ÅRSRAPPORT 2022

Vi opnåede rekordhøj EBITDA på DKK 1.175 mio. i 2022. Det er en stigning på DKK 264 mio. svarende til 29%, hvilket oversteg vores forventninger.

CEO Jens Andersen udtaler:
"I 2022 opnåede vi stærke vækstrater og forbedret indtjening på tværs af alle vores segmenter. Vi leverede dermed en EBITDA på DKK 1.175 mio. Det er en EBITDA-stigning på 29%, og dermed den højeste EBITDA-margin nogensinde på 8,5%. Dette præsterede vi i et år med usædvanlige markedsvilkår herunder udfordrende forsyningskæder og en betydelig stigning i inflationen.

Vi har nedbragt vores scope 1 & 2-emissioner med hele 23% i 2022. Dette understøtter vores ambition om at nå Net-Zero i 2030. Derudover har vi hævet vores ambitioner yderligere til nu også at omfatte scope 3-emissioner, hvor vi har anmodet SBTi om en godkendelse af vores mål om 25% reduktion i 2030 sammenholdt med 2020.

Jeg er imponeret over den dedikerede indsats vores medarbejdere har udvist gennem året og vil gerne udtrykke min taknemmelighed over for dem alle. De er grunden til årets stærke resultat."

Udvalgte hovedtal (DKK mio.)	Q4 2022	Q4 2021	2022	2021
Omsætning	3.684	3.380	13.863	12.354
EBITDA	326	259	1.175	911
EBITA	274	212	978	727
Resultat før skat	223	184	858	622
Pengestrømme fra driftsaktivitet	242	558	16	783
Udvalgte nøgletal (%)				
Organisk vækst justeret for antal arbejdsdage	12,0	7,1	12,9	5,9
EBITDA-margin	8,8	7,7	8,5	7,4
EBITA-margin	7,4	6,3	7,1	5,9
Nettoarbejdskapital, ultimo/omsætning (LTM)	15,9	10,2	15,9	10,2
Gearing (NIBD/EBITDA), antal gange	0,9	0,0	0,9	0,0
Afkast på investeret kapital (ROIC)	25,5	24,6	25,5	24,6

Solar A/S
LEI: 21380031XTLI9X5MTY92
Industrivej Vest 43, DK-6600 Vejen, Denmark

Tel. +45 79 30 00 00
CVR no. 15 90 84 16
www.solar.eu

Omsætning i 2022

- Justeret organisk vækst steg til 12,9% (5,9%) og omsætningen steg til DKK 13,9 mia. (DKK 12,4 mia.). Selvom væksten var påvirket af prisstigninger, så vi fortsat vækst i volumen.

EBITDA i 2022

- EBITDA steg med DKK 264 mio. til DKK 1.175 mio. sammenlignet med 2021.
- Alle markeder opnåede betydelige forbedringer i EBITDA, hvor særligt Solar Nederland og Solar Sverige bidrog væsentligt.

Udbetaling af udbytte

- Bestyrelsen vil indstille til generalforsamlingens godkendelse, at der udbetales udbytte på DKK 45,00 pr. aktie, svarende til en udbytteprocent på 50%.

Forventninger til 2023

- Vi forventer en omsætning på ca. DKK 13.700 mio. svarende til en organisk vækst på ca. 0%.
- Vi forventer EBITDA på ca. DKK 900 mio.

Se forudsætninger på side 8 I Årsrapport 2022.

Audio webcast og telekonference i dag

Præsentationen af Årsrapport 2022 foregår på engelsk den 9. februar 2023 kl. 11.00. Præsentationen bliver transmitteret som en audio webcast og kan følges på www.solar.eu. Deltagelse er mulig via den tilknyttede telekonference.

Opkaldsnumre til telekonferencen:

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UK: tlf. +44 203 769 6819
US: tlf. +1 646 787 0157 Pin: 392423

Kontaktpersoner
CEO Jens Andersen - tlf. +45 79 30 02 01
CFO Michael H. Jeppesen - tlf. +45 79 30 02 62
IR Director Dennis Callesen - tlf. +45 29 92 18 11

Bilag: Årsrapport 2022, side 1-147, inkl. kvartalsinformation for Q4 2022.

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FAKTA OM SOLAR

Solar er en førende europæisk sourcing- og servicevirksomhed, der leverer løsninger primært inden for el, vvs samt klima og energi. Vores kerneforretning centrerer sig om sourcing af produkter, værdiskabende services og optimering af vores kunders forretning.

Vi fremmer effektivitetsforbedringer og tilbyder digitale værktøjer, der gør vores kunder til vindere. Vi driver den grønne omstilling og leverer de bedste løsninger, der sikrer bæredygtig brug af ressourcer.

Solar-koncernen har hovedsæde i Danmark, havde i 2022 en omsætning på ca. 13,9 mia. kroner og beskæftiger ca. 3.000 medarbejdere. Solar er noteret på Nasdaq Copenhagen med kortnavn SOLAR B. Flere oplysninger kan findes på: https://www.solar.eu/

Ansvarsfraskrivelse

Denne meddelelse er offentliggjort dags dato på dansk og engelsk via Nasdaq Copenhagen. I tilfælde af uoverensstemmelse mellem de to versioner er det den danske version, der er gældende.

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Annual report 2022

Solar A/S
Industrivej Vest 43
DK 6600 Vejen
Denmark
CVR no. 15 90 84 16

Who we are

We are a leading European sourcing and services company.

Segments

Share of revenue

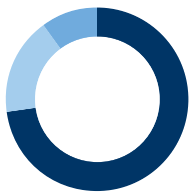
Installation	Industry	Trade
58 %	33 %	9 %

Products

Share of revenue

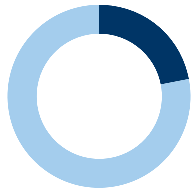
Groups

Electrical	73 %
Heating & Plumbing	17 %
Climate & Energy	10 %



Brands

Concepts	23 %
Other brands	77 %



Markets

Share of revenue

Denmark	33 %
The Netherlands	24 %
Sweden	20 %
Norway	16 %
Poland	4 %
Other[1]	3 %

1) Including eliminations

Contents

Our purpose

We improve construction, building operation and industry processes with a commitment to sustainability and productivity. For our customers. With our partners. For a better world.

Management review

Financial statements

Additional reports

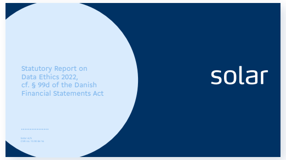
Together with the Annual Report, the following publications constitute Solar's reporting for the year 2022:

Sustainability Report 2022 prepared in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act.

WWW.SOLAR.EU/OUR-COMPANY/SUSTAINABILITY

Statutory report on corporate governance 2022 cf. § 107b of the Danish Financial Statements Act

WWW.SOLAR.EU/INVESTOR/CORPORATE-GOVERNANCE



Statutory report on data ethics 2022 cf. § 99d of the Danish Financial Statements Act

WWW.SOLAR.EU/INVESTOR/POLICIES

Letter from the CEO

We have delivered strong results in an ever-changing market. Earnings improved in all our markets with Solar Sverige and Solar Nederland showing particularly strong earnings improvement. Our solid financial performance can largely be attributed to the commitment of our employees and our Core+ strategy.

For the year under review, revenue totalled DKK 13.9bn, up 12%. EBITDA amounted to DKK 1,175m, up 29%, which corresponds to a return on invested capital (ROIC) after tax of 26%. We distributed DKK 658m to shareholders as dividend.

Our Core+ strategy

All our strategic focus areas have shown progress in 2022:

- Our Concept share reached 23%
- Climate & Energy delivered 40% CAGR
- Industry achieved an overall share of revenue of 33%
- Trade delivered 17% CAGR

As we embark on the final year of our Core+ strategy, we continue to see opportunities ahead, and the development of our strategy for the next period is in process.

Looking ahead to the next strategy period, we are confident that our four strategic focus areas offer more potential and that we will deliver an average EBITDA of 6.5% or more in the years ahead.

Driving the green transition

Climate & Energy was characterised by a higher-than-expected demand for heat pumps and solar panels. This is an area that continues to offer further opportunities, in particular for our Industry segment where our products provide a substantial reduction in greenhouse gas emissions and reduce exposure to the rising costs of energy. All in all, we expect Climate & Energy's positive trend to extend beyond 2023.

> Looking ahead to the next strategy period, we are confident that our four strategic focus areas offer further potential.

The journey to Net-Zero

Last year we introduced and committed ourselves to the Science Based Targets initiative (SBTi) by setting targets to reach Net-Zero in scope 1 & 2 by 2030.

This year we raised our ambitions and submitted our emission reduction targets for scope 3 to SBTi for validation. Our target is to reduce our CO_2e by 25% compared to 2020 across the value chain by 2030.

Optimising our warehouses

We continue to optimise our business for the benefit of our customers while, at the same time, reducing our CO_2 footprint.

This year, we completed the expansion and further automation of our Danish warehouse. The installation of one of Scandinavia's largest AutoStore systems, which combines digital and green, has raised Solar's level of digitalisation. Moreover, changing our heat source to industrial heat pumps and combining them with solar panels will reduce our emissions by 261 tonnes on an annual basis.

As planned, Solar Nederland will begin the expansion of our Alkmaar warehouse in 2023. This will add 25% more capacity, 20,000 bins and four robots to the existing AutoStore system. The heat source will be converted to industrial heat pumps in combination with solar panels to ensure a reduction in emissions.

Thank you

Once again, I have been impressed by the high level of dedication and commitment shown by our employees during the year and would like to extend my thanks to them all. They are the reason for this year's strong results.

I would also like to thank our customers and suppliers for their support and cooperation in 2022.

