



ANNUAL REPORT 2019



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This report is translated from the adopted Danish Annual Report.

Front page: VELUX Integra remote-controlled roof windows.
Photo: Jesper Jørgen Fotografi ApS, 2019

THE VKR GROUP SETS A NEW RECORD FOR NET PROFIT WITH DKK 3.1 BILLION

4 2019 overview



14 Business Areas

Growth and integration of acquisitions in roof windows & skylights and a strengthened market position despite challenging market conditions for vertical windows



6 The Daylight Engineers

A story about commitment and engineering that brings light, air and a healthy indoor climate to people all around the world



16 Development in Financial Position and Activities

The VKR Group achieved a considerable all-round increase in the level of activities, with a significant improvement in net profit

2019 OVERVIEW

WE INVEST IN DAYLIGHT, FRESH AIR
AND BETTER ENVIRONMENT

GROWTH IN REVENUE

10.1%

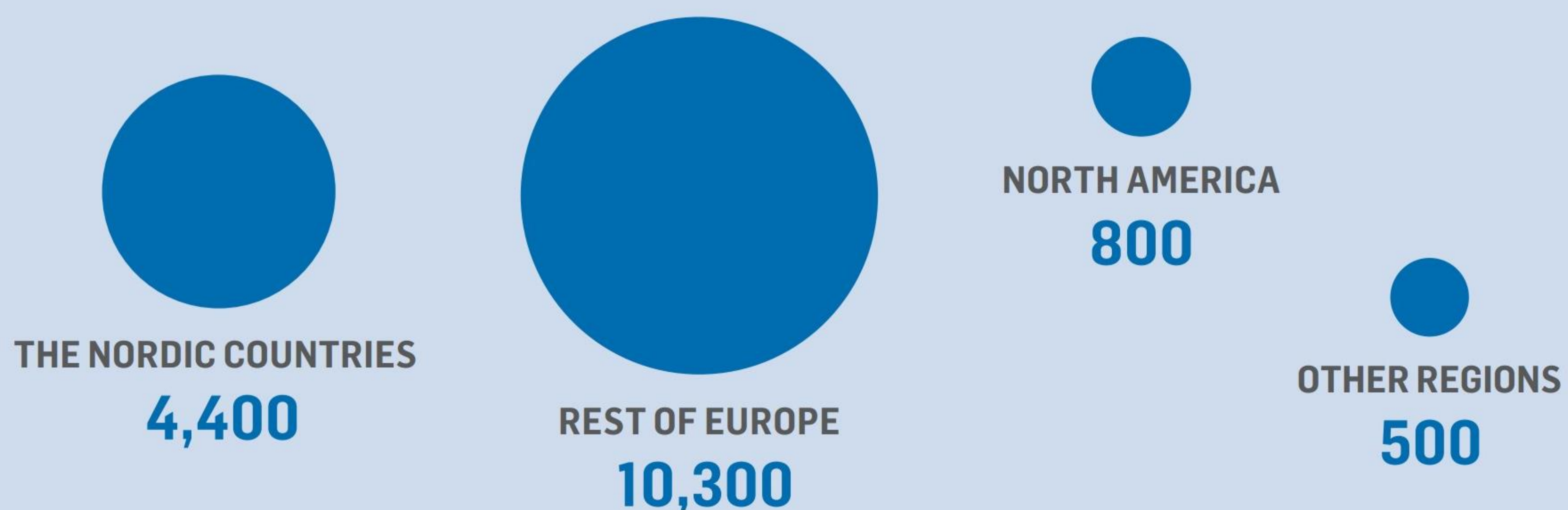
of which 5.9 percentage points comes
from growth by acquisitions

NET PROFIT FOR THE YEAR

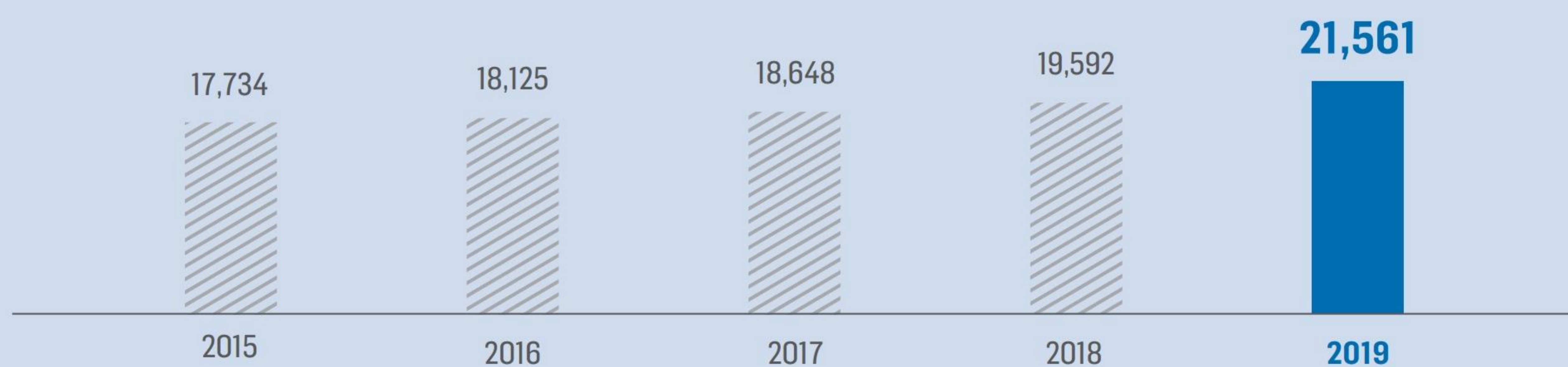
3.1 DKK
BILLION

(2018: DKK 1.8 billion)
A new record for the VKR Group

16,000 EMPLOYEES



REVENUE – DKKm



VELUX Cabrio in an apartment building in Meudon, France.

Photo: Imagizz communication, 2019.



THE VKR GROUP 1970-2010

THE DAYLIGHT ENGINEERS



1970
Lars Kann-Rasmussen is appointed Managing Director of Dansk VELUX A/S



1971
VILLUM FONDEN is established



1975
First sales company in the USA



1978
Ribo Vinduer is acquired and subsequently changes name to VELFAC A/S



1986
The VELUX Group is established in Eastern Europe

"...IF I HAD MESSED THINGS UP AND GONE ON DOING SO, THINGS WOULD PROBABLY HAVE TURNED OUT VERY DIFFERENTLY"

Lars Kann-Rasmussen on management responsibility



2001

The new parent company, VKR Holding A/S, is established, and e.g. the VELUX Group becomes an independent business area



2002

The Group acquires all VELUX activities in Germany



2005

The DOVISTA Group is established as a business area

"MY STYLE WAS DIFFERENT [FROM MY FATHER'S]. AS FOUNDER YOU CAN BASICALLY DO AS YOU LIKE. HOWEVER, WHEN YOU'RE NOT THE FOUNDER BUT ENTRUSTED WITH CARRYING SOMETHING ON INTO THE FUTURE, YOU DISCOVER YOU ARE SUBJECT TO ALL SORTS OF LIMITATIONS"

Lars Kann-Rasmussen on the role as successor of the founder



2004

VKR Holding A/S acquires full ownership of Rationel Vinduer A/S and Svenska Fönster AB. Together with VELFAC A/S, they later form the DOVISTA Group



2010

Lars Kann-Rasmussen steps down as Chair of the Boards of VKR Holding A/S and VELUX A/S

ANNIVERSARY BOOK

In December 2016, Kristoffer Jensen, director of the Danish Museum of Industry in Horsens, was commissioned to write the VKR Group's history after 1970. In his book *The Daylight Engineers*, he tells the story of the Group's development from the early 1970s to the years following the financial crisis. It is a story about commitment and engineering that brings light, air and a healthy indoor climate to people all around the world. It is also a story of a company that has not always been easy to lead.



SØREN BJERRE-NIELSEN

In connection with VKR Holding's Annual General Meeting in March 2020, Søren Bjerre-Nielsen decided not to seek re-election to the Board. He can look back on a period of top-line and bottom-line growth for the Company.

When he joined VKR Holding in 2010, he said that he accepted the post with a sense of humility:

"No one can replace Lars Kann-Rasmussen, and I do not see it as my job to do so. My most important task as Chair, together with the rest of the Board, is to ensure the best possible development of the Company and the best possible return to the owners".

Søren Bjerre-Nielsen, who has served on the Board of Directors since 1996 and been its Chair for the past ten years, has always made it quite clear that, like his predecessor Lars Kann-Rasmussen, he is not looking for short-term, speculative growth. He has pursued the long-term objective of creating value in accordance with the Company's founding principles, with the Model Company Objective as the pivotal point and the overriding mission to bring daylight, fresh air and a better environment into people's everyday lives.

He has met with great success and VKR Holding stands stronger today than it ever has. Søren Bjerre-Nielsen is also acknowledged for his work as Chair of VKR Holding outside the Group, a recognition that led to PwC and a professional jury declaring him Chair of the Year in 2017.



Søren Bjerre-Nielsen. Photo: Christian Liliendahl/Ritzau Scanpix, 2014.

MSc and Chartered Accountant. Group CEO and CFO in Danisco 1995-2011. Partner in Deloitte from 1982-1995, CEO from 1986. Chair of the Board of Directors in VKR Holding A/S (2010-2020), VELUX A/S (2013-2019), MT Højgaard (2013-2019) and the Danish National Bank and board of representatives (2007-2018).

Søren Bjerre-Nielsen has emphasised that he and VKR Holding have made a good match. Throughout the years, he has also been an important culture bearer and played a decisive role in defending and promoting the Company's core values, identity and historical roots. As such, it

was he who took the initiative for the book *The Daylight Engineers – the VKR Group 1970-2010*, written by Kristoffer Jensen and published by Gyldendal on 1 April 2020.



2010

Søren Bjerre-Nielsen is appointed Chair of the Board of Directors of VKR Holding A/S



2011

VKR Holding A/S implements a new and slimmed-down structure with sharper focus on its role as a financial investor



2016

Mads Kann-Rasmussen is appointed CEO



2017

Søren Bjerre-Nielsen is declared Chair of the Year for his achievements in VKR Holding A/S



2017

David Briggs is appointed new CEO of the VELUX Group, succeeding Jørgen Tang-Jensen



2018

Largest acquisition ever with the VELUX Group's takeover of Vitral, Wasco Skylights and JET Group

"WITH SØREN BJERRE-NIELSEN AT THE HEAD OF THE TABLE, VKR HOLDING HAS SEEN IMPRESSIVE DEVELOPMENT, REPORTING NOT ONLY INCREASING REVENUE BUT ALSO DOUBLED EARNINGS WITHIN A RELATIVELY SHORT PERIOD OF TIME"

Extract of PwC's basis for choosing Søren as Chair of the Year 2017



2020

Søren Bjerre-Nielsen steps down as Chair of the Board of VKR Holding A/S



VELUX Modular Skylights in the UK Hydrographic Office, Taunton, UK. Photo: VELUX A/S, 2019.

CONTINUED GROWTH IN REVENUE AND RESULTS

The VKR Group set a new record for top-line as well as bottom-line, reporting revenue for the year of DKK 21.6 billion and profit of DKK 3.1 billion. The latter is a considerable increase, attributable mainly to high returns on financial investments. An improved operating result, particularly in the VELUX Group, was a contributing factor.

