

**VELUX A/S**  
Ådalsvej 99, 2970 Hørsholm

CVR-no.: 30 00 35 19

# Annual Report 2019

Financial year:

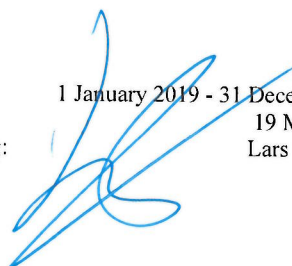
Date of approval of Annual Report:

Chairman of the Annual General meeting:

1 January 2019 - 31 December 2019

19 March 2020

Lars Rothschild

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## Management's statement

The Board of Directors and the Executive Management have today discussed and approved the annual report of VELUX A/S for the financial year 2019.

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

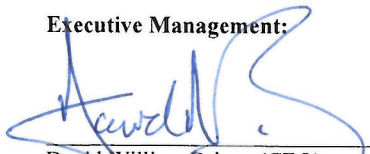
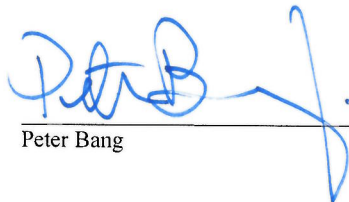
In our opinion, the financial statements give a true and fair view of the Company's assets, equity, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

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


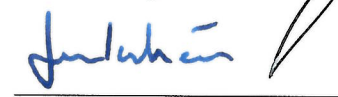

We recommend that the annual report be adopted at the annual general meeting.

Hørsholm, 6 March 2020

### Executive Management:

  
David William Briggs (CEO)  
Peter Bang

### Board of Directors:

  
Jørgen Jensen (Chair)  
Morten Falkenberg (Vice chair)  
Anne Broeng  
Eva Birgitte Bisgaard  
Nils Gunnar Henrik Lange  
Jean-Marc Denis Lechene  
Kurt Emil Eriksen  
Jimmy Bendorf Laursen  
Finn Westergaard Christiansen

# **Independent auditors' report**

## **To the Shareholders of VELUX A/S**

### **Opinion**

We have audited the financial statements of VELUX 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. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations 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 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 Company 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.

### **Management's responsibilities for the financial statements**

Management is responsible for the preparation of 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 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 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.

## Independent auditors' report

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 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 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 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.

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 Statement Act. We did not identify any material misstatement of Management's review.

Copenhagen, 6 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

## **Management's review**

### **Company information**

VELUX A/S

Mailing address: Ådalsvej 99, 2970 Hørsholm

Telephone: +45 45 16 40 00

Website: [www.velux.com](http://www.velux.com)

Company reg. no. (CVR): 30003519

Registered office: Hørsholm

Established: 26 June 1970

Financial year: 1 January - 31 December

Financial statements no.: 50

#### **Executive Management:**

David William Briggs (CEO)

Peter Bang

#### **Board of Directors:**

Jørgen Jensen (Chair)

Morten Falkenberg (Vice chair)

Anne Broeng

Eva Birgitte Bisgaard

Nils Gunnar Henrik Lange

Jean-Marc Denis Lechene

Kurt Emil Eriksen

Jimmy Bendorf Laursen

Finn Westergaard Christiansen

#### **Auditor:**

Ernst & Young

Godkendt Revisionspartnerselskab

Dirch Passers Allé 36

2000 Frederiksberg

#### **Annual general meeting:**

The annual general meeting will be held on 19 March 2020 at the Company's address.

## Management's review

### Financial highlights

	2019	2018	2017	2016	2015
<b>Key figures (DKK m)</b>					
Net revenue	13,213	12,772	12,280	12,076	11,968
Earnings before financial items and tax (EBIT)	52	247	185	305	327
Net financials	494	578	677	412	405
Profit after tax	538	764	796	654	658
Investment in tangible fixed assets (net)	17	31	74	26	22
Total assets	7,943	8,195	6,521	6,469	6,780
Equity	2,070	2,256	2,290	2,214	2,238
<b>Financial ratios (%)</b>					
EBITA margin	0.4	1.9	1.5	2.5	2.7
Return on capital employed	3.1	14.2	9.7	12.6	12.2
Equity ratio	26.1	27.5	35.1	34.2	33.0
Average number of employees	1,193	1,182	3	3	3

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

## Report

### The Company's main activities

VELUX A/S is a 100% owned subsidiary of VKR Holding A/S and the main activity is to produce, market and sell roof windows and accessories hereto.

