

VELUX A/S

Ådalsvej 99, 2970 Hørsholm

CVR-no.: 30 00 35 19

Annual Report 2021

Financial year:

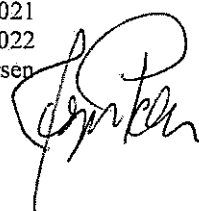
1 January 2021 - 31 December 2021

Date of approval of Annual Report:

24 March 2022

Chairman of the Annual General meeting:

Jesper O. Pedersen



Contents

Management's statement	1
Independent auditors' report	2
Company information	4
Financial highlights	5
Report	5
Financial statements 2021	7
Income statement 1 January - 31 December	7
Balance sheet 31 December	8
Statement of changes in equity	10
Notes	11
Company overview 31 December 2021	21

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 2021.

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

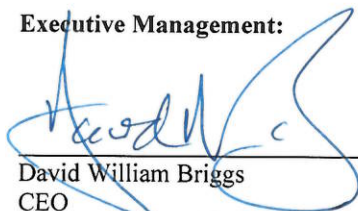
In our opinion, the financial statements give a true and fair view of the Company's assets, equity, liabilities and financial position 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

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.

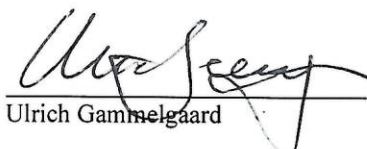
We recommend that the annual report be adopted at the annual general meeting.

Hørsholm, 7 March 2022

Executive Management:

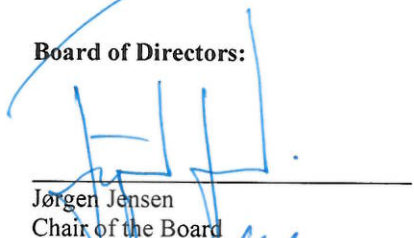


David William Briggs
CEO



Ulrich Gammelgaard

Board of Directors:



Jørgen Jensen
Chair of the Board



Morten Falkenberg
Deputy chair



Eva Birgitte Bisgaard



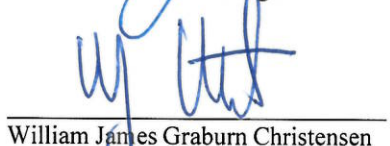
Nils Gunnar Henrik Lange



Jean-Marc Denis Lechene



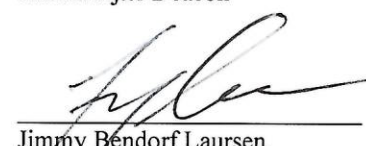
Karina Kjær Deacon



William James Graburn Christensen



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 2021, 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 2021, and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

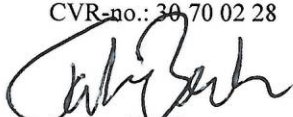
Our opinion on the financial statements does not cover Management's review, and we do not express any form of assurance conclusion thereon.

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, 7 March 2022
EY 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

Company reg. no. (CVR): 30003519
Registered office: Hørsholm
Established: 26 June 1970
Financial year: 1 January - 31 December
Financial statements no.: 52

Executive Management:

David William Briggs (CEO)
Ulrich Gammelgaard

Board of Directors:

Jørgen Jensen (Chair of the Board)
Morten Falkenberg (Deputy chair)
Eva Birgitte Bisgaard
Nils Gunnar Henrik Lange
Jean-Marc Denis Lechene
Karina Kjær Deacon
William James Graburn Christensen
Kurt Emil Eriksen
Jimmy Bendorf Laursen
Finn Westergaard Christiansen

Auditor:

EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg

Annual general meeting:

The annual general meeting will be held on 24 March 2022 at the Company's address.

Management's review

Financial highlights

	2021	2020	2019	2018	2017
Key figures (DKK m)					
Net revenue	16,372	14,618	13,213	12,772	12,280
Earnings before financial items and tax (EBIT)	120	274	52	247	185
Net financials	569	707	494	578	677
Net profit for the year	691	903	538	764	796
Investment in tangible fixed assets (net)	25	18	17	31	74
Total assets	9,101	7,811	7,943	8,195	6,521
Equity	2,013	2,146	2,070	2,256	2,290
Financial ratios (%)					
EBITA margin	0.7	1.9	0.4	1.9	1.5
Return on capital employed	6.1	18.0	3.1	14.2	9.7
Equity ratio	22.1	27.5	26.1	27.5	35.1
Average number of employees					
	1,241	1,185	1,193	1,182	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 2021 was DKKm 16,372 (in 2020 DKKm 14,618) and profit after tax was DKKm 691 (in 2020 DKKm 903). The realised results are considered satisfactory and slightly in line with the expectations expressed in the annual report for 2020.