The record-high results exceeded expectations for the year considerably and the overall level of activities in the Group increased. Profit for the year is thus considered satisfactory.

Revenue growth in the VKR Group amounted to 10.1% in 2019. This growth was primarily driven by the VELUX Group, which reported increasing revenue in both the residential and the commercial segment. 5.9 percentage points of the Group's total growth is attributable to the full-year effect of the VELUX Group's acquisitions of JET Group, Wasco Skylights and Vitral in 2018 and the consolidation of KRONE VINDUER A/S in the DOVISTA Group.

To support future growth, the VKR Group will continue the pursuit of potential acquisition opportunities that are either a strategic match for the existing business areas or that may constitute a new business area in the Group.

VKR HOLDING'S ACTIVITIES

VKR Holding is a holding and investment company whose objective is to create value through ownership of companies that bring daylight, fresh air and better environment into people's everyday lives, as well as through making financial investments. The Company's main activity is the ownership of companies in the business areas of roof windows & skylights, vertical windows and large-scale solar thermal energy. But VKR Holding also manages a substantial portfolio of financial investments that comprises listed shares and bonds as well as illiquid investments in loan funds, property funds and private equity funds.

THE BOARD OF VKR HOLDING HAS INTRODUCED A POLICY FOR RESPONSIBLE INVESTMENTS, WHICH SPELLS OUT AN AMBITION FOR A GRADUAL RESTRUCTURING OF THE FINANCIAL PORTFOLIO INTO MORE SUSTAINABLE INVESTMENTS

VKR Holding practises active ownership of the business areas in accordance with three guiding principles – the Model Company Objective, current Group policies and our governance structure (see the section on Governance). The business areas largely operate independently of VKR Holding but within the given framework, and their Boards of Directors are entirely responsible for operations, strategy, risk management and so on.

One of VKR Holding's most important goals is to ensure that all types of investments generate the best possible risk-adjusted return. In 2019, this goal was expanded to reflect further ambitions for the financial investments: The Board of VKR Holding has introduced a policy for responsible investments, which spells out an ambition for a gradual restructuring of the financial portfolio into more sustainable investments. Learn more about this policy in VKR Holding's Communication on Progress (COP) report from 2019 or at VKR Holding's website: www.vkr-holding.com/vkr/csr/

VKR HOLDING BUSINESS MODEL

VKR Holding creates value through financial investments and ownership of companies in the fields of daylight, fresh air and better environment.

VKR HOLDING

Financial independence

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

Model Company Objective

The VKR Group works with products that are useful to society and aspires to treat its stakeholders better than most others do.

Active investment strategy

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

Long investment horizon

Investments are made in the business areas 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.



HIGHLIGHTS OF THE VKR GROUP'S GOALS AND PROGRESS WITH SUSTAINABILITY

The VELUX Group

Since 2007, the VELUX Group's carbon emissions have been reduced by 47%. The target of a 50% reduction by 2020 is therefore within reach.

The VELUX Group's carbon emissions

2019: ACHIEVED **-47%**
2020: TARGET **-50%**

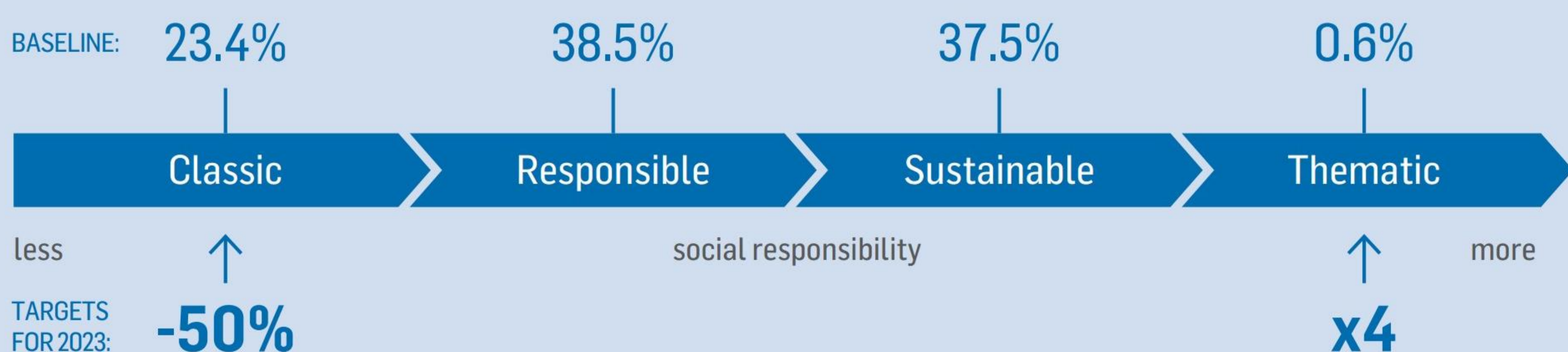
The DOVISTA Group

The DOVISTA Group reduced its carbon emissions per produced unit for the second year in a row. The company's target is a further reduction in the coming years.

The DOVISTA Group's carbon emissions (tonnes) per 1,000 produced units



Investment spectrum for VKR Holding's financial portfolio



VKR Holding

Revised policy and new objectives for responsible financial investments:

VKR Holding's new policy proclaims an ambition for financial investments

to become more responsible. In short, this means that there must be a sharper focus on issues such as climate and social responsibility when making investments that will also attain the objective of generating the highest possible risk-adjusted returns.

Please see VKR Holding's Communication on Progress (COP) report for 2019 for more information on the VKR Group's progress with sustainability and social responsibility, as well as VKR Holding's new investment policy:

www.vkr-holding.com/vkr/csr/

See the next two pages for a report on the Group's major business areas in 2019 →



ROOF WINDOWS & SKYLIGHTS

Growth and integration of acquisitions in roof windows & skylights

Historically, the VELUX Group has primarily sold its products to the residential segment. In recent years, however, it has built up a considerable new business in the commercial segment into which inroads were made in 2018 with the acquisition of JET Group, Vitral and Wasco Skylights. In 2019, these companies were combined with VELUX Modular Skylights to make a new division called VELUX Commercial.

In the same year, VELUX Group carried out a 'mid-term review' of the current four-year growth strategy. Certain adjustments were made but the focus remains on growing the Residential business, further developing the Commercial division and adding value through digitalisation.

The Residential business reported volume as well as revenue growth, and several new products were launched to support further growth, among them; Vario by VELUX – the first VELUX custom-made roof window for flat roofs; VELUX Solar Integrator – a new flashing for the integration of solar panels and roof windows; and VELUX Colour by You – blackout blinds in more than 1,800 different colours.

In 2019, the VELUX Group continued development of its Commercial business and the integration of the acquisitions it made in the previous year. As expected, this is a demanding process, but it is progressing more or less as planned. The long-term intention is to benefit from the inter-company synergy potential of the new Commercial division.

All in all, developments in the VELUX Group were much in line with the ambitious expectations for the year, which is considered satisfactory.

VELUX Modular Skylights in offices in Vordingborg.
Photo: VELUX A/S, 2013.



INTEGRATION OF THE VELUX GROUP'S 2018 ACQUISITIONS CONTINUES. AS EXPECTED, THIS IS A DEMANDING PROCESS, BUT IT IS PROGRESSING MORE OR LESS AS PLANNED

ROOF WINDOWS & SKYLIGHTS BUSINESS AREA

VELUX®

altaterra

VELUX®

Commercial



THE DOVISTA GROUP HAD ANOTHER CHALLENGING YEAR IN 2019, BUT SUCCEEDED IN RETAINING OR EXPANDING MARKET SHARE



VERTICAL WINDOWS

Strengthened market position despite challenging market conditions for vertical windows

In 2019, the DOVISTA Group succeeded in retaining or expanding its market share on all major markets. Despite this, it was a challenging year for vertical windows; the market declined, particularly in Sweden and the UK, with the uncertainties of Brexit making a noticeable impact on the latter. In Denmark the project market also appeared to be weakening towards the end of the year.

As planned, the DOVISTA Group increased its ownership share in KRONE VINDUER A/S and thereby obtained a controlling interest in the company, which strengthens the Group's strategic position in the vertical windows segment. KRONE VINDUER A/S designs, manufactures and sells customised and flexible window solutions to Scandinavia and the UK.

Efforts were also made in the course of the year to optimise the business for the future. The roll-out continued of IT solutions for increasing efficiency in order handling and production- and logistics management.

Despite the DOVISTA Group managing to strengthen its market position in a challenging market, expectations of the year were not fully met.

DEVELOPMENT IN FINANCIAL POSITION AND ACTIVITIES

Overall, the VKR Group can report a considerable increase in activities partly due to acquisitions and a record profit for the year.

The Group's revenue growth was driven by the full-year effect of the acquisitions made in 2018 and organic growth, primarily in the VELUX Group. The bottom-line improvement was mainly attributable to considerable returns on the financial portfolio, though an improved operating result also contributed positively.

Revenue and results of operations

In 2019, the VKR Group's revenue totalled DKK 21.6 billion compared with DKK 19.6 billion the previous year. Thereby, revenue growth reached 10.1% and expectations for 2019 of an increase in activities were met, although at a lower level than expected. Acquisitions accounted for 5.9 percentage points of this growth. Growth from acquisitions was driven by the full-year effect of purchases made in 2018 in roof windows & skylights, and the integration of KRONE VINDUER A/S into vertical windows in 2019. Organic growth accounted for the remaining approx. 4.1 percentage points. The key driver for both the acquisitive growth and the organic growth was the execution of the VELUX Group's growth strategy in both the Residential and Commercial divisions.

Revenue in 2019 was positively affected by favourable exchange rates, particularly USD.

In 2019, the profit before depreciation (EBITDA) amounted to DKK 3.7 billion against DKK 3.2 billion in the previous year. The increase was mainly driven by the higher revenue in roof windows & skylights.

Profit before goodwill amortisation (EBITA/operating result) totalled DKK 3.0 billion in 2019 against DKK 2.7 billion in 2018.

Operating investments

The VKR Group invested a total of DKK 0.6 billion (net) in tangible fixed assets in 2019, corresponding to 2.8% of revenue. Investments were thereby on a par with last year and lower than expected by the business areas.

In 2019, the VELUX Group invested primarily in new production equipment, maintenance of existing equipment at the manufacturing plants, and in production buildings. In addition, the VELUX Group invested in energy improvements, which will contribute to meeting the business

area's target for 2020 of a 50% reduction in carbon emissions compared with 2007. Among other things, LED lighting was installed in manufacturing plants to reduce power consumption while investments in bio-boilers to convert waste wood to heating will reduce the carbon footprint.