Despite growing global uncertainty and the challenges this presents, we are well prepared for 2023.

Jens Andersen
CEO

Year at a glance

1,175 DKKm

Record high EBITDA

EBITDA grew by DKK 264m and we delivered a record high EBITDA of DKK 1,175m.

Launched new concept within Climate & Energy

In 2022, we introduced two new concepts – Solar Zero and Solar Select – each tailored to a specific segment. Zero is targeted at our Climate & Energy customers while Select is targeted at our Trade customers. Feedback has been positive, and demand is strong.

↓ **25** % CO_2e

From blue to green

We have raised our climate ambitions and have submitted our emission reduction targets to Science Based Targets initiatives (SBTi) for validation. Our target is to become Net-Zero in our own operations (scope 1 and 2) by 2030 and to reduce our CO2e with 25% compared to 2020 in the value chain (scope 3) by 2030.

We are transforming the land around our warehouses into areas of biodiversity. We are also investing in afforestation measures and have already acquired 50 hectares of land in Denmark and plan to acquire more for this purpose.

124 %

Shareholder-friendly payout ratio

In 2022, we distributed DKK 658m in dividend to our shareholders, corresponding to a payout ratio of 124%.

The dividend distribution reflects our payout policy of at least 35% of profit after tax and a gearing ambition of 1.5-3.0x EBITDA.

Warehouse Vejen expansion completed

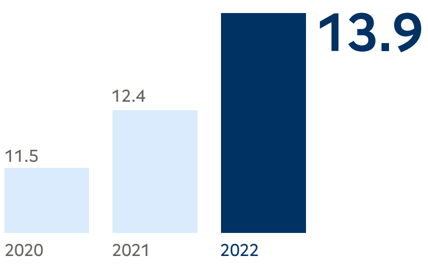
Enhanced digitalisation and sustainability were the drivers behind our warehouse expansion. The result was 11,000 sqm of additional space and the implementation of one of northern Europe's largest AutoStores. The installation of heat pumps and solar panels contributed to the 23% emission reduction in 2022.

Highlights 2022

Financial

Revenue

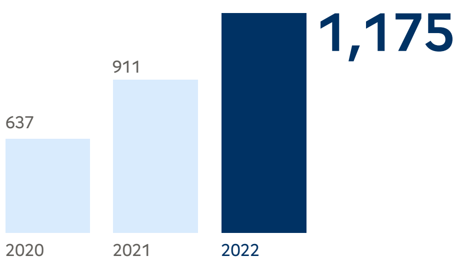
DKKbn



Adjusted organic growth at group level increased to **12.9%** (**5.9%**). Although this was supported by price increases, we continued to see growth in volume. Group revenue rose to **DKK 13.9bn** (**DKK 12.4bn**).

EBITDA

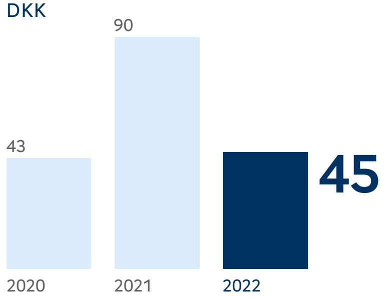
DKKm



At a record high **DKK 1,175m**, we succeeded in increasing EBITDA by **DKK 264m** compared to 2021. The increase was supported by positive one-off price effects of approx. **DKK 215m** (**DKK 115m**). The EBITDA margin increased to **8.5%** (**7.4%**).

Dividend per share

DKK

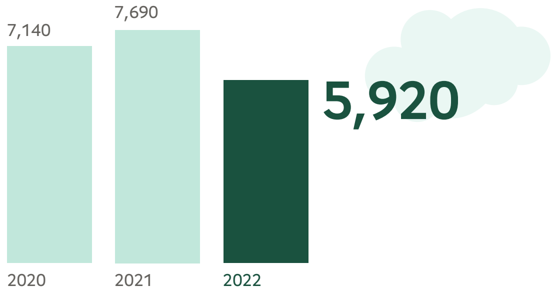


The Board of Directors will submit a proposal to the Annual General Meeting for an ordinary dividend payout of **DKK 45** per share, corresponding to a total payout ratio of **50%**. Our target for payout ratio is at least **35%** of profit after tax.

Sustainability

Scope 1 & 2 emissions

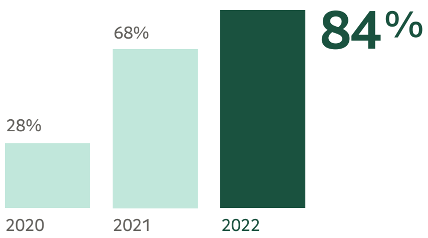
tCO_2e



Emissions from Scope 1 and 2 have decreased by **23%** compared to the 2021, bringing the total emissions down to **5,920 tCO_2e**. This decrease is mainly due to phase out of gas for heating and installing heat pumps and solar panels.

Renewable energy*

Share in percentage

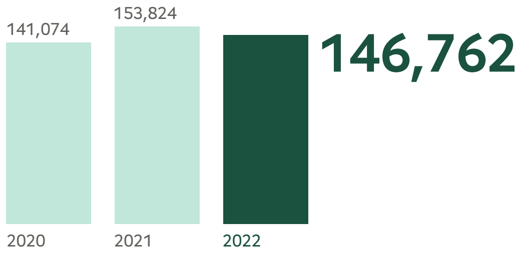


Our target is **100%** renewable energy* by 2023. With a focus on switching to certified procured renewable electricity, we succeeded wih increasing our share by **16 percentage points** compared to 2021.

*Procured certified electricity

Energy consumption

Giga joule (GJ)



The energy consumption constituting all of **Scope 1 and 2**. It decreased in 2022 among others due to the installation of LED lighting. Figures for 2020 and 2021 have been recalculated from kWh to GJ.

Guidance follow-up 2022

Solar upgraded both its revenue and EBITDA guidance in 2022. Compared to the initial 2022 guidance, revenue increased by DKK 1.1bn to DKK 13.9bn and EBITDA increased by DKK 325m to DKK 1,175m.

Stronger than expected

EBITDA performance was affected by the following:

Revenue

Strong growth rates for Installation, Industry and Trade delivered organic growth of 13% compared to our initial projection of 3%. Climate & Energy performed above expectations with growth of 87%.

Gross profit margin

Focus on concept sales continued to deliver growth opportunities. Revenue and margin from concept sales picked up in all markets, which was supported by the introduction of Solar Zero and Solar Select.

EBITDA margin

Non-recurring income of DKK 215m had a positive impact on gross profit margin and corresponded to an approx. 1.6 percentage points EBITDA margin improvement compared to our initial guidance.

As expected

Our Better Business project continued to deliver gross profit margin improvements by supplying the right products to the right customers and by prudent product pruning. As a result, revenue was reduced by approx. DKK 125m.

Expansion and Autostore implementation at our central warehouse in Vejen, Denmark.

The expansion totalled 11,000 sqm. In addition, we established one of the largest AutoStore facilities in Scandinavia with the capacity of 108,000 boxes.

This was carried out successfully with the minimum of disruption to daily operations.

Less than expected

Cost inflation started to materialise during the latter part of 2022. Initially, this was mainly within energy but then spread to more areas.

We launched several initiatives to reduce the impact of cost inflation.

Despite this, cost inflation is above our initial expectations.

SOLAR GROUP

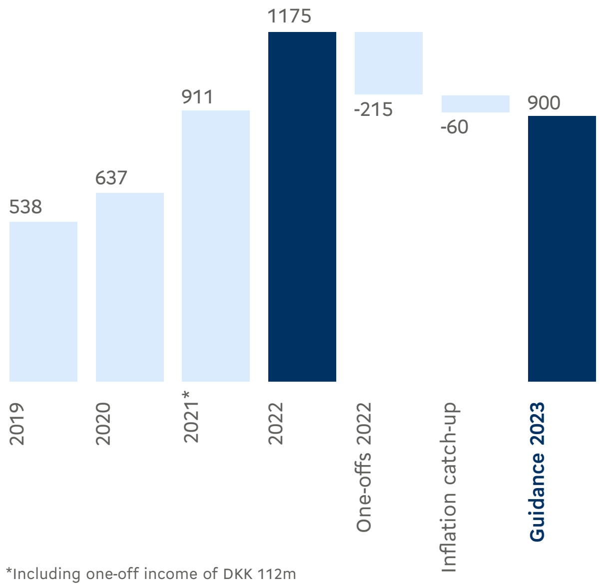
DKKm	Guidance, initial	Guidance, last update	Actual
Revenue	12,750	13,700	13,863
EBITDA	850	1,170	1,175

%	Guidance, initial	Guidance, last update	Actual
Organic growth	3	12	12.9
EBITDA MARGIN	6.7	8.5	8.5

2023 EBITDA guidance of DKK 900m

Our guidance for 2023 is a revenue of DKK 13,700m corresponding to organic growth of approx. 0%. We expect an EBITDA of approx. DKK 900m.

EBITDA DKKm



*Including one-off income of DKK 112m

General assumptions

Due to the increased geopolitical and macroeconomic uncertainty (ref. page 28), our market outlook is characterised by greater uncertainty, particularly for H2.

Cost and wage inflation started to rise during the latter part of 2022, and we expect this to continue well into 2023. We have implemented, and will continue to implement, mitigating measures, which will bring the expected impact from cost and wage inflation well below the general price increases.

We expect the global supply chain to continue normalising in 2023. Climate & Energy is a strategic focus for Solar and a growing market. However, we do still see challenges in the supply side of climate and energy products.

During the last years we have seen substantial price increases from our suppliers. We expect this to normalise in 2023. However, Solar has a proven track record of strong price management.

Our 2023 guidance does not include any significant restructuring costs.