### Financial and operational performance

Reported Net revenue in 2019 was DKKm 13,213 (in 2018 DKKm 12,772) and profit after tax was DKKm 538 (in 2018 DKKm 764). The realised results are considered satisfactory and slightly in line with the expectations expressed in the annual report for 2018.

### Risk factors

The Company's main risk concerns the ability of continuing as a leading supplier of roof windows for the markets where the Company is represented. The Company is also affected by the construction business cyclical conditions.

The Company's currency risks are handled according to the currency policy approved by the Board.

The Company does not have any significant risks regarding individual customers or collaborators beyond what is usual for the industry as well as common customer/supplier relationship.

### Knowledge resources

The Company regularly reviews the need to attract, develop and retain employees with an appropriate level of competence.

### Environmental conditions

The VELUX Group is continuously working to reduce any possible environmental impact of its operations. At the same time, VELUX products are constantly developed and optimized to improve environmental and energy performance.

In 2019, a special focus area has been employee safety and safety leadership.

## Management's review

### Corporate social responsibility and diversity goals

The company has signed the UN Global Compact and prepares annual progress reports (Global Compact Communication on Progress).

Our statutory statement on sustainability reporting, pursuant to section 99a of the Danish Financial Statements Act is in VKR Holding A/S Statutory Annual Report 2019.

The Board of Directors includes 4 men and 2 women, which is considered to be an adequate gender distribution by the Danish Business Authority.

In 2019, 14% of VELUX A/S top management and 19% of senior managerial positions were held by women. However, we strive to have a better gender balance when it comes to managerial positions:

- We encourage more female managers and a diverse workforce in general in terms of age, ethnicity, nationality and gender. We work actively to ensure equal development opportunities for everybody.
- When recruiting to leadership or specialist positions, we try to ensure diversity in terms of gender, ethnicity and nationality.
- We apply a company-wide performance evaluation tool and external benchmark to ensure equality. We use a structured annual evaluation tool for managers and administrative staff to ensure transparency and an objective approach to career development and appointment of managers.

A new 2030 Sustainability Strategy for the VELUX Group will be launched in 2020. As part of the preparation for the new strategy, we will evaluate our present effort within this area and set out new ambitions. Among these, there will be a new target for equal gender distribution.

### Outlook for 2020

Management forecasts a profit for 2020 at the same level as in 2019.



## Financial statements 2019

### Income statement 1 January - 31 December

DKKm	Note	2019	2018
<b>Net revenue</b>	2	13,213	12,772
Changes in inventories of goods for resale		67	-4
Other operating income		75	73
		<u>13,355</u>	<u>12,841</u>
Costs of goods for resale		8,153	7,971
Other external costs	3	4,110	3,665
Employee costs	4	953	892
Depreciation, amortisation and impairment losses		87	66
		<u>13,303</u>	<u>12,694</u>
<b>Profit before financial items and tax</b>		52	247
Profit after tax in subsidiaries		491	576
Financial income	5	45	41
Financial expenses	6	42	39
		<u>574</u>	<u>656</u>
<b>Profit before tax</b>		546	825
Tax on profit for the year	7	8	61
		<u>554</u>	<u>764</u>
<b>Net profit for the year</b>	8	<u>538</u>	<u>764</u>

