

Annual Report

2016

VKR

Holding

investing

in daylight,

fresh air

and a better

environment

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Management's review

Highlights of 2016

18.1 billion DKK

Revenue of DKK 18.1 billion up 2% on the previous year

3.0 billion DKK

Cash flow from operating activities after tax of DKK 3.0 billion (2015: DKK 3.3 billion)

3.1 billion DKK

Earnings before amortisation (EBITA) of DKK 3.1 billion (2015: DKK 2.9 billion)

80%

Solidity remains very high with an equity ratio of 80%

17%

EBITA margin 17% (2015: 16%)

44%

Return on capital employed of 44% (2015: 39%)

2.6 billion DKK

Profit after tax DKK 2.6 billion (2015: DKK 2.0 billion)

14,100 employees

The number of employees at year-end 2016 totalled 14,100 (end-2015: 13,600)

Record result in anniversary year

In 2016, the VKR Group celebrated its 75th anniversary. The company was established in 1941 by Villum Kann Rasmussen and has undergone considerable development since then. The founder's wish to bring daylight, fresh air and a better environment into people's everyday lives is still the guiding principle for the Group's management and employees.

The anniversary year was celebrated with a record-high financial performance despite considerable volatility during the year in the markets in which the various business areas of the VKR Group operate. The rise in profit was driven by increased revenue and continued progress towards more efficient production and was also helped by a positive return on the financial portfolio as well as an adjustment to the depreciation period in the VELUX Group. Improved earnings enabled the implementation of strategic initiatives to strengthen the Group's ability to meet the challenges of the future.

New management and revised strategy in VKR Holding A/S

On 1 August, Mads Kann-Rasmussen became CEO of VKR Holding A/S. He took over the position from Jan Lundsgaard Jensen, who stepped down for reasons of ill health after a number of years of outstanding service to the Group.

Over the past four years, the business areas have improved their financial performance, and during the same period the VKR Group optimised the business portfolio. Consequently, in 2016 a new and more active investment strategy was developed. The goal of the new strategy is to further develop the VKR Group's activities and deliver the best possible return on the cash resources that are not distributed as dividend to shareholders. With regard to investment, consideration is given both to opportunities for strengthening the current businesses and to new areas in the field of daylight, fresh air and a better environment.

The business areas

Focus on digitisation within Roof windows & skylights

At the end of 2016, the VELUX Group entered into a partnership agreement with the French tech company Netatmo. A minority shareholding was acquired in the company in order to develop a number of innovative, automated solutions for VELUX products – VELUX ACTIVE – which will focus on meeting the demand for Smart Home products. Innovation, digitisation and the "Internet of Things" are important focus areas for the VELUX Group. Innovative solutions for the modern home will ensure that the VELUX brand remains a

market leader. The VELUX Group wants to participate in shaping the development of the intelligent home, and this is reflected by the collaboration with Netatmo.

New product platform and strategic acquisitions within Vertical windows

In 2016, DOVISTA implemented a new product platform, which enhances energy performance and improves functionality for the end user. DOVISTA's market position was further strengthened in 2016 by acquisition of two companies, Krone Vinduer and Partas. These investments complement DOVISTA's existing product range and will add further production opportunities to the business area.

Strengthening and development of activities within large-scale Solar thermal energy

In 2016, the potential of large-scale solar heating systems was even further improved with the commission of the world's largest solar heating plant of 156,694 square metres in Silkeborg, Denmark. The plant covers about 20% of the total annual district heating consumption of Silkeborg municipality. Arcon-Sunmark supplied a total of 30 large-scale solar thermal energy systems in 2016, mainly to the district heating sector.

Besides the supply and installation of a large-scale solar thermal energy plant to the mining industry in Mexico, the continuing work on internationalisation in a number of selected markets in Europe, South America and Asia has also included the establishment of a joint venture in China. Arcon-Sunmark, which experienced great demand for its solutions in 2016, has maintained and expanded its position as global market leader.

Financial and operational performance

Generally speaking, 2016 was a year of progress for all the business areas in the VKR Group. The performance in 2016 was founded on a robust long-term strategy, which is firmly embedded in the individual business areas. In a volatile market, all companies in the VKR Group need to be adaptable in order to remain competitive.

Revenue and earnings from operations

The VKR Group's total revenue in 2016 amounted to DKK 18.1 billion, corresponding to an increase of 2.2% compared with the previous year. The main source of the Group's revenue growth was increased volume. Progress was achieved in all business areas. In 2016, the Nordic countries, Germany, North America and Central Europe were the main drivers of this growth. North America was also aided by the rising USD in the second half of 2016, whereas British and Swedish revenue, measured in DKK, was impacted by falling exchange rates.

CONSOLIDATED FINANCIAL HIGHLIGHTS

KEY FIGURES (DKKm)	2016	2015	2014	2013	2012
Revenue	18,125	17,734	16,412	16,414	16,994
Earnings before depreciation (EBITDA)	3,556	3,743	2,950	2,272	2,427
Earnings before goodwill amortisation (EBITA)	3,095	2,900	2,011	1,335	1,533
Earnings before financial items and tax (EBIT)	3,014	2,804	1,916	1,190	1,355
Net financials	462	-17	-3	62	273
Profit after tax	2,613	2,004	1,340	788	1,129
Investment in tangible fixed assets (net)	238	503	244	594	1,266
Free cash flow before tax	3,264	3,235	2,880	2,225	681
Total assets	17,940	16,060	14,550	17,318	17,230
Equity	14,276	12,522	11,180	14,144	13,873
Financial ratios (%)					
EBITA margin	17.1	16.4	12.3	8.1	9.0
Return on capital employed	43.7	39.2	24.9	14.5	16.5
Equity ratio	79.6	78.0	76.8	81.7	80.5
Average number of employees	13,885	13,644	13,444	14,519	15,130

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

THE VKR GROUP AT 31 DECEMBER 2016



Roof windows & skylights



Vertical windows



Solar thermal energy



Ventilation & indoor climate



EBITDA was above expectations, but slightly below the 2015 performance. The falling GBP and SEK exchange rates had a negative effect on EBITDA. Earnings were also adversely impacted by increased expenses relating to strategic marketing aimed at strengthening future competitiveness. Compared to last year EBITDA was positively affected by increased revenues, slightly lower prices of raw materials and the ongoing production optimisation efforts.

EBITA amounted to DKK 3.1 billion, compared with DKK 2.9 billion last year, or an increase of 7%. The EBITA margin was 17%. It should be noted that the depreciation period for the VELUX Group for plant, machinery, equipment etc. has been extended compared with last year. The adjustment was made in order to ensure that the depreciation period follows the economic life of these assets more closely from 2016 onwards.

Investments

During 2016, the VKR Group invested net DKK 0.2 billion (1.3% of revenue) in tangible fixed assets, a decrease compared to last year. The investments primarily concern replacement and relate mainly to factories and machinery. The increased sales volume in the Group's core businesses did not require any major investment in production capacity in 2016.

Cash flow from operating and investing activities

Cash flow from operating activities amounted to DKK 3.6 billion before tax (2015: DKK 3.7 billion) and DKK 3.0 billion after tax (2015: DKK 3.3 billion). Despite a higher level of activity, 2016 showed a slight reduction in working capital compared with the previous year. Viewed as a proportion of revenue, working capital was 8% (2015: 10%).