Market outlook for Solar segments

Overall, we expect markets to be stagnant or negative in all countries throughout 2023 despite the roll-over effect from price increases in 2022.

In general, we expect all segments to develop weaker in H2 than H1 2023.

Installation

In 2023, we expect negative growth for the new construction sector. The green transition will, however, continue to deliver strong growth rates.

We expect the installation market to be stagnant or negative.

Industry

The guidance assumes that sales to Marine and Offshore will continue to grow, albeit at a slower pace, whereas we expect all other subsegments to be stagnant or negative.

Overall, we expect the industry market to be stagnant

Trade

In 2023, we expect minor growth for special sales, which is the Trade segment's primary activity.

Financial outlook 2023

Revenue guidance

We expect revenue to total DKK 13,700m, corresponding to organic growth of approx. 0%.

In the wake of substantial price increases in 2022 the majority of growth for 2023 is projected to take place in H1.

Adjusted for price increases, mainly roll-over effects from 2022, we expect negative growth in all main segments which will only partly be compensated by the expected strong growth within Climate & Energy.

EBITDA guidance

We expect EBITDA to total approx. DKK 900m which corresponds to an EBITDA margin of approx. 6.6%.

In 2022, we saw non-recurring income of around DKK 215m due to price effects. We expect this to normalise in 2023 meaning that no significant amount of one-off price effects are included in our guidance.

Cost and wage inflation combined with fewer working days is expected to have a negative impact on EBITDA.

We expect our strategic focus areas – Concepts, Climate & Energy, Industry and Trade – to deliver continuous improvement in earnings, almost offsetting the cost and wage inflation.

02

Strategy

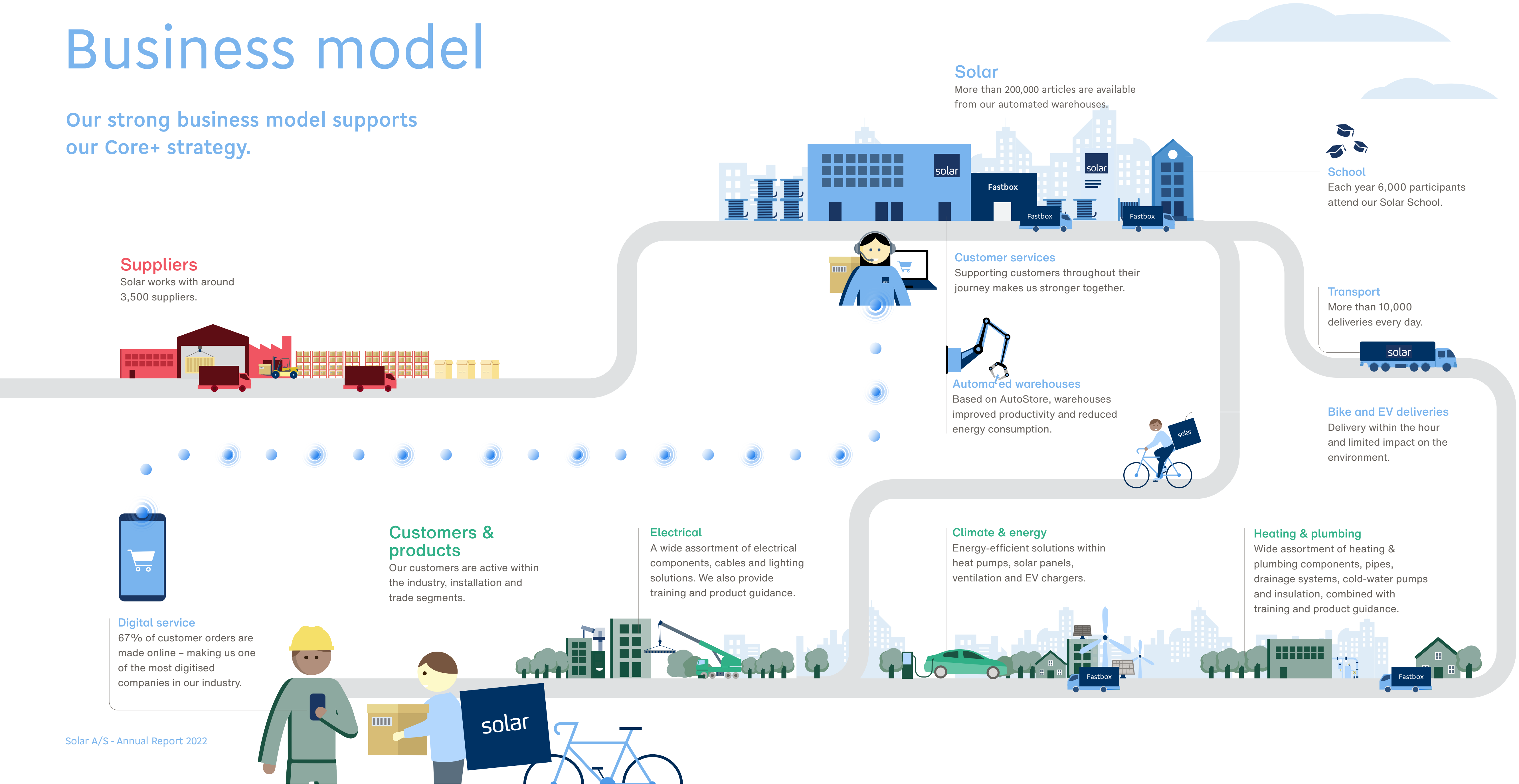
Light house, Århus

When the time came for us to select a supplier for the project, our main priority was Solar's supply options. Parameters such as flexibility and supply reliability were the deciding factors, as logistics are extremely important in a major project like Lighthouse, which is Denmark's tallest building. We've been highly satisfied with our collaboration and with the excellent follow-up after the project's completion.

Klaus Andersen
Director of department Service & Installation, Wicotec Kirkebjerg

Business model

Our strong business model supports our Core+ strategy.



Our strategy

Our Core+ strategy builds on our key differentiating capabilities in digital sales, category management and operations, influenced by the two megatrends, digital tranformation and green solutions, that guide over our strategic focus areas.

Digital together

‘Digital together’ is our roadmap for our digital first approach. It impacts our customers, business partners, employees and our day-to-day operations – as it enables us to work with greater efficiency and respond faster to customer needs based on enriched data and real-time market insights.

Green together

With ‘green together’, our ambition is to ensure a holistic approach to our work with sustainability – to strengthen our position as a responsible business, to provide sustainable solutions for our customers, and to contribute to a more sustainable world.

core+

Strategic focus areas

Concepts

Grow concept share across all customer segments

Climate & Energy

Focus on Climate & Energy solutions in all segments

Industry

Become preferred supplier to four selected Industry segments

Trade

Grow Trade with focus on retail, e-tail and e-trading customers

Core+ ambitions

We introduced our Core+ strategy in 2021 and defined our ambitions towards 2023. Based on the success of Core+, we have updated a number of our ambitions accordingly, including the EBITDA margin. From an EBITDA of DKK 637m in 2020, we posted an EBITDA of DKK 1,175m in 2022, which corresponds to an increase of more than 80%.

For updates on individual strategic focus areas and the environment, social and governance, please see pages 13-14 and page 23 respectively.

Beyond Core+

The strategy for 2024 - 2026 is being developed and we expect to launch the strategy in early 2024 together with the Annual Report 2023.

Despite 2023 being the last year for our Core+ strategy, we are confident that Core+ includes several elements which offer potential also for the years ahead. We expect to see a Concept share well above 25% and double-digit growth in Climate & Energy. In Industry and Trade, we see continued growth potential. Thus, we expect to be able to deliver an average EBITDA of 6.5% or more in the years ahead.

Financial & non-financial targets 2021-23

EBITDA margin	ROIC after tax	Gearing	E-business share	Participants
>6.5%	20%	1.5-3.0x	70%	2,000
		(NIBD/EBITDA)		to complete training in renewable solutions at Solar School in 2021-23

Core+ Strategic focus areas 2021-23

Concepts	Climate & Energy	Industry	Trade
>25%	>40%	35%	>15%
share of revenue incl. MAG45	CAGR for 2021-23	share of revenue incl. MAG45	CAGR for 2021-23

Environment, Social & Governance 2021-23

SBTI commitment*	All electricity will be from renewable sources	Install PV equipment at all Solar-owned sites and EV chargers at all major Solar sites	Increase gender diversity at management level

* Net-zero in scope 1&2 in 2030

Update of strategic focus areas

Progress of Core+ strategy

Our Core+ strategy has performed well, driven by targeted initiatives that underpin our ambitions.

Concepts

As 2022 successfully delivered a concept share of 23% of revenue, we remain firmly on track. This positive development not only affirms our ambition to grow our EBITDA margin, but also supports our customers in their efforts to become more efficient and profitable.

Our concepts have enabled us to substitute low margin products with concept alternatives. The resulting changes in customer patterns of behaviour have improved our gross profit margin and reduced costs for our customers – a win/win situation.

Following on from this success, we have launched two more concepts known as Zero and Select. Solar Zero includes a range of high-quality climate and energy products with high availability, reasonable prices and technical support. Solar Select targets our Trade customers and both concepts have been well received.

We have aligned and expanded our product portfolio within each concept across borders, which ensures that our customers can be assured of an alternative solution.

Our financial ambitions

Today	2023 Ambitions
23%	>25%
Revenue	Revenue

Climate & Energy

Climate & Energy delivered a growth level that exceeded our initial expectations. Growth has been driven by an increased demand for sustainable energy measures, particularly heat pumps and solar panels. We expect the uplift in demand to continue.

We extended our organisational scope in Sweden, Norway and the Netherlands through the extension of our category management and sourcing. The aim is to strengthen local market knowledge and consolidate our product portfolio across markets.