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 2030 Sustainability Strategy contains 15 targets covering material social and environmental topics. The strategy and targets have been approved by the VELUX Management Group and Board and the company has defined roadmaps and KPIs to drive implementation and enable follow up. During 2021 the company worked towards having the same level of governance and scrutiny around our sustainability data (ESG) as there is around the financial data.

The VELUX Group 2030 Sustainability Strategy includes targets to reduce CO₂ emissions from the company and value chain in line with most ambitious pathway of the Paris Agreement. During 2021, the company made a Purchasing Power Agreement for 100% renewable electricity to replace energy sourced from fossil fuels by 2023.

Management's review

Corporate social responsibility and diversity goals

For information about the Company's corporate social responsibility (CSR), pursuant to section 99a of the Danish Financial Statements Act, please refer to the consolidated financial statements of VKR Holding A/S, company reg. no. (CVR) 30 83 04 15, that includes a CSR report for the entire VKR Group.

The Company acknowledge the value of equality and diversity, which has resulted in a target of diversity for the Board of Directors and at other management levels. Information is provided pursuant to section 99b of the Danish Financial Statements Act.

In 2021, our Board of Directors included 2 women and 5 men, which is considered to be an adequate gender distribution by the Danish Business Authority. During 2021 there have been 7 assembly selected board members compared to 2020 with 6 assembly selected board.

In 2021, 71 women and 163 men occupied management positions (30/70%) and 44 women and 99 men occupied senior management positions (31/69%). The ambition is to increase number of women in management positions by 2030 to 45% of management positions held by women and 40% of senior management positions held by women.

The ambition has been backed up by different initiatives such as specific talent programmes for women, role models, mentorship etc. As a result of our ambition women in management positions and women in senior management increased from 2020.

Data ethics policy

For information about the company's policy for data ethics, cf. section 99d of the Danish Financial Statements Act, please refer to the consolidated financial statements of VKR Holding A/S, that includes a statement of the data ethics policy applicable for the entire VKR Group. The consolidated financial statements 2021 for VKR Holding A/S, company reg. no. (CVR) 30 83 04 15, are published on the company's website.

Outlook for 2022

Management forecasts a profit for 2022 at a higher level as in 2021.

Financial statements 2021

Income statement 1 January - 31 December

DKKm	Note	2021	2020
Net revenue	2	16,372	14,618
Changes in inventories of goods for resale		479	-232
Other operating income		<u>125</u>	<u>77</u>
		16,976	14,463
Costs of goods for resale		10,000	8,181
Other external costs	3	5,647	4,886
Employee costs	4	1,105	1,032
Depreciation, amortisation and impairment losses		<u>104</u>	<u>90</u>
Profit before financial items and tax		120	274
Profit after tax in subsidiaries		708	634
Financial income	5	44	117
Financial expenses	6	<u>183</u>	<u>44</u>
Profit before tax		689	981
Tax on profit for the year	7	<u>-2</u>	<u>78</u>
Net profit for the year	8	<u>691</u>	<u>903</u>

Financial statements 2021

Balance sheet 31 December

DKKm	Note	2021	2020
ASSETS			
Fixed assets			
Intangible fixed assets			
Software		<u>84</u>	<u>111</u>
Total intangible fixed assets	9	<u>84</u>	<u>111</u>
Tangible fixed assets			
Land and buildings		6	6
Other fixtures and fittings, tools and equipment		49	59
Tangible fixed assets under construction		<u>13</u>	<u>2</u>
Total tangible fixed assets	10	<u>68</u>	<u>67</u>
Investments			
Investments in subsidiaries		6,017	5,733
Long-term receivables from affiliated companies		768	674
Other long-term receivables		<u>3</u>	<u>1</u>
Total investments	11	<u>6,788</u>	<u>6,408</u>
Total fixed assets		<u>6,940</u>	<u>6,586</u>
Current assets			
Inventories			
Manufactured goods and goods for resale		1,111	632
Prepayments for goods		<u>26</u>	<u>0</u>
Total inventories		<u>1,137</u>	<u>632</u>
Receivables			
Trade receivables		7	6
Receivables from affiliated companies		457	150
Deferred tax assets	12	18	8
Other current receivables		368	261
Prepayments	13	<u>137</u>	<u>132</u>
Total receivables		<u>987</u>	<u>557</u>
Cash and cash equivalents		<u>37</u>	<u>36</u>
Total current assets		<u>2,161</u>	<u>1,225</u>
TOTAL ASSETS		<u>9,101</u>	<u>7,811</u>