Financial investments

In addition to ownership of companies, VKR Holding has a portfolio of financial investments in various asset classes such as shares, bonds, private equity, real estate etc. Investments are constantly adjusted over the course of the year according to the company's risk profile and investment horizon.

2016 was a strong year for shares with good returns in global financial markets, which ended considerably better than anticipated at the beginning of the year. Equity investments are exposed to European, American, global and emerging markets. Overall, in 2016 investments in shares yielded a return of 8%. VKR Holding focuses on investing a certain proportion in illiquid asset classes, where illiquidity may contribute to higher returns over the total life of the investments.

Finally, net financials were positively influenced by the divestment of VKR Holding's co-ownership of Exhausto A/S in 2016, due to a partial reversal of an impairment loss made in 2015.

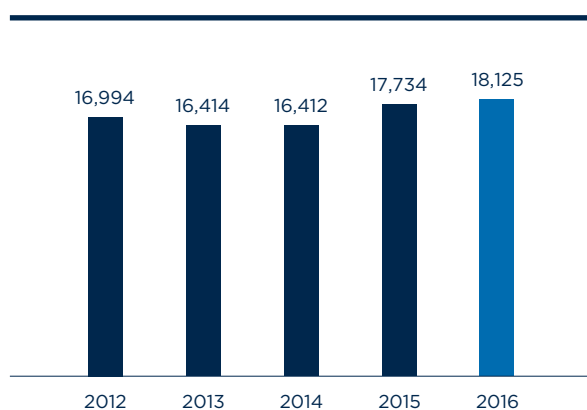
Tax

Tax on profit for the year amounted to DKK 0.9 billion in 2016, compared with DKK 0.7 billion the previous year.

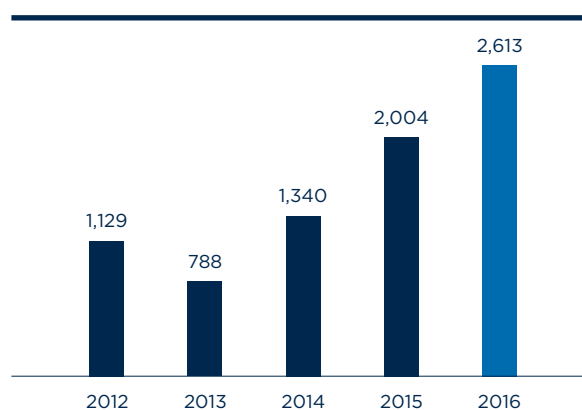
Profit for the year

Profit after tax totalled DKK 2.6 billion, an increase of 30% compared with the previous year. The increase in profit reflected higher revenue, a general improvement in production efficiency, an adjusted depreciation period, a positive effect from the divestment of the co-ownership of Exhausto A/S and a satisfactory return on financial investments. The Group's profits were challenged by the falling GBP and SEK exchange rates. The increased profits enabled the VKR Group to make necessary investments in

REVENUE 2016 - DKKm



PROFIT AFTER TAX 2016 - DKKm



the future, which increased capacity costs in comparison with last year.

Generally speaking, management considers the financial performance in the year satisfactory, partly because the profit was an all-time high and above expectations, and partly because all the business areas contributed to the improvement. However, management is aware that this result was achieved despite an increase in capacity costs, offset by the change in the depreciation period and a good year for shares.

VKR Holding considers it highly important that the company should, in its role of financial investor, be capable of yielding a return that covers the risk incurred. In 2016, developments in results from all the VKR Group's business areas were positive, which is satisfactory.

Capital resources

In 2016, total assets rose to DKK 17.9 billion at 31 December 2016 (2015: DKK 16.1 billion). Cash and marketable securities increased to DKK 8.2 billion at year-end 2016 (2015: DKK 6.3 billion).

After the general meeting in March 2016, ordinary dividends of DKK 1.0 billion were distributed to shareholders.

At the end of 2016, VKR Holding's equity totalled DKK 14.3 billion (year-end 2015: DKK 12.5 billion). This resulted in an equity ratio of 80% at the end of 2016, which is considered satisfactory. At the general meeting in March 2017, it will be proposed that dividends of DKK 1.0 billion be distributed to shareholders, which is in line with last year.

Innovation and development activities

The VKR Group continues to focus on the importance of all its products meeting ever stricter energy requirements applied to new buildings and renovation of existing

buildings. The development of new products in 2016 continued to focus on improving energy efficiency and indoor climate.

VKR Holding actively and systematically protects its intellectual property rights. VKR Holding owns and manages a total of 1,927 patents.

Employees

At the end of 2016, the VKR Group had approximately 14,100 employees (2015: 13,600) spread over 41 countries. Of these, 47% are based in Denmark (2,700) and Poland (3,900). Other countries with a considerable number of employees include Hungary, Sweden, Germany and France.

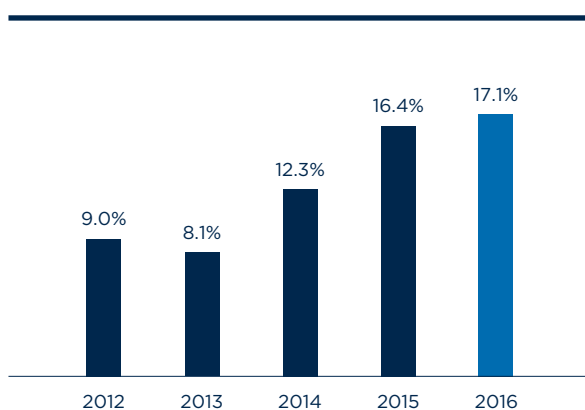
Corporate social responsibility and corporate governance

Each individual business area ensures that its business strategy also includes progress relating to CSR initiatives. The business areas manufacture and sell products that have a positive contribution to society and the environment by improving energy efficiency throughout their lifetime. However, viewed in isolation, the actual production processes have negative environmental impact that the companies are constantly striving to reduce.

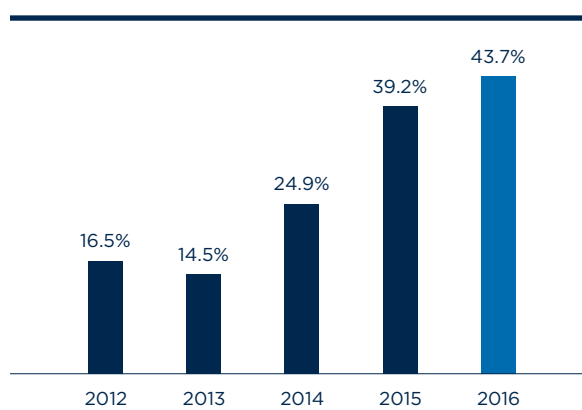
Materials are recycled wherever possible, and the need for appropriate waste disposal is observed. At the same time, attention is always sharply focused on occupational safety as well as health and safety standards for the Group's employees. Please see the separate section on CSR.

The statutory CSR report for the financial year 2016 (pursuant to section 99(a) of the Danish Financial Statements Act) can be found on the website (see: http://www.vkr-holding.com/vkr/CSR.aspx?sc_lang=en).

EBITA MARGIN 2016 - %



RETURN ON CAPITAL EMPLOYED 2016 - %



Diversity targets

Employees and board members of VKR Holding A/S are always selected on the basis of suitability and qualifications. VKR Holding supports equality and diversity, and this is reflected in the target for gender diversity on the board. At the end of 2016, the board had one female member. This corresponds to 20% of the full board. The objective of VKR Holding is to have minimum one (1) female member on the board at any time.