With the installation of high-capacity heat pumps and solar panels at our warehouse in Denmark, we are ready to showcase a solution that will provide the industry segment with more energy efficient measures that support a reduction in emissions.

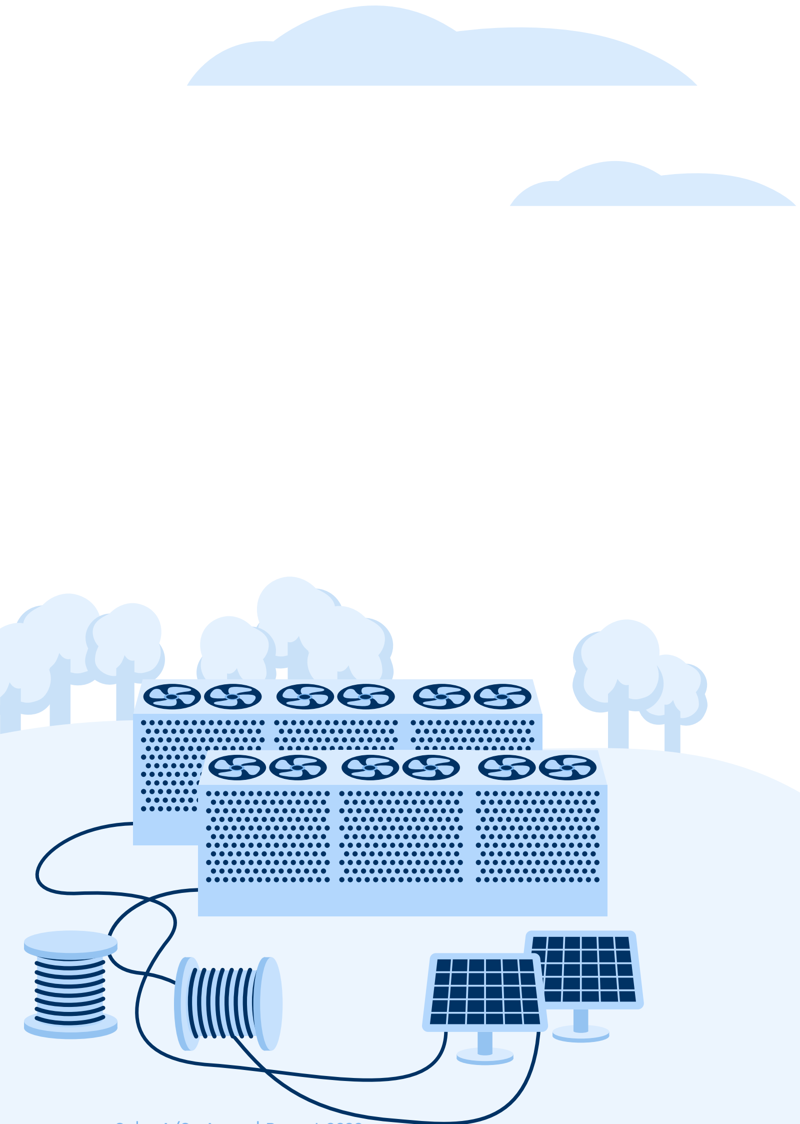
We have trained our employees in sustainable construction, which means that our customers benefit from their expertise in matters relating to certified sustainable construction.

Based on these positive developments, we have increased the strategic target for Climate & Energy accordingly. We are now expecting >40% CAGR for the strategic period.

Our financial ambitions

Today	Previous Ambitions	2023 Ambitions
40%	>5%	>40%
CAGR	CAGR	CAGR

Update of strategic focus areas



Industry

Two years into our Core+ strategy, we remain on track to deliver a 35% share of revenue. We have seen strong performances across our four industry sub-segments and see further opportunities ahead by providing our industry customers with sustainable solutions.

Our transition to a cross-border, vertical organisational structure, covering Denmark, Norway, Sweden and the Netherlands, was the most significant change within this focus area during the year under review.

We leveraged our knowledge and know-how from our Marine & Offshore business in Norway and expanded the business to the Netherlands where we have got off to a good start.

We extended an important infrastructure contract with a long-standing customer in Norway.

In Sweden, we have benefitted from increased market demand and added new customers in two sub-segments - MRO and OEM. Our new customers are attracted by our strong position within the automated product category.

For all sub-segments, digitalisation continues to drive further integration between our customers’ Enterprise Resource Planning (ERP) system and our trading platform, thus providing them with greater understanding of their spend and product requirements.

Our financial ambitions

Today	2023 Ambitions
33 %	>35 %
Revenue	Revenue

Trade

Trade’s ability to develop new customer and market opportunities will ensure that we remain on track to deliver on the strategic ambition of growing by more than 7.5% CAGR.

Trade has now been launched in the Swedish and Norwegian markets, which means that it covers all our major markets. The focus area has thus been reorganised and we have established a cross-market organisation, which reflects the various segments that we serve.

We continue to expand our business opportunities both within the current business segments but also by introducing new ones. With the introduction of the new B2B MRO segment, we now serve hotels, fitness centres, housing associations etc. Such customers would not have been a match for the Installation or Industry segments.

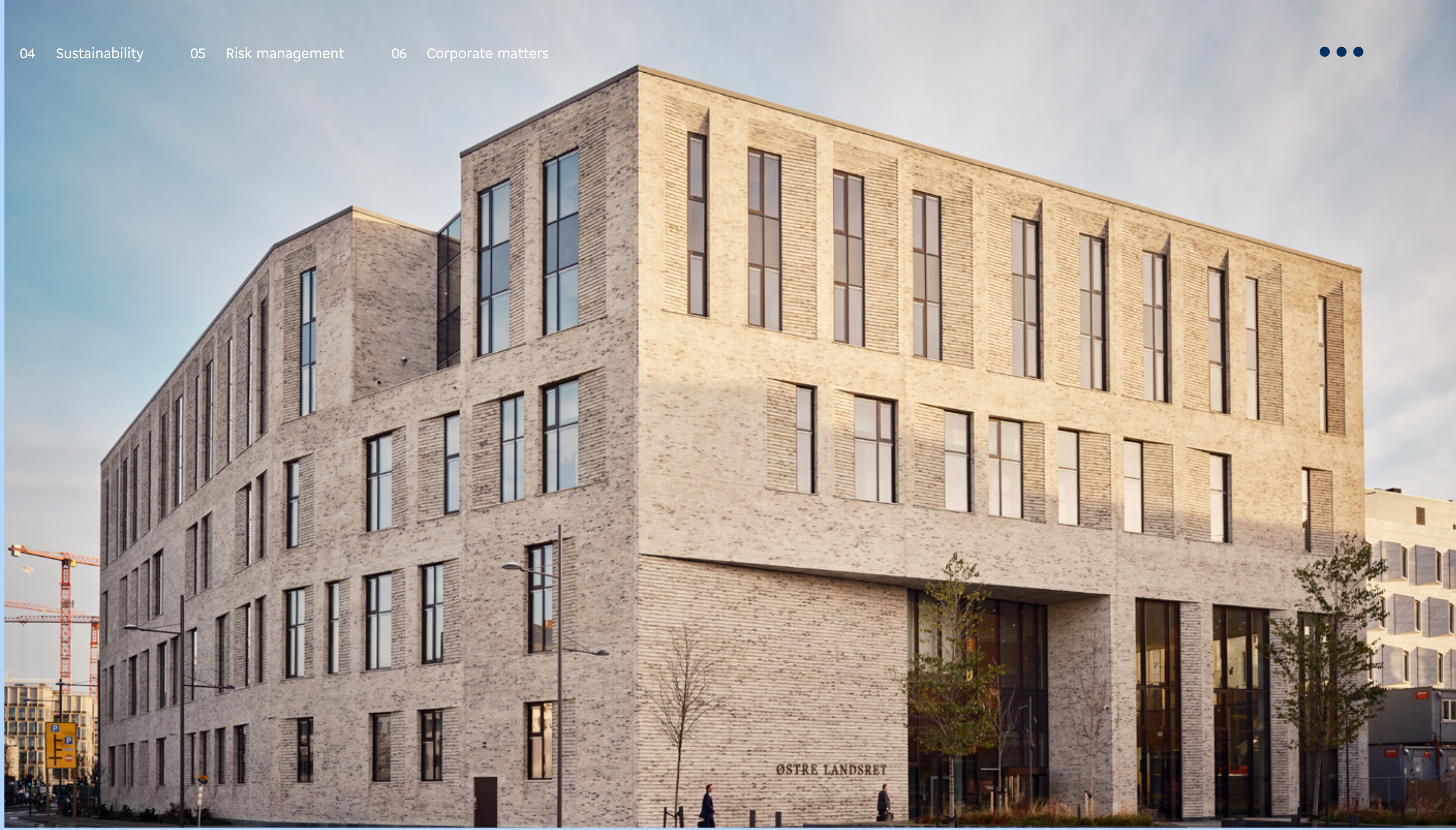
We are seeing a rise in demand for sustainable solutions, particularly driven by heat pumps and lighting optimisation. Based on these positive developments, we have increased the strategic target for Trade accordingly. We are now expecting >15% CAGR for the strategic period.

Our financial ambitions

Today	Previous Ambitions	2023 Ambitions
17 %	>7.5 %	>15 %
CAGR	CAGR	CAGR

03

Financial review



Østre Landsret, Denmark
Whenever SIF Group is involved in major projects such as the Court of Appeal of Eastern Denmark, it's important that we're supported by professional partners like Solar, who can advise and guide us on the right products and play an active role over the project period. In this way, we ensure that the solutions we have chosen work as intended.