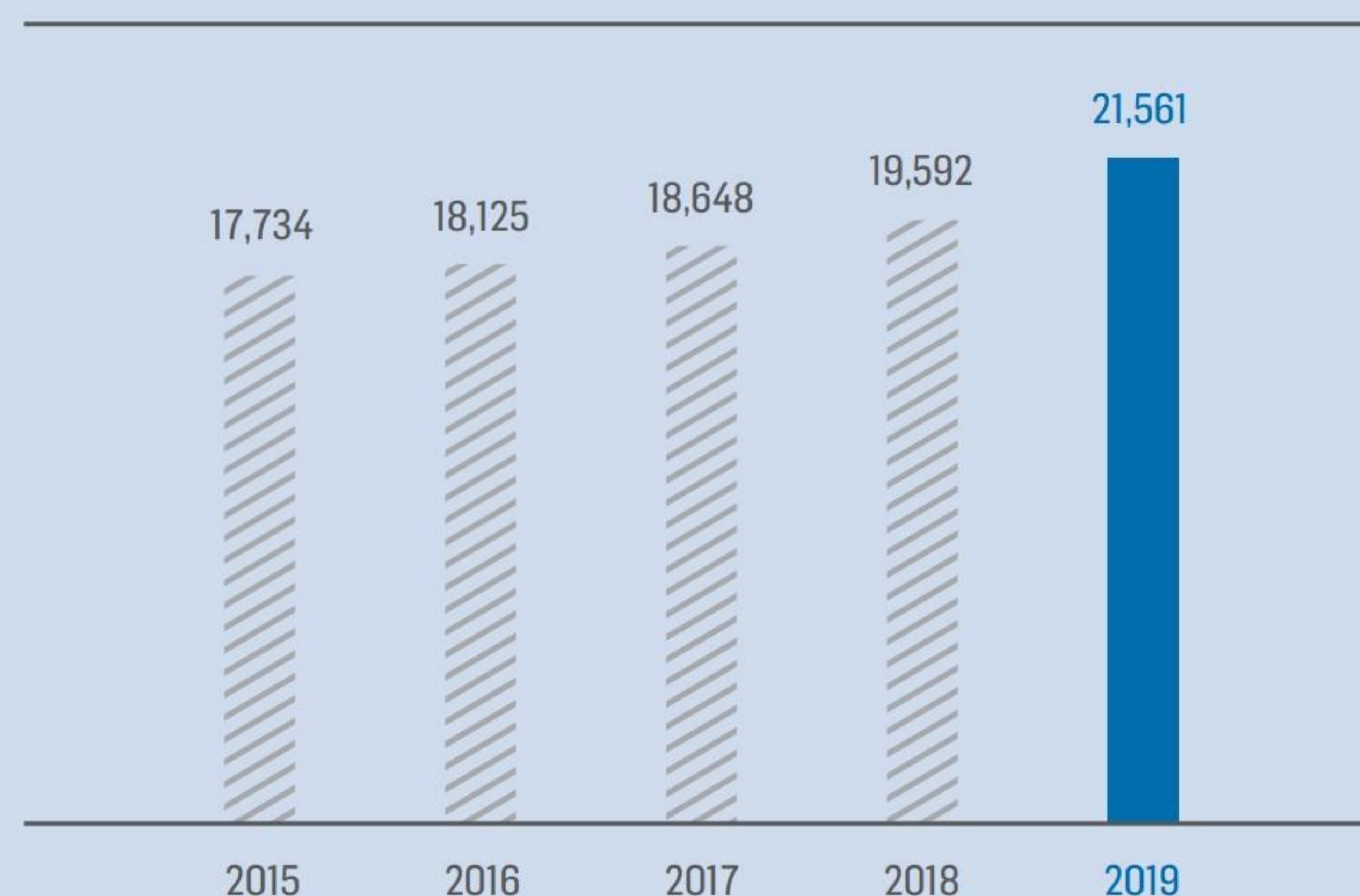
The DOVISTA Group's investments in 2019 primarily related to increasing capacity in Sweden and Norway. Moreover, major investments were made in efficiency improvements such as the continued roll-out of ERP systems.

Cash flows from operating activities and working capital

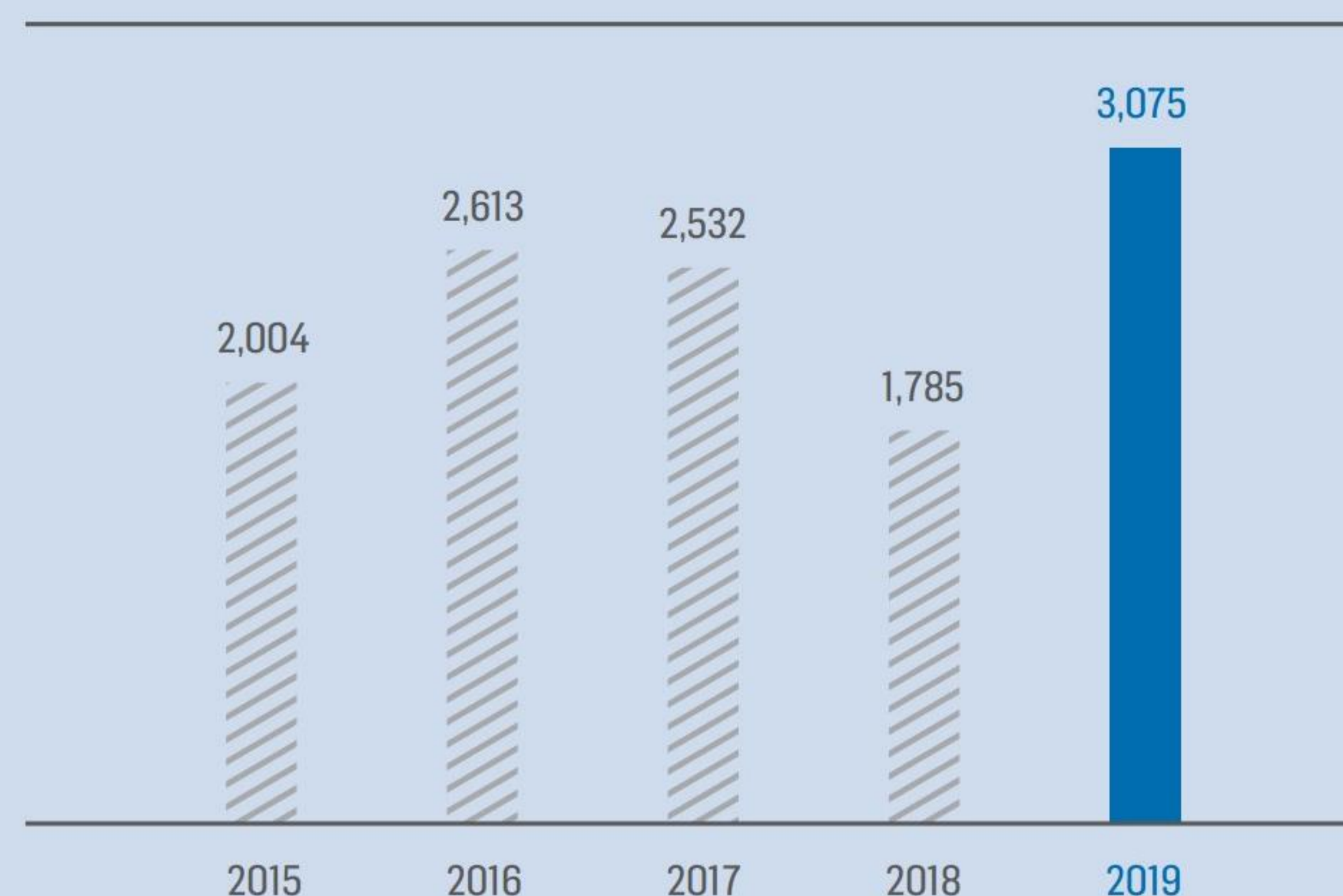
In 2019, cash flows from operating activities before tax amounted to DKK 3.9 billion against DKK 3.0 billion in 2018. The increase is attributable to an increase in operating result and a reduction of working capital.

Cash flows from operating activities after tax increased to DKK 3.5 billion in 2019 against DKK 2.6 billion in the previous year.