The VKR Group and its business areas are increasingly mindful of the need to recruit talented women for managerial positions and boards.

In VELUX A/S, which represents the Group's largest business area, half the board members elected by the company in general meeting are now women.

Risk factors

The VKR Group's businesses are affected by macroeconomic developments and are dependent on their ability to maintain strong market positions, for instance through continuous product development and efficiency improvements throughout the value chain. The Group as a whole and the underlying business areas are considered to be well positioned in their respective markets.

The activity level in private and public sector construction is one of the main elements of risk for the VKR Group as a whole. Growth in the construction industry is basically driven by the macroeconomic situation in the various markets where the business areas operate. The Group experienced a fairly stable level of activity in the relevant markets throughout 2016, though with a slight slowdown towards the end of the year. This may prove to be a cause of uncertainty in the first part of 2017.

Changes to building legislation and the trend towards energy-friendly buildings and renewable energy sources are important focus areas for VKR Holding's business areas and largely define the framework for their future business opportunities. Ambitious political targets for energy-efficient solutions and freedom of competition serve the Group's interests.

General risks

The VKR Group operates in 41 countries and is exposed to a number of financial risks relating to the Group's income statement and equity:

- Interest rate risk
- Currency risk
- Credit risk
- Liquidity risk
- Product quality and product liability

Interest rate risk

As the VKR Group has very little debt, exposure to fluctuating interest rates on loans is limited. Financial investments are a major part of the corporate parent's activities, and accordingly, developments in the global equity market constitute the greatest risk. The current low interest rate also plays an important part in bond price developments. The Group's interest rate risk is regularly assessed in the context of managing the financial portfolio.

Currency risk

Activity in both sales and production in a number of markets with foreign currency creates a natural hedge. A substantial part of the VKR Group's business is based on EUR where no major fluctuations in relation to DKK are seen. The greatest exposure relates to GBP, SEK and PLN.

The Group does not engage in operational hedging against exchange rate fluctuations.

Credit risk

Trade receivables are widely distributed, both geographically and in terms of the number of customer relationships. Overall, the Group is not considered to be exposed to any significant credit risk. A set procedure is in place for handling customers' credit agreements, using insurance or bank guarantees as security for larger customer payments. Continuous monitoring ensures that the Group only suffers extremely limited bad debt losses, and the VKR Group does not have a major part of its receivables concentrated on a few large customers.

The wide geographical distribution of the company's business activities means that VKR Holding makes use of a large number of banks in many parts of the world. VKR Holding employs large, reputable banks in order to minimise risk when placing cash resources. The credit ratings of the banks used are regularly assessed.

Liquidity risk

The VKR Group maintains large and sufficient cash resources. The excess or shortfall of liquidity in the business areas is constantly monitored. As a result, liquidity is balanced out via VKR Holding if this is financially viable. VKR Holding functions as an intra-group bank, where appropriate, cash pool systems have been set up in the largest foreign companies. VKR Holding's internal bank also acts as a lender for the Group's business areas.

Product quality and product liability

The VKR Group is highly dependent on the quality of the business areas' products.



Rational windows. Photo by Cadesign

If the Group's products are not of the expected quality, the businesses may incur substantial costs. This risk is managed via extensive quality and environmental management systems, which monitor all in-house and suppliers' products. Products are regularly and thoroughly tested internally as well as externally at independent certified test institutes.

Working environment

All of the Group's business areas are strongly focused on a good, safe working environment. This is particularly true for the production facilities where great efforts are being made to take care of employees. The companies work with the international standard OHSAS 18001 for occupational health and safety management. For specific figures, please see the CSR reports for the business areas.

Outlook for 2017

The expectations to the coming year are a higher level of activity in the VKR Group as a whole. In addition, the VKR Group's business areas are expected to improve their current market positions. The VKR Group is constantly striving to improve competitiveness, so focus will still be on making production more efficient. There are also plans to increase capacity costs in 2017 in order to strengthen the ability of the business areas to improve their positions and safeguard future business activities. Therefore, profit for 2017 is anticipated to be at a lower level than in 2016.

Political and macroeconomic developments are expected to bring about a higher degree of uncertainty than in previous years. Management is aware of the need to be prepared to deal with a possible negative change in the framework conditions.



75th anniversary



Daylight Engineers for 75 years

On 1 April 2016 the VKR Group celebrated the 75th anniversary for the establishment of our founder's personal company, V. Kann Rasmussen & Co in Copenhagen. In the mid-1940s, Villum Kann Rasmussen, MSc (Eng.), referred to himself and his employees as "Daylight Engineers". This description still applies today with the increasing demand

for residential comforts like daylight, natural ventilation and energy-efficient solutions. During the year, the anniversary was celebrated in all companies within the Group, e.g. by a joint donation from VKR Holding and the VELUX Group of 14,500 Natural Light solar lamps for NGO organisations in Senegal, Zimbabwe and Zambia.

Corporate Social Responsibility in the VKR Group

Corporate Citizenship has been an integral part of the VKR Group's business strategy and business activities since the company was established in 1941.

Based on VKR Holding's mission to own and develop companies that bring daylight, fresh air and a better environment into people's everyday lives, CSR (Corporate Social Responsibility) is a natural and important element for all companies in the Group.

The ambitions contained within business-driven CSR were set out in the Model Company Objective some 50 years ago (in 1965) by the founder Villum Kann Rasmussen. Since then, this objective has been the cornerstone of the values that all the companies in the Group are expected to act on.

Development and implementation

In view of the overall framework, the individual business areas are responsible for setting up specific CSR strategies, adapted to the individual company's organisation, geographical presence and market position.

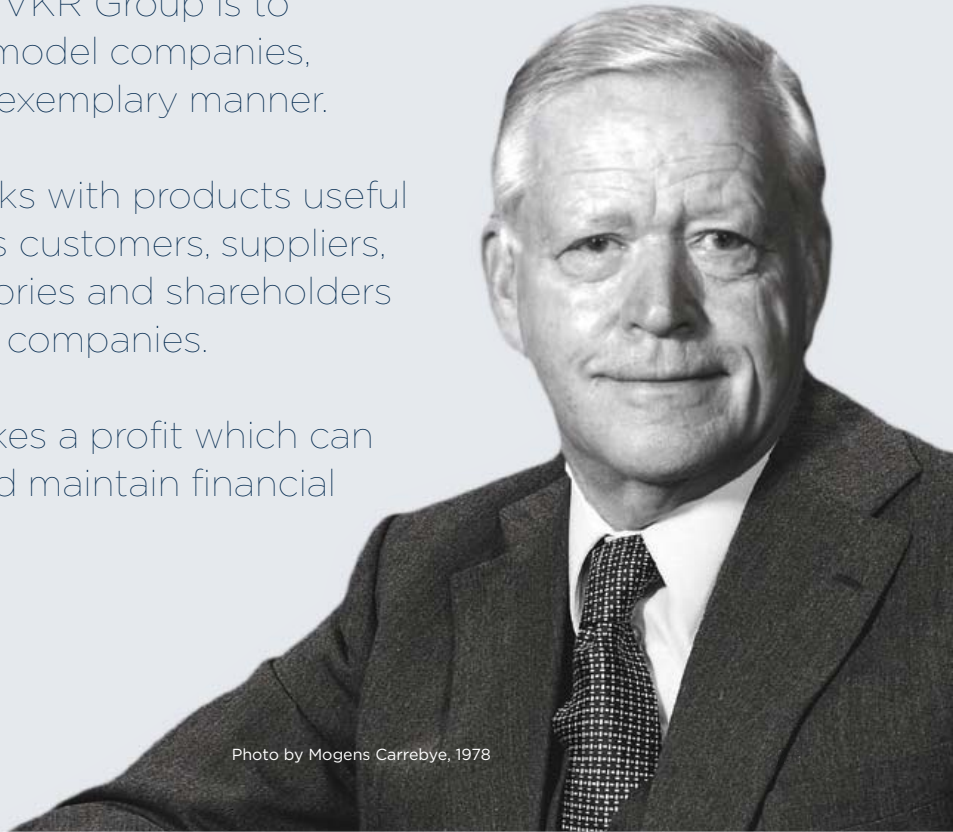
“The purpose of the VKR Group is to establish a number of model companies, which cooperate in an exemplary manner.