Christian Eriksen
Contract Manager, SIF Gruppen

Five-year summary

Consolidated (DKK million)	2022	2021	2020	2019	2018
Revenue	13,863	12,354	11,465	11,679	11,098
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,175	911	637	538	379
Earnings before interest, tax and amortisation (EBITA)	978	727	455	360	327
Earnings before interest and tax (EBIT)	909	672	248	260	224
Earnings before tax (EBT)	858	622	300	120	237
Net profit for the year	660	531	222	64	133
Balance sheet total	5,901	5,305	4,607	4,990	4,633
Equity	1,931	1,952	1,696	1,592	1,638
Interest-bearing liabilities, net	1,074	-37	128	921	461
Cash flow from operating activities	16	783	813	300	224
Net investments in property, plant and equipment	-167	-125	-25	-110	-59

Financial ratios (% unless otherwise stated)	2022	2021	2020	2019	2018
Organic growth adjusted for number of working days	12.9	5.9	-2.0	4.9	2.2
Gross profit margin	23.4	22.4	21.0	20.1	20.2
EBITDA margin	8.5	7.4	5.6	4.6	3.4
EBITA margin	7.1	5.9	4.0	3.1	2.9
Effective tax rate	23.1	14.6	26.0	45.2	23.3
Net working capital (year-end NWC)/revenue (LTM)	15.9	10.2	9.7	11.0	9.8
Gearing (net interest-bearing liabilities/EBITDA), no. of times	0.9	0.0	0.2	1.7	1.2
Return on equity (ROE)	34.0	29.1	13.5	4.0	8.2
Return on invested capital (ROIC)	25.5	24.6	13.8	8.3	8.1
Equity ratio	32.7	36.8	36.8	31.9	35.4

Share ratios (DKK unless otherwise stated)	2022	2021	2020	2019	2018
Earnings per share outstanding (EPS)	90.37	72.72	30.42	8.77	18.22
Ordinary dividend per share	45.00	45.00	28.00	14.00	14.00
Extraordinary dividend per share	-	45.00	15.00	-	-
Total dividend in % of net profit for the year (payout ratio)	49.8	123.8	141.1	159.4	76.7

Employees	2022	2021	2020	2019	2018
Average number of employees (FTEs)	3.019	2.908	2.935	3.039	2.941

ESG ratios (Solar Group ratios unless otherwise stated)	2022	2021	2020	2019	2018
CO_2e, scope 1 (tons)	3,033	3,583	2,814		
CO_2e, scope 2 (tons)	2,887	4,107	4,326		
Renewable energy share (%)	84.0	68.0	28.0		
Gender diversity board (%)	33.0	17.0	17.0		
Gender diversity (%)	29.0	27.0	27.0		
Gender diversity management, Danish activities (%)	17.0	19.0	17.0		
Gender pay ratio (no. of times)	1.21	1.17	1.14		
Days/FTE sickness absence	12.2	10.3	9.2		

In all material aspects financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios".

As at 1 January 2019, Solar implemented IFRS 16, Leases, by applying the modified retrospective approach. Comparative figures are not restated. This especially affects EBITDA, interest-bearing liabilities, EBITDA margin, gearing and equity ratio.

ESG ratios are calculated in line with the accounting principles included in our Sustainability Report 2022. Solar has applied Nasdaq/FSR/CFA key figures since 2020.

Financial review

Record high EBITDA of DKK 1,175m

(Data shown in brackets relate to 2021 figures)

In 2022, we achieved a record high EBITDA of DKK 1,175m (DKK 911m) which slightly exceeded our latest guidance. Adjusted organic growth increased to 12.9% (5.9%) and gross profit margin increased to 23.4% (22.4%) supported by one-off price increases.

Revenue

Adjusted organic growth at group level increased to 12.9% (5.9%) and revenue rose to DKK 13.9bn (DKK 12.4bn). Although growth was supported by price increases, we continued to see growth in volume.

One of our strategic focus areas, Climate & Energy, delivered revenue of DKK 1.3bn, which corresponds to adjusted organic growth of 81%.

Gross profit

Gross profit increased by DKK 472m with continuous improvement in the gross profit margin, which increased to 23.4% (22.4%).

One-off price effects resulted in a positive impact of approx. DKK 215m (DKK 115m) on gross profit. This corresponds to an improved gross profit margin of approx. 1.6 percentage points (0.9 percentage points).

Other income

In Q4, Solar Nederland signed an agreement concerning the sale of its warehouse located in Duiven. Finalisation of the transaction and transfer of the property to the purchaser is subject to the usual conditions, including vacating the building and clearing the premises. This is expected before the end of Q1 2024. The financial impact from the sale is an expected capital gain of approx. DKK 35m that will be recognised in the income statement when the transaction is finalised.

External operating costs and staff costs

In total, external operating costs and staff costs were down at 14.7% (15.0%) of revenue.

Rising prices, including energy prices, had a negative effect on cost development. Increased costs were also driven by strong performance.

EBITDA

EBITDA increased by DKK 264m to DKK 1,175m, which corresponds to an EBITDA margin of 8.5% (7.4%) of revenue. All markets saw substantial improvement in EBITDA, with Solar Nederland and Solar Sverige making a significant contribution.

The results from the individual segments and markets are shown on pages 54-55.

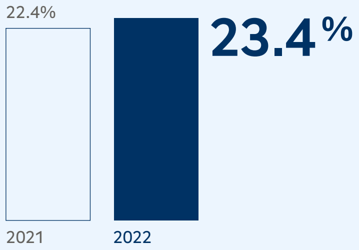
Financials

Net financials amounted to DKK -50m (DKK -48m) negatively affected by DKK 20m due to fair value adjustments.

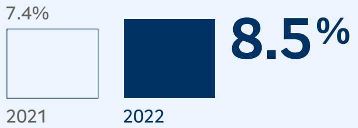
In 2021, net financials were negatively affected by DKK 14m due to the early redemption of an interest swap and positively affected by DKK 13m from interest

Organic growth

Gross profit margin



EBITDA margin



Financial review

compensation related to a ruling by the Danish tax authorities. In addition, net financials were negatively affected by DKK 23m due to fair value adjustments.

Adjusted for these items, net financials totalled DKK -30m (DKK -24m).

Earnings before tax

Earnings before tax were up at DKK 858m (DKK 622m).

Income tax

Income tax amounted to DKK -198m (DKK -91m). The posted income tax corresponds to an effective tax rate of 23.1% (14.6%).

In 2021, we received a ruling from the Danish tax authorities, which approved a reduction in Danish taxable income in 2012. This resulted in a tax income of approx. DKK 19m. In addition, tax loss carried forward amounting to DKK 32m was capitalised due to the improved performance in both MAG45 and Solar Nederland. Adjusted for the above-mentioned tax value of loss regarding previous years and the change in the non-capitalised loss in subsidiaries, the effective tax rate was 22.4% in 2021.

Net profit

Net profit increased to DKK 660m (DKK 531m).

Cash flows

Net working capital calculated as an average of the previous four quarters amounted to 14.5% (11.0%) of revenue. Net working capital at the end of 2022 was 15.9% (10.2%).

Cash flow from operating activities totalled DKK 16m (DKK 783m).

Changes in receivables had a DKK -394m (DKK -229m) impact on cash flow, which was affected by the increased growth level in 2022.

Changes in inventories and non-interest-bearing liabilities had an impact of DKK -433m (DKK -319m) and DKK -131m (DKK 517m) respectively. The general inventory level was affected by price increases and by the decision to increase our inventory level to ensure delivery performance during a period of potential goods shortage. Part of the inventory increase also supports the successful performance of our strategic focus area, Climate & Energy, particularly in Solar Nederland.

Total cash flow from investing activities amounted to DKK -259m (DKK -191m). DKK -128m relates to the investment in the expansion and upgrade of our warehouse in Denmark. In addition, the acquisition of Højager Belysning A/S had an impact of DKK -34m, cf. page 88 of this report.

Cash flow from financing activities amounted to DKK -82m (DKK -515m), mainly affected by ordinary and extraordinary dividend distributions totalling DKK 658m (DKK 314m) and by the change in current interest-bearing debt of DKK 519m (DKK -9m).

Consequently, cash flow totalled DKK -325m (DKK 77m).

Net interest-bearing liabilities amounted to DKK 1,074m (DKK -37m).

At the end of 2022, gearing was 0.9 (0.0) times EBITDA. If adjusted for one-off impact, gearing amounted to 1.1 times EBITDA. Our gearing target is between 1.5-3.0 times EBITDA. The Board of Directors continually assesses the capital structure in relation to our target and our capital requirements.

At the end of 2022, Solar had undrawn credit facilities of DKK 710m.

Invested capital

Invested capital for the Solar Group totalled DKK 2,978m (DKK 1,866m). ROIC amounted to 25.5% (24.6%). Activities with a Solar equity interest of less than 50% are not included in the ROIC calculation. Invested capital only includes operating assets and liabilities.

Remuneration of Executive Board and management team

In accordance with Solar's remuneration policy and general guidelines for incentive-based remuneration, the Board of Directors granted restricted shares to the Executive Board and management team in February 2022.

