



VKR HOLDING A/S

ANNUAL REPORT 2021

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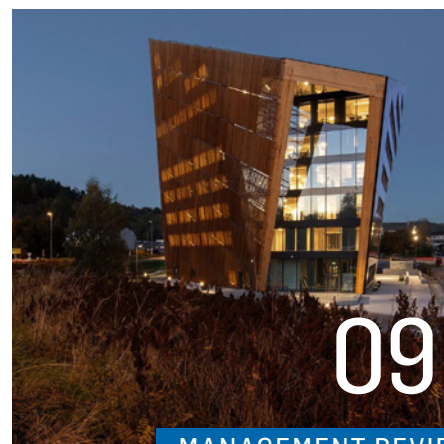
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Front page: The new generation VELUX flat roof windows provide maximum daylight through a glass-to-edge design. The design received a Red Dot award in 2021. Jesper Jørgen Fotografi, 2020



MANAGEMENT REVIEW

BUSINESS AREAS



BUSINESS MODEL



> [Link](#)

IN BRIEF

- > 2021 overview
- > Sustainability highlights
- > Vision
- > The VKR Holding business model
- > Business areas

Vario by VELUX. London, UK. Holloway and Holloway Architects. Tony Ellis, 2020



CASE STORY

Vario by **VELUX** provides **daylight and fresh air** to Holloway and Holloway Architects' Home & Office.

> [Link](#)



2021 OVERVIEW

REVENUE
NEW RECORD

26.1

DKK billion

OPERATING PROFIT

4.8

DKK billion

NET PROFIT
NEW RECORD

5.0

DKK billion

Employees

19,900

The Nordics
4,600

The rest of Europe
14,100

North America
800

Other regions
400

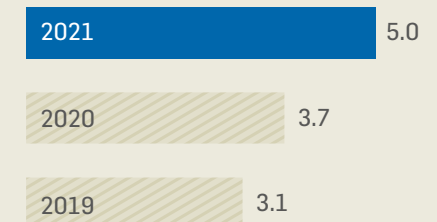
Revenue (DKK billion)



Operating profit (DKK billion)



Net profit (DKK billion)



SUSTAINABILITY HIGHLIGHTS



78%

Share of renewable electricity increased from 39% to 78%

First forest project established in Uganda to capture historical carbon footprint and scoping of additional five forest and biodiversity projects around the world initiated

2021 HIGHLIGHTS



24%

drop in CO2 emissions per unit produced

↓ 18%

18% improvement in work-related accidents per one million production hours



KOMPAS

Launch of KOMPAS, an early-stage venture capital fund focused on sustainability and technological innovation in real estate and construction

COP report 2021:

For more information on the VKR Group's progress and targets in sustainability and corporate social responsibility, please refer to VKR Holding's Communication on Progress (COP) report for 2021 and to VKR Holding's responsible investment policy:

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

OUR VISION

**Bring daylight, fresh
air and a better
environment into
people's everyday lives**

THE VKR HOLDING BUSINESS MODEL

PURPOSE

Improving living spaces

MODEL COMPANY OBJECTIVE

- 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 finance growth and maintain financial independence.

VISION

Bring daylight, fresh air and a better environment into people's everyday lives

Active investment strategy

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

Long-term investment horizon

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

VALUE CREATION



We create value through financial investments and through the ownership of companies within the area of daylight, fresh air and a better environment

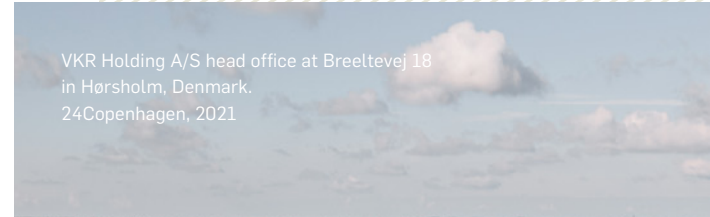
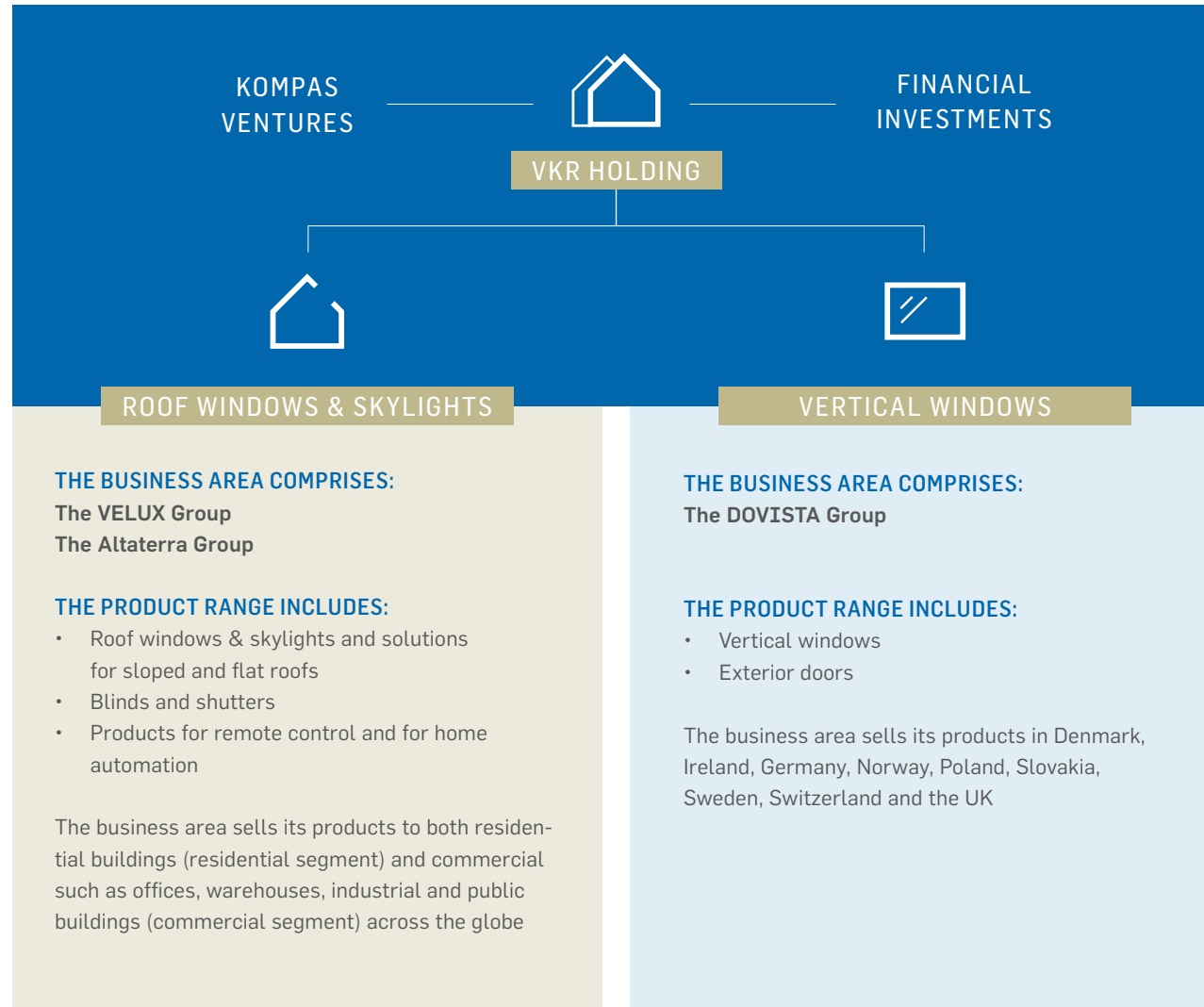
Financial independence

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

Active ownership

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

BUSINESS AREAS



VKR Holding A/S head office at Breettevej 18 in Hørsholm, Denmark. 24Copenhagen, 2021

VKR HOLDING

VKR Holding exercises the shareholders' ownership obligations towards the business areas. The parent company of the VKR Group has all relevant best-practice and governance functions. This ensures that companies owned by VKR Holding are financially independent and live up to the Model Company Objective.



MANAGEMENT REVIEW

- › Preface
- › Roof windows & skylights
- › Vertical windows
- › Development in financial position and activities
- › Consolidated financial highlights
- › Outlook for 2022
- › Risk factors
- › Governance
- › The Board of Directors of VKR Holding A/S

CASE STORY

Powerhouse Telemark in Norway is one of the world's most **energy efficient** and **environmentally friendly** buildings

› [Link](#)



Lian provided energy-saving and soundproofing windows for this energy efficient building.
Porsgrunn, Norway.
Architect Snøhetta. Ivar Kvaal, 2020

A RECORD YEAR IN TURBULENT TIMES

Due to an incredible effort by every employee, the VKR Group set another new record for top-line and bottom-line results, with DKK 26.1 billion in revenue and DKK 5.0 billion in net profit. The increase in revenue was driven by both organic growth and by acquisitions. Furthermore, the return on the financial portfolio improved significantly, resulting in higher profit.

2021 was yet another year with COVID-19 and, once again, the VKR Group's employees did a fantastic job under difficult circumstances. Thanks to their efforts, the Group outdid last year's record performance. This development is considered very satisfactory.

2021 was also a year of celebration. The VKR Group observed its 80th anniversary and our largest shareholder VILLUM FONDEN celebrated its 50th anniversary. Because of last year's sound results, the VKR Group was able to mark the anniversaries by distributing a higher dividend of DKK 2.0 billion. In addition, VELUX FONDEN and the VKR Group's Employee Foundation held their

40th and 30th anniversaries, respectively. To commemorate these occasions, THE VELUX FOUNDATIONS granted almost DKK 2 billion for scientific, environmental, social and cultural purposes in Denmark and abroad.

Still, it was a turbulent year for many businesses, including the VKR Group. The world was affected by COVID-19 variants and subsequent restrictions. Following a winter of high infection rates and new lockdowns, the introduction of vaccines led to increased optimism and a reopening of many countries in the first half of the year.

EgoKiefer windows and doors in wood and aluminium.
Heerbrugg, Switzerland.
Giesser Architektur+Planung,
Löwenzahn Design, 2020



Despite these constraints, the demand for home improvements was robust throughout the year. The business areas skilfully handled the constantly changing circumstances by maintaining good relations with suppliers and by adjusting production and delivery to best serve customers.

Business activity remained sound and actually grew, even though global supply chains were disrupted by transport delays, shortages of raw material, and price increases, especially during the second half of the year. In both business areas, positive development slowed somewhat during the summer, but recovered slightly by year's end. For 2021, total revenue growth was 15.4%, of which 9.4% was organic growth.

The DOVISTA Group successfully delivered on its M&A strategy. In 2021, the DOVISTA Group announced the acquisition of the window division of the Swiss company, Arbonia. This was stated in last year's annual report. The purchase was approved by Competition Authorities in the summer of 2021. During 2021, the DOVISTA Group executed on another opportunity by acquiring one of the leading vertical window manufacturers in Germany, Weru Group. The existing business and the two acquisitions are a perfect match.

As a result of the new acquisitions, the DOVISTA Group nearly doubled in size and is now the largest Vertical window manufacturer in Europe. The new acquisitions also

expanded the DOVISTA Group's portfolio with brands with strong local roots. Knowledge of local building styles and traditions is critical to understanding customer preferences and to competing in the local market.