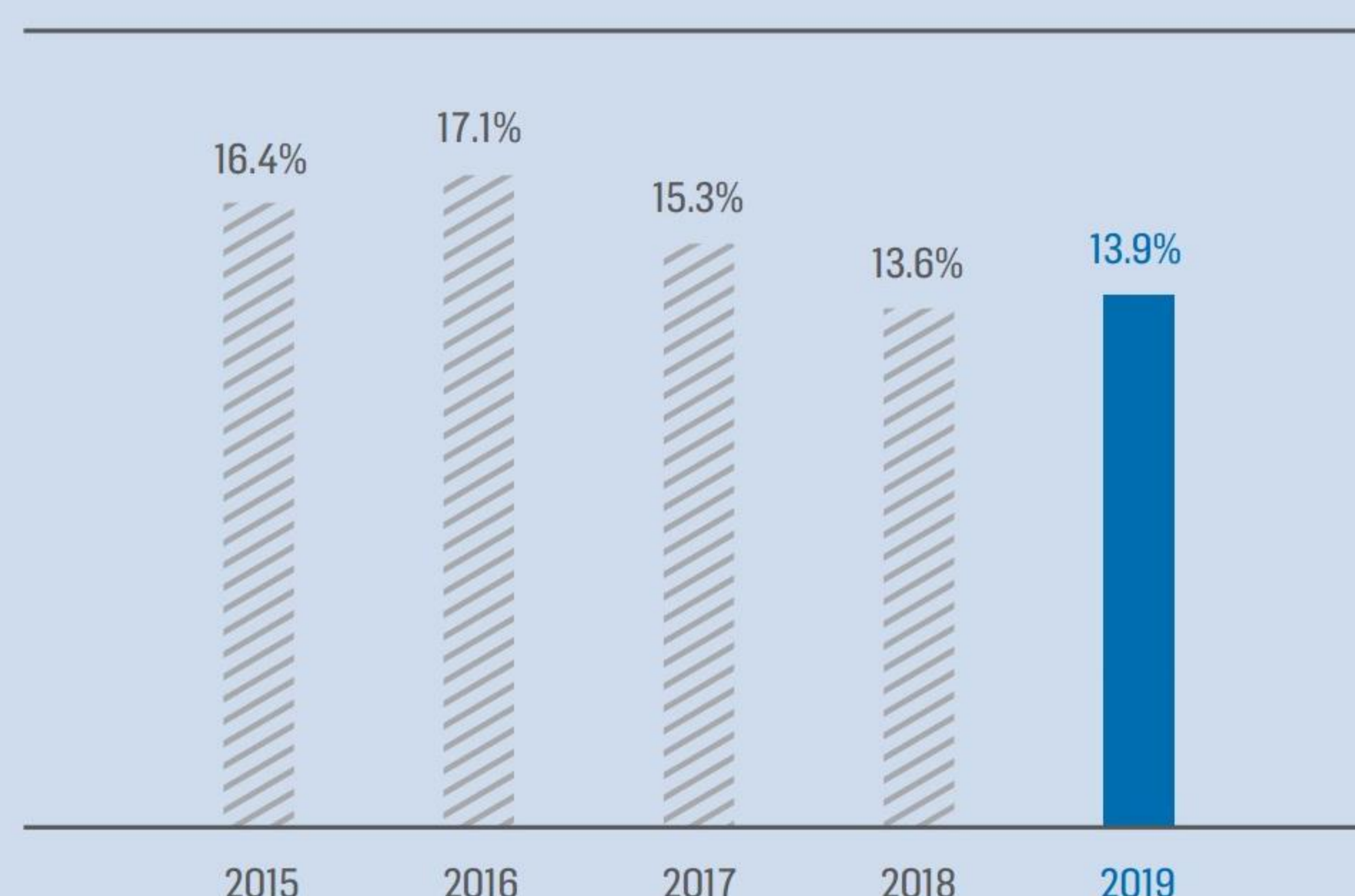
NET REVENUE – DKKm



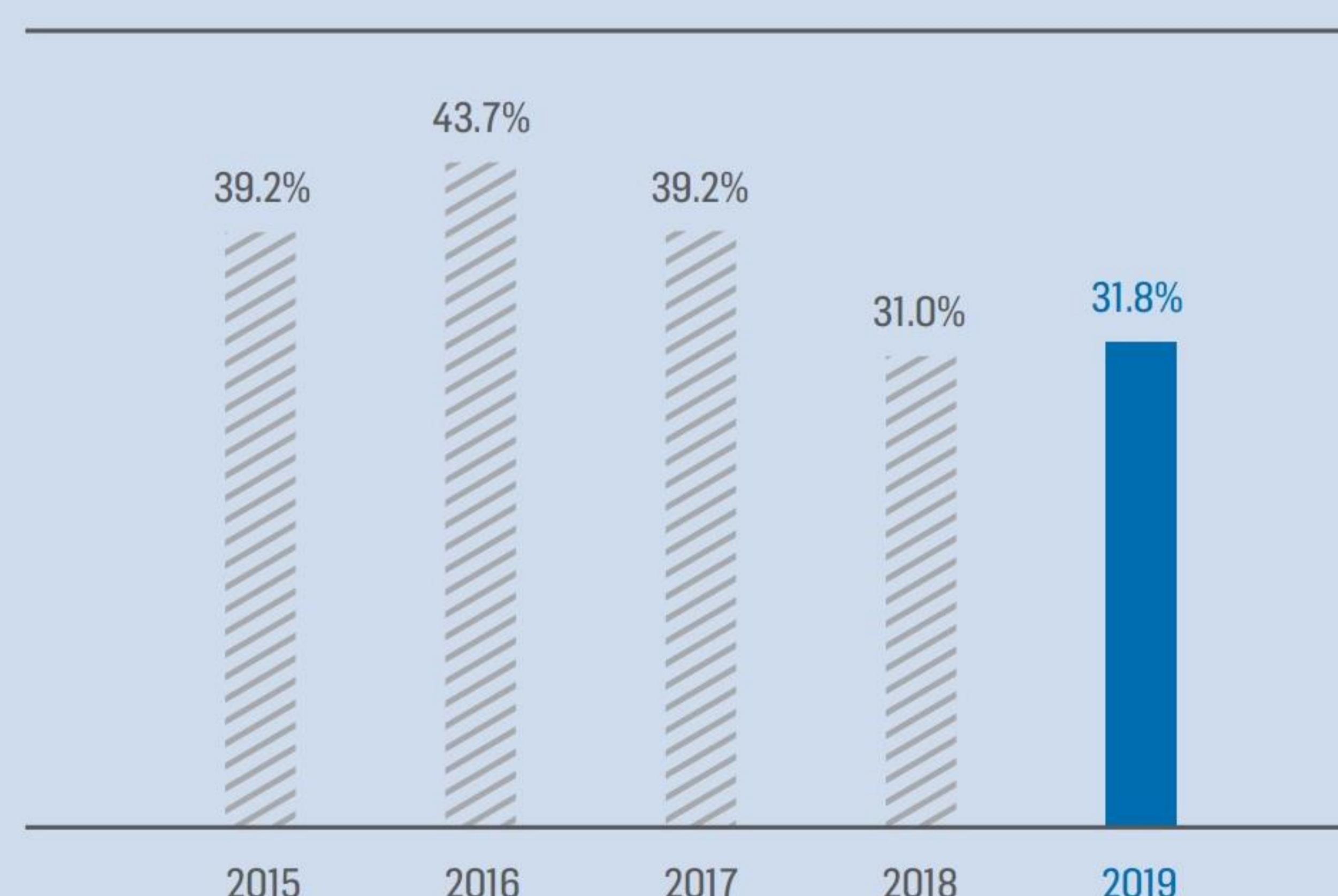
PROFIT FOR THE YEAR – DKKm



EBITA MARGIN – %



RETURN ON CAPITAL EMPLOYED – %



CONSOLIDATED FINANCIAL HIGHLIGHTS FOR THE GROUP

Key figures, DKKm	2019	2018	2017	2016	2015
Net revenue	21,561	19,592	18,648	18,125	17,734
Earnings before depreciation (EBITDA)	3,689	3,225	3,324	3,556	3,743
Earnings before goodwill amortisation (EBITA)	3,005	2,669	2,849	3,095	2,900
Earnings before financial items and tax (EBIT)	2,857	2,617	2,820	3,014	2,804
Net financials	1,175	-281	458	462	-17
Net profit for the year (after tax)	3,075	1,785	2,532	2,613	2,004
Investments in tangible fixed assets (net)	599	592	864	238	503
Free cash flow before tax	3,226	663	2,164	3,264	3,235
Total assets	23,812	21,102	19,720	17,940	16,060
Equity	19,230	16,914	15,948	14,276	12,522
Financial ratios (%)					
EBITA margin	13.9	13.6	15.3	17.1	16.4
Return on capital employed	31.8	31.0	39.2	43.7	39.2
Equity ratio	80.8	80.2	80.9	79.6	78.0
Average number of employees	16,123	15,459	14,764	13,885	13,644

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

Extension of the Frederika Bremer High School in Sweden with VELFAC windows.
Photo: Eric Claesson, 2016.



RETURN ON VKR HOLDING'S FINANCIAL PORTFOLIO WAS PARTICULARLY HIGH IN 2019 AS OPPOSED TO THE PREVIOUS YEAR, WHICH ENDED WITH AN UNREALISED LOSS

Financial investments

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

Return on VKR Holding's financial portfolio was particularly high in 2019 as opposed to the year before, which ended with an unrealised loss. The return in 2019 was primarily driven by unrealised capital gains on listed shares and illiquid investments. Furthermore, the fixed income assets generated a return which was higher than expected. The positive development is attributable to strong financial markets, driven by declining interest rates and market expectations of declining geopolitical challenges.

The adopted portfolio strategy generated a satisfactory return in 2019.

Taxation

In 2019, tax on profit for the year amounted to DKK 1.0 billion against DKK 0.6 billion in the previous year.

Profit for the year

The VKR Group reported a profit for the year of DKK 3.1 billion in 2019 against DKK 1.8 billion in 2018.

The considerable increase in profit for the year is attributable to high returns on the financial investments while the improved operating result in the VELUX Group was a contributing factor.

The results in 2019 surpassed expectations and though this relates mainly to unrealised capital gains, Management considers the profit for the year satisfactory.

Financial resources

At 31 December 2019, the financial resources of the VKR Group amounted to DKK 9.9 billion. Compared with 2018, it was a substantial increase where the financial resources amounted to DKK 7.3 billion. This increase primarily reflects additional investments and unrealised capital gains on listed shares.

Total assets in the VKR Group also increased and reached DKK 23.8 billion at year end 2019 against DKK 21.1 billion in the previous year.

At 31 December 2019, equity in the VKR Group amounted to DKK 19.2 billion, which is a considerable increase compared with the previous year when it amounted to DKK 16.9 billion. Thereby, the equity ratio improved marginally to 80.8% in 2019 against 80.2% in 2018.

The VKR Group has a large liquid portfolio to fund existing activities and any additional acquisitions.

After the Annual General Meeting in March 2019, ordinary dividend of DKK 1.0 billion was distributed. This level is expected to be maintained at the Annual General Meeting in March 2020.

Innovation and development activities

The VKR Group maintained its focus on continuously developing and improving the product range to ensure that it lives up to increasing expectations and requirements for energy efficiency and indoor climate in new builds and when renovating existing buildings. Moreover, products' functionality is continuously enhanced by means of digitalisation and Smart Home solutions.

The Group's innovative culture and product development activities result in the submission of numerous patent applications each year. At 31 December 2019, VKR Holding owned and managed 2,242 active patents which relate to 502 unique inventions. These patents and other intellectual property rights are protected actively and systematically to maintain the Group's competitiveness.

In accordance with general practice in the VKR Group, patents and other intellectual property rights were transferred, in particular from the JET Group to VKR Holding.

THE CONSIDERABLE INCREASE IN PROFIT FOR THE YEAR IS ATTRIBUTABLE TO HIGH RETURNS ON FINANCIAL INVESTMENTS WHILE THE IMPROVED OPERATING RESULT IN THE VELUX GROUP WAS A CONTRIBUTING FACTOR

Employees

At the end of 2019, the VKR Group had 16,000 employees, which is on the same level as last year. A significant number of employees work in Poland (approx. 4,000) and Denmark (approx. 2,900), so in total about 44 % of the Group's employees work in these two countries.

Corporate Social Responsibility

Ever since the foundation 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, defined the Model Company Objective, which still defines the overarching ambition for the Group's activities.

So naturally the VKR Group actively supports the UN Global Compact and Sustainable Development Goals (SDGs). VKR Holding and all business areas joined the UN Global Compact in 2016 and report annually on progress in terms of the Ten Principles of human- and employee rights, environment and anti-corruption in a Communication on Progress (COP) report.

VELUX top-hung roof windows with blinds in a home in Virum, Denmark. Photo: Carsten Esbensen, 2019.



EVER SINCE THE FOUNDATION 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, DEFINED THE MODEL COMPANY OBJECTIVE WHICH STILL DEFINES THE OVERARCHING AMBITION FOR THE GROUP'S ACTIVITIES

VKR Holding's COP report also constitutes the VKR Group's statutory report on corporate social responsibility for the financial year 2019 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 UN Global Compact's website. The COP report also includes more information on the Model Company Objective, VKR Holding's new policy for responsible investments and the work in the philanthropic foundations associated with the VKR Group.

In the course of 2020, the business areas will publish their individual COP reports, which will include additional information on progress in respect to the UN SDGs and Global Compact principles.

Working environment

The Group's business areas have a strong focus on a good and safe working environment. As the VKR Group has many employees in production facilities, special efforts are made to ensure a good and safe working environment in line with the international standard on working environment ISO 45001 (occupational health and safety management).

Goals for diversity

In VKR Holding, employees and members of the Board of Directors are always selected based on qualifications and skills. At the same time, we acknowledge the

value of diversity, which, in 2016, resulted in VKR Holding setting a target that at least one Board member should be of the underrepresented gender. At the end of 2019, the target was met by one female and four male Board members.

The existing target was fulfilled and has been maintained for some years, so a new target has been set – an even gender distribution on the Board of Directors of VKR Holding A/S¹ must be reached by 2024.

Replacement or expansion of the Board will take place when the most suitable candidate for a directorship is a woman and when a replacement or an expansion of the Board is deemed expedient.

At the end of 2019, the Board of VELUX A/S, which is the parent company of the largest business area of the Group, consisted of six members elected by the Annual General Meeting. Two of these were female and four were male. This is considered an even distribution¹.