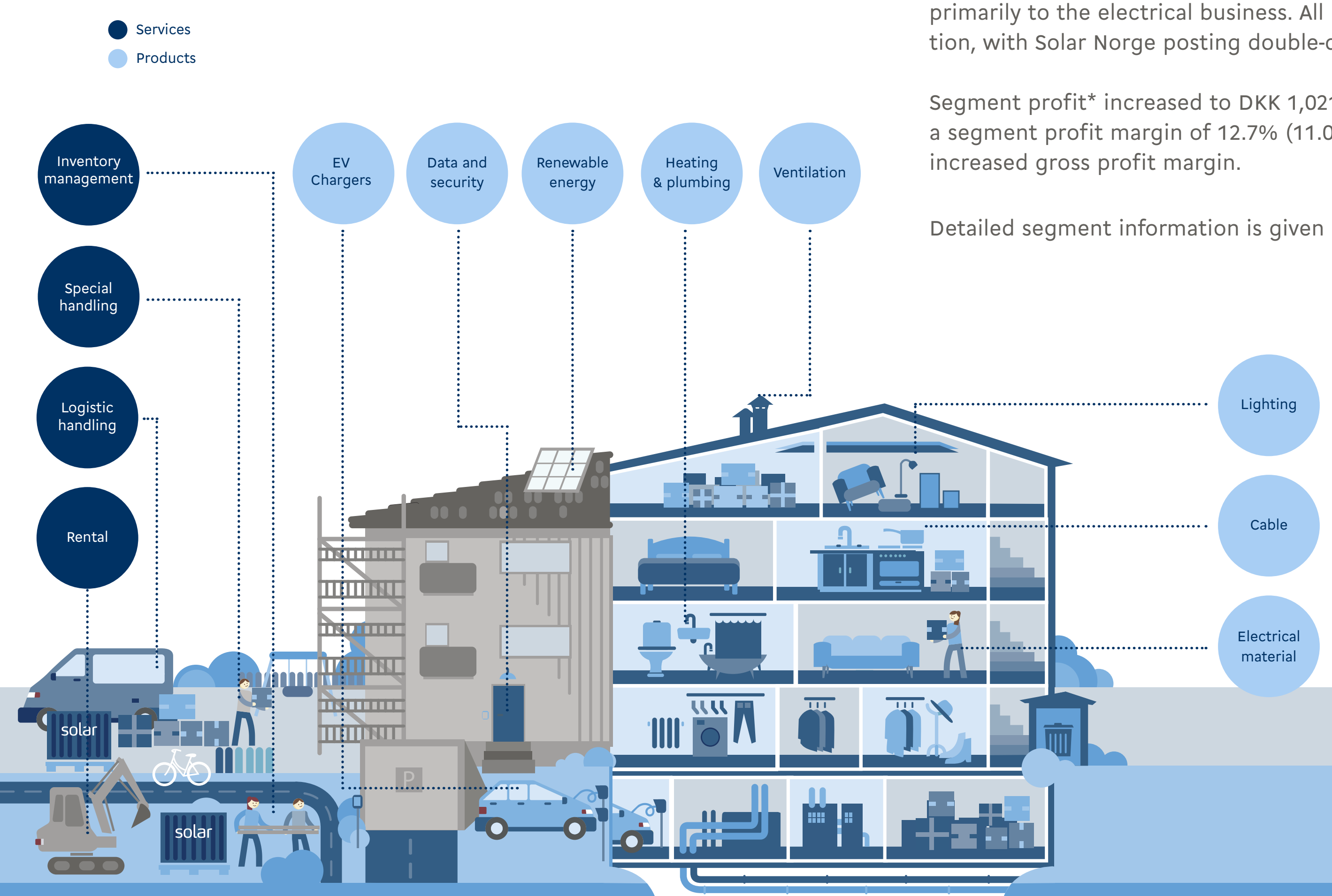
11,110 (13,037) restricted shares were granted, amounting to a fair value of DKK 8.0m (DKK 5.9m) at the time of granting. The restricted shares vest three years after the time of granting, i.e. this grant of shares vests in 2025 (2024). In February 2022, 7,479 (3,443) share options from the grant in 2019 (2018) were exercised either by converting the options to shares or settled in cash. For more information, please see this report's note 5.1 on share-based payment.

General information on Solar's incentive scheme is available on our website:

www.solar.eu/investor/policies

Segments

(Data shown in brackets relate to 2021)



Installation

Today's installers require more than a product

Our 20,000 plus installation customers range from sole installation contractors to large installation companies. Irrespective of their size, they all value our expertise and extensive range, which covers electrical, heating & plumbing installations as well as climate & energy products.

Installation revenue increased to DKK 8,013m (DKK 7,399m), which corresponds to overall adjusted organic growth of around 9.6% (3%) and relates primarily to the electrical business. All main markets saw growth in Installation, with Solar Norge posting double-digit growth.

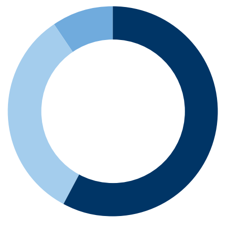
Segment profit* increased to DKK 1,021m (DKK 814m). This corresponds to a segment profit margin of 12.7% (11.0%), which was positively affected by increased gross profit margin.

Detailed segment information is given on pages 54-55.

2022 Segment revenue

DKKm

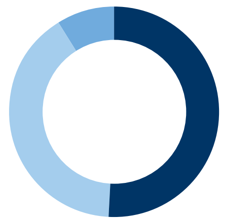
Installation	8,013
Industry	4,543
Trade	1,307



2022 Segment profit

DKKm

Installation	1,021
Industry	811
Trade	174



*Segment profit does not include non-allocated costs, which cover income and costs related to joint group functions and to costs which cannot be reliably allocated to the individual segment.

Segments

(Data shown in brackets relate to 2021)

Industry

Creating value for our Industry customers

Our 20,000 plus Industry customers cover the following sub-segments: OEM (Original Equipment Manufacturer), MRO (Maintenance, Repair & Operations), Infrastructure and Offshore & Marine. They all share one common factor: they rely on our insight and ability to deliver the right products at the right time.

Industry revenue increased to DKK 4,543m (DKK 3,920m). This corresponds to overall adjusted organic growth of around 16.6% (8.8%) related primarily to Offshore & Marine, but also to OEM. We posted growth above 13% in all markets covering Industry, with Solar Norge delivering very solid growth rates.

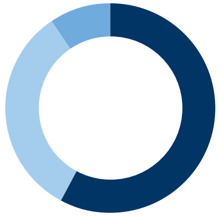
Segment profit* increased to DKK 811m (DKK 635m). This corresponds to a segment profit margin of 17.9% (16.2%).

Detailed segment information is given on pages 54-55.

2022 Segment revenue

DKKm

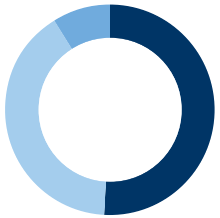
Installation	8,013
Industry	**4,543**
Trade	1,307



2022 Segment profit

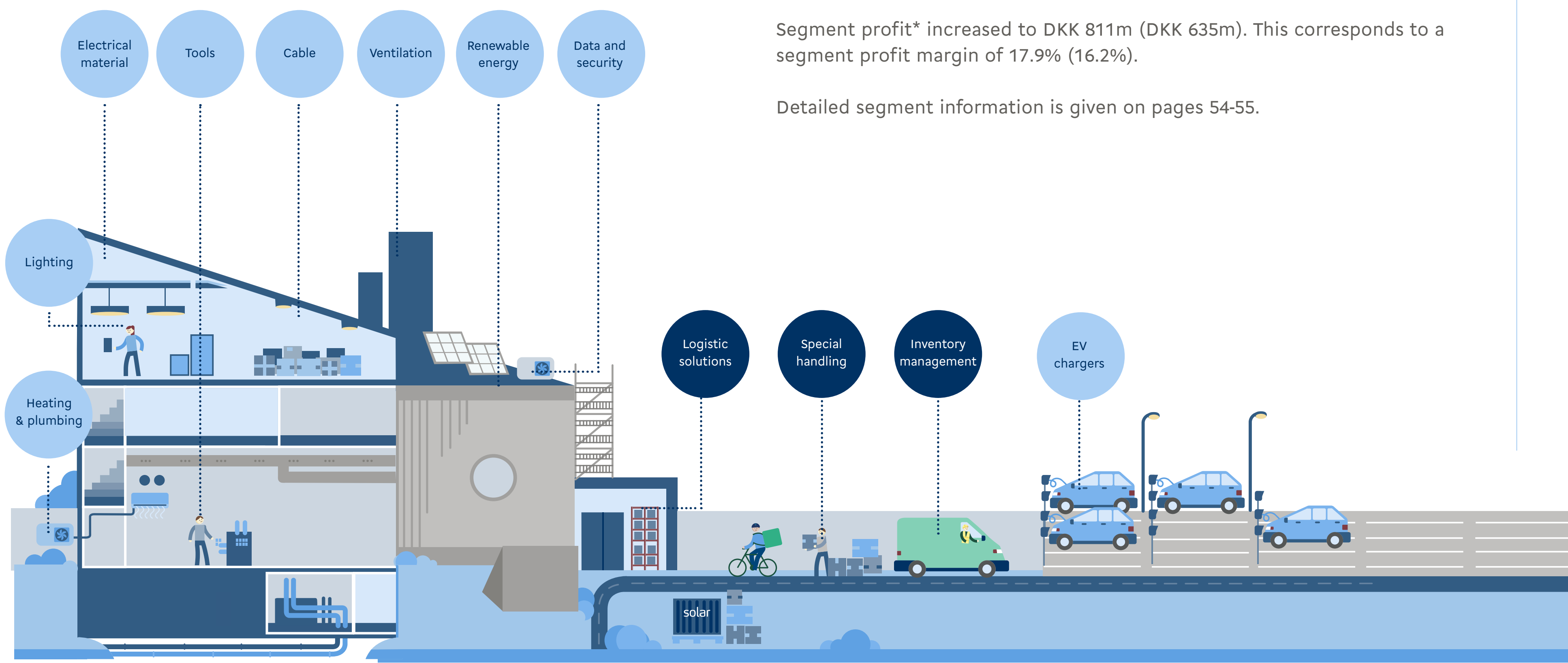
DKKm

Installation	1,021
Industry	**811**
Trade	174



*Segment profit does not include non-allocated costs, which cover income and costs related to joint group functions and to costs which cannot be reliably allocated to the individual segment.