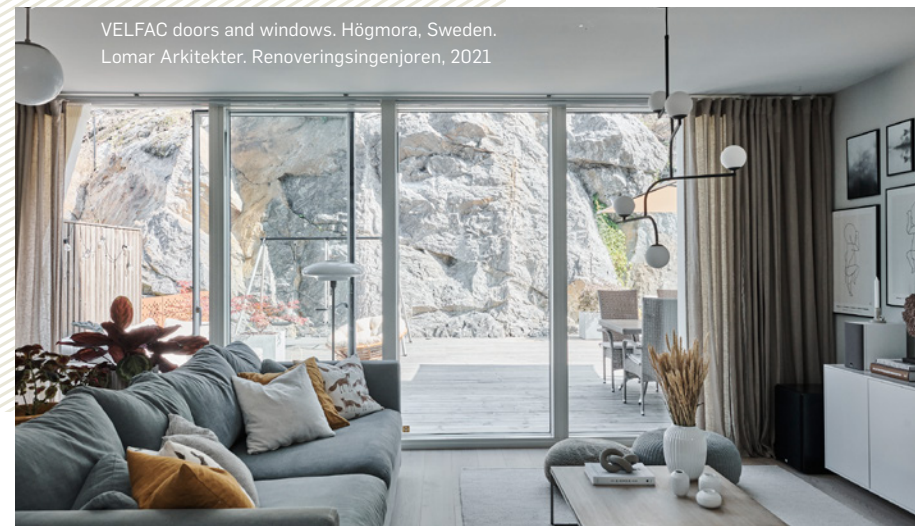
Beyond organic growth, the VKR Group will continue to pursue an active acquisition strategy and to embrace opportunities that either strengthen the strategic position of existing business areas or result in a new and independent business area within the Group.

In November, VKR Holding announced the establishment of KOMPAS, a venture capital fund focused on sustainability and technological innovation in real estate and construction. KOMPAS will invest DKK 1 billion in technology start-ups which develop breakthrough solutions for a more sustainable future, all the while generating top financial returns.

VKR Holding is the cornerstone investor of KOMPAS, which operates independently. The fund will build a portfolio of direct investments in Europe, Israel and the US while maintaining a long-term vision.

VKR HOLDING'S ACTIVITIES

VKR Holding is a holding and investment company with the primary mission of creating value through the ownership of companies that bring daylight, fresh air and a better environment into people's everyday lives. The Company's main activity is the



ownership of companies in the business areas of Roof windows & skylights and Vertical windows. VKR Holding also manages a substantial portfolio of financial investments that comprise listed shares and bonds as well as illiquid investments in loan funds, property funds and in private equity funds. Lastly, VKR Holding is the cornerstone investor of KOMPAS, an independent venture capital fund.

VKR Holding practises active ownership of the business areas through the Model Company Objective, current group policies and the governance structure (see the section on Governance). Within this framework, the business areas operate with a high degree of independence, and the responsibilities of their boards of directors include operations, strategy, reputation and risk management

of their respective companies. The strategy, capital resources, risk profile, ESG and organisational-related topics of the business areas are regularly aligned with VKR Holding.

One of VKR Holding's primary objectives is to generate the highest possible risk-adjusted return on investments. In accordance with the Model Company Objective and its approach to corporate social responsibility, the Company maintains a responsible investment policy that aims to gradually transform the financial portfolio into increasingly sustainable investments. Learn more about this policy in VKR Holding's Communication on Progress 2021 (COP) report or on VKR Holding's website:

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

VELUX 3-in-1 roof window provides an abundance of daylight.
Jesper Jørgen Fotografi, 2021.



ROOF WINDOWS & SKYLIGHTS

Robust business activity and a new Group strategy with ambitious growth targets within Roof windows & skylights.

Once again, the VELUX Group experienced an increase in demand for Roof windows & skylights in 2021. This resulted in strong sales and an excellent business performance. The ongoing challenges caused by COVID-19 did not appear to negatively affect business. Rather, the pandemic seemed to increase focus on the need for home improvements.

Despite global supply chain disruptions, transport delays, shortages of raw materials and subsequent price increases, business activity remained robust. Both the Residential business and the Commercial business contributed to the overall growth in business activity.

In 2021, the VELUX Group finalised a business restructuring which began the year before. The purpose was to streamline the

business in order to clarify roles and responsibilities, and to make the Group more efficient and ready for growth.

By Autumn, the VELUX management team presented its four-year strategy at the VELUX World Conference in Evian. The Group's new purpose is to: *Create well-being for people and planet by transforming spaces using daylight and fresh air.*

The new **four-year strategy** introduced a new company purpose for the VELUX Group: **Create well-being for people and planet by transforming spaces using daylight and fresh air.**

The new strategy forwards a strong growth plan driven by expectations of a continued increase in product demand. Expected growth is based on several factors. Increasingly green energy requirements will spur energy improvements to the ageing building stock in Europe, and homes will continue to be remodelled. At the same time, the way people use their indoor spaces has changed under the pandemic. To reflect this latter development, the VELUX Group will focus on the ability of roof windows to transform spaces into favourite places, using daylight and fresh air.

The VELUX Group **strongly** prioritises **sustainability** and has integrated **sustainability** into every aspect of **business**.

The VELUX Group strongly prioritises sustainability and has integrated sustainability into every aspect of business. In 2021, the Group took significant steps towards implementing its ambitious sustainability targets. This included launching a number of green energy initiatives and cooperating with suppliers to reduce carbon emissions. In its efforts to become lifetime carbon neutral, the Group also began its first forest project in Uganda.

The VELUX Group established the following four business priorities of its new strategy: redefine the use of the roof through desirable solutions, take active responsibility for the individual customer journey, visibly lead the way on sustainability, and develop internal capabilities and culture. To ensure an even stronger focus on the development of people and organisation across the VELUX Group in the new strategy, Iben Schmidt Helbirk, Senior Vice President, People & Organisation joined the VELUX Management Group.

In 2021, the VELUX Group delivered growth in revenue, which was primarily attributed to significant growth during the first half of the year. In the second half of the year, growth was affected by shortages of components and by the increased prices of raw materials. This resulted in a net profit below the high level of 2020. All in all, the development in 2021 was better than expected, which is considered satisfactory.

THE BUSINESS AREA ROOF WINDOWS & SKYLIGHTS



Vario by VELUX. Copenhagen, Denmark. Christina Kayser, 2021

VELFAC Vertical windows and Krone corner panoramic windows. Myrholm in Copenhagen, Denmark. Danielsen Architecture. InHouse, 2020



VERTICAL WINDOWS

With two new acquisitions, DOVISTA became the largest manufacturer of Vertical windows in Europe.

In 2021, the DOVISTA Group successfully executed on its M&A strategy by finalising the acquisition of the window division of the Swiss company, Arbonia. Subsequently, the DOVISTA Group acquired one of the leading vertical window manufacturers in Germany, the Weru Group. As a result, the DOVISTA Group established a leading footprint in Central Europe, with strong market positions in Germany, Poland, Slovakia and Switzerland.

Due to these new acquisitions, the DOVISTA Group is now the largest manufacturer of Vertical windows in Europe.

The existing business and the two acquisitions complement each other well, including in the areas of technology, products, factories and market footprint. The result is an extensive product portfolio with strong brands. This allows the DOVISTA Group to meet any demand for Vertical windows and exterior doors within most European markets.

The DOVISTA Group's brand portfolio increased by the following five new brands: Dobroplast, EgoKiefer, Slovaktual, Wertbau and Weru. Currently, the DOVISTA Group has a portfolio of 14 brands, including the five new ones. These brands have strong local

The **DOVISTA** Group's brand portfolio **increased by the following five new brands**: Dobroplast, EgoKiefer, Slovaktual, Wertbau and Weru.

roots which permits the Group to benefit customers in every market by meeting distinct national and cultural preferences.

Today, the DOVISTA Group is nearly double in size and comprises more than 7,500 employees across 11 countries. The management team also expanded as the DOVISTA Group became more international. This was necessary to strengthen cooperation and growth moving forward. Nicolas Casanovas, former CEO of Arbonia's window division, will assume the new position of Chief Commercial Officer, and Hanne Blume will serve as Chief Human Resource Officer.

In 2021, the DOVISTA Group's organic growth in revenue exceeded expectations.

All main markets experienced growth. At the same time, operating profit increased due to improved sales, despite higher priced raw materials. In these turbulent times, it is impressive that the DOVISTA Group managed to acquire two large window manufacturers while the existing business performed better than expected.

The underlying development in net profit before one-off costs related to post-merger integration emerged better than expected, also when compared to the previous year. The results for 2021 are considered satisfactory.



Krone wooden and aluminium energy efficient windows. Føtexhus in Vejle, Denmark. Aart Architects. Jacob Due, 2020

THE BUSINESS AREA VERTICAL WINDOWS

DOVISTA[®]
windows and doors

dobroplast

EgoKiefer
Fenster und Türen

Mockfjärds

natre

DOORS & PANELS

rational

FENSTER

Trarydfönster

VELFAC

WERTBAU
Mehr Licht zum Leben

Lian

okná a dvere
Slovaktual

KRONE

weru

Weru triple glazed windows in residential building in Spain. Diego Casas, 2021



DEVELOPMENT IN FINANCIAL POSITION AND ACTIVITIES

The VKR Group achieved another year of increasing business activities and emerged with record high revenue and profit.

The Group's revenue growth was driven by organic growth and the effect of acquisitions finalised by the DOVISTA Group in the second half of 2021. The improvement in the bottom line was due to a considerable yield on the financial portfolio. Operating profit performed almost at the same level as last year. It was affected by higher raw material and logistics costs which were not fully mitigated by increased sales prices.

REVENUE AND OPERATING PROFIT

In 2021, the VKR Group's revenue totalled DKK 26.1 billion compared to DKK 22.6 billion the previous year. The growth in revenue was 15.4%. Organic growth was 9.4% which exceeded expectations. Growth from acquisitions contributed with 6.0%-points. Growth occurred across all major markets,

including Western Europe, Central and Eastern Europe, and North America.

Revenue in 2021 was positively affected by exchange rates, particularly the GBP, SEK and NOK.

In 2021, profit before depreciation (EBITDA) was DKK 4.8 billion, which is similar to last year. The higher revenue was offset by the increased costs of raw materials and logistics, due to the global disruption of supply chains. The increased prices of raw materials were only partially mitigated because higher sales prices were not fully implemented in 2021. The low fixed cost level in 2020, due to the COVID-19 pandemic, was to some extent continued in 2021.

The VELUX Group's investments were mainly directed towards **improving factory efficiency** and **enhancing production capacity**.

Profit before goodwill amortisation (EBITA) in 2021 was DKK 4.1 billion as compared to DKK 4.2 billion in 2020. This development was affected by higher depreciations.

OPERATING INVESTMENTS

The VKR Group invested a net total of DKK 0.6 billion in tangible fixed assets in 2021, corresponding to 2.4% of revenue. Investments were, therefore, slightly higher compared to last year, and at the level expected by the business areas.

In 2021, the VELUX Group's investments were mainly directed towards improving factory efficiency and enhancing production capacity. In addition, investments were made to ramp-up production of new products and to improve energy efficiency in the supply chain as part of ongoing efforts to reduce CO2 emissions.

In 2021, the DOVISTA Group primarily undertook maintenance investments to ensure operational stability and quality. In addition, investments were made for the enhancement of digitised processes, performance management and industrialised production flow.

CASH FLOWS FROM OPERATING ACTIVITIES AND WORKING CAPITAL

In 2021, cash flows from operating activities before taxes amounted to DKK 3.8 billion compared to DKK 5.9 billion in 2020. This decline was expected. 2021 was a more normal year compared to 2020, which resulted in a drag on working capital when the activity level increased. Furthermore, working capital was affected by a higher level of inventory, particularly because the VELUX Group experienced challenges in finishing and shipping some product groups due to raw material shortages. Cash flows from operating activities after taxes declined to DKK 2.6 billion in 2021, compared to DKK 5.0 billion the previous year.