A model company works with products useful to society and treats its customers, suppliers, employees of all categories and shareholders better than most other companies.

A model company makes a profit which can also finance growth and maintain financial independence.

VILLUM KANN RASMUSSEN, 1965

Photo by Mogens Carrebye, 1978

A black and white portrait of Villum Kann Rasmussen, an elderly man with short, light-colored hair, wearing a dark suit jacket, a white shirt, and a patterned tie. He is looking directly at the camera with a slight smile.

Since the Group's CSR work was first begun, it has been clear that an aggregation of the reported figures from the individual business areas would be misleading. This is due to the fundamental differences between the business areas. During 2016, each business area joined the UN Global Compact initiative. They work individually on the basis of their own objectives using the Global Compact principles and draw up independent reports on their progress in this area. Joining the UN Global Compact is seen as a natural element of the VKR Group's ongoing CSR efforts.

THE VELUX FOUNDATIONS

The two foundations support a wide range of projects and activities in the fields of research, environment, social and

cultural purposes in Denmark and elsewhere. In 2016, the foundations donated more than DKK 1.1 billion to non-profit projects. Both foundations were founded by Villum Kann Rasmussen. VILLUM FONDEN remains the majority shareholder of VKR Holding A/S.

Employee Foundation of the VKR Group

The Employee Foundation is an independent foundation with the purpose of offering support to the VKR Group's employees. In particular, support is given to employees and their close families in the event of accident or illness and for the education of employees' children, as well as public charitable purposes in the vicinity of the VKR Group's companies.

CSR initiatives in the business areas - examples

Supplier for sustainable construction



In future, responsible, far-sighted business operations will be guided by concepts such as sustainable building, environmental product data, waste minimisation, recycling and reuse.

In 2016, DOVISTA focused on environmental data and separation at product level. They analysed one of the products most commonly used in sustainable building and found confirmation that its basic construction is very simple and suitable for separation into single material components. More than 93% of a VELFAC 200 E can thus be immediately reused.

DOVISTA supports all kinds of sustainable construction, particularly the spread of DGNB*) certified building in Denmark. In 2016, they were the first vertical window company in Denmark to develop a DGNB service pack for architects, engineers and contractors wanting to develop and certify sustainable building.

For more information about the CSR work in DOVISTA, please go to: http://www.dovista.com/custom/media/2016_DOVISTA_CSR_English.pdf

*) DGNB - Deutsche Gesellschaft für Nachhaltiges Bauen e.V.

DOVISTA supports all kinds of sustainable construction

Climate change is the greatest challenge of our time. The need for increased awareness of resources is a key issue in converting to a sustainable society.

Can we afford homes with daylight, fresh air and low energy consumption?



Anderlecht in Belgium. Photo by Adam Mørk

In 2016, the VELUX Group tried to prove how social housing can be renovated in new ways to provide healthy, spacious and more energy-friendly homes – all within an affordable price range.

The project was named 'RenovActive' – 'Renov' because it is a renovation project, and 'Active', because the renovation was carried out in accordance with the principles of the international standard for Active Houses. The main elements of the renovation of the social housing use the attic space, which has provided extra square metres; a new continuous staircase that provides light and air, and roof windows that open and close automatically depending on the air quality and temperature indoors and outdoors ensure a good indoor climate.

In Anderlecht in Belgium, the owners of the social housing intend to carry out additionally 86 renovation projects based on the RenovActive principles.

For more information about the CSR work in the VELUX Group, please go to: <http://www.velux.com/csreport>

27

Active House projects worldwide have been completed by the VELUX Group since 2005.

86

homes planned in Anderlecht.

In Anderlecht in Belgium, the owners of the social housing intend to carry out additionally 86 renovation projects based on the RenovActive principles.



The greenest energy is the colour of the sun

ARCON SUNMARK



Installation of solar panels at Sejling Hede close to Silkeborg, Denmark – September 2016. Photo by Jesper Voldgaard

Through its ownership of the solar heating specialist Arcon-Sunmark, the VKR Group contributes to developing green, sustainable solutions for future energy needs.

Arcon-Sunmark is the world leader within large-scale solar heating plants, and since 1974 the company has been involved in developing solar heating from the experimental stage to becoming one of the foremost technologies in the field of green energy, being sustainable from both an environmental and an economic point of view.

For heating, solar energy is the greenest available alternative, and this kind of energy contributes to a cleaner environment for all citizens. For every 10 square metres of solar panel, there is an annual CO₂ reduction of one ton. A plant from Arcon-Sunmark has an expected service life of at least 25 years, and, unlike other types of green energy, solar thermal energy can be stored and used later, offering increased flexibility and efficiency. The plants are also attractive and competitive from an economic perspective, due to a constant improvement of the price performance of the solar heating plants.

In 2016, Arcon-Sunmark installed the world's largest plant so far for Silkeborg Forsyning (district heating company).

The world's largest solar heating plant – supplies 20% of the annual heating consumption in Silkeborg, Denmark

The plant has a solar panel area of 156,694 square metres and will supply 20% of the annual heating requirement of Silkeborg. Together with improvements to the efficiency of the district heating plant in Silkeborg, the solar heating plant is part of the city's strategy to become CO₂ neutral in 2030. In addition, the plant will contribute to accommodating and neutralising a DKK 100 million cost increase that would otherwise have affected Silkeborg Forsyning's customers in 2019.

For more information about the CSR work in Arcon-Sunmark, please go to: <https://www.unglobalcompact.org/what-is-gc/participants/94981#cop>

Production without waste




VELUX V22 – Production at Østbirk Bygningsindustri A/S, Photo by FOTO & CO, Brian Poulsen

The management of production at the VELUX factories is based on the circular economy principle in which nothing goes to waste.

The vision is zero waste, and this is within reach. In 2016, 97% of the production waste at the 17 VELUX factories in Europe, the USA and China was either recycled or used to produce energy.

The main materials used in production are wood, steel, aluminium and glass. Wood constitutes by far the largest quantity, and the wood that is not suitable for windows production is sold on to local companies for use in their processes. Wood shavings and smaller pieces of wood left over from production are sold on to companies that produce products such as chipboard, wood pellets for heating and bedding for chicken farms. At the same time, more and more VELUX factories use waste wood to heat the factory and for hot water.

Furthermore, 98% of the wood used in VELUX factories in Europe comes from certified sustainable forests. The wood used is pine and no tropical hardwood is used. All suppliers of wood are either PEFC or FSC certified. The aim is to increase the ratio of certified wood to at least 99% by 2020.

For more information about the CSR work by the VELUX Group, please go to: <http://www.velux.com/csrreport>

97%

of waste from production was either recycled or used to produce energy.