## Financial statements 2019

### Balance sheet at 31 December

DKKm	Note	2019	2018
<b>ASSETS</b>			
<b>Fixed assets</b>			
<b>Intangible fixed assets</b>			
Software		<u>94</u>	<u>98</u>
Total intangible fixed assets	9	<u>94</u>	<u>98</u>
<b>Tangible fixed assets</b>			
Land and buildings		7	7
Other fixtures and fittings, tools and equipment		70	89
Tangible fixed assets in course of construction		<u>2</u>	<u>1</u>
Total tangible fixed assets	10	<u>79</u>	<u>97</u>
<b>Investments</b>			
Investments in subsidiaries		5,601	5,441
Long-term receivables from affiliated companies		<u>702</u>	<u>1,095</u>
Total investments	11	<u>6,303</u>	<u>6,536</u>
<b>Total fixed assets</b>		<u>6,476</u>	<u>6,731</u>
<b>Current assets</b>			
<b>Inventories</b>			
Manufactured goods and goods for resale		<u>864</u>	<u>797</u>
Total inventories		<u>864</u>	<u>797</u>
<b>Receivables</b>			
Trade receivables		9	7
Receivables from affiliated companies		175	229
Other short-term receivables		255	283
Prepayments	12	<u>138</u>	<u>133</u>
Total receivables		<u>577</u>	<u>652</u>
Cash and cash equivalents		<u>26</u>	<u>15</u>
<b>Total current assets</b>		<u>1,467</u>	<u>1,464</u>
<b>TOTAL ASSETS</b>		<u>7,943</u>	<u>8,195</u>

## Financial statements 2019

### Balance sheet at 31 December

DKKm	Note	2019	2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	100	100
Retained earnings		1,432	1,392
Proposed dividend		<u>538</u>	<u>764</u>
<b>Total equity</b>		<u>2,070</u>	<u>2,256</u>
<b>Provisions</b>			
Deferred tax liabilities	14	5	7
Other provisions	15	<u>166</u>	<u>170</u>
<b>Total provisions</b>		<u>171</u>	<u>177</u>
<b>Liabilities other than provisions</b>			
<b>Non-current liabilities</b>			
Payables to affiliated companies		193	0
Other long-term debt		<u>32</u>	<u>0</u>
Total non-current liabilities	16	<u>225</u>	<u>0</u>
<b>Current liabilities</b>			
Trade payables		195	119
Payables to affiliated companies		5,123	5,378
Other short-term debt		<u>159</u>	<u>265</u>
Total current liabilities		<u>5,477</u>	<u>5,762</u>
<b>Total liabilities</b>		<u>5,702</u>	<u>5,762</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>7,943</u>	<u>8,195</u>
Accounting policies	1		
Contingent liabilities and other contractual obligations	17		
Related parties	18		

## Financial statements 2019

### Statement of changes in equity

DKKm	Share- capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend	Total
<b>Equity at 1 January 2019</b>	100	0	1,392	764	2,256
Dividend paid	-	-	-	764	764
Exchange rate adjustments	-	50	-	-	50
Other adjustments	-	-10	-	-	-10
Net profit for the year	-	-40	40	538	538
<b>Equity at 31 December 2019</b>	<u>100</u>	<u>0</u>	<u>1,432</u>	<u>538</u>	<u>2,070</u>

# Financial statements 2019

## Notes

### 1. Accounting policies

The annual report of VELUX A/S for 2019 is presented in accordance with the provisions of the Danish Financial Statements Act for class C (large) companies.

The Company is included in the consolidated financial statements for VKR Holding A/S, Hørsholm, CVR no. 30830415. Pursuant to section 112 (1) of the Danish Financial Statements Act, the Company presents no consolidated financial statements.

Pursuant to section 86 (4) of the Danish Financial Statements Act, the Company presents no cash flow statement. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of VKR Holding A/S.

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

#### 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 intragroup balances with independent foreign enterprises considered part of the total investment in the subsidiary are recognised directly in equity.

# Financial statements 2019

## Notes

### Income statement

#### **Net revenue**

Net revenue from the sale of goods for resale and finished goods is recognised in the income statement provided that delivery and transfer of risk to the buyer have taken place before year end.

#### **Other operating income and costs**

Other operating income and costs comprise items secondary to the activities of the Company, 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.

#### **Employee costs**

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

#### **Profits/losses from investments in subsidiaries**

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement after full elimination of intragroup profits/losses.