Financial statements 2021

Balance sheet 31 December

DKKm	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	14	100	100
Retained earnings		1,222	1,143
Proposed dividend		<u>691</u>	<u>903</u>
Total equity		<u>2,013</u>	<u>2,146</u>
Provisions			
Other provisions	15	<u>216</u>	<u>238</u>
Total provisions		<u>216</u>	<u>238</u>
Liabilities other than provisions			
Non-current liabilities			
Payables to affiliated companies		<u>193</u>	<u>190</u>
Total non-current liabilities	16	<u>193</u>	<u>190</u>
Current liabilities			
Trade payables		284	276
Payables to affiliated companies		6,106	4,631
Other current debt		<u>289</u>	<u>330</u>
Total current liabilities		<u>6,679</u>	<u>5,237</u>
Total liabilities		<u>6,872</u>	<u>5,427</u>
TOTAL EQUITY AND LIABILITIES		<u>9,101</u>	<u>7,811</u>
Accounting policies	1		
Contingent liabilities and other contractual obligations	17		
Related parties	18		

Financial statements 2021

Statement of changes in equity

DKKm	Share- capital	Reserve for net revaluation under the equity method	Retained earnings	Proposed dividend	Total
Equity at 1 January 2021	100	0	1,143	903	2,146
Dividend paid	-	-	-	903	903
Exchange rate adjustments	-	159	-	-	159
Other adjustments	-	-80	-	-	-80
Net profit for the year	-	-79	79	691	691
Equity at 31 December 2021	100	0	1,222	691	2,013

Financial statements 2021

Notes

1. Accounting policies

The annual report of VELUX A/S for 2021 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. 30 83 04 15. 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 2021

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 include 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.

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 relating to changes in equity transactions is recognised directly in equity.

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

The Company is taxed jointly with 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 2021

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 utilisation are recognised as intangible fixed assets if there is sufficient assurance that future earnings will be generated. Other development costs are recognised in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs are amortised on a straight-line basis over the 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	40 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

Investments in subsidiaries 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 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 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.

Subsidiaries 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.

Financial statements 2021

Notes

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 companies. 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 company 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.

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.

Financial statements 2021

Notes

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 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 by the balance sheet liability method of all temporary differences between the accounting and taxable value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation. That will be either by elimination in tax on future earnings or against deferred tax liabilities within the same legal tax entity.

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

Other provisions

Other provisions comprise anticipated costs related to warranties, 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 statements 2021

Notes

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:

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

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

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

EBITA:

Earnings before financial items and tax.

Capital employed:

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

Financial statements 2021

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	2021	2020
Wages and salaries	1,017	952
Pensions	78	69
Other social security costs	<u>10</u>	<u>11</u>
Total employee costs	<u>1,105</u>	<u>1,032</u>
Average number of employees (full time)	<u>1,241</u>	<u>1,185</u>

Employee costs comprise remuneration of Management of DKKm 52 including severance payment (2020: DKKm 24) and fee to the Board of Directors of DKKm 5 (2020: DKKm 5).

5. Financial income

Interest income from affiliated companies amounted to DKKm 43 (2020: DKKm 29).

6. Financial expenses

Interest expenses paid to affiliated companies amounted to DKKm 104 (2020: DKKm 42).

7. Tax on profit for the year

DKKm	2021	2020
Current tax for the year	-5	85
Prior year adjustment	2	1
Deferred tax adjustments for the year	<u>1</u>	<u>-8</u>
Total tax on profit for the year	<u>-2</u>	<u>78</u>

8. Distribution of profit

DKKm	2021	2020
Proposed dividend	691	903
Retained earnings	79	-289
Reserve for net revaluation under the equity method	<u>-79</u>	<u>289</u>
Total distribution of profit	<u>691</u>	<u>903</u>

Financial statements 2021

Notes

9. Intangible fixed assets

DKKm	Completed development projects	Software	Total
Cost at 1 January 2021	468	386	854
Additions during the year	0	53	53
Disposals during the year	28	12	40
Cost at 31 December 2021	440	427	867
Amortisation and impairment losses at 1 January 2021	468	275	743
Amortisation for the year	0	61	61
Impairment losses for the year	0	19	19
Disposals during the year	28	12	40
Amortisation and impairment losses at 31 December 2021	440	343	783
Carrying amount at 31 December 2021	0	84	84

10. Tangible fixed assets

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Tangible fixed assets under construction *)	Total
Cost at 1 January 2021	12	384	2	398
Additions during the year	0	13	12	25
Disposals during the year	0	22	0	22
Transferred	0	1	-1	0
Cost at 31 December 2021	12	376	13	401
Depreciation and impairment losses at 1 January 2021	6	325	-	331
Depreciation for the year	0	24	-	24
Disposals during the year	0	22	-	22
Depreciation and impairment losses at 31 December 2021	6	327	-	333
Carrying amount at 31 December 2021	6	49	13	68