Wertbau wooden and aluminium windows.
Thüringen, Germany. Müller & Lehmann, 2021



CONSOLIDATED FINANCIAL HIGHLIGHTS FOR THE GROUP

Key figures (DKK m)	2021	2020	2019	2018	2017
Net revenue	26,093	22,610	21,561	19,592	18,648
Earnings before depreciation (EBITDA)	4,844	4,837	3,689	3,225	3,324
Earnings before goodwill amortisation (EBITA)	4,074	4,199	3,005	2,669	2,849
Earnings before financial items and tax (EBIT)	3,907	4,049	2,857	2,617	2,820
Net financials	2,410	734	1,175	-281	458
Net profit for the year	4,997	3,703	3,075	1,785	2,532
Investment in tangible fixed assets (net)	627	604	599	592	864
Free cash flow before tax	198	5,221	3,226	663	2,164
Total assets	35,036	27,334	23,812	21,102	19,720
Equity	25,320	22,009	19,230	16,914	15,948
Financial ratios (%)					
EBITA margin	15.6	18.6	13.9	13.6	15.3
Return on capital employed	38.8	48.1	31.8	31.0	39.2
Equity ratio	72.3	80.5	80.8	80.2	80.9
Average number of employees	17,104	15,267	16,123	15,459	14,764

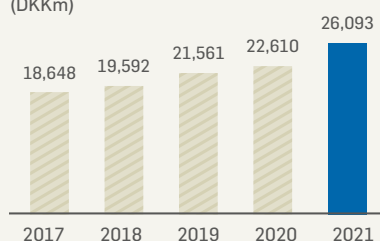
Financial ratios have been prepared in accordance with the Danish Finance Society's recommendations. Reference is made to the accounting policies.

REVENUE GROWTH

15.4%, of which
9.4% was **organic**
growth



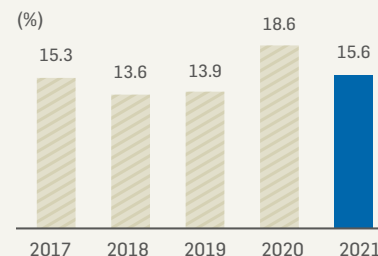
REVENUE (DKK m)



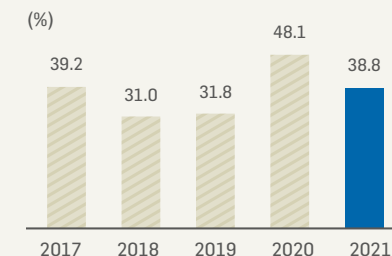
NET PROFIT (DKK m)



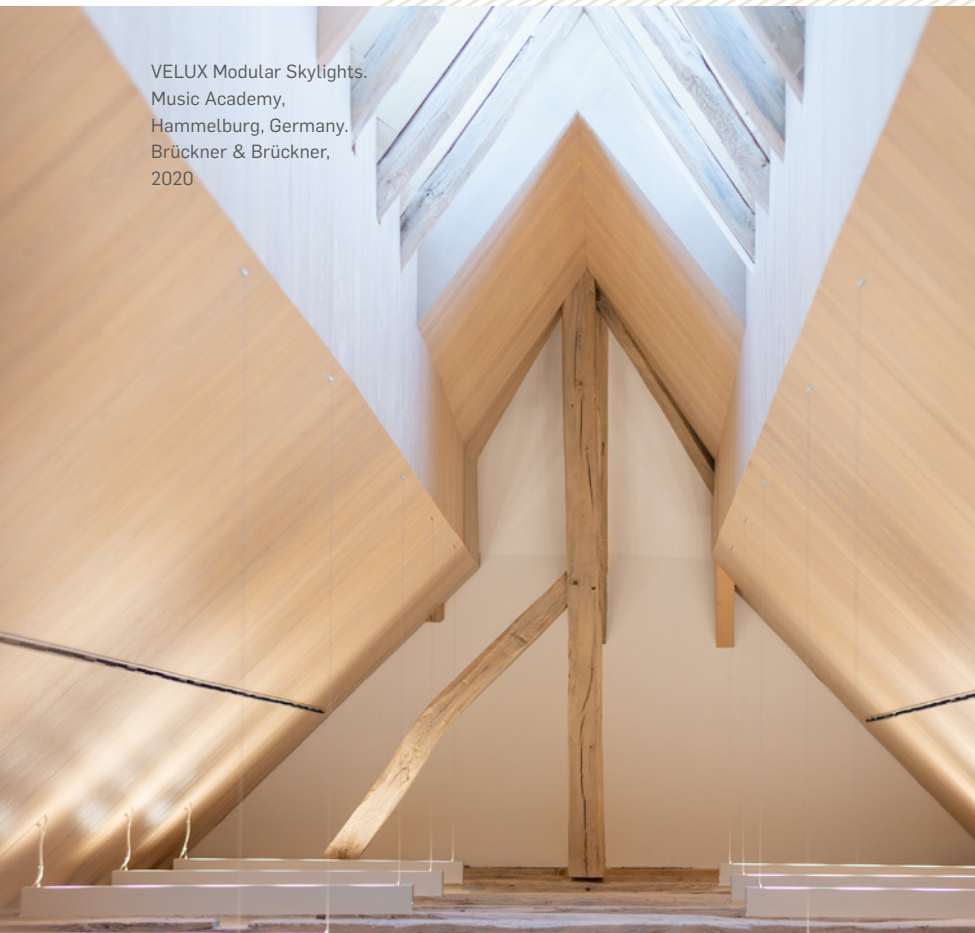
EBITA MARGIN (%)



RETURN ON CAPITAL EMPLOYED (%)



VELUX Modular Skylights.
Music Academy,
Hammelburg, Germany.
Brückner & Brückner,
2020



FINANCIAL INVESTMENTS

VKR Holding owns a substantial portfolio of financial investments. In any given year, the return from these investments can significantly affect results.

In 2021, the return on VKR Holding's financial portfolio was DKK 2.6 billion, corre-

sponding to a 19% rate of return. This was significantly better than expected. In fact, it was a record high, beating the previous record from 2019.

The return in 2021 was primarily driven by unrealised capital gains on listed shares and by illiquid investments. Return on fixed

income assets was slightly negative due to rising interest rates.

In general, the financial markets were characterised by optimism due to the re-opening of the economy and to financial stimuli provided by governments and central banks. Towards the end of the year, inflation emerged as a concern. But it remains unclear whether this inflation is temporary or persistent.

In 2021, the portfolio strategy generated a very satisfactory return.

TAXATION

In 2021, the annual tax amounted to DKK 1.4 billion, compared to DKK 1.1 billion the previous year.

NET PROFIT

The VKR Group reported a new record with a net profit of DKK 5.0 billion in 2021, compared to DKK 3.7 billion in 2020.

This development can be attributed to a record high return on financial investments which significantly exceeded the previous year. Expectations for the 2021 results were cautious and on par with the year before. Management considers this year's net profit to be very satisfactory.

FINANCIAL RESOURCES

On 31 December 2021, the VKR Group's financial resources amounted to DKK 14.6 billion compared to DKK 13.4 billion in 2020. This increase primarily reflects additional investments and unrealised capital gains on listed shares that more than offsets the extraordinary dividend of DKK 2.0 billion in 2021.

Total assets in the VKR Group increased considerably. At year end, it reached DKK 35.0 billion as compared to DKK 27.3 billion in 2020. The higher asset level was partially due to the acquisitions.

On 31 December 2021, equity in the VKR Group amounted to DKK 25.3 billion. This is an increase compared to DKK 22.0 billion the previous year. The equity ratio decreased from 80.5% in 2020 to 72.3% in 2021. This is due to external financing of acquisitions.

The VKR Group manages a large stock of cash that can be used to invest in the Group's existing companies and to finance potential acquisitions. For optimisation purposes, external financing is taken into consideration when acquiring companies.

Following the annual general meeting in March 2021, an extraordinary dividend of DKK 2.0 billion was distributed. At the annual general meeting in March 2022, a dividend of DKK 1.0 billion will be proposed.

INNOVATION AND DEVELOPMENT ACTIVITIES

In 2021, the VKR Group maintained its focus on continuously developing and improving the product range. The goal is to meet increasing expectations and requirements regarding energy efficiency and indoor climate in new buildings and renovations.

In 2021, the VELUX Group continued to launch products to ensure ongoing growth and relevancy in the market. Most significantly, VELUX introduced a new platform for the flat roof product category. The platform sets a new best-in-class standard for both design and performance, thus contributing to an even stronger case of bringing daylight and fresh air to customers. The product was recognised with a Red Dot award.

The VELUX group began deploying new processes and tools to advance its strong commitment to sustainability. In particular, it worked on improving energy efficiency in the supply chain as part of ongoing efforts to reduce CO2 emissions.

The Group's innovative product development results in numerous patent applications each year. As of 31 December 2021, VKR Holding owns and manages 2,635 active patents distributed among 561 unique inventions. To maintain the Group's competitive advantage, these patents are actively and systematically protected, together with other intellectual property rights.

EMPLOYEES

By the end of 2021, the VKR Group comprised approximately 19,900 employees, which was about 4,500 more than the previous year. A large part of the increase can be attributed to employees from companies acquired in 2021. The majority of employees work in Denmark, Germany and Poland. In total, about 55% of the Group's employees work in these three countries. In addition, there are a significant number of employees in France, Hungary, Slovakia, Sweden and the United States.

CORPORATE SOCIAL RESPONSIBILITY

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

So, it is only natural that the VKR Group actively supports the UN Global Compact and the sustainable development goals (SDGs). In 2016, VKR Holding and all business areas joined the UN Global Compact. Each year, we communicate our progress in maintaining the ten principles of human rights, labour rights, environment and anti-corruption through Communication on Progress (COP) reports.

VKR Holding's COP report also constitutes the VKR Group's statutory report on cor-

porate social responsibility for the 2021 financial year in accordance with section 99a of the Danish Financial Statements Act. The report can be found on our website (www.vkr-holding.com/vkr/csr/) and on the UN Global Compact's website. It includes additional information on the Model Company Objective, VKR Holding's policy for responsible investments and the work of the philanthropic foundations associated with the VKR Group.

Moreover, VKR Holding's COP report includes selected information in which the business areas' progress made towards addressing the UN Sustainable Development Goals was considered most significant. Both the VELUX Group and the DOVISTA Group place sustainability high on the agenda. In fact, the VELUX Group may have the world's most ambitious goals in the construction industry: to become CO2 neutral by 2030 (Scope 1 and 2) and to take full responsibility for capturing historical CO2 emissions by becoming 'Lifetime Carbon Neutral' by 2041 (Scope 1 and 2).

WORK ENVIRONMENT

The VKR Group's business areas have a strong focus on a positive and safe work environment. Extra effort is placed on taking care of the many employees at the manufacturing facilities. This includes efforts to ensure that work is in line with the international standard for working conditions: ISO 45001 (occupational health and safety man-

agement system). The business areas' board of directors receive regular reports on the work environment and VKR Holding's Board of Directors receives frequent updates on the subject from the CEOs of the business areas.

DIVERSITY GOALS

At VKR Holding, employees and board members are always selected based on qualifications and skills. At the same time, the real value of diversity is acknowledged. In 2021, this resulted in VKR Holding A/S setting a new goal to reach an even gender distribution on its board of directors by 2025.