The proportionate share of the results after tax of the associates is recognised in the 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 related to the profit/loss for the year is recognised in the income statement, and the tax expense related to changes in equity transactions 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 taxed jointly with Danish group companies and included in the on-account tax scheme. In case of profit, the Company settles the total Danish tax on the taxable income of the Company to the parent company VKR Holding A/S. In case of loss, the Company receives a reimbursement by the parent company VKR Holding A/S regarding the tax value of the Company's loss used in the joint taxation.

The parent company, VKR Holding A/S, is the management company of the joint taxation and consequently settles the total Danish tax from the jointly taxed companies' taxable income.

# Financial statements 2019

## Notes

### 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.

#### **Development projects**

Development costs comprise costs, salaries and amortisation directly and indirectly attributable to the Company's development activities. Development projects that are clearly defined, identifiable and with evidenced future utilization 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 estimated useful life. The amortisation period is usually 3-5 years.

#### **Software**

Software is measured at cost less accumulated amortisation and impairment losses. Software is amortised over the agreement period usually 3-5 years. Additional impairment is made when deemed necessary.

#### **Tangible fixed assets**

Tangible fixed assets are measured at cost minus 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.

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
Other fixtures and fittings, tools and equipment	3-5 years

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

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

### **Investments**

#### **Investments in subsidiaries and associates**

Investments in subsidiaries and associates are measured in accordance with the equity method. The Company has chosen to consider the equity method a consolidation method.

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

Investments in subsidiaries and associates are subsequently adjusted by shares of profit/loss after tax calculated in accordance with the Company's accounting policies, eliminated for unrealised intergroup profit/loss as well as subsequent fair value adjustments of contingent purchase considerations.

# Financial statements 2019

## Notes

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.

### **Business combinations**

Enterprises acquired or formed during the year are recognised in the parent company's financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the parent company's financial statements up to the date of disposal. Comparative figures are not restated for newly acquired enterprises. Disposed activities are presented separately.

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

Acquisitions of enterprises are accounted for by using the purchase method, if controlling influence is achieved upon acquisition. Identifiable assets and liabilities of the acquired companies are measured at fair value at the date of acquisition. 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. Goodwill is amortised on a straight-line basis in the income statement based on an individual assessment of the economic life; usually between 5 and 15 years.

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

The purchase consideration transferred as payment for the acquired enterprise consists of the fair value of assets transferred, liabilities assumed and equity instruments issued. If the contingent purchase consideration depends on future events, or the performance of contractual obligations forms part of the total consideration transferred, this part of the consideration transferred is recognised at fair value at the 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 disposal of a subsidiary leads to a loss of controlling influence, the profit or loss is calculated as the difference between the selling price minus cost of sales and the book value. If the Company retains any equity holdings in the enterprise sold, the remaining shares are remeasured at fair value.

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



# Financial statements 2019

## Notes

### **Intragroup business combinations**

The book value method is used for business combinations, such as purchases and sale 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.

### **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.

#### **Prepayments**

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

### **Equity**

#### **Reserve for net revaluation under the equity method**

Reserve for net revaluation under the equity method includes net revaluation of investments in subsidiaries and associates compared to cost. The reserve can be eliminated by losses, realisation of investments or changes in accounting estimates. The reserve cannot be recognised as a negative amount.

#### **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 utilization. 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 from the tax rules and at the rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to become current tax. Changes in deferred tax due to changes in tax rates are recognised in the income statement except for items recognised directly in equity.

# Financial statements 2019

## Notes

### Other provisions

Other provisions comprise anticipated costs related to warranties, 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. Other liabilities other than provisions are measured at net realisable value.

### 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:

$$\text{EBITA margin:} \quad \frac{\text{EBITA} \times 100}{\text{Net revenue}}$$

$$\text{Return on capital employed:} \quad \frac{\text{EBITA} \times 100}{\text{Average capital employed}}$$

$$\text{Equity ratio (Solvency):} \quad \frac{\text{Equity} \times 100}{\text{Total assets}}$$

### EBITA:

Earnings before goodwill amortisation, financial items and tax.