VKR Holding headquarters in Hørsholm. Photo by Janus Frost

Company information

VKR Holding A/S

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2970 Hørsholm
Denmark

Telephone

+45 39 69 11 44

Website

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Company reg.no. (CVR)

30 83 04 15

Registered office

Hørsholm

Founded

7 February 1968

Financial year

1 January – 31 December

Financial statements no.

49

Board of directors

Søren Bjerre-Nielsen
Chairman

Thomas Thune Andersen
Vice-chairman

Anne Broeng

Oscar Mosgaard

Steen Riisgaard

Executive Management

Mads Kann-Rasmussen
CEO

Auditors

Ernst & Young
Godkendt
Revisionspartnerselskab
Osvald Helmuths Vej 4,
2000 Frederiksberg
Denmark

Annual general meeting

The annual general meeting will be held on 16 March 2017

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 2016.

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

In our opinion, the Group and parent company financial statements give a true and fair view of the Group's and the parent company's assets, equity and liabilities and financial position at 31 December 2016 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 2016.

It is also our opinion that the Management's review constitutes a true and fair account of the development in the Group's and the parent company's operations and financial circumstances, the net profit for the year and the Group's and the parent company's financial position.

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

Hørsholm, 7 March 2017

Executive Management

Board of directors

Mads Kann-Rasmussen
CEO

Søren Bjerre-Nielsen
Chairman

Anne Broeng

Thomas Thune Andersen
Vice-chairman

Oscar Mosgaard

Steen Riisgaard

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 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the group and the parent company, as well as consolidated statement of cash flows. The consolidated financial statements and the parent company financial statements are prepared under 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 2016, and of the results of the Group and parent company operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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" section of our report. 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 the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent company 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 consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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 Management's review. Our opinion on the consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the consolidated financial statements or the parent company 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 consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's review.

Copenhagen, 7 March 2017

Ernst & Young

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen
State Authorised
Public Accountant

Jesper Koefoed
State Authorised
Public Accountant



Consolidated and parent company financial statements 2016

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

DKKm	Note	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
Revenue	2	18,125	17,734		
Changes in inventories of manufactured goods, work in progress and goods for resale		27	-104		
Work performed for own account and capitalised		18	24		
Other operating income		149	109	2,231	1,874
		18,320	17,764	2,231	1,874
Costs of raw materials, consumables and goods for resale		5,754	5,506		
Other external costs	3	4,586	4,226	507	488
Employee costs	4	4,424	4,289	52	38
Depreciation, amortisation and impairment losses		541	939	35	59
Profit before financial items and tax		3,014	2,804	1,637	1,288
Profit after tax in subsidiaries	11			942	951
Profit after tax in associates	11	12	-43	10	-44
Financial income	5	561	321	547	380
Financial expenses	6	99	339	65	256
Profit before tax		3,488	2,743	3,072	2,320
Tax on profit for the year	7	875	739	459	315
Net profit for the year	8	2,613	2,004	2,613	2,004
Distribution of profit:					
DKKm					
Proposed dividend				1,000	1,000
Retained earnings				1,613	1,004
Total distribution of profit				2,613	2,004

BALANCE SHEET AT 31 DECEMBER

DKKm	NOTE	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
ASSETS					
Fixed assets					
Intangible fixed assets	9				
Completed development projects		0	86		
Acquired patents, licences, trademarks etc.		22	4	5	11
Goodwill		190	221		
Development projects in course of construction		113	35		
		324	345	5	11
Tangible fixed assets	10				
Land and buildings		2,122	2,306	338	464
Plant and machinery		1,138	1,099		
Other fixtures and fittings, tools and equipment		148	157	6	7
Tangible fixed assets in course of construction		166	168	14	1
		3,573	3,729	358	472
Investments	11				
Investments in subsidiaries				3,384	3,400
Investments in associates		132	1	115	0
Receivables from associates		5	4	2	2
Other investments		935	837	738	664
Other long term receivables		63	19	5	7
		1,135	860	4,244	4,074
Total fixed assets		5,033	4,934	4,607	4,557
Current assets					
Inventories					
Raw materials and consumables		589	585		
Work in progress		411	456		
Manufactured goods and goods for resale		1,251	1,181		
		2,251	2,222		
Receivables					
Trade receivables		1,513	1,449		
Contract work in progress	12	36	69		
Receivables from subsidiaries				2,714	2,506
Corporation tax receivables		86	56		63
Deferred tax assets	13	189	284	8	46
Other short term receivables		419	536	28	33
Prepayments		181	172	1	1
		2,425	2,567	2,751	2,648
Marketable securities		7,272	5,171	7,162	5,094
Cash and bank balances		958	1,166	138	491
Total current assets		12,907	11,126	10,051	8,232
TOTAL ASSETS		17,940	16,060	14,658	12,789

BALANCE SHEET AT 31 DECEMBER

DKKm	NOTE	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
EQUITY AND LIABILITIES					
Equity					
Share capital	14	110	110	110	110
Retained earnings		13,166	11,412	13,166	11,412
Proposed dividend		1,000	1,000	1,000	1,000
Total equity		14,276	12,522	14,276	12,522
Provisions					
Deferred tax liabilities	15	88	77		
Other provisions	16	413	474		
Total provisions		501	551		
Liabilities other than provisions					
Non-current liabilities					
Non-current liabilities	17	50	2		
Current liabilities					
Current portion of non-current liabilities	17	8	4		
Credit institutions		54	51		
Prepayments received from customers		93	116		
Trade payables		1,014	986	0	10
Payables to subsidiaries				268	195
Payables to associates		1			
Corporation tax		68	81	40	
Other short term debt		1,875	1,747	74	62
		3,113	2,985	382	267
Total liabilities		3,163	2,987	382	267
TOTAL EQUITY AND LIABILITIES		17,940	16,060	14,658	12,789
Accounting policies	1				
Contingent liabilities and other contractual obligations	18				
Events after the balance sheet date	19				
Related parties	20				
Currency risks and use of derivative financial instruments	21				

EQUITY STATEMENT
GROUP

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2016	110	11,412	1,000	12,522
Dividend paid			-1,000	-1,000
Exchange rate adjustments		-46		-46
Actuarial losses regarding pension obligations		-14		-14
Tax on equity transactions		3		3
Other adjustments		198		198
Net profit for the year carried forward		1,613	1,000	2,613
Equity at 31 December 2016	110	13,166	1,000	14,276

PARENT COMPANY

DKKm	Share capital	Retained earnings	Proposed dividend	Total
Equity at 1 January 2016	110	11,412	1,000	12,522
Dividend paid			-1,000	-1,000
Exchange rate adjustments		-55		-55
Adjustment of forward exchange contracts at fair value		-3		-3
Tax on equity transactions		1		1
Other adjustments		198		198
Net profit for the year carried forward		1,613	1,000	2,613
Equity at 31 December 2016	110	13,166	1,000	14,276

CASH FLOW STATEMENT

DKKm	GROUP	
	2016	2015
Cash flow from operations before changes in working capital	3,453	3,533
Changes in working capital	146	196
Corporation tax paid	-610	-464
Cash flow from operating activities	2,990	3,265
Acquisition and disposal of enterprises and activities	-63	57
Acquisition and disposal of intangible and tangible fixed assets	-272	-552
Cash flow to operating investing activities	-335	-494
Purchase and sale of marketable securities	-2,054	-1,322
Cash flow for investing activities	-2,389	-1,817
Financial income and financial expenses	142	183
Net proceeds from loans	9	-47
Dividends from associates	3	1
Dividends paid	-1,000	-1,000
Cash flow used for financing activities	-847	-863
Total cash flow for the year	-246	585
Cash and bank balances, beginning of year	1,166	617
Exchange rate adjustments	39	-37
Cash and bank balances, year-end	958	1,166

NOTES

1 Accounting policies

The annual report of VKR Holding A/S for 2016 has been prepared in accordance with the provisions applying to class C (large) enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year; except for the new rules regarding assessing the residual value of fixed assets and regarding the treatment of defined benefit plans in the subsidiaries. The changes of the valuation of fixed assets have made a stop for depreciation of a few properties, reducing depreciation marginally in 2016. Actuarial gains and losses included in the calculation of defined benefit pension liabilities are from 2016 recognised directly to equity. Previously, actuarial gains and losses were recognised in the income statement.