Services
Products



Segments

(Data shown in brackets relate to 2021)

Trade

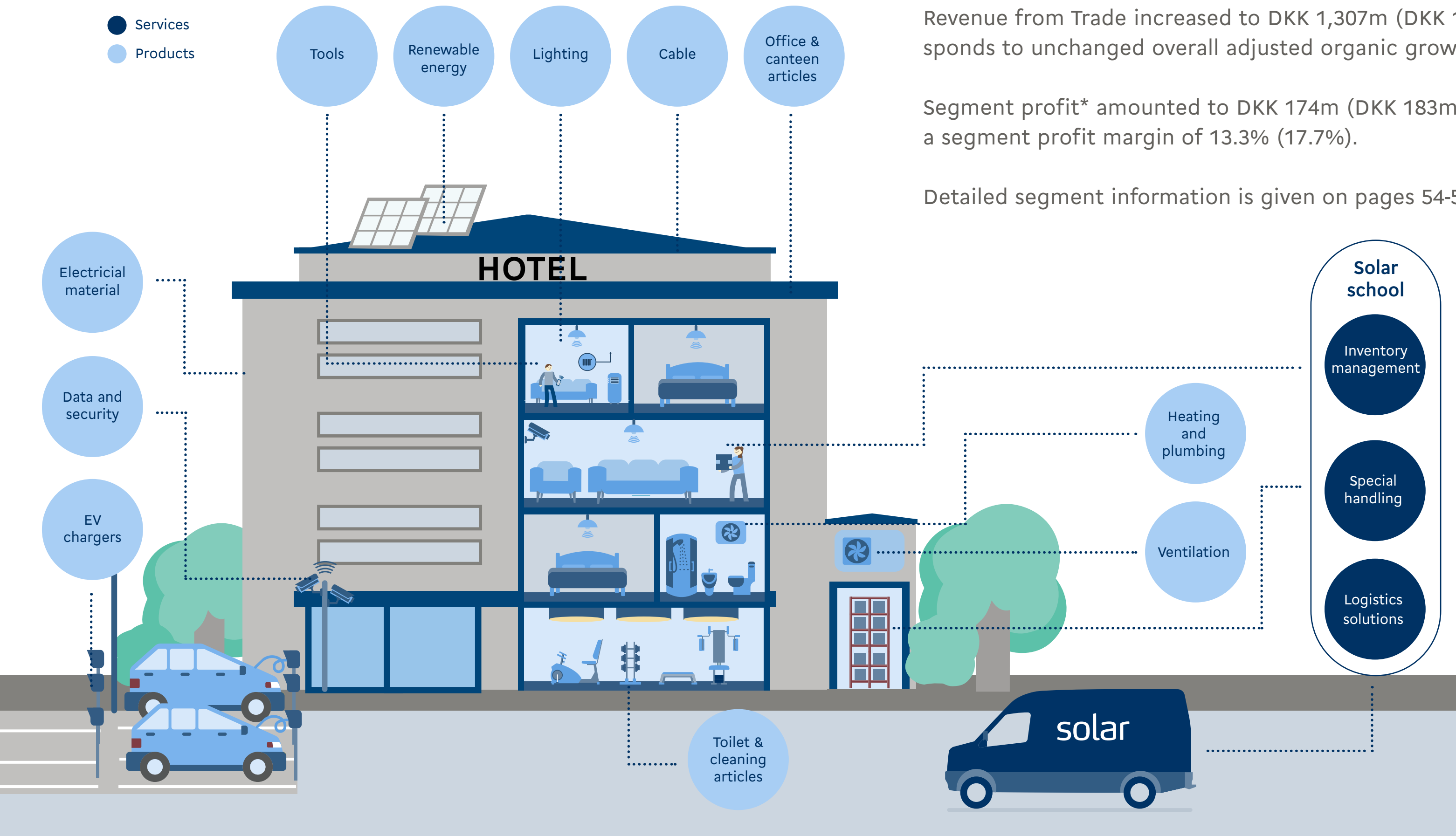
Dedicated local teams support Trade customers with specialised services

The requirements and buying preferences of our 8,000 trade customers differ from our Installation and Industry segments. Each of our segments comprises unique services. For Trade, these include storage solutions, logistics and shelf cleaning in DIY shops. These are services and solutions that support our Trade customers in their daily business and allow them to focus on what they do best. We prioritise the ongoing development of our Trade services by engaging with our customers.

Revenue from Trade increased to DKK 1,307m (DKK 1,035m), which corresponds to unchanged overall adjusted organic growth of 23% (17%).

Segment profit* amounted to DKK 174m (DKK 183m), which corresponds to a segment profit margin of 13.3% (17.7%).

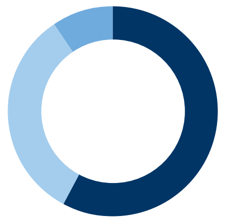
Detailed segment information is given on pages 54-55.



2022 Segment revenue

DKKm

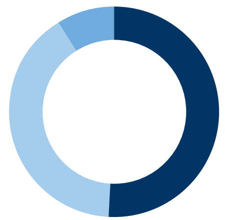
Installation	8,013
Industry	4,543
Trade	1,307



2022 Segment profit

DKKm

Installation	1,021
Industry	811
Trade	174



*Segment profit does not include non-allocated costs, which cover income and costs related to joint group functions and to costs which cannot be reliably allocated to the individual segment.

04

Sustainability

Hurtigruten, Norway

Solar is an important supplier and helps to ensure the daily operations of our coastal ferry service. The company has proved to be a stable and reliable partner, and if new challenges arise, Solar is always on hand to provide a solution. Fast, efficient and accommodating service is the essence of our partnership.

Kristian Solberg Balassanian
Hurtigruten Norge

ESG performance

Environmental, social & governance

We remain on track to deliver on both our short-term and long-term ambition

Our Scope 1 & 2 year-over-year emissions were reduced by 15.4% and 29.7%, respectively. This supports our ambition of reaching Net-Zero by 2030. In addition, we wish to raise our ambition further and submitted a 25% Scope 3 emission reduction by 2030 to SBTi for validation, compared to 2020.

The Scope 1 & 2 emission decrease was supported by an increase in use of renewable electricity, which increased by 16 percentage points and reached 84%. By installing more than 2,700 solar panels at our head office in Vejen, we have increased the share of self-generated electricity.

We installed EV chargers at all our major sites. This reflects our journey towards electrifying our company car fleet.

Gender diversity within our management level decreased by two percentage points. The calculation method changed in 2022. If recalculated according to previous calculation method, the share would remain unchanged.

Our Sustainability Report 2022 is an extension of the management review and is prepared in compliance with sections 99a, 99b and 107d of the Danish Financial Statements Act. For further information please see

www.solar.eu/our-company/sustainability

Leading with transparency

We see governance as a valuable tool for exercising sound management and ensuring transparency for shareholders and other stakeholders.

33% (17)
Gender diversity board

98% (98)
Board meeting attendance rate

27 times (28)
CEO pay ratio[1]

Nasdaq ESG Transparency Partner

Responsible use of resources

Solar seeks to reduce environmental impacts and promote sustainable solutions via our product and service portfolio.

3,033 tons (3,583)
CO_2e, scope 1

2,887 tons (4,107)
CO_2e, scope 2

146,762 GJ (153,824)
Energy consumption

84% (68)
Renewable energy share, procured certified electricity

20,751 m³ (23,204)
Water consumption

Governance · Environmental · Social

solar

Because we care

We seek to ensure safe working conditions for our employees and respect human rights in our operations as well as in our business relations.

29% (27)
Gender diversity

17% (19)
Gender diversity management[3]

1.21 times (1.17)
Gender pay ratio

3,019 FTEs (2,908)
Full-time workforce

12.2 (10.3)
days/FTE Sickness absence

12.8% (7.8)
Employee turnover rate[2]

1) If measured against Danish employees, the CEO pay ratio amounts to 23 times (2021: 23 times).
2) The calculation method is changed to include all employee turnover, where 2021 figure only included voluntary employee turnover.
3) The calculation method changed in 2022 to cover Danish activities only.

Climate & energy solutions

Climate and energy is a growing market driven by an increased demand for sustainable energy solutions, particularly heat pumps and solar panels.

We have extended our organisational scope in Sweden, Norway and the Netherlands through the extension of our category management and sourcing. The aim is to further strengthen local market knowledge and consolidate our product portfolio across markets.

Heat pumps

We are seeing a huge interest from both businesses and private individuals in reducing emissions and operating costs as well as ensuring energy supplies.

As regards high-capacity industrial heat pump installations, we offer turnkey solutions and a single point of contact. This comprises everything from product selection, planning and design, regulatory aspects and assistance with installation. Therefore, our customers are ensured the appropriate installation for their requirements.

Solar panels

Renewable energy and own generated energy is a growing market which is driven by customers embarking on a green transition who require safety of supply and a sound financial solution. Our suppliers have signed our code of conduct and with the launch of the EcoVadis risk management platform, we will continue to monitor their ethical approach to business.

With the installation of high-capacity heat pumps and solar panels at our warehouse in Denmark, we are ready to offer the industry segment a solution entailing emission reductions.

EV chargers

We aim to deliver energy-efficient and innovative best-in-class EV charger solutions to help end-users save energy in an intelligent and cost-effective way. In 2022, we established a partnership with Smappee, a Belgian supplier of EV chargers and smart charging solutions for domestic use. It ensures that a vehicle is charged when energy is cheapest or when consumption is low. Moreover, if the system is connected to a solar panel installation, it will evaluate whether the renewable energy should be used for the vehicle, the household or simply returned to the grid.