### Capital employed:

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

## Financial statements 2019

### Notes

#### 2. Net revenue

Pursuant to section 96 (1) of the Danish Financial Statements Act, net revenue is not disclosed on activities and geographical markets.

#### 3. Fee to auditors appointed at the annual general meeting

Pursuant to section 96 (3) of the Danish Financial Statements Act, the fee to auditors is disclosed only in the consolidated financial statements of the parent company, VKR Holding A/S.

#### 4. Employee costs

DKKm	2019	2018
Wages and salaries	873	815
Pensions	67	66
Other social security costs	<u>13</u>	<u>11</u>
<b>Total employee costs</b>	<b><u>953</u></b>	<b><u>892</u></b>
Average number of employees (full time)	<u>1,193</u>	<u>1,182</u>

Employee costs comprise remuneration of Executive Management of DKKm 23 (2018: DKKm 19) and fee to the Board of Directors of DKKm 5 (2018: DKKm 5).

#### 5. Financial income

Interest income from affiliated companies amounted to DKKm 44 (2018: DKKm 20).

#### 6. Financial expenses

Interest expenses paid to affiliated companies amounted to DKKm 26 (2018: DKKm 21).

#### 7. Tax on profit for the year

DKKm	2019	2018
Current tax for the year	16	47
Prior year adjustment	-6	-6
Deferred tax adjustments for the year	<u>-2</u>	<u>20</u>
<b>Total tax on profit for the year</b>	<b><u>8</u></b>	<b><u>61</u></b>

#### 8. Distribution of profit

DKKm	2019	2018
Proposed dividend	<u>538</u>	<u>764</u>
<b>Total distribution of profit</b>	<b><u>538</u></b>	<b><u>764</u></b>

## Financial statements 2019

### Notes

#### 9. Intangible fixed assets

DKKm	Completed development projects	Software	Total
Cost at 1 January 2019	468	275	743
Additions during the year	0	48	48
Cost at 31 December 2019	468	323	791
Amortisation and impairment losses at 1 January 2019	468	177	645
Amortisation for the year	0	52	52
Amortisation and impairment losses at 31 December 2019	468	229	697
<b>Carrying amount at 31 December 2019</b>	<b>0</b>	<b>94</b>	<b>94</b>

#### 10. Tangible fixed assets

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Tangible fixed assets in course of construction *)	Total
Cost at 1 January 2019	12	403	1	416
Additions during the year	0	15	2	17
Disposals during the year	0	35	0	35
Transferred	0	1	-1	0
Cost at 31 December 2019	12	384	2	398
Depreciation and impairment losses at 1 January 2019	5	314	-	319
Depreciation for the year	0	35	-	35
Disposals during the year	0	35	-	35
Depreciation and impairment losses at 31 December 2019	5	314	-	319
<b>Carrying amount at 31 December 2019</b>	<b>7</b>	<b>70</b>	<b>2</b>	<b>79</b>

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

## Financial statements 2019

### Notes

#### 11. Investments

DKKm	Investments in subsidiaries	Long-term receivables from affiliated companies	Total
Cost at 1 January 2019	6,739	1,088	7,827
Additions during the year	12	29	41
Disposals during the year	404	422	826
Cost at 31 December 2019	<u>6,347</u>	<u>695</u>	<u>7,042</u>
Value adjustments at 1 January 2019	-1,299	7	-1,292
Exchange rate and other adjustments	40	0	40
Dividends for the year	-357	0	-357
Net profit for the year and value adjustments	577	0	577
Amortisation of consolidated goodwill	-117	0	-117
Disposals during the year	379	0	379
Change in intercompany profit on inventories	31	0	31
Value adjustments at 31 December 2019	<u>-746</u>	<u>7</u>	<u>-739</u>
<b>Carrying amount at 31 December 2019</b>	<u><u>5,601</u></u>	<u><u>702</u></u>	<u><u>6,303</u></u>

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

#### 12. Prepayments

DKKm	2019	2018
IT service agreements	91	75
Outsourcing fee	35	34
Other costs	<u>12</u>	<u>24</u>
<b>Prepayments at 31 December</b>	<u><u>138</u></u>	<u><u>133</u></u>

#### 13. Share capital

At 31 December 2019, the share capital comprises 10,000 shares of DKK 10,000 each. The share capital has not been changed during the past five years.