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

Consolidated financial statements

Consolidation

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

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets and liabilities at the acquisition date.

Business combinations

Acquisitions of enterprises are accounted for using the purchase method unless the criteria for use of the pooling of interests method are met. Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement up to the date of disposal. On application of the pooling of interests method, the difference between the purchase consideration and the equity of the acquire is recognised directly in equity.

Goodwill is recognised as intangible fixed assets and amortised on a systematic basis in the income statement based on an individual assessment of the economic lifetime, usually between 5 and 15 years.

Foreign currency translation

Transactions denominated in foreign currencies are translated at 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 at the balance sheet date and the time at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income and financial expenses.

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

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

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently 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 which were 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 which were 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

Revenue

Revenue 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 revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method).

NOTES

Other operating income and costs

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

Profits/losses from investments in subsidiaries and associates

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

Financial income and financial expenses

Financial income and financial expenses are recognised in the income statement with 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 currency etc.

Tax on profit/loss for the year

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

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

The company is jointly taxed with 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

Gain 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 estimated useful life, which constitutes for 5 to 15 years. The amortisation period is determined based on expected repayment period and this is longest for strategic acquisitions with strong market position and 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 a future utilization demonstrated 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 when 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 estimated useful life. The amortisation period is usually 3-5 years.

Patents, licences and software

Patents, licences and software are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period. Licences and software are amortised over the agreement period. For licences that usually runs up to 5 years, while software is amortised during 3-5 years. Patents, licences and software are further written down 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 is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

NOTES

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

Investments

Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured in accordance with the equity method minus or plus unrealised intra-group profits and losses. 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 as part of the carrying amount and is amortised based on an individual assessment of the useful life.

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 recognised 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 price for goods for resale and raw materials and consumables comprises the purchase price plus delivery costs. The cost price for manufactured goods and work in progress comprises direct and indirect production overheads.

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 invoicing on account 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 when incurred.

Prepayments

Prepayments comprise prepayments regarding goods and services not yet received and expenses incurred for goods and services, which are not to be used until the subsequent financial year.

Marketable securities

Listed securities recognised as current assets are measured at fair value at 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 using the balance sheet liability method on differences between the carrying amount and the tax base 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 the tax rules and rates in the respective countries at the balance sheet date expecting to be applicable when the deferred tax is expected to become current tax. Changes in deferred tax due to changes in tax rates is 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 at the proceeds received, 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.

NOTES

Cash flow statement

The cash flow statement shows the Group's cash flow from operating, investing and financing activities for the year, the year's changes in cash and bank balances, and the Group's cash and bank balances at the beginning and end of the year. The cash flow effect of acquisitions and disposals of enterprises is included in cash flow for investing 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.

Key figures and Financial ratios

The financial ratios 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:

$$\frac{\text{EBITA} \times 100}{\text{Revenue}}$$

Return on capital employed:

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

Equity ratio (Solidity):

$$\frac{\text{Equity} \times 100}{\text{Total assets}}$$

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.

NOTES

2	Revenue	GROUP	
		2016	2015
	DKKm		
	Break-down by geographical segments:		
	Europe	16,511	16,198
	Rest of the world	1,614	1,536
		18,125	17,734

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

3	Fee to auditors appointed at the annual general meeting	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Total fee				
	Fee to auditor appointed at the annual general meeting	13	13	1	1
	Other auditors	1	3	0	0
		14	16	1	2
	The fee can be specified as follows:				
	Statutory audit	10	9	0	0
	Tax consultancy	2	5	1	2
	Other assurance engagements	0	0	0	0
	Non-audit services	2	2	0	0
		14	16	1	2

4	Employee costs	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Wages and salaries	3,626	3,529	49	35
	Pensions	324	305	3	3
	Other social security costs	474	454	0	0
		4,424	4,289	52	38
	Average number of employees (full time)	13,885	13,644	37	36

Employee costs comprise remuneration of management DKKm 17, including severance payment, and of the board of directors DKKm 2 in the Group and similar in the parent company (2015: management and board of directors DKKm 9 in total).

NOTES

5	Financial income	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Total financial income	561	321	547	380

The parent company's interest income from subsidiaries DKKm 23 (2015: DKKm 23).

6	Financial expenses	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Total financial expenses	99	339	65	256

The parent company's interest paid to subsidiaries DKKm 0 (2015: DKKm 4).

7	Tax on profit for the year	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Current tax for the year	760	714	431	314
	Prior year adjustment	11	-1	-9	-15
	Deferred tax adjustment for the year	104	26	38	17
		875	739	459	315

The Group's current and deferred tax including prior year adjustments amounted to DKKm 875 (2015: DKKm 739), equivalent to an effective tax rate of 25.1% (2015: 26.9%).

8	Distribution of profit	PARENT COMPANY	
		2016	2015
	DKKm		
	Proposed dividend	1,000	1,000
	Retained earnings	1,613	1,004
	Total distribution of profit	2,613	2,004

NOTES

9 Intangible fixed assets	GROUP				
DKKm	Completed development projects	Acquired patents licences, trademarks etc.	Goodwill	Development projects in course of construction *)	Total
Cost at 1 January 2016	514	245	1,737	81	2,577
Exchange rate and other adjustments	1	16	-2		16
Additions during the year		5	50	31	86
Disposals during the year		-13	-8		-22
Transferred		1		1	2
Cost at 31 December 2016	515	253	1,777	113	2,658
Amortisation and impairment losses at 1 January 2016	510	206	1,516	0	2,232
Exchange rate and other adjustments	1	16	-1		16
Amortisation for the year	4	18	81		103
Disposals during the year		-9	-8		-17
Amortisation and impairment losses at 31 December 2016	515	231	1,588	0	2,334
Carrying amount at 31 December 2016	0	22	190	113	324

PARENT COMPANY	
DKKm	Acquired patents licences, trademarks etc.
Cost at 1 January 2016	299
Disposals during the year	-11
Cost at 31 December 2016	288
Amortisation and impairment losses at 1 January 2016	288
Amortisation for the year	6
Disposals during the year	-11
Amortisation and impairment losses at 31 December 2016	283
Carrying amount at 31 December 2016	5

*) Development projects in course of construction include prepayments for intangible assets.