In DOVISTA A/S, the parent company of the VKR Group's second largest business area, the Board consisted of four members elected by the Annual General Meeting. One of these was female and three were male.

THE GROUP'S BUSINESS AREAS HAVE A STRONG FOCUS ON A GOOD AND SAFE WORKING ENVIRONMENT

¹In accordance with the Danish Business Authority's guidance (March 2016).

OUTLOOK FOR 2020

In the past few weeks, expectations for 2020 have changed from cautious optimism to greater uncertainty about the consequences of the new corona virus outbreak on the business areas' results as well as for the financial portfolio. VKR Group management is aware of the importance of having a dynamic business model that can handle changes to framework conditions.

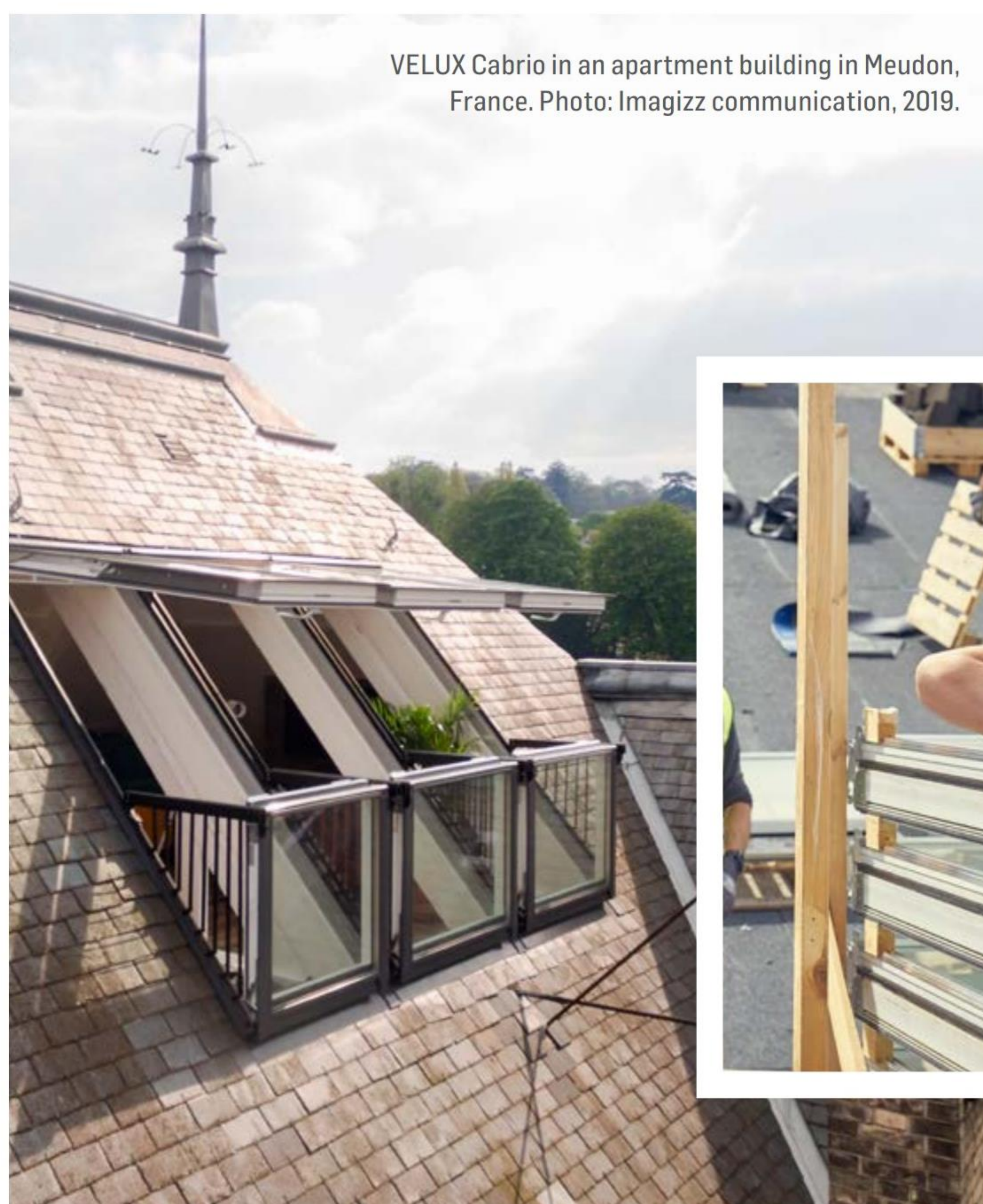
Expectations for fiscal year 2020 are therefore restrained. At present, revenue

is expected to be at the same level as, or below the level of, the previous year, while profit for the year is expected to be significantly lower than in 2019. This pessimistic forecast should, however, be put into the context that 2019 was an exceptionally good year for financial investments.

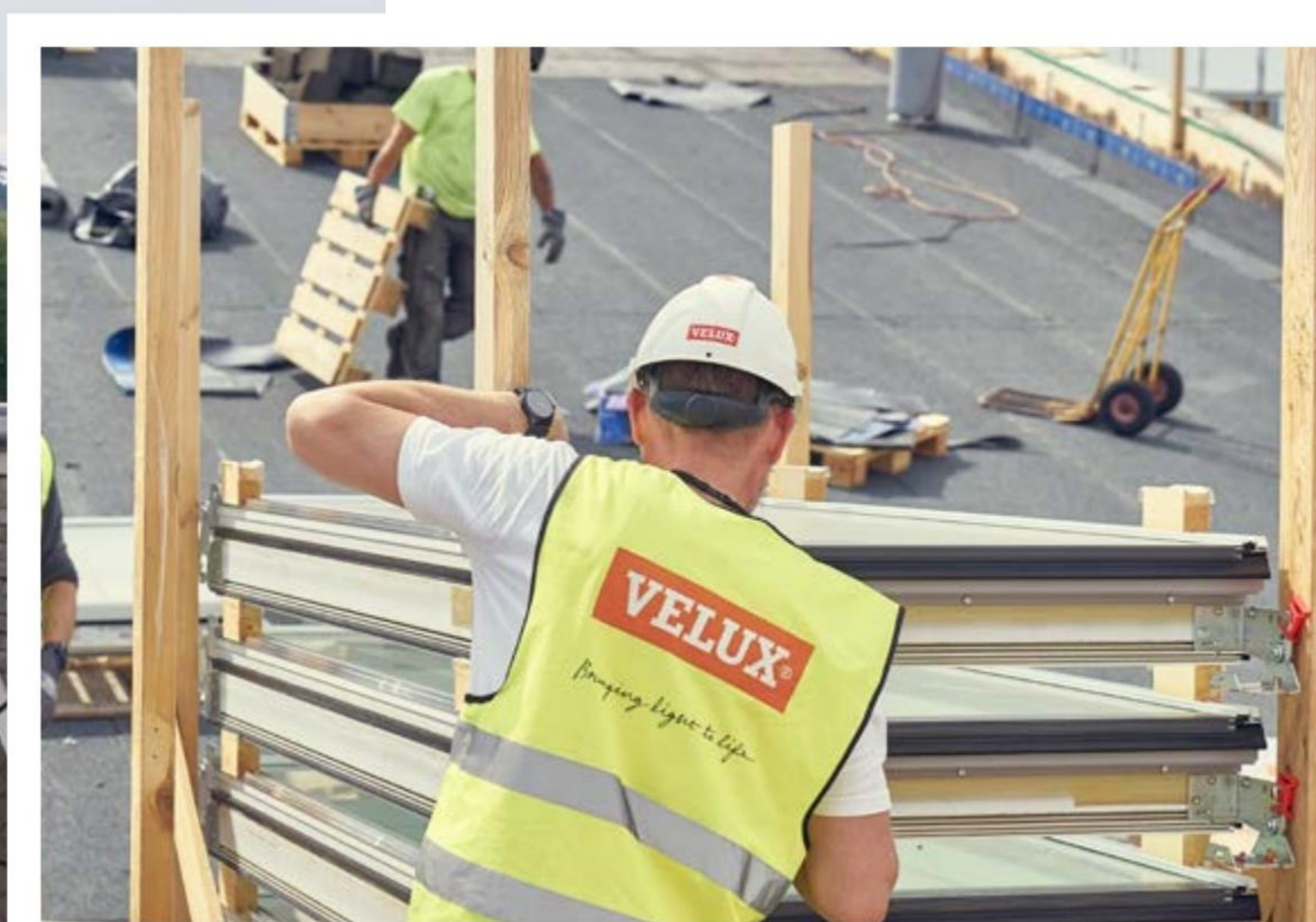
Other political and macroeconomic risks are still assessed to be high due to continued geopolitical uncertainties about Brexit, trade relations between the USA

and China and the US presidential election. Therefore, expectations for sales in certain markets and consolidated operating result are plagued by uncertainty.

Even though 2020 looks to be a challenging year, we remain confident that the business areas' strategies are still valid and that the growth journey towards 2025 will continue for both roof windows & skylights and vertical windows. VKR Holding's acquisition strategy moves onward unchanged, so the pursuit of potential acquisitions will take place in the realm of existing business areas, but also with an eye open to establishing a new business area should the right possibility arise.



VELUX Cabrio in an apartment building in Meudon, France. Photo: Imagizz communication, 2019.



Installation of VELUX Modular Skylights in Malmö, Sweden. Photo: Rene Løkkegard Jepsen, 2019.

RISK FACTORS

The VKR Group's business areas are affected by global economic developments and are dependent on the ability to maintain strong market positions. This is achieved through constant product development and optimisation of the entire value chain. The individual business areas are considered as being well positioned in the relevant markets.

In addition, VKR Holding has a portfolio of financial investments, whose yields are dependent on the development on the financial markets. The VKR Group is therefore exposed to both operating and financial risks.

OPERATING RISKS

The level of activity in the construction sector 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 2019, the Group generally noted a positive development in activities. Some markets, however, showed signs of stagnation, which had a negative impact on the vertical windows activity in particular.

In 2019, the global economy was greatly influenced by the twin geopolitical uncertainties of Brexit and trade relations between the USA and China. The outcome of these uncertainties, the current corona

virus pandemic and the US presidential election will continue to affect the VKR Group's sales potential. In general, the boom in global economy seems to be facing a slowdown, with the possibility of a subsequent recession.

Development in raw material prices had only a limited impact on the business areas' earnings in 2019.

The VKR Group's business areas continuously focus on the trend towards energy-efficient buildings and renewable energy sources. We consider these focus areas important for future business opportunities. Ambitious political goals

regarding energy-efficient solutions as well as open competition are in the interest of the Group.

Product quality and product liability

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

It is therefore a large cost burden if products do not live up to the expected quality. The risk is managed by comprehensive

quality and environmental management systems that monitor all products from own production and suppliers. Continual and thorough testing of the products is carried out internally and by external independent and certified testing institutions.

Credit risk

The VKR Group's receivables from customers are widely distributed, both in terms of geography and the number of customers. Moreover, standard procedures for managing customers' credit agreements have been established.

Due to the significant geographic distribution of the Group's activities, VKR Hold-

ing uses many different banks around the world. VKR Holding generally uses large, international banks to get the required services and to minimise the risk related to placing 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 to manage the entire value chain from product development to delivery of products to the customer. IT system crashes or compromised IT systems may result in partial or complete suspension of business activities or increase the risk of fraud.