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

Financial statements 2021

Notes

11. Investments

DKKm	Investments in subsidiaries	Long-term receivables from affiliated companies	Other long-term receivables	Total
Cost at 1 January 2021	6,338	676	1	7,015
Additions during the year	0	98	2	100
Disposals during the year	0	4	0	4
Cost at 31 December 2021	<u>6,338</u>	<u>770</u>	<u>3</u>	<u>7,111</u>
Value adjustments at 1 January 2021	-605	-2	0	-607
Exchange rate and other adjustments	79	0	0	79
Dividends for the year	-503	-	-	-503
Net profit for the year and value adjustments	805	-	-	805
Amortisation of consolidated goodwill	-94	-	-	-94
Change in intercompany profit on inventories	-3	-	-	-3
Value adjustments at 31 December 2021	<u>-321</u>	<u>-2</u>	<u>0</u>	<u>-323</u>
Carrying amount at 31 December 2021	<u>6,017</u>	<u>768</u>	<u>3</u>	<u>6,788</u>

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

12. Deferred tax assets

DKKm	2021	2020
Deferred tax assets at 1 January	8	-5
Prior year adjustment	11	5
Deferred tax adjustments for the year recognised in the income statement	<u>-1</u>	<u>8</u>
Deferred tax assets at 31 December	<u>18</u>	<u>8</u>

31 December 2021, the Company has recognised tax assets of DKKm 18. The tax assets represent unused tax credits from timing differences of DKKm 18. Based on budgets until 2023, Management has considered that future taxable income will be available for utilisation of the tax assets.

13. Prepayments

DKKm	2021	2020
IT service agreements	95	92
Outsourcing fee	34	34
Other costs	<u>8</u>	<u>6</u>
Prepayments at 31 December	<u>137</u>	<u>132</u>

Financial statements 2021

Notes

14. Share capital

At 31 December 2021, the share capital comprises 10,000 shares of DKK 10,000 each. The share capital has not been changed during the past five years.

15. Other provisions

The provisions mainly relate to warranty provisions and restructuring, and DKKm 87 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 2021	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
Total liabilities at 31 December 2021	193	0	193	0

17. Contingent liabilities and other contractual obligations

DKKm	2021	2020
Rental obligations	431	484
Lease obligations (operating leases) falling due within 5 years, total	31	25
Other contractual obligations	264	212

The rental agreements for premises include the obligation of DKKm 355 to affiliated companies (2020: DKKm 408).

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

18. Related parties

VKR Holding A/S exercise a controlling interest in the Company. The parent company, VKR Holding A/S, Breeltevej 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 of this type of transactions during the year.

Financial statements 2021

Company overview 31 December 2021

Subsidiaries - continued:

Country:

"VELUX Lietuva", UAB	Lithuania
UAB "Vitrál"	Lithuania
JET Grupa Polska Sp. z o.o.	Poland
NB Polska Sp. z o.o.	Poland
NM Polska Sp. z o.o.	Poland
VELUX Polska Sp. z o.o.	Poland
VELUX Portugal, Unipessoal Lda	Portugal
S.C. VELUX România S.R.L.	Romania
ZAO VELUX	Russia
VELUX Srbija d.o.o.	Serbia
Partizánske Building Components-SK s.r.o.	Slovakia
VELUX Slovensko spol. s.r.o.	Slovakia
VELUX Slovenija d.o.o.	Slovenia
VELUX Spain, S.A.	Spain
JET Tageslichttechnik AG	Switzerland
VELUX Schweiz AG	Switzerland
Daylighttechnics B.V.	The Netherlands
JET BIK Producten B.V.	The Netherlands
JET BIK Projecten B.V.	The Netherlands
JET Group B.V.	The Netherlands
JET Group Holding B.V.	The Netherlands
JET Group International B.V.	The Netherlands
VELUX Nederland B.V.	The Netherlands
VELUX Ukraina TOV	Ukraine
JET Cox Ltd.	United Kingdom
V.U.K. HOLDINGS LIMITED	United Kingdom
VELUX Commercial Xtralite Limited	United Kingdom
VELUX Company Ltd.	United Kingdom

REST OF THE WOLRD:

VELUX Argentina S.A.	Argentina
VELUX Australia Pty. Ltd.	Australia
VELUX Canada Inc.	Canada
VELUX Chile SpA	Chile
VELUX (CHINA) CO., Ltd.	China
VELUX-Japan Ltd.	Japan
VELUX New Zealand Ltd.	New Zealand
VELUX Çati Pencereleeri Ticaret Limited Şirketi	Turkey
TVC Holdings LLC	USA
VELUX America LLC	USA
VELUX Design and Development USA LLC	USA
VELUX Greenwood LLC	USA
VELUX Group USA Inc.	USA
VELUX Sky Forwarding LLC	USA
VELUX Solutions LLC	USA

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.