In 2021, VKR Holding A/S achieved its diversity target with two female and three male board members¹, cf. the Danish Financial Statements Act, section 99b². The target is also fulfilled for the boards of VELUX A/S and DOVISTA A/S³.

In the VKR Group an even gender distribution is a key focus area at all levels in the organisation. In 2021, the employee satisfaction survey confirmed that VKR Holding A/S' employees experience that they are treated properly and with respect and have equal opportunities regardless of age, race, gender, religion or sexual orientation. These results were identical regardless of the gender of the respondent.

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

² Only applies for VKR Holding A/S' Board of Directors as the company employs fewer than 50 employees.

³ Employee representatives not included.

OUTLOOK FOR 2022

Expectations for 2022 are cautiously optimistic. The Group proved to be resilient throughout the COVID-19 restrictions and lockdowns. In addition, the positive development in the building industry activity from 2021 is expected to continue in 2022, but at a more moderate level. However, the economy could be affected by increased inflation, higher interest rates and material prices which could impact the business areas' growth potential and cost levels. Moreover, the tragic war in Ukraine creates further uncertainty for the economic outlook for 2022. We continuously monitor the developments.

In 2022, the VKR Group's activity level is expected to increase, with solid growth rates. This is partially due to the full-year effect of the DOVISTA Group's acquisitions. In addition, the VELUX Group expects carry-over effects of missed sales resulting from supply chain disruptions and raw material shortages.

Organic growth in the underlying business is anticipated in both business areas. Profits are expected to be approximately at the same level as last year. This development is driven by expected increased operating income offset by a lower return on the financial portfolio after 2021's record return. During COVID-19, the return on the financial portfolio resulted in large fluctuations.

By the end of 2021, increased inflation became a concern alongside the current situation in Ukraine. This constitutes an uncertainty that can result in continued fluctuations which we have already seen in the financial markets. Finally, operating investments are expected to increase, largely related to investments in production capacity that support growth and to operating investments in the newly acquired companies.

During 2022, the drag on working capital is expected to decline. This, together with a higher operating income, is expected to increase operating cash flows next year.

Management remains confident in the business areas' strategies and in the handling of the financial investment portfolio. In addition to these long-term strategies, the major strategic focus of 2022 will be the integration of new companies to allow for the realisation of synergies and to lay the groundwork for future growth. Management also expects that growth in Roof windows & skylights and in Vertical windows will continue in the years to come. VKR Holding's acquisition strategy will remain unchanged in the future. Potential acquisitions will be pursued both within the existing business areas and with a view towards establishing a new business area if the right opportunity arises.

A new generation of the smart phone controllable VELUX flat roof window.
Jesper Jørgen
Fotografi, 2021





Krone energy efficient oak window panels.
Arena Randers, Denmark. LINK Arkitektur.
Thomas Illemann, 2020

RISK FACTORS

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

VKR Holding has a portfolio of financial investments and its returns are dependent on financial market developments. This exposes the VKR Group to both operating and financial risks.

In addition, there is always a risk of unforeseen events, such as the COVID-19 pandemic. This crisis is an example of a risk that highlights the need for business model agility. In 2021, the VKR Group's business areas, yet again, managed the circumstances with great skill.

OPERATING RISKS

The level of activity in the construction industry is one of the greatest risk factors to the VKR Group as a whole. The macroeconomic conditions in the individual markets are among the primary growth drivers in the building industry. In 2021, business was affected by new COVID-19 pandemic waves and subsequent restrictions and lockdowns in our main markets followed by global supply chains issues and raw material shortages. However, the need for daylight and fresh air in the residential and commercial sector continued throughout the year.

Energy-efficient buildings and renewable energy sources are important to the Group as they set the framework for future business opportunities. The VKR Group's business areas continuously focus on ensuring that their products and services live up to current and future demands and to societal expectations. Therefore, the Group has an interest in ambitious political goals for energy-efficient solutions and for free and open competition.

ESG is important for the VKR Group at all levels. This is highlighted in the VKR Group's COP report for 2021. Climate-related risks are specifically taken into account as a separate risk in this section.

During 2021, inflation became a concern. Among others things, increased inflation means

higher energy and raw material prices. Moreover, in the beginning of 2022, energy prices increased due to the geopolitical events. This may lead to a lower activity level in the building industry. On the other hand, energy price inflation could also result in increased demand for the Group's products due to a heightened focus on energy efficiency in buildings.

PRODUCT QUALITY AND PRODUCT LIABILITY

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

Products that do not live up to expected quality are a costly burden. This risk is managed by comprehensive quality and environmental management systems that monitor all products from both the Group's own production and from suppliers. The testing of products is thorough and ongoing. It is carried out both internally and by independent and certified external testing institutions.

CREDIT RISK

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

Due to the broad geographical distribution of the Group's activities, VKR Holding utilises many different banks around the world. VKR Holding generally relies on large, international banks to obtain the required services and to minimise the risk related to investing in cash and cash equivalents. The most important of these banks are credit rated on an ongoing basis.

IT SECURITY

In daily operations, the business areas are highly dependent on IT systems in order to manage the value chain, from product development to product delivery. Compromised IT systems or IT system crashes may result in a partial or complete suspension of business activities or in an increased risk of fraud.

For these reasons, a high IT security level is prioritised to counter the increasingly sophisticated attacks on the Group's IT systems. This includes maintenance and improvement of technical IT platforms as well as the ongoing training of employees. Moreover, the Group constantly strives to improve its ability to identify successful attacks in order to stop them at an early stage. In the event of a system crash, the Group works to improve IT contingency plans so that systems can be restored as soon as possible.

In 2021, the Vice President of IT and Digital Enablement in the Group gave a detailed presentation to VKR Holding's Board of

Directors on the status on Cybersecurity, which was subsequently discussed by the board. Cybersecurity is an area of high importance, which requires an ever increasing focus.

CLIMATE RISKS

The VKR Group addresses climate-related risks and opportunities as an integral part of its daily business. This is directly linked to its vision of bringing daylight, fresh air and a better environment into people's everyday lives. The VKR Group seeks to capitalise on climate-related opportunities through sustainable products that showcase green buildings and communities. At the same time, the VKR Group seeks to reduce climate-related risks by developing and implementing innovative technologies with lower carbon intensity in order to reduce the footprint of its production processes. The Group also takes extreme weather conditions and other relevant factors into account when designing and constructing its facilities.

SANCTIONS COMPLIANCE

It is imperative for the VKR Group to operate in compliance with the laws and regulations applicable to its business. As a consequence of increased complexity and enforcement of sanctions and export control in several of its markets, the Group further increased the resources of its sanctions compliance program. Due to the nature of its business, the Group primarily focuses on the UN, US, EU and GB sanction regimes.

SUPPLY CHAIN RISK

In 2021, the COVID-19 pandemic created global volatility and uncertainty which disrupted supply chains and created shortages of raw materials and semi-conductors upon which the VKR Group's business areas are highly dependent. This development resulted in higher commodity prices.

Movements in commodity prices can affect the VKR Group's results. In 2021, higher commodity prices and the shortage of certain raw materials were mitigated, to some extent, through good relations with suppliers and price adjustments in the market. The majority of the business areas' suppliers are strategically located close to the VKR Group's main production sites to further mitigate the risk. Despite these mitigations, shortages of raw materials and higher commodity prices remain risks going forward.

HS&E RISK

The VKR Group is highly dependent on its employees and on keeping a safe and healthy work environment. During the COVID-19 pandemic, the VKR Group maintained an unwavering commitment to the health and safety of its employees. At the same time, the Group kept full operational integrity and safeguarded the well-being of its employees, whether they were working at home or at the workplace.

Extra effort is placed on taking care of the many employees at the manufacturing

facilities. This includes efforts to ensure that work is in line with the international standard for working conditions: ISO 45001 (occupational health and safety management system). The business areas' board of directors receive regular reports on the work environment and VKR Holding's Board of Directors receives frequent updates on the subject from the CEOs of the business areas.

FINANCIAL RISKS

FINANCIAL MARKET RISK

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

INTEREST RATE RISK

Fluctuations in interest rates have a major impact on the VKR Group's return on financial investments. The bond portfolio is particularly affected by increases or decreases in the interest rate, whereas other asset classes are influenced to a lesser extent.

However, the interest rate risk of financial investments is considered moderate, and interest rates are monitored on an ongoing

basis. The VKR Group rarely takes on external interest-bearing debt, which is reflected in the Group's high equity ratio. Consequently, the interest rate risk on debt is considered limited. There may be advantages in raising external financing for larger investments and acquisitions as well as for seasonal negative cash flows. Increased external financing will also affect the interest rate risk depending on the type of loan, its duration, etc. But it should be seen in connection with the interest rate risk on financial investments.

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

FOREIGN EXCHANGE RISK

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

The Group does not engage in the hedging of operational foreign currency exposure. In connection with the purchase and sale of companies or assets, an ad hoc assessment is made of whether the currency risk should be covered externally.

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

LIQUIDITY RISK AND FINANCIAL RESOURCES

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

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

GOVERNANCE

PURPOSE

In December 2020, the Danish Committee on Corporate Governance updated its recommendations on corporate governance. The recommendations are primarily intended for companies listed on the Copenhagen stock exchange. Nevertheless, VKR Holding seeks to comply with the recommendations when deemed relevant and appropriate for the company.

One of the new recommendations is a description of the company's purpose, which is considered extremely relevant and is already an integrated part of the VKR Group's business model.

The VKR Group's founder, Villum Kann Rasmussen, formulated the Model Company Objective as early as 1965. It mandates that the Group companies act responsibly towards all its stakeholders, while ensuring profits for continued growth. Every company in the Group aspires to fulfil this objective.

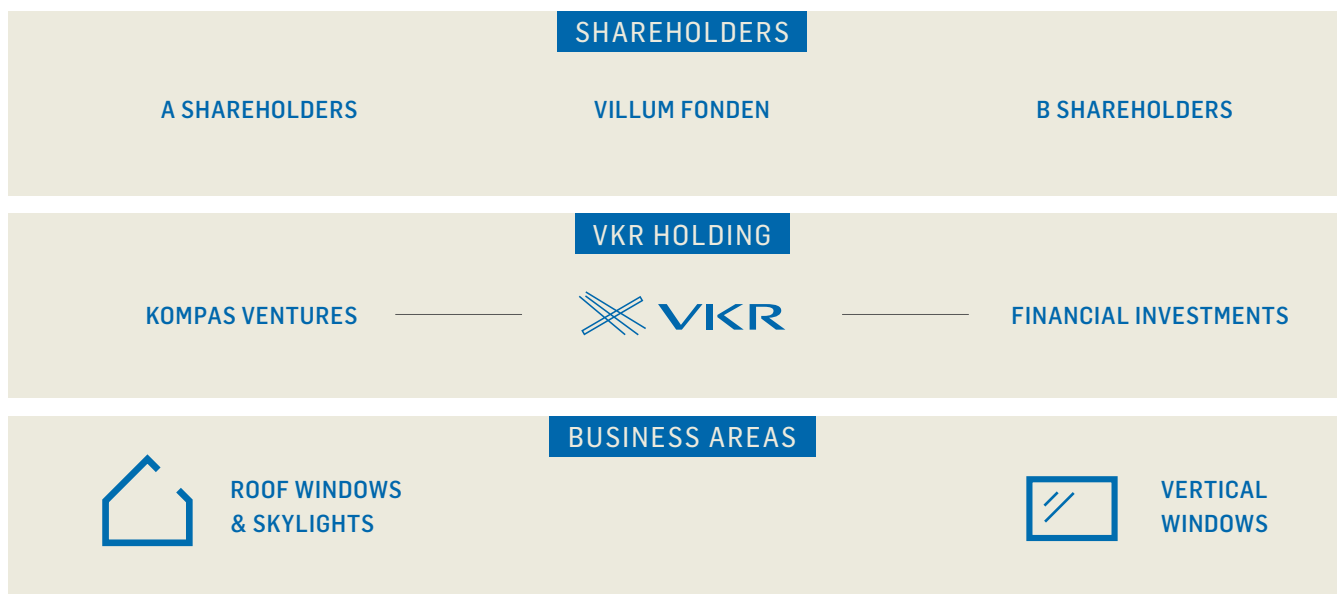
The Model Company Objective also forms the essence of the VKR Group's approach to corporate social responsibility. It defines the Group's overarching goal of achieving sustainability and of contributing to the UN Sustainable Development Goals and its Global Compact initiative.