NOTES

10	Tangible fixed assets		GROUP		
DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Tangible fixed assets in course of construction **)	Total
Cost at 1 January 2016	4,842	5,611	852	168	11,473
Exchange rate and other adjustments	-22	-39	-5	-2	-68
Additions during the year	61	181	71	193	505
Disposals during the year	-403	-398	-121	-3	-925
Transferred	55	123	9	-189	-2
Cost at 31 December 2016	4,534	5,477	806	166	10,983
Depreciation and impairment losses at 1 January 2016	2,537	4,511	696	0	7,744
Exchange rate and other adjustments	4	-22	-3		-23
Depreciation for the year	146	208	84		439
Depreciation and impairment losses on disposal of assets	-275	-357	-118		-751
Transferred		1	-1		0
Depreciation and impairment losses at 31 December 2016	2,412	4,340	658	0	7,410
Carrying amount at 31 December 2016	2,122	1,138	148	166	3,573

PARENT COMPANY					
DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Tangible fixed assets in course of construction **)	Total	
Cost at 1 January 2016	1,386	23	1	1,410	
Additions during the year	2		13	16	
Disposals during the year	-322			-322	
Transferred	1		-1	0	
Cost at 31 December 2016	1,067	23	14	1,104	
Depreciation and impairment losses at 1 January 2016	922	16	0	938	
Depreciation for the year	27	2		29	
Depreciation and impairment losses on disposal of assets	-221			-221	
Depreciation and impairment losses at 31 December 2016	729	18	0	746	
Carrying amount at 31 December 2016	338	6	14	358	

**) Tangible fixed assets in course of construction include prepayments for tangible assets.

NOTES

11 Investments	GROUP				
DKKm	Investments in associates	Receivables from associates	Other investments	Other long term receiv- ables	Total
Cost at 1 January 2016	74	119	872	19	1,083
Additions during the year	16	3	312	46	377
Disposals during the year		-116	-114	-1	-232
Transferred	100		-100		0
Cost at 31 December 2016	190	5	970	63	1,228
Value adjustments at 1 January 2016	-73	-115	-35	0	-223
Net profit for the year and value adjustments	12	49	10		70
Dividends for the year	-3				-3
Disposals during the year		66	-3		63
Transferred	7		-7		0
Value adjustments at 31 December 2016	-57	0	-36	0	-93
Carrying amount at 31 December 2016	132	5	935	63	1,135

PARENT COMPANY

DKKm	Investments in subsidi- aries	Investments in associates	Receivables from associates	Other investments ***)	Other long term receivables
Cost at 1 January 2016	4,254	73	117	693	7
Additions during the year	25		2	248	
Disposals during the year			-117	-74	-1
Transferred		100		-100	
Cost at 31 December 2016	4,279	173	2	767	5
Value adjustments at 1 January 2016	-854	-73	-115	-28	
Exchange rate and other adjustments	-55				
Net profit for the year and value adjustments	942	10	49	5	
Dividends for the year	-929	-3			
Additions during the year				2	
Disposals during the year			66		
Transferred		7		-7	
Value adjustments at 31 December 2016	-895	-58	0	-29	
Carrying amount at 31 December 2016	3,384	115	2	738	5

***) The company's Other investments primarily include investments in Private equity funds, Mezzanine funds, Property funds and similar passive investments (collectively referred to as "investment funds"). For this type of investment fair value can not be measured on the basis of observations in an active market, but on the basis of information on 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 chose to invest in the investment fund. The fair value of its investments in investment funds are based on received quarterly reports. VKR Holding do not receive detailed information about fair value calculation for the investment funds, nor information about the key assumptions used for fair valuation. The fair value of all investment funds is calculated on the basis of unobservable inputs.

Regarding specification of investments in subsidiaries and associates refer to Company Overview at the back of the annual report.

NOTES

12	Contract work in progress	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Sales value construction contracts	350	194		
	Invoicing on account	-314	-126		
		36	68		
	Recognised as follows:				
	Contract work in progress (assets)	36	69		
	Prepayments from customers (liabilities)	0	-1		
		36	68		

13	Deferred tax assets	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Deferred tax assets at 1 January	284	287	46	62
	Exchange rate adjustments	-2	6		
	Deferred tax adjustments for the year recognised in the income statement	-93	-9	-38	-17
	Tax on equity transactions	1			
	Deferred tax assets at 31 December	189	284	8	46

At 31 December 2016 the company has included tax assets of DKKm 189. The tax assets represent tax loss carryforwards DKKm 1 and unused tax credits from timing differences DKKm 188. Based on budgets until 2018 the Management has considered that future taxable income will be available for utilization of the tax assets.

14 Share capital

The share capital comprises:

10,000 A shares of DKK 1,000 each

99,869 B shares of DKK 1,000 each

The share capital has not been changed during the last five years.

Each A share carries 10 voting rights, and each B share carries 1 voting right.

NOTES

15	Deferred tax liabilities	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Deferred tax liabilities at 1 January	77	59		
	Exchange rate adjustments	-1	1		
	Deferred tax adjustment for the year recognised in the income statement	12	17		
	Tax on equity transactions	0			
	Deferred tax liabilities at 31 December	88	77		

16	Other provisions	GROUP		PARENT COMPANY	
	DKKm				
	The provisions mainly relate to warranty provisions. Other provisions are expected to fall due as follows:				
	0-1 year		134		
	> 1 year		278		
	Other provisions at 31 December 2016		413		

17	Non-current liabilities	GROUP			
		Total non-current liabilities 31/12 2016	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	20	6	1	13
	Other liabilities	38	2	21	15
	Total at 31. december 2016	58	8	22	28

18	Contingent liabilities and other contractual obligations	GROUP		PARENT COMPANY	
		2016	2015	2016	2015
	DKKm				
	Lease obligations (operating leases) falling due within five years, total	175	150	2	2
	Commitment relating to investment funds	1,225	505	1,189	485
	Rental obligations	363	324	70	77
	Guarantees	190	271		97
	Other contractual obligations	312	477		

The parent company is jointly taxed with other Danish companies in the VKR Group. The company has unlimited joint and several liability with the other jointly taxed Danish companies for company taxes, interest thereon etc. and for Danish tax withheld at source for dividend, interest and royalties within the joint taxation group.

NOTES

19 Events after the balance sheet date

No events have occurred since the balance sheet date that will have a material impact on the profit for the year or the company's financial position.

20 Related parties

Transactions between VKR Holding A/S and its related parties are settled on normal commercial terms. Pursuant to section 98c of the Danish Financial Statements Act the company chose to disclose transactions not conducted at market conditions. There has been none of this kind of transactions this 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 ensure 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 done 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 investments.