Consequently, a high IT security level is prioritised to counter the increasingly sophisticated attacks on the Group's IT systems. This includes maintenance and development of our technical IT platforms as well as continuous 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 and to improve IT contingency plans so systems can be re-established as soon as possible in case of a system crash.

FINANCIAL RISKS

Market risk

VKR Holding owns a large portfolio of financial investments. They are exposed to risks in terms of geography, market, industry as well as the type of security. The primary risk in this area is deemed to relate to share price exposure, where a significant decrease in share prices may have a similarly significant negative impact on VKR Holding's results. This risk is considerably increased due to the current corona virus outbreak. The portfolio is not deemed to be leveraged as 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 portfolio of bonds is particularly affected by increases or decreases in the interest rate, whereas other asset classes are affected to a lesser extent. Consequently, the interest rate risk on financial invest-

ments is considered moderate, and interest rate trends are monitored on an ongoing basis in the management of the investment portfolio.

The VKR Group takes on external interest-bearing debt only occasionally, which is reflected in the Group's high equity ratio. Thus, the interest rate risk on debt is considered limited.

Foreign exchange risk

The VKR Group operates globally with both sales and production activities. A significant part of the activities is denominated in EUR and due to the Danish fixed exchange rate policy (the value of DKK is kept stable against EUR), there are only minor fluctuations against DKK and, consequently, no significant currency risk. The largest exposures in terms of risk relate to GBP and PLN.

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

There is a derived currency risk in relation to financial investments as the portfolio is globally diversified. The primary currency risk is in USD. Currency hedging is conducted in accordance with our guidelines, but taking the volume of the portfolio into consideration, 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 and 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 relatively low balances with external banks. VKR Holding continuously monitors development in cash flows in the business areas.

Lars Langbo from VELUX A/S and Kate Asinskaya from Moeco present a joint pilot project at UrbanTech Demo Day. Photo: Sebastian Stigsby, 2019.



GOVERNANCE

As early as 1965, the founder of the Group, Villum Kann Rasmussen, defined the Model Company Objective. Every Group company aspires to fulfilling this objective and to act responsibly towards our stakeholders at the same time as ensuring profits for continued growth. This is the essence of the VKR Group's approach to corporate social responsibility and it defines the overall ambition for sustainability and our contribution to the UN SDGs and its Global Compact initiative.

The Board of Directors of VKR Holding, furthermore, has approved 16 Group policies that constitute the Group's guidelines on corporate governance. Management and the Boards of the business areas are responsible for 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/

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

Shareholders

The shareholders perform all the functions attributed to the owners of the Company at General Meetings. In addition, four 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 strategy, risk profile and results of the Group's companies. The meetings are held according to a pre-approved agenda.

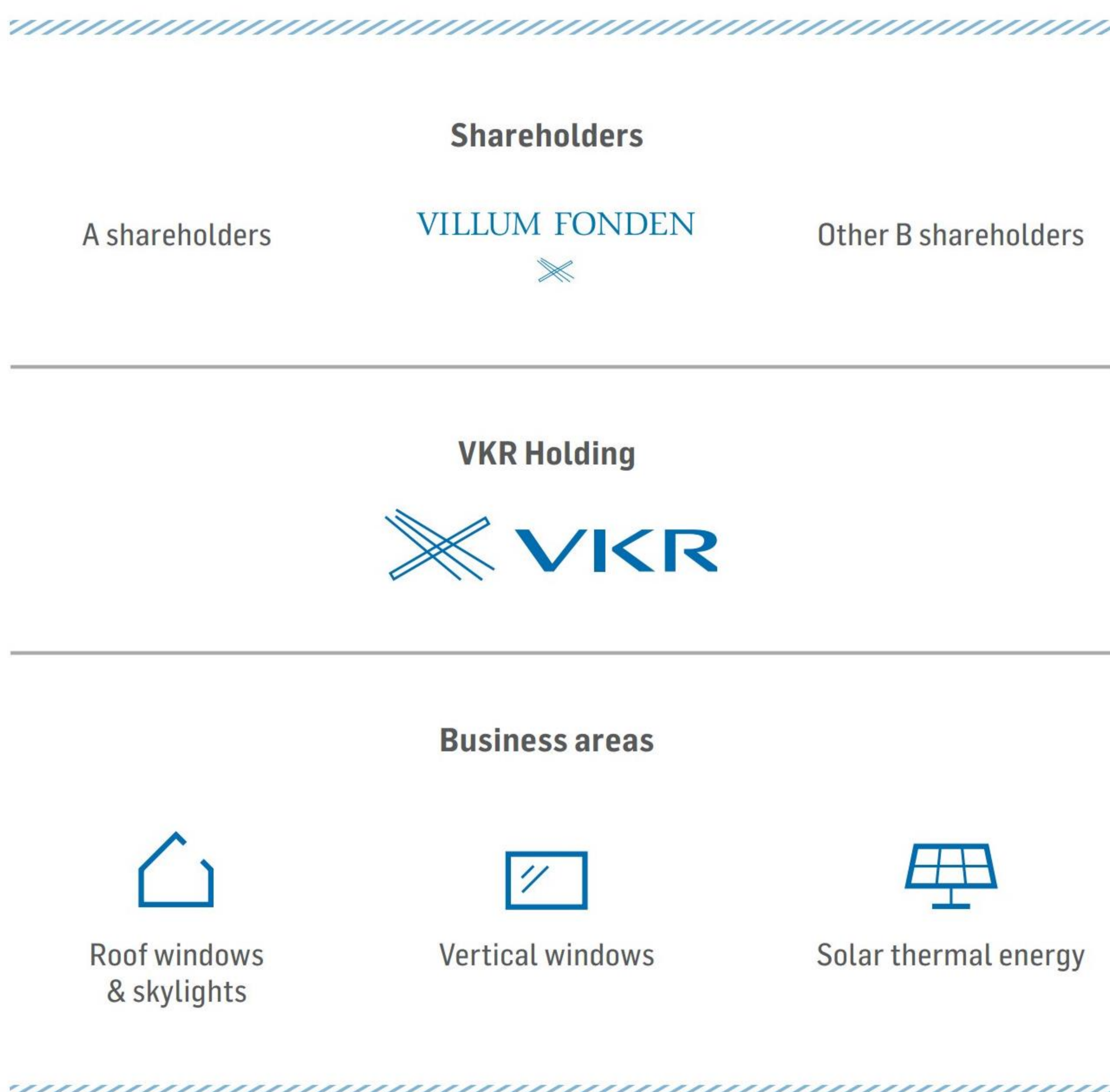
VKR Holding

At the Annual General Meeting in March 2019, VKR Holding's Board of Directors was reduced by one member, and on 31 December comprised five members. Up to two members are elected among the Company's shareholders, including members of the Board of VILLUM FONDEN, while at least three Board members should be independent of the shareholders, including VILLUM FONDEN. One of the maximum two Board members elected among the shareholders should serve on the Board of VILLUM FONDEN.

All Board members must meet the general Fit and Proper Criteria. The Chair is elected by the shareholders at the

Annual General Meeting. The Board is responsible for the overall management of VKR Holding and works according to an annual schedule ensuring discussion of and progress on significant strategic, financial and operational matters, as well as initiatives regarding environment, employees and organisation. The Board of Directors also ensures that the Company and its shareholders communicate regularly 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 2019 one extraordinary meeting was held. To ensure



Class A shares refer to a classification of common stock that is accompanied by more voting rights than Class B shares.

that the Board of Directors has first-hand knowledge of the Group's activities, at least one of the annual meetings includes visits to the business areas. In June 2019, the directors visited the German VELUX sales company in Hamburg and German customers of the VELUX Group and the DOVISTA Group.

In addition, meetings between VKR Holding and each individual business area are held every six months at which the Chairs and executive managers participate. The executive managers of the business areas also regularly update VKR Holding's Board on developments in their businesses based on documentation prepared for their own Boards.

Committees

As preparatory bodies to the Board of Directors, two committees have been set up: 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 the Company's internal control systems, as well as financial reporting and external auditors. The committee also assists the Board of Directors in evaluating the VKR Group's overall risks. The committee consists of two members appointed by the Board: Anne Broeng (Chair) and Jørgen Tang-Jensen. The committee holds two scheduled meetings each year.

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

Business areas

VKR Holding's business areas largely operate independently from VKR Holding. The Boards of Directors of the business areas are responsible for all operations,

strategy, reputation and risk management in 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 should include a member of VKR Holding's Board of Directors or Executive Management. Only independent members of VKR Holding's Board should 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 additional or more comprehensive policies where appropriate.

Tax governance

The VKR Group's tax strategy and tax management are also based on the foundation of the Model Company Objective to act responsibly and at the same time ensure financial profits for continued growth. 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/





Traryd Optimal windows in a residence in Sweden.
Photo: Andreas Nilsson, 2019.

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. These Boards must ensure that relevant procedures have been established for purposes of reporting to VKR Holding on compliance with tax policies, tax risks and related trends.

The VKR Group has people with internal tax expertise who are either qualified to determine the tax implications of transactions or able to assess the need for external tax advice.

Business in the VKR Group is driven by a commercial rationale where the tax implications of commercial transactions are evaluated, and relevant deductions and incentives are applied within the framework of relevant legislation. The Group does not engage in artificial, non-business-driven planning of transactions or business structures solely for the purpose of reducing tax.

The VKR Group cooperates with tax authorities and has a timely, open and honest dialogue.

Whistle-blower scheme

The VKR Group has a whistle-blower programme where stakeholders can report non-compliance or suspected non-compliance with applicable legislation, internal policies, etc.



THE PURPOSE OF THE VKR GROUP IS TO ESTABLISH A NUMBER OF MODEL COMPANIES WHICH COOPERATE IN AN EXEMPLARY MANNER



Buildings and the industry that constructs them account for more than one third of global energy consumption and CO₂ emissions². Energy-efficient buildings, therefore, play an important role in reducing our carbon emissions and limiting climate change.

ALSIK is one of the largest hotels in Denmark and a fine example of an energy-efficient building. It can already claim

to be 76% carbon neutral and a variety of measures have been applied to achieve a high level of sustainability. The hotel's windows were supplied by KRONE VINDUER, a DOVISTA Group subsidiary that designs customised window systems with climate-friendly, low-energy glass that makes a real difference in the global efforts to reduce the energy consumption of buildings.


1,000 window units supplied by KRONE VINDUER to Hotel ALSIK, Sønderborg, Denmark. Photo: Marco Rinaldi, 2019.

DOVISTA[®]
windows and doors



READ MORE ABOUT THE VKR GROUP'S CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS (SDGS) IN VKR HOLDING'S COP REPORT FOR 2019

² Global Alliance for Buildings and Construction: 2019 Global Status Report for Buildings and Construction



1,000 UNITS

A TOTAL OF 2,800 SQUARE METRES

19

FLOORS

70

METRES HIGH

76%

CLIMATE NEUTRAL



VKR HOLDING A/S BOARD OF DIRECTORS



SØREN BJERRE-NIELSEN

Chair
Chair of the board since 2010
Member since 1996

Chair of the
Nomination Committee



THOMAS THUNE ANDERSEN

Deputy Chair
Deputy Chair since 2011
Member since 2010

Deputy Chair of the
Nomination Committee
Chair of the Boards of Ørsted A/S, Lloyd's
Register Group and Lloyd's Register Founda-
tion, and Board member of Arcon-Sun-
mark A/S and IMI plc



ANNE BROENG

Member of the Board of Directors
Member since 2012

Chair of the Audit Committee
Chair of Velliv and Board member of
VELUX A/S, NNIT A/S, NASDAQ Nordic
Ltd., ATP, IFU, Aquaporin A/S et al.