To supplement this objective, the Board of Directors of VKR Holding has approved 17 Group policies which constitute the Group's guidelines on corporate governance. The management and boards of the business areas are responsible for ensuring compliance with the guidelines. The VKR Holding's Board of Directors has made the Group's

policies public. The policies are available on VKR Holding's website: www.vkr-holding.com/governance/.

In 2021, VKR Holding's Board of Directors approved a new Group policy on data privacy and ethics. The policy comprises the overall

VKR Holding **seeks to comply** with the recommendations from the Danish Committee on Corporate Governance.



principles for good data governance at the VKR Group. The main principles require that the Group only uses data for legitimate purposes and ensures a lawful and fair basis for processing data.

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

SHAREHOLDERS

The shareholders perform all the functions bequeathed to the owners of the company at the general meetings. In addition, four ordinary shareholders' meetings are held each year between shareholder representatives and VKR Holding's Chairmanship and Executive Management. At these meetings, the shareholders are informed of developments in the VKR Group, including the strategy, risk profile, performance, ESG and organisational-related topics of the Group's companies. The meetings are always held according to a pre-approved agenda.

No board members in VKR Holding A/S hold shares in VKR Holding A/S or its subsidiaries.

VKR HOLDING

At the annual general meeting in March 2021, Oscar Mosgaard decided to step down and the board currently consists of five members. Up to two members are elected

VELUX employee Jasna Alibasic.
Østbirk Bygningsindustri
in Horsens, Denmark.
Søren Solkær, 2021





VELUX roof windows and VELFAC doors.
Trørød, Denmark. Torben Eskerød, 2021

from the company's shareholders, including members of the Board of VILLUM FONDEN, while at least three board members are elected independently of the shareholders, including from VILLUM FONDEN. One, of a maximum of two board members elected from the group of shareholders, should also serve on the Board of VILLUM FONDEN.

All board members must meet the prevailing Fit and Proper Criteria. The chair is elected by the shareholders at the annual general meeting. The board is responsible for the overall management of VKR Holding and operates according to an annual schedule. This ensures that discussion of and progress on significant strategic, financial and operational matters, as well as on initiatives such as those regarding the environment, employees and the organisation. VKR Holding's Board of Directors also ensures ongoing communication between the company and its shareholders so that expectations and positions are aligned.

According to the annual schedule, four ordinary board meetings are held each year. In 2021, the board attendance rate was 100%. Extraordinary board meetings are held when necessary, but no such meetings were held during 2021. To ensure that the board of directors has first-hand knowledge of the Group's activities, at least one of the annual meetings includes a visit to the business areas. In June 2021, the board of directors had the opportunity to visit VELUX A/S head office in Hørsholm as well as DOVISTA A/S

and VELFAC's showroom in Rødovre. In addition, the board of directors visited the Villum Window Collection in Søborg.

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

Internal board evaluations were previously carried out internally by the Board of VKR Holding. The evaluations include board composition, contribution and results, the board's agenda and cooperation between the Board of Directors and Executive Management.

In 2021, a professional external expert evaluated the Board of VKR Holding. This is also in accordance with recommendations from the Danish Committee on Corporate Governance. The evaluation concluded that the board is operating extremely well. It reported a high level of quality and transparency in the material prepared for the board meetings, and in the collaboration and interaction between the Board of Directors and Executive Management.

At the same time, board meetings were evaluated as being led constructively and efficiently. The evaluation also stated that the Board of Directors represent a broad set of competencies and knowledge which, together, form a dynamic board that was perceived as highly competent. The evaluation also identified improvement areas

such as the role of and reporting from the Nomination Committee, reporting of risks, and the implementation of additional recommendations from the Danish Committee on Corporate Governance.

COMMITTEES

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

The purpose of the Audit Committee is to assist VKR Holding's Board of Directors in supervising the company's risk management processes, including its internal control systems, financial reporting and external audits. The committee also assists the Board of Directors in evaluating the VKR Group's aggregate risks and ensuring that the VKR Group's non-audit services are below 70% of the statutory audit fee, which was the case in 2021. The committee consists of two members appointed by the board: Anne Broeng (Chair) and Jørgen Tang-Jensen. The committee holds two scheduled meetings annually. Beginning in 2022, Lise Kaae replaced Jørgen Tang-Jensen as a member of the Audit Committee.

The purpose of the Nomination Committee is to ensure the appropriate composition of the Boards of Directors of VKR Holding A/S and of the business areas' parent companies. The committee acts as a preparatory body for VKR Holding's Board, which identifies and nominates candidates of the Boards

of Directors of VKR Holding A/S and of the business areas' parent companies. On behalf of the board of directors, the committee also evaluates the composition of VKR Holding's Board of Directors. The Nomination Committee comprises VKR Holding A/S' Chair and Vice Chair, while the CEO participates in the meetings. The committee convenes at least once a year.

BUSINESS AREAS

VKR Holding's business areas operate with a high degree of independence. The boards of directors of the business areas are responsible for operations, strategy, reputation and risk management of their companies. The strategy, capital resources and risk profile of the business areas are regularly aligned with VKR Holding.

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

The Group policies support the operational independence of the business areas by allowing the boards of the business areas to implement supplemental or more comprehensive policies where appropriate.

TAX GOVERNANCE

The VKR Group's tax management and

We strive to treat employees of all categories better than most others, which is why mutual respect is a core value of the VKR Group.

strategy are based upon the Model Company Objective. It mandates acting with a commitment to being a good corporate citizen while also remaining conscious of the need for profitability to ensure continued growth.

The VKR Group is a global company that pays taxes in many countries. It is important for the Group to have a responsible approach to taxes. Our approach to the timely payment of taxes directly and/or indirectly supports several UN Sustainable Development Goals (SDGs), including SDGs # 1 'No poverty', 4 'Quality education' and 16 'Peace, justice and strong institutions'.

The VKR Group cooperates with tax authorities in a timely, open and honest manner and has voluntarily joined the Danish tax authorities' Tax Governance programme to increase knowledge sharing and transparency. This, and any other cooperative relationship related to tax, must be based on mutual respect, professionalism and trust.

VKR Holding's tax policy has been approved by the board of directors and made public. The policy is available on VKR Holding's website: www.vkr-holding.com/governance/

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

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

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

WHISTLEBLOWER SCHEME

The VKR Group has a whistleblower system to which stakeholders can report illegal behaviour or suspected illegal behaviour

anonymously. Complaints can derive from actions by employees of the VKR Group, or others with a relation to the VKR Group, from applicable legislation, or from internal policies, among other things. Both employees of the VKR Group companies and persons from outside of the VKR Group can "blow the whistle" by reporting to the whistleblower system. The system is accessible from the internal and external websites within the VKR Group.

In order to ensure impartiality and objectivity in assessment and processing, whistleblower complaints are made to an external web portal hosted by an external whistleblower platform provider and are preliminary assessed by an external law firm. In addition, complaints are securely dealt with by external and impartial parties in accordance with the General Data Protection Regulation.

TARGET EQUALITY

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

THE BOARD OF DIRECTORS OF VKR HOLDING A/S

THOMAS THUNE ANDERSEN

Chair

Appointed Chair:
2020
Appointed: 2010

**Expertise:**

Extensive experience at the international executive and board level, plus sustainability, ESG and corporate governance experience

Chair of the Nomination Committee

HONORARY POSITIONS

Chair: Ørsted A/S / Lloyd's Register Group / Lloyd's Register Foundation

Member: IMI plc / BW Group Ltd. / Green Hydrogen Systems A/S / Tænketanken Hav / World Economic Forum / Chairmens community / The Danish Committee on Corporate Governance

Participated in all Board and Nomination Committee meetings during 2021

JØRGEN FALKEBO JENSEN

Vice Chair

Appointed Vice
Chair: 2020
Appointed: 2020

**Expertise:**

Extensive experience at the executive and board level, plus strategy, IT and venture capital investment experience

Vice Chair of the Nomination Committee

HONORARY POSITIONS

Chair: VELUX A/S / 3Shape A/S / Ambu A/S / Weibel Scientific A/S / Micro Matic A/S / Healthcare DANMARK

Member: Armacell International S.A.

Participated in all Board and Nomination Committee meetings during 2021

ANNE BROENG

Member of
the Board of
Directors

Appointed: 2012

**Expertise:**

Extensive board and operational experience within strategy, finance, risk management, asset management and ESG

Chair of the Audit Committee

HONORARY POSITIONS

Chair: Velliv / Asta & Jul. P. Justesen Fond

Member: NNIT A/S / ATP / SleepCycle AB / Aquaporin A/S

Participated in all Board and Audit Committee meetings during 2021

THE BOARD OF DIRECTORS (continued)

JØRGEN TANG-JENSEN

Member of
the Board of
Directors

Appointed: 2018
Considered
dependent



Expertise:

Extensive international executive and board level business experience within building industry, including in sales, R&D, production and supply chains

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

HONORARY POSITIONS

Chair: Strøjer Tegl A/S / Tænk tanken Europa

Member: VILLUM FONDEN /
ROCKWOOL INTERNATIONAL A/S / Maj Invest Holding

Participated in all Board and Audit Committee meetings during 2021

LISE KAAE

Member of
the Board of
Directors

Appointed: 2020



Expertise:

Extensive experience as a finance professional, including in M&A and venture capital investments