COMPANY OVERVIEW AT 31 DECEMBER 2016

Company name	Registered office	Ownership share
A/S Østbirk Bygningsindustri	Horsens, Denmark	100%
Arcon-Sunmark A/S	Rebild, Denmark	100%
Arcon-Sunmark GmbH	Regensburg, Germany	100%
Arcon-Sunmark GmbH	Krumpendorf, Austria	100%
Arcon-Sunmark Large-Scale Solar Systems Integration Co., Ltd.	Beijing, China	45%
Arcon-Sunmark Production Co. Ltd.	Binh Duong, Vietnam	100%
Altaterra Magyarország Kft.	Fertőd, Hungary	100%
Altaterra Polska Sp. z o.o.	Warsaw, Poland	100%
B18-1 A/S	Hørsholm, Denmark	100%
Beteiligungs-Gesellschaft Handel & Mack mbH	Weilheim/Teck, Germany	20%
Betterhome ApS	Frederiksberg, Denmark	25%
BKR ČR, s.r.o.	Vyskov, Czech Republic	100%
BT Components A/S	Vejle, Denmark	100%
Core Bolig IV Investoraktieselskab nr. 1	København, Denmark	38%
DEUTSCHE-CAP GmbH	Hamburg, Germany	100%
Dovista (Guangzhou) Windows and Doors Technology Co. Ltd.	Guangzhou, China	100%
DOVISTA A/S	Horsens, Denmark	100%
DOVISTA Norge AS	Gjøvik, Norway	100%
DOVISTA Polska Sp. z o.o.	Swarozyn, Poland	100%
DOVISTA Sverige AB	Edsbyn, Sweden	100%
FE "VELUX Roof Windows"	Minsk, Belarus	100%
FIFE JOINERY MANUFACTURING LIMITED (in liquidation)	Fife, United Kingdom	100%
FOCO Solar Energy S.A. (in liquidation)	Athens-Lamia, Greece	100%
Gelsted Bygningsindustri A/S	Hørsholm, Denmark	100%
Gåsdal Bygningsindustri A/S	Ringkøbing-Skjern, Denmark	100%
Handel & Mack GmbH & Co. KG	Weilheim/Teck, Germany	20%
Homecontrol A/S	Hørsholm, Denmark	100%
KH-SK France S.A.S.	Marnay, France	100%
Krone Holding ApS	Hjørring, Danmark	39%
Kuhr Invest ApS	Skive, Denmark	100%
Lian Trevarefabrikk AS	Hemne, Norway	100%
Mockfjärds Fönster AB	Mockfjärd, Sweden	100%
Mockfjärds Fönsterentreprenad AB	Mockfjärd, Sweden	100%
Mockfjärds Fönstermästaren AB	Mockfjärd, Sweden	100%
Monodraught Limited	High Wycombe, United Kingdom	100%
Natre Vinduer AS	Gjøvik, Norway	100%
NB Polska Sp. z o.o.	Gniezno, Poland	100%
O.H. Industri A/S	Ikast-Brande, Denmark	100%
Partas A/S	Skive, Denmark	100%
Partizánske Building Components-SK s.r.o.	Partizánske, Slovakia	100%
Plattform Dach.de GbR	Mayen, Germany	20%
Rationel Vinduer A/S	Herning, Denmark	100%
Rationel Vinduer Ltd.	Dublin, Ireland	100%
Rationel Windows (UK) Ltd.	Bicester, United Kingdom	100%
RoofLITE France S.A.R.L	Bayonne, France	100%
S.C. VELUX România S.R.L.	Brasov, România	100%

COMPANY OVERVIEW AT 31 DECEMBER 2016

Company name	Registered office	Ownership share
SIG Sonneborn Bauzubehör Industriegesellschaft mbH	Sonneborn, Germany	100%
Skærbæk Bygningsindustri A/S	Tønder, Denmark	100%
Snidex AB	Burträsk, Sweden	100%
SolarCAP A/S	Hørsholm, Denmark	100%
SolarSouth Investment Komplementar ApS	Hørsholm, Denmark	35%
SolarSouth Investment P/S	Hørsholm, Denmark	35%
Svenska Fönster AB	Edsbyn, Sweden	100%
SWV Solar Wärme Versorgungs GmbH	Graz, Austria	100%
The New West Port Corporation Limited	Maryport, United Kingdom	100%
Thyregod Bygningsindustri A/S	Vejle, Denmark	100%
TVC Holdings LLC	Greenwood, USA	100%
UAB, "DOV Investicija"	Vilnius, Lithuania	100%
V.U.K. HOLDINGS LIMITED	Fife, United Kingdom	100%
VELFAC A/S	Horsens, Denmark	100%
VELFAC AB	Solna, Sweden	100%
VELFAC GmbH	Herford, Germany	100%
VELFAC Ireland Ltd.	Dublin, Ireland	100%
VELFAC Ltd.	Cambridge, United Kingdom	100%
Velserv A/S	Hørsholm, Denmark	100%
Velso France S.A.S.	Reignier, France	100%
Velterm A/S	Horsens, Denmark	100%
VELUX (CHINA) CO., Ltd.	Langfang, China	100%
VELUX A/S	Hørsholm, Denmark	100%
VELUX America LLC	Greenwood, USA	100%
VELUX Argentina S.A.	Buenos Aires, Argentina	100%
VELUX Australia Pty. Ltd.	Alexandria, N.S.W., Australia	100%
VELUX Belgium S.A.	Bierges, Belgium	100%
VELUX Bosna i Hercegovina d.o.o.	Illidza, Bosnia-Hercegovina	100%
VELUX Bulgaria EOOD	Sofia, Bulgaria	100%
VELUX Canada Inc.	Oakville, Ontario, Canada	100%
VELUX Çati Pencereleeri Ticaret Limited Sirketi	Istanbul, Turkey	100%
VELUX Česká republika, s.r.o.	Brno, Czech Republic	100%
VELUX Chile Limitada	Santiago, Chile	100%
VELUX Company Ltd.	Fife, United Kingdom	100%
VELUX Danmark A/S	Hørsholm, Denmark	100%
VELUX Design and Development USA LLC	Greenwood, USA	100%
VELUX Deutschland GmbH	Hamburg, Germany	100%
VELUX Eesti OÜ	Tallinn, Estonia	100%
VELUX France S.A.S.	Morangis Cédex, France	100%
VELUX Greenwood LLC	Greenwood, USA	100%
VELUX Group USA Inc.	Greenwood, USA	100%
VELUX Hrvatska d.o.o.	Zagreb, Croatia	100%
VELUX Italia s.p.a.	Colognola ai Colli, Italy	100%
VELUX-Japan Ltd.	Tokyo, Japan	100%
VELUX Latvia SIA	Riga, Latvia	100%
"VELUX Lietuva", UAB	Vilnius, Lithuania	100%

COMPANY OVERVIEW AT 31 DECEMBER 2016

Company name	Registered office	Ownership share
VELUX Magyarország LKR Korlátolt Felelősségű Társaság	Fertőd, Hungary	100%
VELUX Nederland B.V.	De Meern, Netherland	100%
VELUX New Zealand Ltd.	Auckland, New Zealand	100%
VELUX Norge AS	Oslo, Norway	100%
VELUX Polska Sp. z o.o	Warsaw, Poland	100%
VELUX Portugal, Lda.	Lisbon, Portugal	100%
VELUX Schweiz AG	Trimbach, Switzerland	100%
VELUX Sky Forwarding LLC	Greenwood, USA	100%
VELUX Slovenija d.o.o.	Trzin, Slovenia	100%
VELUX Slovensko spol. s r.o.	Bratislava, Slovakia	100%
VELUX Solutions LLC	Greenwood, USA	100%
VELUX Spain, S.A.	Madrid, Spain	100%
VELUX Srbija d.o.o	Beograd, Serbia	100%
VELUX Suomi Oy	Helsinki, Finland	100%
VELUX Svenska AB	Helsingborg, Sweden	100%
VELUX Ukraina TOV	Kiev, Ukraine	100%
VELUX Österreich GmbH	Wolkersdorf, Austria	100%
Ventilation Holding ApS	Hørsholm, Denmark	42%
Vindumstesteren AS	Drammen, Norway	100%
VKR France S.A.S.	Feuquières-en-Vimeu, France	100%
VKR Invest ApS	Hørsholm, Denmark	100%
ZAO MD-RUS	Rostov, Russia	100%
ZAO VELUX	Moscow, Russia	100%

Information in the company overview is provided pursuant to section 97a of the Danish Financial Statements Act.



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