DOVISTA Norge AS
- Lian Trevarefabrikk AS
- Natre Vinduer AS
- VELUX Commercial Bramo AS
- VELUX Norge AS
- Vindusmesteren AS

Poland

- Altaterra Polska Sp. z o.o.
- DOVISTA Polska Sp. z o.o.
- JET Grupa Polska Sp. z o.o.
- NB Polska Sp. z o.o.
- NM Polska Sp. z o.o.
- VELUX Polska Sp. z o.o.

Portugal

- VELUX Portugal, Unipessoal Lda.

Romania

- S.C. VELUX România S.R.L.

Russia

- ZAO VELUX

Serbia

- VELUX Srbija d.o.o.

Slovakia

- Partizánske Building Components-SK s.r.o.
- VELUX Slovensko spol. s.r.o.

Slovenia

- VELUX Slovenija d.o.o.

Spain

- VELUX Spain, S.A.

Sweden

- DOVISTA Sverige AB
- Mockfjärds Fönster AB
- Svenska Fönster AB
- VELFAC AB
- VELUX Svenska AB

Switzerland

- JET Tageslichttechnik AG
- VELUX Schweiz AG

Turkey

- VELUX Çati Pencereleri Ticaret Limited Şirketi

Ukraine

- VELUX Ukraina TOV

United Kingdom

- DOVISTA UK Ltd.
- EVL Cessation Ltd.
- JET Cox Ltd.
- Rationel Windows (UK) Ltd. (in liquidation)
- VELUX Commercial Xtralite Ltd.
- VELUX Company Ltd.
- Vitral UK Limited
- V.U.K. HOLDINGS LIMITED

USA

- TVC Holdings LLC
- VELUX America LLC
- VELUX Design and Development USA LLC
- VELUX Greenwood LLC
- VELUX Group USA Inc.
- VELUX Sky Forwarding LLC
- VELUX Solutions LLC

Vietnam

- Arcon-Sunmark Production Co. Ltd.

Information in the company overview is provided pursuant to section 97a (3) of the Danish Financial Statements Act. The companies are 100% owned by VKR unless otherwise stated after the company name

This large window section from Traryd Fönster allows an influx of light and creates intimacy with nature, Bydalen, Sweden. Jens Ljungdahl, 2020



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