Member of the Audit Committee

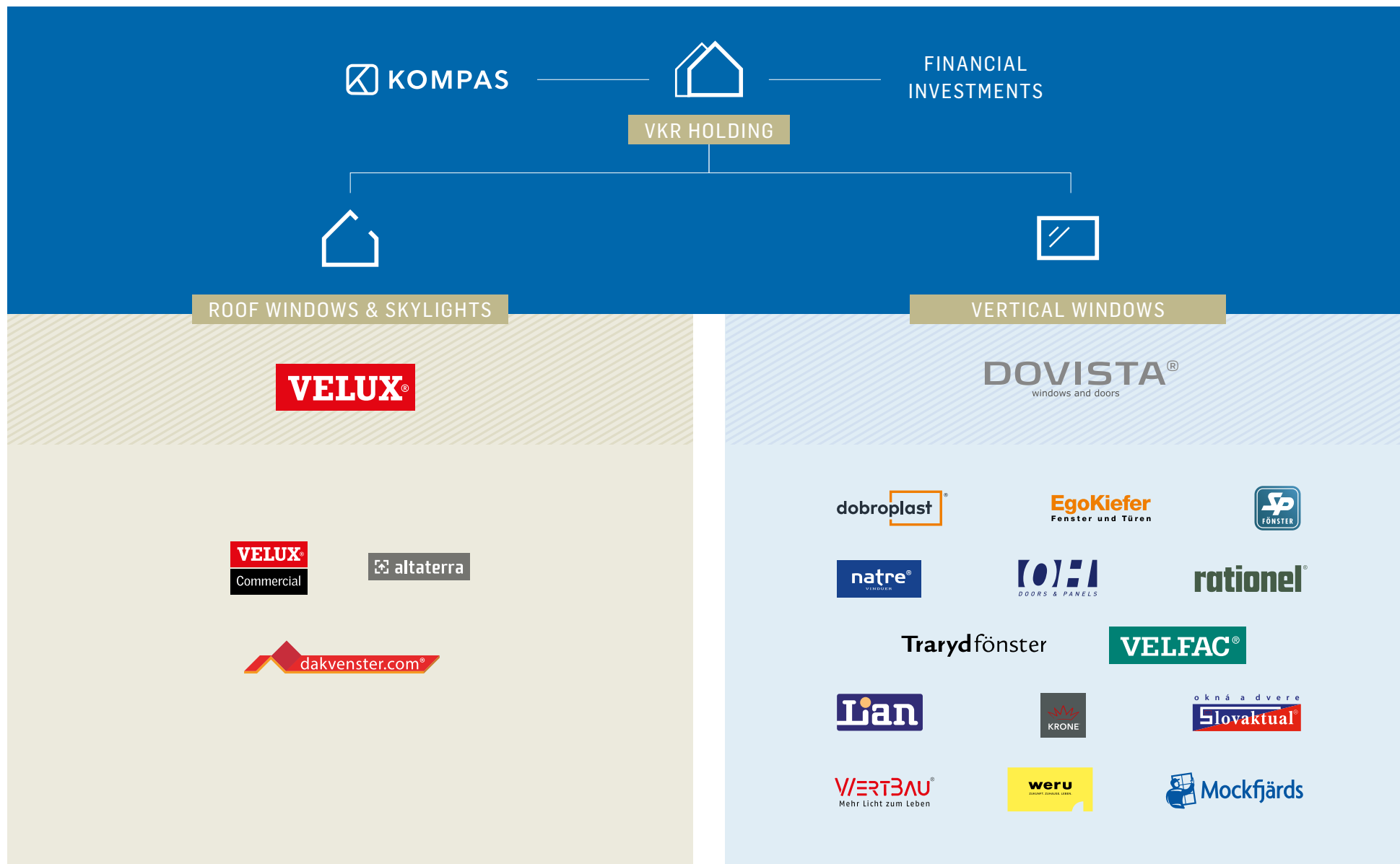
CEO of HEARTLAND A/S

HONORARY POSITIONS

Member: Chr. Hansen Holding A/S / Klarna Bank AB /
Various board positions in the subsidiaries of the
HEARTLAND Group

Participated in all Board meetings during 2021

THE VKR GROUP AS OF 31 DECEMBER 2021



COMPANY INFORMATION

VKR Holding A/S

Breeltevej 18
2970 Hørsholm
Denmark

Telephone:

+45 39 69 11 44

Website:

www.vkr-holding.com

Company reg.no. (CVR):

30 83 04 15

Founded:

7 February 1968

Registered office:

Hørsholm

Financial year:

1 January – 31 December

Financial statements no.: 54

BOARD OF DIRECTORS

Thomas Thune Andersen

Chair

Jørgen Falkebo Jensen

Vice Chair

Anne Broeng**Jørgen Tang-Jensen****Lise Kaae****EXECUTIVE MANAGEMENT:****Mads Kann-Rasmussen**

CEO

AUDITOR:**EY**

Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
2000 Frederiksberg
Denmark

ANNUAL GENERAL MEETING:

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

Campus LKR and the VKR Holding
head office. Hørsholm, Denmark.
24Copenhagen, 2021



FINANCIAL STATEMENTS

- > Income statement 1 January – 31 December
- > Balance sheet at 31 December
- > Statement of changes in equity
- > Cash flow statement
- > Notes
- > Accounting Policies
- > Management's statement
- > Independent auditors' report
- > Company overview



CASE STORY

VELFAC 200 ENERGY Triple Glazed Window Units are installed in each of the 452 rooms of Westwood Mews.

> [Link](#)

VELFAC windows.
Westwood Mews in Coventry, UK.
HAUS.
Daniel Hopkinson, 2021

INCOME STATEMENT 1 JANUARY – 31 DECEMBER

DKKm	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
Net revenue	1	26,093	22,610		
Changes in inventories of finished goods, work in progress and goods for resale		658	-332		
Work performed for own account and capitalised		27	23		
Other operating income		113	106	3,433	3,344
		26,891	22,407	3,433	3,344
Costs of raw materials, consumables and goods for resale		8,873	6,688		
Other external costs	2	6,533	5,084	647	531
Employee costs	3	6,641	5,798	55	51
Depreciation, amortisation and impairment losses		936	788	91	60
Profit before financial items and tax		3,907	4,049	2,640	2,703
Profit after tax in subsidiaries	10			686	956
Profit after tax from participating interests	10	54	16	46	12
Financial income	4	3,030	1,203	3,120	1,126
Financial expenses	5	620	469	409	348
Profit before tax		6,371	4,799	6,082	4,448
Tax on profit for the year	6	1,374	1,096	1,084	745
Net profit for the year	7	4,997	3,703	4,997	3,703
Distribution of profit:					
DKKm					
Proposed dividend				1,000	2,000
Transferred to equity reserves				3,997	1,703
Total distribution of profit				4,997	3,703

BALANCE SHEET 31 DECEMBER

DKKm	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
ASSETS					
Fixed assets					
Intangible fixed assets	8	3,120	1,461	1,324	334
Property, plant and equipment	9	5,383	4,336	319	331
Investments	10	3,968	2,851	6,414	5,843
Total fixed assets		12,471	8,648	8,057	6,509
Current assets					
Inventories	11	3,951	2,389		
Receivables					
Trade receivables		2,522	1,952		
Contract work in progress	12	237	85		
Receivables from subsidiaries				7,609	3,555
Corporation tax receivable		275	81	187	25
Deferred tax assets	13	288	157		
Other current receivables		484	428	46	18
Prepayments	14	229	220	2	1
Total receivables		4,035	2,925	7,844	3,598
Securities		13,755	11,894	13,555	11,723
Cash and cash equivalents		823	1,478	89	939
Total current assets		22,565	18,686	21,488	16,260
TOTAL ASSETS		35,036	27,334	29,545	22,768

BALANCE SHEET 31 DECEMBER (continued)

DKKm	Note	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
EQUITY AND LIABILITIES					
Equity					
Share capital	15	110	110	110	110
Reserve for exchange rate adjustments		-108	-303		
Reserve for hedging transactions				-2	-3
Retained earnings		24,318	20,202	24,212	19,902
Proposed dividend		1,000	2,000	1,000	2,000
Total equity		25,320	22,009	25,320	22,009
Provisions					
Deferred tax liabilities	16	509	213	239	83
Other provisions	17	846	531	6	
Total provisions		1,355	744	245	83
Liabilities					
Non-current liabilities	18	1,152	37	1,115	
Current liabilities					
Current portion of non-current liabilities	18	1,153	15	1,115	
Credit institutions		268	53	264	
Prepayments from customers		321	183		
Trade payables		2,065	1,372	24	16
Payables to subsidiaries				1,382	564
Payables to participating interests		20	7		
Corporation tax		351	61		
Other current debt		3,030	2,852	80	96
Total current liabilities		7,210	4,544	2,865	677
Total liabilities		8,362	4,581	3,980	677
TOTAL EQUITY AND LIABILITIES		35,036	27,334	29,545	22,768

- 19** Contingent liabilities and other contractual obligations
- 20** Related parties
- 21** Currency risks and use of derivative financial instruments
- 22** Special items
- 23** Fair value information

STATEMENT OF CHANGES IN EQUITY

GROUP

DKKm	Share capital	Reserve for exchange rate adjustments	Retained earnings	Proposed dividend	Total
Equity at 1 January 2021	110	-303	20,202	2,000	22,009
Dividend paid				-2,000	-2,000
Net profit for the year			3,997	1,000	4,997
Exchange rate adjustments, foreign subsidiaries		195			195
Actuarial gains and losses on pension schemes			-95		-95
Tax on equity transactions			16		16
Other adjustments			198		198
Equity at 31 December 2021	110	-108	24,318	1,000	25,320

PARENT COMPANY

DKKm	Share capital	Reserve for hedging transactions	Retained earnings	Proposed dividend	Total
Equity at 1 January 2021	110	-3	19,902	2,000	22,009
Exchange rate adjustments etc.			115		115
Dividend paid				-2,000	-2,000
Net profit for the year			3,997	1,000	4,997
Reversal of value adjustment of hedging instruments, beginning of year		4			4
Value adjustment of hedging instruments, end of year		-3			-3
Tax on equity transactions		0			0
Other adjustments			198		198
Equity at 31 December 2021	110	-2	24,212	1,000	25,320

CASH FLOW STATEMENT

DKKm	Note	GROUP	
		2021	2020
Operating cash flow before changes in working capital		4,900	4,922
Changes in working capital		-1,105	972
Corporation tax paid		-1,199	-870
Cash flow from operating activities		2,597	5,024
Acquisition and disposal of enterprises and activities	24	-2,887	23
Acquisition and disposal of intangible and tangible fixed assets		-710	-696
Cash flow used in operating investing activities		-3,598	-674
Purchase and sale of securities		-633	-3,056
Cash flow used in investing activities		-4,231	-3,730
Financial income and financial expenses		594	307
Net proceeds from loans		2,451	70
Dividends from participating interests		9	5
Dividends paid		-2,000	-1,000
Cash flow used in financing activities		1,054	-618
Total cash flow for the year		-580	676
Cash and cash equivalents at 1 January		1,478	850
Exchange rate adjustments		-75	-48
Cash and cash equivalents at 31 December		823	1,478

Cash flow from investing activities includes the divestment of Unilux and the acquisitions of the Weru Group, the Arbonia window division and Dakoplast (Dakvester.com).

CASE STORY



The Daylight Pavillon is a multicoloured art installation. The installation traces the movement of the sun.

> [Link](#)

Dagslyspavillonen (The Daylight Pavillon) by the Icelandic-Danish artist Olafur Eliasson, Campus LKR and VKR Holding head office, Hørsholm, Denmark. Janus König Frost, 2021



NOTES

1 Net revenue

GROUP

DKKm	2021	2020
By geographical segments:		
Europe	23,546	20,264
Rest of the world	2,548	2,347
Total net revenue	26,093	22,610

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

2 Audit fee

GROUP

PARENT COMPANY

DKKm	2021	2020	2021	2020
Fee to auditor appointed at the annual general meeting	25	19	4	2
Other auditors	2	1		
Total fee	27	19	4	2
The fee can be specified as follows:				
Statutory audit	18	12	0	0
Tax consultancy	4	2	3	1
Other assurance engagements	1	0		
Non-audit services	5	4		
Total fee	27	19	4	2

NOTES (continued)**3 Employee costs**

DKKm	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Wages and salaries	5,602	4,908	51	47
Pensions	341	299	4	4
Other social security costs	697	591	0	0
Total employee costs	6,641	5,798	55	51
Average number of employees (full time)	17,104	15,267	44	41

Employee costs comprise remuneration of the Executive Management and of the Board of Directors DKKm 11 (2020: DKKm 9).

4 Financial income

The parent company's interest income from subsidiaries amounted to DKKm 192.6 (2020: DKKm 102.9).

The Group's bank interest income amounted to DKKm 8.5 (2020: DKKm 4.9), while the parent company's bank interest income amounted to DKKm 0.0 (2020: DKKm 0.1).

5 Financial expenses

The parent company's interest expenses to subsidiaries amounted to DKKm 0.2 (2020: DKKm 0.6).