OSCAR MOSGAARD

Member of the Board of Directors
Member since 2016

Member of the Board of Directors
of KIRK KAPITAL A/S and senior advisor
to Triton Partners



JØRGEN TANG-JENSEN

Member of the Board of Directors
Member since 2018

Directly appointed amongst the
shareholders in VKR Holding A/S in
accordance with statues on Governance.
Member of the Audit Committee
Member of the Board of Directors
of VILLUM FONDEN, ROCKWOOL
INTERNATIONAL A/S
and Coloplast A/S et al.

THE VKR GROUP AT 31 DECEMBER 2019



COMPANY INFORMATION

VKR Holding A/S
Breettevej 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 Februar 1968

Financial year
1 January - 31 December

Financial statements no.
52

BOARD OF DIRECTORS

Søren Bjerre-Nielsen
Chair of the Board

Thomas Thune Andersen
Deputy Chair

Anne Broeng
Oscar Mosgaard
Jørgen Tang-Jensen

EXECUTIVE MANAGEMENT

Mads Kann-Rasmussen
CEO

AUDITOR

Ernst & Young
Godkendt
Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg
Denmark

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 19 March 2020 at the Company's address.

VELFAC windows in Fredrika Bremer High School in Sweden.
Photo: Björn Sehlin, 2015.



FINANCIAL STATEMENTS 2019

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

DKKm	Note	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
Net revenue	1	21,561	19,592		
Changes in inventories of manufactured goods, work in progress and goods for resale		145	-17		
Work performed for own account and capitalised		29	20		
Other operating income		83	24	2,670	2,223
		21,819	19,620	2,670	2,223
Costs of raw materials, consumables and goods for resale		7,066	6,286		
Other external costs	2	5,435	5,069	555	558
Employee costs	3	5,628	5,040	48	47
Depreciation, amortisation and impairment losses		831	608	29	28
Profit before financial items and tax		2,857	2,617	2,039	1,590
Profit after tax in subsidiaries	10			512	704
Profit after tax in associates	10	23	19	17	20
Financial income	4	1,391	605	1,338	563
Financial expenses	5	216	886	138	799
Profit before tax		4,056	2,355	3,769	2,078
Tax on profit for the year	6	981	570	694	293
Net profit for the year	7	3,075	1,785	3,075	1,785
Distribution of profit					
DKKm					
Proposed dividend				1,000	1,000
Transferred to equity reserves				2,075	785
Total distribution of profit				3,075	1,785

BALANCE SHEET AT 31 DECEMBER

DKK m	Note	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
ASSETS					
Fixed assets					
Intangible fixed assets					
Completed development projects		95	111		
Acquired patents, licences, trademarks etc.		345	382	383	12
Goodwill		1,212	1,359		
Development projects under construction		4	11		
Total intangible fixed assets	8	1,656	1,863	383	12
Tangible fixed assets					
Land and buildings		2,346	2,337	327	333
Plant and machinery		1,502	1,561		
Other fixtures and fittings, tools and equipment		193	174	13	17
Tangible fixed assets under construction		323	175	2	5
Total tangible fixed assets	9	4,363	4,246	342	355
Financial fixed assets					
Investments in subsidiaries				3,270	3,247
Investments in associates		306	301	275	261
Long-term receivables from associates			2		
Other investments		2,000	1,594	1,772	1,417
Other long-term receivables		19	71	1	13
Total financial fixed assets	10	2,325	1,968	5,317	4,938
Total fixed assets			8,345	8,077	6,042
Current assets					
Inventories	11	2,714	2,543		
Receivables					
Trade receivables		1,867	1,901		
Contract work in progress	12	82	187		
Receivables from subsidiaries				4,805	5,254
Receivables from associates		9	20	0	
Corporation tax receivables		72	202		97
Deferred tax assets	13	178	148		15
Other current receivables		453	537	67	17
Prepayments	14	229	224	4	6
Total receivables		2,891	3,218	4,876	5,388
Marketable securities		9,012	6,647	8,790	6,551
Cash and cash equivalents		850	617	277	151
Total current assets			15,467	13,943	12,090
TOTAL ASSETS			23,812	21,102	19,985

BALANCE SHEET AT 31 DECEMBER

DKKm	Note	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
EQUITY AND LIABILITIES					
Equity					
Share capital	15	110	110	110	110
Retained earnings		18,120	15,804	18,120	15,804
Proposed dividend		1,000	1,000	1,000	1,000
Total equity		19,230	16,914	19,230	16,914
Provisions					
Deferred tax liabilities	16	243	179	93	
Other provisions	17	429	399		
Total provisions		672	579	93	
Liabilities other than provisions					
Non-current liabilities	18	35	42		
Current liabilities					
Current portion of non-current liabilities	18	1	5		
Credit institutions		10	0		
Prepayments from customers		167	126		
Trade payables		1,233	1,231	29	27
Payables to subsidiaries				484	387
Payables to associates		13	19		
Corporation tax		210	31	68	
Other current debt		2,241	2,156	82	66
Total current liabilities		3,875	3,568	663	480
Total liabilities		3,910	3,609	663	480
TOTAL EQUITY AND LIABILITIES		23,812	21,102	19,985	17,394
Contingent liabilities and other contractual obligations	19				
Related parties	20				
Currency risks and use of derivative financial instruments	21				

STATEMENT OF CHANGES IN EQUITY

GROUP

DKK m	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	110	15,804	1,000	16,914
Dividend paid			-1,000	-1,000
Exchange rate adjustments		56		56
Actuarial gains and losses on pension obligations		-18		-18
Tax on equity transactions		5		5
Other adjustments		198		198
Net profit for the year		2,075	1,000	3,075
Equity at 31 December 2019	110	18,120	1,000	19,230

PARENT COMPANY

DKK m	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2019	110	15,804	1,000	16,914
Dividend paid			-1,000	-1,000
Exchange rate adjustments		39		39
Fair value adjustment of hedging instruments		5		5
Tax on equity transactions		-1		-1
Other adjustments		198		198
Net profit for the year		2,075	1,000	3,075
Equity at 31 December 2019	110	18,120	1,000	19,230

CASH FLOW STATEMENT

	GROUP	
DKK m	2019	2018
Cash flow from operations before changes in working capital	3,753	3,276
Changes in working capital	133	-246
Corporation tax paid	-436	-430
Cash flow from operating activities	3,450	2,601
Acquisition and disposal of enterprises and activities		-1,680
Acquisition and disposal of intangible and tangible fixed assets	-660	-688
Cash flow to operating investment activities	-660	-2,368
Purchase and sale of marketable securities	-1,797	-108
Cash flow from investment activities	-2,457	-2,476
Financial income and financial expenses	196	266
Net proceeds from loans	27	7
Dividends from associates	9	5
Dividends paid	-1,000	-1,000
Cash flow from financing activities	-768	-722
Total cash flow for the year	226	-597
Cash and cash equivalents, beginning of year	617	1,227
Exchange rate adjustments	7	-13
Cash and cash equivalents, year end	850	617

NOTER

1	Net revenue	GROUP	
		2019	2018
	DKKm		
	Break-down by geographical segments:		
	Europe	19,301	17,650
	Rest of the world	2,260	1,943
	Total net revenue	21,561	19,592

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	
		2019	2018	2019	2018
	DKKm				
	Total fee				
	Fee to auditor appointed at the annual general meeting	23	31	1	1
	Other auditors	2	1		
		25	32	1	1
	The fee can be specified as follows:				
	Statutory audit	11	10	0	0
	Tax consultancy	2	6	1	1
	Other assurance engagements	0	0		
	Non-audit services	11	16		
	Total fee to auditors appointed at the annual general meeting	25	32	1	1

3	Employee costs	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	DKKm				
	Wages and salaries	4,725	4,229	44	43
	Pensions	300	281	4	4
	Other social security costs	604	529	0	0
	Total employee costs	5.628	5.040	48	47
	Average number of employees (full time)	16,123	15,459	42	43

Employee costs comprise remuneration of the Executive Management and of the Board of Directors DKKm 10 (2018: DKKm 10).

NOTER

4 Financial income

The parent company's interest income from subsidiaries amounted to DKKm 39.2 (2018: DKKm 18.2).

The Group's bank interest income amounted to DKKm 3.6 (2018: DKKm 2.8), while the parent company's bank interest income amounted to DKKm 0.1 (2018: DKKm 0).

5 Financial expenses

The parent company's interest expenses to subsidiaries amounted to DKKm 1.4 (2018: DKKm 0.3).

The Group's bank interest expenses amounted to DKKm 4.6 (2018: DKKm 6.9), while the parent company's bank interest expenses amounted to DKKm 1.8 (2018: DKKm 1.9).

6 Tax on profit for the year	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
DKKm				
Current tax for the year	1,004	580	631	318
Prior year adjustment	-16	-15	-18	
Change in deferred tax for the year	-7	5	80	-24
Total tax on profit for the year	981	570	694	293

The Group's current and deferred tax including prior year adjustments amounted to DKKm 981 (2018: DKKm 570), equivalent to an effective tax rate of 24.2% (2018: 24.2%).