## Financial statements 2019

### Notes

#### 14. Deferred tax liabilities

DKKm	2019	2018
Deferred tax liabilities at 1 January	7	-13
Deferred tax adjustments for the year recognised in the income statement	<u>-2</u>	<u>20</u>
<b>Deferred tax liabilities at 31 December</b>	<b><u>5</u></b>	<b><u>7</u></b>

#### 15. Other provisions

The provisions mainly relate to warranty provisions and restructuring, and DKKm 64 is expected to fall due within one year after the end of the financial year.

#### 16. Non-current liabilities

DKKm	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
Non-current liabilities are recognised as follows:				
Payables to affiliated companies	193	0	193	0
Other long-term debt	<u>32</u>	<u>0</u>	<u>32</u>	<u>0</u>
<b>Total liabilities at 31 December 2019</b>	<b><u>225</u></b>	<b><u>0</u></b>	<b><u>225</u></b>	<b><u>0</u></b>

#### 17. Contingent liabilities and other contractual obligations

DKKm	2019	2018
Rental obligations	551	537
Lease obligations (operating leases) falling due within 5 years, total	29	27
Other contractual obligations	541	644

The rental agreements for premises include the obligation of DKKm 449 to affiliated companies (2018: DKKm 481).

The Company is jointly taxed with other Danish companies in the VKR Group. The Company has unlimited joint and several liability 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.

#### 18. Related parties

VKR Holding A/S exercise a controlling interest in the Company. The parent company, VKR Holding A/S, Breettevej 18, 2870 Hørsholm, prepares the consolidated financial statements for the VKR group in which VELUX A/S is included as a subsidiary.

Transactions between the Company 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 year.



## Financial statements 2019

### Company overview at 31 December 2019

#### Subsidiaries - continued:

"VELUX Lietuva", UAB  
UAB "Vital"  
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.  
VELUX Portugal, Unipessoal Lda  
S.C. VELUX România S.R.L.  
ZAO VELUX  
VELUX Srbija d.o.o  
Partizánske Building Components-SK s.r.o.  
VELUX Slovensko spol. s.r.o.  
VELUX Slovenija d.o.o.  
VELUX Spain, S.A.  
JET Tageslichttechnik AG  
VELUX Schweiz AG  
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.  
VELUX Ukraina TOV  
JET Cox Ltd.  
V.U.K. HOLDINGS LIMITED  
VELUX Company Ltd.  
Vital UK Limited  
Xtralite (Rooflight) Ltd.

#### Country:

Lithuania  
Lithuania  
Poland  
Poland  
Poland  
Poland  
Portugal  
Romania  
Russia  
Serbia  
Slovakia  
Slovakia  
Slovenia  
Spain  
Switzerland  
Switzerland  
The Netherlands  
The Netherlands  
The Netherlands  
The Netherlands  
The Netherlands  
The Netherlands  
The Netherlands  
Ukraine  
United Kingdom  
United Kingdom  
United Kingdom  
United Kingdom  
United Kingdom

#### **REST OF THE WOLRD:**

VELUX Argentina S.A.  
VELUX Australia Pty. Ltd.  
VELUX Canada Inc.  
VELUX Chile SpA  
VELUX (CHINA) CO., Ltd.  
VELUX-Japan Ltd.  
VELUX New Zealand Ltd.  
VELUX Çati Pencereleeri Ticaret Limited Şirketi  
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

Argentina  
Australia  
Canada  
Chile  
China  
Japan  
New Zealand  
Turkey  
USA  
USA  
USA  
USA  
USA  
USA  
USA

#### Other companies:

Plattform Dach.de GbR – 20%

Germany

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