The Group's bank interest expenses amounted to DKKm 6.4 (2020: DKKm 7.9), while the parent company's bank interest expenses amounted to DKKm 3.4 (2020: DKKm 3.0).

NOTES (continued)

6	Tax on profit for the year	GROUP		PARENT COMPANY	
		2021	2020	2021	2020
	DKKm				
	Current tax for the year	1,445	1,112	926	762
	Prior year adjustment	12	-6	2	-7
	Change in deferred tax for the year	-84	-10	157	-9
	Total tax on profit for the year	1,374	1,096	1,084	745

The Group's current and deferred tax including prior year adjustments amounted to DKKm 1,374 (2020: DKKm 1,096), equivalent to an effective tax rate of 21.6% (2020: 22.8%).

7	Distribution of profit	PARENT COMPANY	
		2021	2020
	DKKm		
	Proposed dividend	1,000	2,000
	Transferred to equity reserves	3,997	1,703
	Total distribution of profit	4,997	3,703

NOTES (continued)

8 Intangible fixed assets

GROUP

DKKm	Completed development projects	Acquired patents, licences, trademarks, etc.	Goodwill	Development projects under construction*	Total
Cost at 1 January 2021	666	776	2,807	2	4,251
Exchange rate and other adjustments	3	2	8	0	14
Acquisition of enterprises	3	25		5	33
Additions during the year	7	1,027	1,010	9	2,053
Disposals during the year	-28	-81	0	-1	-109
Transferred	2	6		-2	6
Cost at 31 December 2021	653	1,756	3,824	14	6,248
Amortisation and impairment losses at 1 January 2021	597	436	1,756		2,789
Exchange rate and other adjustments	3	1	5		10
Amortisation for the year	32	150	167		349
Impairment losses during the year		19			19
Disposals during the year	-28	-12			-40
Amortisation and impairment losses at 31 December 2021	604	595	1,929	0	3,128
Carrying amount at 31 December 2021	48	1,162	1,896	14	3,120
Carrying amount at 31 December 2020	69	340	1,050	2	1,461

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

NOTES (continued)

8 Intangible fixed assets (continued)	PARENT COMPANY
DKKm	Acquired patents, licences, trademarks, etc.
Cost at 1 January 2021	656
Addition during the year	1,071
Cost at 31 December 2021	1,726
Amortisation and impairment losses at 1 January 2021	322
Amortisation for the year	81
Amortisation and impairment losses at 31 December 2021	403
Carrying amount 31 December 2021	1,324
Carrying amount at 31 December 2020	334

NOTES (continued)

9 Property, plant and equipment

GROUP

DKKm	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction**	Total
Cost at 1 January 2021	5,005	6,132	939	318	12,394
Exchange rate and other adjustments	40	26	12	2	80
Acquisition of enterprises	367	400	72	40	878
Additions during the year	129	321	48	330	828
Disposals during the year	-87	-356	-71	-7	-521
Transferred	55	249	12	-321	-6
Cost at 31 December 2021	5,509	6,771	1,011	362	13,653
Depreciation and impairment losses at 1 January 2021	2,711	4,588	760		8,058
Exchange rate and other adjustments	22	22	9		53
Acquisition of enterprises			2		2
Reversal of previous impairment losses		-5			-5
Depreciation for the year	122	370	81		573
Disposals during the year	-58	-287	-65		-410
Depreciation and impairment losses at 31 December 2021	2,796	4,687	787	0	8,270
Carrying amount at 31 December 2021	2,713	2,084	224	362	5,383
Carrying amount at 31 December 2020	2,294	1,544	179	318	4,336
Included capital leased assets	18	19	20		57

**Assets under construction include prepayments regarding property, plant and equipment.

NOTES (continued)

9 Property, plant and equipment (continued)

PARENT COMPANY

DKKm	Land and buildings	Other fixtures and fittings, tools and equipment	Assets under construction**	Total
Cost at 1 January 2021	1,060	39	1	1,101
Additions during the year		3	7	9
Disposals during the year	-39		0	-39
Transferred		1	-1	0
Cost at 31 December 2021	1,021	43	7	1,071
Depreciation and impairment losses at 1 January 2021	739	30		769
Depreciation for the year	7	3		10
Disposals during the year	-28			-28
Depreciation and impairment losses at 31 December 2021	718	33	0	752
Carrying amount at 31 December 2021	303	10	7	319
Carrying amount at 31 December 2020	321	9	1	331

**Assets under construction include prepayments regarding property, plant and equipment.

NOTES (continued)

10 Investments

GROUP

DKKm	Investments in participating interests	Other investments	Other long-term receivables	Total
Cost at 1 January 2021	240	2,369	19	2,627
Exchange rate and other adjustments			4	4
Acquisition of enterprises			372	372
Additions during the year		633	3	636
Disposals during the year		-426		-426
Cost at 31 December 2021	240	2,576	397	3,213
Value adjustments at 1 January 2021	59	164		223
Net profit for the year and value adjustments	54	729		783
Dividends for the year	-9			-9
Disposals during the year		-242		-242
Value adjustments at 31 December 2021	104	651	0	755
Carrying amount at 31 December 2021	344	3,227	397	3,968
Carrying amount at 31 December 2020	299	2,533	19	2,851

NOTES (continued)

10 Investments (continued)

PARENT COMPANY

DKKm	PARENT COMPANY			Total
	Investments in subsidiaries	Investments in participating interests	Other investments	
Cost at 1 January 2021	4,186	224	2,276	6,686
Additions during the year	113		595	708
Disposals during the year	-729		-394	-1,123
Cost at 31 December 2021	3,570	224	2,477	6,271
Value adjustments at 1 January 2021	-1,064	58	163	-843
Exchange rate and other adjustments	120			120
Net profit for the year and value adjustments	686	46	676	1,408
Dividends for the year	-1,058	-8		-1,066
Disposals during the year	729		-204	525
Value adjustments at 31 December 2021	-588	96	635	143
Carrying amount at 31 December 2021	2,982	320	3,112	6,414
Carrying amount at 31 December 2020	3,122	282	2,439	5,843

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

NOTES (continued)

11 Inventories

GROUP

DKKm	2021	2020
Raw materials and consumables	1,486	778
Work in progress	664	496
Finished goods and goods for resale	1,801	1,114
Inventories at 31 December	3,951	2,389

12 Contract work in progress

GROUP

DKKm	2021	2020
Sales value of construction contracts	616	291
On-account invoicing	-431	-235
Contract work in progress at 31 December	185	56
Recognised as follows:		
Contract work in progress (assets)	237	85
Prepayments from customers (liabilities)	-52	-29
Contract work in progress at 31 December	185	56

NOTES (continued)

13 Deferred tax assets

DKKm	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Deferred tax assets at 1 January	157	178		0
Exchange rate adjustments	1	-4		
Acquisition of enterprises	46			
Change in deferred tax for the year recognised in the income statement	86	-17		
Tax on equity transactions	-3			
Deferred tax assets at 31 December	288	157	0	0

At 31 December 2021, the Group has recognised tax assets of DKKm 288. The tax assets represent tax loss carry forwards of DKKm 5 and unused tax credits from timing differences of DKKm 283. Based on budgets until 2023, Management has considered that future taxable income will be available for utilisation of the tax assets.

14 Prepayments

DKKm	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Prepaid costs	229	220	2	1
Prepayments at 31 December	229	220	2	1

NOTES (continued)**15 Share capital**

At 31 December 2021, the share capital comprises:

10,000,000 A shares of DKK 1 each

99,869,000 B shares of DKK 1 each

The share capital has not changed during the past five years. Each A share carries 10 voting rights, and each B share carries 1 voting right.

16 Deferred tax liabilities

DKKm	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Deferred tax liabilities at 1 January	213	243	83	93
Exchange rate adjustments	5	0		
Acquisition of enterprises	303			
Change in deferred tax for the year recognised in the income statement	-12	-30	156	-10
Deferred tax liabilities at 31 December	509	213	239	83

17 Other provisions

The provisions mainly relate to warranty provisions, and DKKm 181 are expected to fall due within a year after the end of the financial year (2020: DKKm 213).

NOTES (continued)

18 Non-current liabilities

GROUP

DKKm	Total non-current liabilities 31 December 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:				
Credit institutions	2,233	1,117	1,116	
Leases	46	26	8	12
Other non-current liabilities	26	10	16	
Total liabilities at 31 December 2021	2,305	1,153	1,140	12

PARENT COMPANY

DKKm	Total non-current liabilities 31 December 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:				
Credit institutions	2,231	1,115	1,115	
Total liabilities at 31 December 2021	2,231	1,115	1,115	0

NOTES (continued)

19 Contingent liabilities and other contractual obligations	GROUP		PARENT COMPANY		
	DKKm	2021	2020	2021	2020
Lease obligations (operating leases) falling due within five years, total		243	211	2	2
Commitment relating to investment in equity funds		2,218	1,480	3,134	1,362
Rental obligations		731	461	47	57
Guarantees		207	198		
Other contractual obligations		271	225		

The parent company is jointly taxed with the other Danish companies within the VKR Group. The Company has unlimited joint and several liabilities with the other jointly Danish taxed companies for corporation taxes, interest thereon, etc. and for Danish tax withheld at source for dividend, interest and royalties within the joint taxation group. The parent company's rental obligations include DKKm 9 to subsidiaries (2020: DKKm 11). The parent company's commitment relating to investments in equity funds include DKKm 995 to subsidiaries (2020: DKKm 0).

20 Related parties

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

21 Currency risks and use of derivative financial instruments

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

The parent company is included as a counterparty in forward exchange contracts and commodity futures contracts with individual subsidiaries regarding the hedging of those companies' foreign exchange risks and price risks. Hedging of recognised transactions mainly comprises receivables and liabilities.

Hedging is also made regarding expected foreign exchange risks related to goods purchased and sale of goods within the next year and for commodity price risks within 1-2 years. Moreover, foreign exchange risks are hedged externally on an ad hoc basis for individual financial transactions.

NOTES (continued)**22 Special items**

As mentioned in the Management's review, the VKR Group has received COVID-19 grants during 2021. Management considers this income to deviate from operating activities. The total amount of COVID-19 grants is DKKm 62.8 (2020: DKKm 55.9) of which DKKm 0.1 (2020: DKKm 0.6) has been received in Denmark. The total amount of COVID-19 grants is included in the consolidated income statement as other operating income.

23 Fair value information

DKKm	GROUP		
	Other investments	Securities	Derivative financial instruments
Fair value at 31 December	3,227	13,755	0
Value adjustments in the income statement	487	1,350	0
Changes recognised in the reserve for hedging transactions			0
Fair value level	3	1	2

DKKm	PARENT COMPANY		
	Other investments	Securities	Derivative financial instruments
Fair value at 31 December	3,112	13,555	1
Value adjustments in the income statement	468	1,354	4
Changes recognised in the reserve for hedging transactions			3
Fair value level	3	1	2

The Company's investments in "Other investments" (level 3 in the fair value hierarchy) primarily include investments in loan funds, property funds, private equity (capital funds) and similar passive investments (collectively referred to as "investment funds"). For this type of investments, fair value cannot be measured on basis of observations in an active market but is based on information of valuation from the funds themselves. At the conclusion of new investments in investment funds, VKR Holding receives information about the funds' overall principles for valuation and these are accepted if the Company chooses to invest in the investment fund. The fair value of its investments in investment funds is based on quarterly reports received. VKR Holding neither receives detailed information about fair value calculation of the investment funds, nor information about the key assumptions used in the fair valuation. The fair value of all investment funds is calculated based on non-observable inputs. The valuation method is unchanged from 2020.