7 Distribution of profit	PARENT COMPANY	
	2019	2018
DKKm		
Proposed dividend	1,000	1,000
Transferred to equity reserves	2,075	785
Total distribution of profit	3,075	1,785

NOTER

8 Intangible fixed assets

GROUP

DKKm	Completed development projects	Acquired patents, licences, trademarks etc.	Goodwill	Development projects under construction *	Total
Cost at 1 January 2019	650	653	2,840	11	4,153
Exchange rate and other adjustments	1	2	2		5
Additions through acquisition of enterprises		2			2
Additions during the year	3	54	2	4	63
Disposals during the year		-4	-3	-1	-8
Transferred	10	7		-10	7
Cost at 31 December 2019	665	714	2,840	4	4,222
Amortisation and impairment losses at 1 January 2019	539	271	1,481		2,291
Exchange rate and other adjustments	1	1	-1		1
Impairment losses for the year		1			1
Amortisation for the year	30	98	148		276
Disposals during the year		-2			-2
Amortisation and impairment losses at 31 December 2019	570	369	1,628	0	2,566
Carrying amount at 31 December 2019	95	345	1,212	4	1,656

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

PARENT COMPANY

DKKm	Acquired patents, licences, trademarks etc.
Cost at 1 January 2019	275
Additions during the year	381
Cost at 31 December 2019	656
Amortisation and impairment losses at 1 January 2019	263
Amortisation for the year	10
Amortisation and impairment losses at 31 December 2019	273
Carrying amount at 31 December 2019	383

NOTER

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 2019	4,939	5,971	912	175	11,996
Exchange rate and other adjustments	17	11	6	1	35
Additions through acquisition of enterprises		8	6		15
Additions during the year	116	176	94	317	702
Disposals during the year	-60	-187	-70	-1	-319
Transferred	42	99	20	-169	-7
Cost at 31 December 2019	5,054	6,078	968	323	12,423
Depreciation and impairment losses at 1 January 2019	2,602	4,410	738		7,750
Exchange rate and other adjustments	8	10	5		24
Impairment losses for the year	8	10	1		18
Depreciation for the year	133	305	96		534
Disposals during the year	-43	-157	-66		-266
Transferred	0	-1	1		0
Depreciation and impairment losses at 31 December 2019	2,709	4,576	775	0	8,060
Carrying amount at 31 December 2019	2,346	1,502	193	323	4,363

PARENT COMPANY

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Tangible fixed assets under construction **	Total
Cost at 1 January 2019	1,107	39	5	1,151
Additions during the year	10	0	2	12
Disposals during the year	-47	0		-47
Transferred	5		-5	0
Cost at 31 December 2019	1,075	39	2	1,116
Depreciation and impairment losses at 1 January 2019	775	21		796
Depreciation for the year	13	5		18
Disposals during the year	-40	0		-40
Depreciation and impairment losses at 31 December 2019	748	26	0	774
Carrying amount at 31 December 2019	327	13	2	342

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

NOTER

10 Financial fixed assets

GROUP

DKKm	Investments in associates	Receivables from associates	Other investments	Other long-term receivables	Total
Cost at 1 January 2019	258	2	1,541	71	1,872
Exchange rate and other adjustments				3	3
Additions during the year	6		484		491
Disposals during the year	-6	-2	-182	-56	-246
Cost at 31 December 2019	258	0	1,842	19	2,119
Value adjustments at 1 January 2019	43		53		96
Net profit for the year and value adjustments	23		119		142
Dividends for the year	-9				-9
Disposals during the year	-9		-15		-24
Value adjustments at 31 December 2019	48	0	158	0	206
Carrying amount at 31 December 2019	306	0	2,000	19	2,325

PARENT COMPANY

DKKm	Investments in subsidiaries	Investments in associates	Other investments ***	Other long-term receivables	Total
Cost at 1 January 2019	4,034	218	1,346	13	5,611
Additions during the year	152	6	444		602
Disposals during the year		0	-173		-173
Other adjustments				-12	-12
Cost at 31 December 2019	4,186	224	1,617	1	6,028
Value adjustments at 1 January 2019	-787	43	70		-673
Exchange rate and other adjustments	143				143
Net profit for the year and value adjustments	512	17	106		635
Dividends for the year	-785	-9			-794
Disposals during the year		0	-22		-22
Value adjustments at 31 December 2019	-916	51	155	0	-710
Carrying amount at 31 December 2019	3,270	275	1,772	1	5,317

*** The Company's 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 observations in an active market but is based on information of the valuation of the funds themselves. At the conclusion of a new investment fund, 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 on unobservable inputs.

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

NOTER

11	Inventories	GROUP	
		2019	2018
	DKKm		
	Raw materials and consumables	764	758
	Work in progress	500	474
	Finished goods	1,450	1,311
	Inventories at 31 December	2,714	2,543

12	Contract work in progress	GROUP	
		2019	2018
	DKKm		
	Sales value of construction contracts	461	527
	On-account invoicing	-399	-353
	Contract work in progress at 31 December	62	174
	Recognised as follows:		
	Contract work in progress (assets)	82	187
	Prepayments from customers (liabilities)	-20	-13
	Contract work in progress at 31 December	62	174

13	Deferred tax assets	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	DKKm				
	Deferred tax assets at 1 January	148	157	15	
	Exchange rate adjustments	1	-1		
	Acquisition of enterprises		11		
	Change in deferred tax for the year recognised in the income statement	28	-20	-15	15
	Tax on equity transactions	1	0		
	Deferred tax assets at 31 December	178	148	0	15

At 31 December 2019, the Group has recognised tax assets of DKKm 178. The tax assets represent tax loss carryforwards of DKKm 13 and unused tax credits from timing differences of DKKm 165. Based on budgets until 2021, Management has considered that future taxable income will be available for utilisation of the tax assets.

14	Prepayments	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	DKKm				
	Prepaid costs	229	224	4	6
	Prepayments at 31 December	229	224	4	6

NOTES

15 Share capital

At 31 December 2019 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	
		2019	2018	2019	2018
	DKKm				
	Deferred tax liabilities at 1 January	179	77	0	9
	Exchange rate adjustments	0	-1		
	Acquisition of enterprises	3	87		
	Change in deferred tax for the year recognised in the income statement	61	15	93	-9
	Deferred tax liabilities at 31 December	243	179	93	0

17 Other provisions

The provisions mainly relate to warranty provisions, and DKKm 134 is expected to fall due within a year after the end of the financial year (2018: DKKm 125).

18	Non-current liabilities	GROUP			
		Total non-current liabilities 31/12 2019	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
	DKKm				
	Non-current liabilities are recognised as follows:				
	Leases	15	1	1	13
	Other non-current liabilities	21		21	
	Total liabilities at 31 December 2019	36	1	22	13

NOTER

19	Contingent liabilities and other contractual obligations	GROUP		PARENT COMPANY	
		2019	2018	2019	2018
	DKKm				
	Lease obligations (operating leases) falling due within five years, total	233	224	2	3
	Commitment relating to investment in equity funds	1,705	1,849	1,595	1,722
	Rental obligations	548	364	57	56
	Guarantees	238	285		
	Other contractual obligations	596	648		

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.

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 currency contracts and currency swaps to hedge recognised and unrecognised transactions.

The parent company is included as a counterparty in forward currency contracts with individual subsidiaries regarding the hedging of those companies' foreign exchange risks. Hedging of recognised transactions mainly comprises receivables and liabilities. Furthermore, hedging is made regarding foreign exchange risks by purchases and sales within the next year.

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

ACCOUNTING POLICIES

The annual report of VKR Holding A/S for 2019 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, intragroup income and expenses, shareholdings, intragroup balances and dividends, and realised and unrealised profits and losses on intragroup transactions are eliminated.

Business combinations

Newly acquired or established enterprises are recognised in the parent company's financial statements from the date of acquisition or formation. Divested companies are recognised in the parent company's financial statements until the date of divestment. Comparative figures are not restated for newly acquired companies. Divested activities 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. 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 enterprise over the total identifiable assets and liabilities measured at fair value is recognised as goodwill under Investments in subsidiaries or Investments in associated companies.

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 year.

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 trans-

ferred, 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 on the date of acquisition. Fair value changes in contingent purchase considerations are recognised in the income statement until final settlement.

Transactions costs incurred as part of the 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 date of acquisition and comparative figures are restated. After the end of the 12-month period, any further adjustments are recognised as errors.

Whenever the divestment 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.

Intragroup business combinations

The book value method is used for 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 on the balance sheet date. Exchange rate differences arising on translation are recognised directly in equity.

Exchange rate adjustments of intragroup 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 recognised at fair value.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as hedges of the fair value 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, the amounts previously recognised in equity are recognised in the income statement in the period when the hedge 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 gains and losses on disposal of intangible and tangible fixed assets.

Other external costs

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

Employee costs

Employee costs comprise wages, salaries, other social security costs for the employees.

Profits/losses from investments in subsidiaries and associates

The proportionate share of the result after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intragroup profits/losses. The proportionate share of the result after tax of the associates is recognised in both the parent company and the consolidated income statements after elimination of the proportionate share of intragroup 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 include interest income and interest expenses, financing costs of 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 expected useful life, 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 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 25 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.

Financial fixed assets

Investments in subsidiaries and associates

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

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

Investments in subsidiaries and associates are subsequently adjusted with share of profit after tax calculated according to the Group's accounting policies eliminated for unrealized intra-group profits/losses, as well as subsequent adjustments to the fair value of contingent purchase consideration.

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 amount owed, the remaining amount is recognised under other provisions in the balance sheet, if there is a legal or actual obligation to cover the imbalance.

Other investments

Other investments which 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 which the Company intends to hold to 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 minus 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.

Marketable securities

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

Equity

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 carryforwards, 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 on 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 other than provisions

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, investment and financing activities for the year, the year's changes in cash and cash equivalents balances, and the Group's cash and cash equivalents balances at the beginning and at the end of the year. The cash flow effect of acquisitions and disposals of enterprises is included in cash flow for investment activities. Cash flow from acquisitions of enterprises is recognised in the cash flow statement from the date of acquisition. Cash flow 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 and 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 book value + 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 2019.

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 2019 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 to 31 December 2019.

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, 10 March 2020

EXECUTIVE MANAGEMENT

BOARD OF DIRECTORS

Mads Kann-Rasmussen
CEO

Søren Bjerre-Nielsen
Chair of the Board

Anne Broeng

Thomas Thune Andersen
Deputy Chair

Oscar Mosgaard

Jørgen Tang-Jensen

INDEPENDENT AUDITORS' 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 2019, 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 2019 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 2019 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 about 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 judgment 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 conclusion is 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, 10 March 2020

Ernst & Young

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 AT 31 DECEMBER 2019

● Subsidiary ○ Associated company or joint venture

Argentina

- VELUX Argentina S.A.

Australia

- VELUX Australia Pty. Ltd.

Austria

- Arcon-Sunmark GmbH
- JET Gruppe Austria GmbH
- SWV Solar Wärme Versorgungs GmbH – 90% (in liquidation)
- 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.
- Solareast Arcon-Sunmark Large-Scale Solar Systems Integration Co., Ltd. – 45%
- 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
- Arcon-Sunmark A/S
- BT Components 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
- JET Domex A/S
- Krone Holding ApS – 59%
- Krone Vinduer A/S – 55%
- O.H. Industri A/S
- Rationel Vinduer A/S
- Skærbæk Bygningsindustri A/S
- SolarCAP A/S
- Thyregod Bygningsindustri A/S
- VELFAC A/S
- Velterm A/S
- VELUX 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
- Plattform Dach.de GbR – 20%
- Ulrich Kreft Vermögensverwaltungs GmbH
- VELFAC GmbH
- VELUX Deutschland GmbH

Hungary

- Altaterra Kft.
- VELUX Magyarország LKR Korlátolt Felelősségű Társaság

VELUX Newco A/S and VKR Newco A/S are included in the consolidated financial statements for 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 AT 31 DECEMBER 2019 (CONTINUED)

● Subsidiary ○ Associated company or joint venture

Ireland

- Rationel Vinduer Ltd.
- VELFAC Ireland Ltd.

Italy

- VELUX Italia s.p.a.

Japan

- VELUX-Japan Ltd.

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
- JET Bramo AS
- Lian Trevarefabrikk AS
- Natre Vinduer 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
- Snidex 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

- EVL Cessation Ltd.
- JET Cox Ltd.
- Rationel Windows (UK) Ltd.
- VELFAC Ltd.
- VELUX Company Ltd.
- Vitral UK Limited
- V.U.K. HOLDINGS LIMITED
- Xtralite (Rooflights) Ltd.

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.

Installation of windows from Mockfjärds Fönster in Sweden.
Photo: Susanne Wahlström, 2018.



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