The fair value of the derivative financial instruments (level 2 in the fair value hierarchy) open on the balance sheet date is calculated using observable rates as of the balance sheet date. Value adjustments are calculated on the basis of the contracted prices. The valuation method is unchanged from 2020.

24 Acquisitions and disposals of enterprises and activities

The excess of initial recognition of acquired enterprises and activities amounts to DKKm 1,845, of which goodwill amounts to DKKm 1,010.

VELUX 2in1 roof windows in
Montclair, New York, Jamie
Grill, Getty Images, 2022



ACCOUNTING POLICIES

The annual report of VKR Holding A/S for 2021 is presented in accordance with the provisions of the Danish Financial Statements Act for class C (large) companies.

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

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

CONSOLIDATED FINANCIAL STATEMENTS

Consolidation

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

Business combinations

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

Discontinued operations are presented separately.

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

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

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

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

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

The purchase consideration transferred as payment for the acquired company consists of the fair value of assets transferred, liabilities assumed, and equity instruments issued. If the contingent purchase consideration depends on future events, or the performance of contractual obligations forms part of the total consideration transferred, this part of the consideration transferred is recognised at fair value at the acquisition date. Fair value changes in contingent purchase considerations are recognised in the income statement until final settlement.

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

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

Whenever the disposal of a subsidiary leads to a loss of controlling influence, the profit or loss is calculated as the difference

between the selling price minus cost of sales and the book value. If the Company retains any equity holdings in the enterprise sold, the remaining shares are remeasured at fair value.

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

Intra-group business combinations

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

ACCOUNTING POLICIES (continued)

Foreign currency translation

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

Monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates on the balance sheet date and the time at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income and financial expenses.

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

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

Derivative financial instruments

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as fair value hedges of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or the hedged liability.

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

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

INCOME STATEMENT

Net revenue

Income from the sale of goods for resale and finished goods as well as the sale of services is recognised in the income statement

provided that delivery and transfer of risk to the buyer have taken place before year end. Contract work in progress is recognised as net revenue by reference to the stage of completion. Accordingly, net revenue corresponds to the sales value of the work carried out during the financial year (the percentage of completion method).

Other operating income and costs

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

Other external costs

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

Employee costs

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

Profits/losses from investments in subsidiaries and participating interests

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

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

Financial income and financial expenses

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

Tax on profit/loss for the year

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

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

The Company is taxed jointly with all Danish subsidiaries. The tax effect of the joint taxation with the subsidiaries is allocated between profit- and loss-making companies in proportion to their taxable income (full absorption with refunds for tax losses). The

ACCOUNTING POLICIES (continued)

jointly taxed companies are taxed under the on-account tax scheme. The Company manages the joint taxation and consequently settles the total Danish tax from the jointly taxed companies' taxable income.

BALANCE SHEET INTANGIBLE FIXED ASSETS

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

Goodwill

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

Development projects

Development costs comprise costs, salaries and amortisation directly and indirectly attributable to the companies' development activities. Development projects that are clearly defined, identifiable, and with evidenced future utilisation are recognised as intangible fixed assets if there is sufficient assurance that future earnings will be generated. Other development costs are recog-

nised in the income statement as incurred. Capitalised development costs are measured at cost less accumulated amortisation and impairment losses. Development costs are amortised on a straight-line basis over the expected useful life. The amortisation period is usually 3-5 years.

Acquired patents, licences and trademarks etc.

Acquired patents, licences, trademarks – including software – are measured at cost less accumulated amortisation and impairment losses. Acquired patents are amortised on a straight-line basis over the remaining patent period. Licences, trademarks and software are amortised over the agreement period. For licenses and trademarks, the period is between 5 and 10 years, while software is typically amortised over 3-5 years. Additional impairment is made when deemed necessary.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Property, plant and equipment 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 property, plant and equipment.

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

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

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

Gains and losses from sale of property, plant and equipment are recognised in the income statement as other operating income or other operating costs.

INVESTMENTS

Investments in subsidiaries and participating interests

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

On initial recognition, investments in subsidiaries and participating interests are

measured at cost corresponding to the fair value of the purchase consideration excluding costs of acquisition. The cost price is allocated in accordance with the acquisition method, cf. the accounting policies above regarding "Business combinations".

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

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

Other investments

Other investments that do not have fixed expiry dates and are recognised as fixed assets are measured at fair value at the balance sheet date. The fair value represents the market

ACCOUNTING POLICIES (continued)

value of the assets forming part of an active market. Other securities that the Company intends to hold until maturity and with fixed expiry dates are recognised at amortised cost.

CURRENT ASSETS

Inventories

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

Receivables

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

Contract work in progress

Contract work in progress is measured at the selling price of the work performed less on-account invoicing and expected losses. If the selling price of a construction contract cannot be reliably measured, the selling price is measured at the lower of costs

incurred and net realisable value. Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Prepayments

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

Securities

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

EQUITY

Reserve for exchange rate adjustments

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

Reserve for hedging transactions

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

Dividend

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

LIABILITIES

Deferred tax

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

ings or against deferred tax liabilities within the same legal tax entity.

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

Other provisions

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

Liabilities

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

ACCOUNTING POLICIES (continued)

CASH FLOW STATEMENT

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

FINANCIAL HIGHLIGHTS

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

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

The financial ratios mentioned are calculated as follows:

EBITA margin:

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

Return on capital employed:

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

Equity ratio (Solidity):

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

EBITA:

Earnings before goodwill amortisation, financial items and tax.

Capital employed, including goodwill:

Intangible fixed assets + property, plant and equipment + other receivables + working capital.

Goodwill is recognised at carrying amount + accumulated amortisation.

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Management have today discussed and approved the annual report of VKR Holding A/S for 2021.

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

Executive Management:

Mads Kann-Rasmussen
CEO

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's assets, equity, liabilities and financial position at 31 December 2021 and of the results of the Group's and the parent company's operations and the consolidated cash flows for the financial year 1 January - 31 December 2021.

Board of Directors:

Thomas Thune Andersen
Chair

Jørgen Falkebo Jensen
Vice Chair

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

Anne Broeng

Jørgen Tang-Jensen

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

Hørsholm, 11 March 2022

Lise Kaae

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF VKR HOLDING A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of VKR Holding A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the parent company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the parent company at 31 December 2021 and of the results of the Group's and the parent company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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 financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the parent company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
 - Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read Management's review and, in doing so, consider whether Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's review.

Copenhagen, 11 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

COMPANY OVERVIEW DECEMBER 2021

- Subsidiary ○ Participating interests or joint venture

Argentina

- VELUX Argentina S.A.

Australia

- VELUX Australia Pty. Ltd.

Austria

- Jet Gruppe Austria GmbH
- VELUX Österreich GmbH

Belarus

- Unitary enterprise "VELUX Roof Windows"

Belgium

- VELUX Belgium S.A.

Bosnia and Herzegovina

- VELUX Bosna i Hercegovina d.o.o.

Bulgaria

- VELUX Bulgaria EOOD

Canada

- VELUX Canada Inc.

Chile

- VELUX Chile SpA

China

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

Croatia

- VELUX Hrvatska d.o.o.

Czech Republic

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

Denmark

- A/S Østbirk Bygningsindustri
- AS Solvarmeservice A/S
- Core Bolig IV Investoraktieselskab Nr. 1 - 38%
- Core Bolig VIII Investoraktieselskab Nr. 1 - 22%
- DOVISTA A/S
- Greystone Special Situations Fund K/S - 26%
- Gåsdal Bygningsindustri A/S
- Homecontrol A/S
- KOMPAS Management ApS
- KOMPAS Ventures K/S - 99%
- KOMPAS Ventures Komplementar ApS
- Krone Holding ApS - 80%
- Krone Vinduer A/S - 78%
- O.H. Industri A/S
- Skærbæk Bygningsindustri A/S
- Thyregod Bygningsindustri A/S
- Velterm A/S
- VELUX A/S
- VELUX Commercial Domex A/S
- VELUX Danmark A/S
- VELUX NewCo A/S
- Ventilation Holding ApS
- Vitral A/S
- VKR Invest ApS
- VKR NewCo A/S

Estonia

- VELUX Eesti OÜ

Finland

- Kurikka Timber OY - 50%
- VELUX Suomi Oy

France

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

Germany

- Arcon-Sunmark GmbH
- BEW Bauelemente Werratal GmbH
- DEUTSCHE-CAP GmbH (in liquidation)
- Fensterdepot 24 Handelsgesellschaft mbH
- fenster-webshop.de GmbH
- Finestra GmbH
- JET Brakel Aero GmbH
- JET Daylight & Ventilation GmbH
- JET Germany GmbH & Co. KG
- JET Germany Holding GmbH
- JET Grundbesitz GmbH & Co. KG
- JET Grundbesitz Holding GmbH
- JET Lichtkuppel-Zentrum GmbH
- JET RaWa GmbH
- JET Schaumstoff-Formteile GmbH
- JET Steinbrecher GmbH
- JET Tageslicht & RWA GmbH
- JTJ Sonneborn Industrie GmbH
- Porsche GmbH Fenster und Türen
- Reform Fenster & Türen Vertrieb GmbH

Germany (continued)

- Schneeberger Bauelemente Potthoff GmbH
- Ulrich Kreft Vermögensverwaltungs GmbH
- VELFAC GmbH
- VELUX Deutschland GmbH
- webcom Management Holding GmbH
- Wertbau GmbH
- WERU Fenster und Türen GmbH
- WERU GmbH
- WERU Objekt GmbH

Hungary

- Altaterra Kft.
- VELUX Magyarország LKR Korlátolt Felelősségű Társaság

Ireland

- DOVISTA IRL Ltd.
- VELFAC Ireland Ltd.

Italy

- VELUX Italia s.p.a.

Japan

- VELUX-Japan Ltd.

Latvia

- VELUX Latvia SIA

Lithuania

- UAB "DOVISTA"
- UAB "Vitral"
- "VELUX Lietuva", UAB

COMPANY OVERVIEW DECEMBER 2021 (continued)

- Subsidiary ○ Participating interests or joint venture

The Netherlands

- Dakvenster.com B.V.
- 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.
- WERU Nederland B.V.

New Zealand

- VELUX New Zealand Ltd.

Norway

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

Poland

- Altaterra Polska Sp. z o.o.
- Dobroplast Bis Sp. z o.o.

Poland (continued)

- Dobroplast Bis Sp. z o.o. Sp. k. w likwidacji
- Dobroplast Fabryka Okien Sp. z o.o.
- DOVISTA Polska Sp. z o.o.
- JET Grupa Polska Sp. z o.o.
- NB Polska Sp. z o.o.
- NM Polska Sp. z o.o.
- VELUX Polska Sp. z o.o.

Portugal

- VELUX Portugal, Unipessoal Lda.

Romania

- S.C. VELUX România S.R.L.

Russia

- ZAO VELUX

Serbia

- VELUX Srbija d.o.o.

Slovakia

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

Slovenia

- VELUX Slovenija d.o.o.

Spain

- VELUX Spain, S.A.

Sweden

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

Switzerland

- DOVISTA Windows AG
- EgoKiefer AG
- JET Tageslichttechnik AG
- VELUX Schweiz AG

Turkey

- VELUX Çati Pencereleri Ticaret Limited Şirketi

Ukraine

- VELUX Ukraina TOV

United Kingdom

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

USA

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

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

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



VELUX Modular Skylights at the historic Les Halles Latécoère, Toulouse, France. Taillandier Architectes Associés. Imagizz Communication, 2020

La Région Occitanie
Pyrénées - Méditerranée

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