Solar Zero

We are continuously expanding our product range and in 2022, we launched Solar Zero. This is a quality portfolio of products within the field of Climate and Renewable Energy aimed at achieving best-in-class transparency and responsibility. The catalogue of products focuses on convenience, logistics and availability, which will make it easier for our customers to select the right solution for their next green project.

Solar Zero comprises products within the following categories: heat pumps, solar panels, ventilation and EV chargers. In 2023, we expect to grow our assortment even further.

Theme about energy efficiency

In the autumn, we put additional focus on the green transition to enable our customers to embark on their own green transition and begin an energy-saving solutions dialogue with their customers. To this end, we launched an awareness campaign across borders and segments. The campaign presented solutions to assist customers in their green transition based on three areas – products, services and training.

Heat pump vs gas boiler

A gas boiler produces an average of 1 kWh of heat per 1 kWh of input energy whereas a heat pump produces approx. 3.5 times as much heat per 1 kWh of input energy. By switching to a heat pump, therefore, emissions are reduced accordingly.

Climate & energy solutions

Circularity

We support the transition to a circular economy. Together with five pump manufacturers and four industry peers, our Dutch subsidiary has launched Circopomp. This initiative is aimed at collecting old circulator pumps and then giving them a second life. Approx. 830,000 new circulator pumps are replaced in the Dutch market every year with approx. 1,900,000 kilos of obsolete pumps ending up as scrap.

The pumps can be handed in at our customer centres. Similar circular economy projects are up and running in other countries but on a smaller scale and we foresee growth in this area in years to come.

Lights and new regulations

With the decision to ban import and production of fluorescent lamps containing mercury according to the RoHS directive 2011/65/EU, we have taken measures to help our customers through this change. Products and solutions replacing the fluorescent lamps are already available and a website containing relevant information was launched. In Q1 2023, we plan to host a number of information meetings and webinars targeting our installation customers.

We expect the increase in demand for climate and energy products and solutions to persist. We acknowledge that an imbalance may arise in supply and demand due to external circumstances.

Upgrading to LED lighting

We have changed our old lighting to LED lighting in our Copenhagen office reducing our emissions with 57% per year.

05

Risk management

Solar has a highly competent team. They solve our problems quickly and efficiently, and are always alert to ways of enhancing our relationship. We have established a win-win procurement partnership whereby Solar achieves higher sales and our administrative tasks are reduced.

Steffen Stenbak Christiansen
Chief Engineer & Electrician, Saeby Fiske-Industri

Risk management

Solar's risk management is based on Enterprise Risk Management (ERM) and the Board of Directors' rules of procedure, which place the responsibility for risk management with the Executive Board.

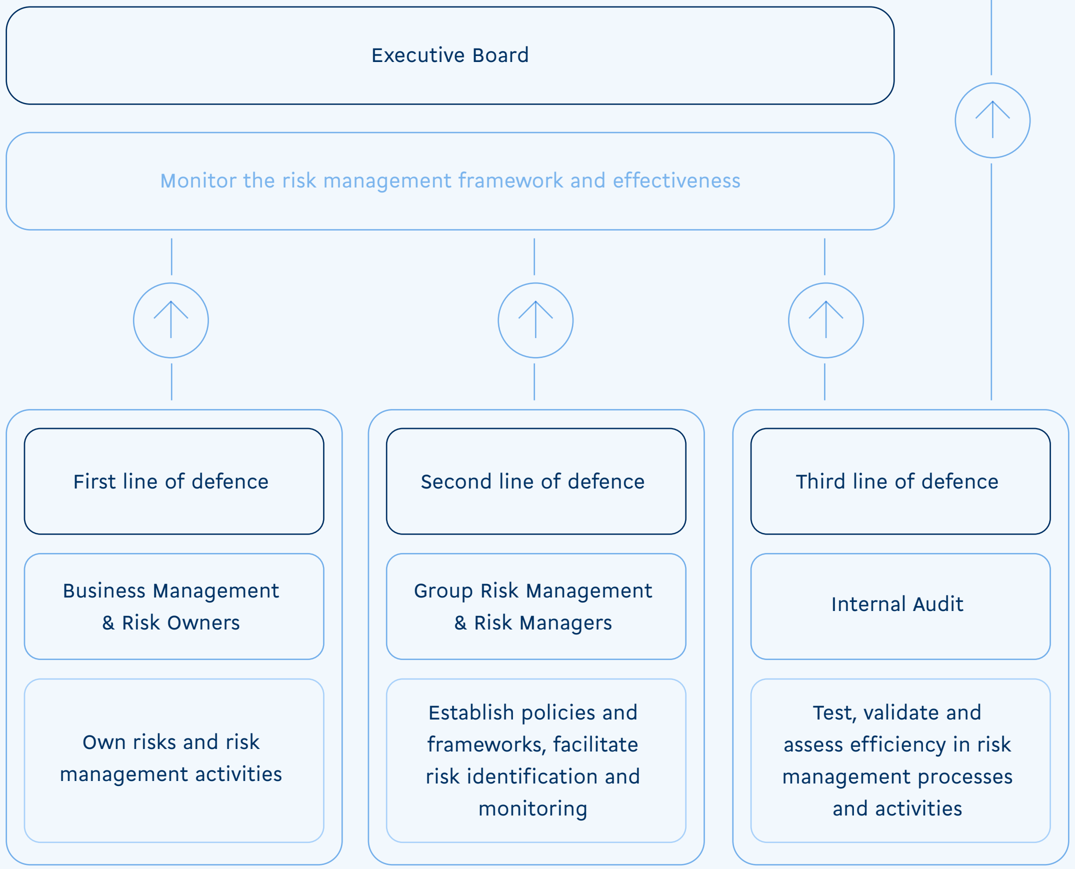
The Executive Board is responsible for ensuring that the necessary policies and procedures are in place, that efficient risk management systems have been established for all relevant areas and are improved continuously. The overall purpose of risk management is to support a robust business that is able to react quickly and flexibly when conditions change.

Solar's risk management encompasses the relevant entities in Denmark, Norway, Sweden, the Netherlands, Poland, and MAG45. The process supports local management teams by taking a structured approach towards risk management, with risk self-assessments anchored in an annual cycle. Data is consolidated at group level, and the findings are presented to the Board of Directors for approval.

The individual risk owners are responsible for mitigating risks to a level within Solar's risk appetite and tolerance. Throughout the year, Solar's Group Risk Management and local risk managers actively monitor the progress of the mitigation to ensure that risks are at the acceptable level.

Three lines of defence

Solar's risk management is organised according to the three lines of defence model which demonstrates and structures roles, responsibilities for risks, decision-making and control to achieve effective governance.



Risk definition

The focus of Solar's risk management is to identify and assess operational risks and operational aspects of strategic risks throughout the Solar Group. Solar defines these risks as events or developments that could significantly reduce Solar's ability to:

1. Meet profit expectations,
2. Execute the strategy, and/or
3. Maintain a licence to operate.

Solar works with the concepts of gross risk (inherent risk) and net risk (residual risk).

The gross risk effect is defined as the product of the impact and the probability of the risk materialising without any change to current risk mitigation.

The net risk effect is defined as the risk level when considering current as well as planned mitigation activities with regard to both impact and probability.

Risk appetite and tolerance

Solar's risk appetite and risk tolerance articulate the extent to which Solar is willing to accept risks in three overarching categories: Governance & Compliance, Strategy & Planning, and Operations & Infrastructure.

Accordingly, the risk appetite outlines Solar's strategic outlook towards risk and defines the degree to which Solar is risk-seeking or risk-avoiding, while the risk tolerance, as an indicative parameter, outlines the level of net risk that Solar is willing to accept for a given measure of reward.

Risk appetite and risk tolerance are set by the Board of Directors and are reviewed annually.

Risk self-assessment

Solar evaluates the effect of a risk based on the product of the probability of the risk materialising and the gross impact if the risk does materialise. In detail, the probability of the risk is defined as the expected frequency of the risk occuring, while the impact is divided into four dimensions:

1. Effect on earnings
2. Reputational damage
3. Compliance (licence to operate)
4. Business activities

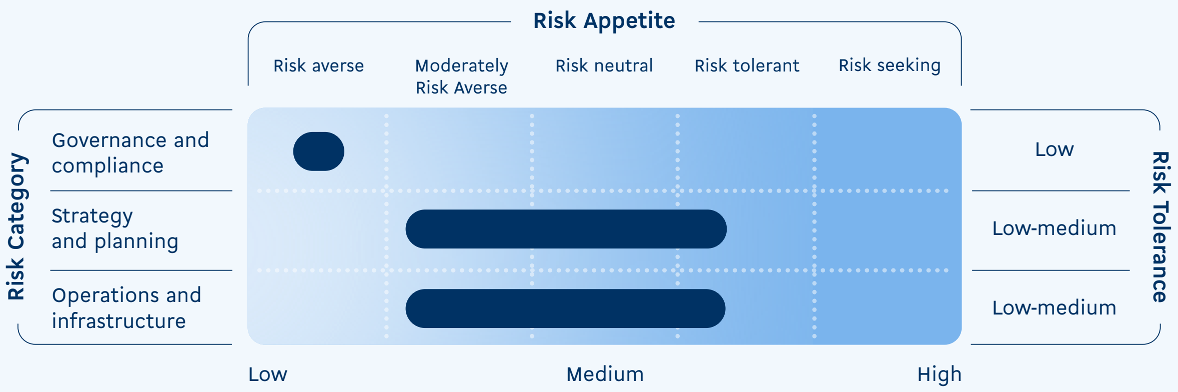
Risk handling

The purpose of identifying and then handling risk is to reduce it to an acceptable level, which is in line with risk appetite and tolerance. In Solar, we work with four different risk treatment strategies when handling risks.

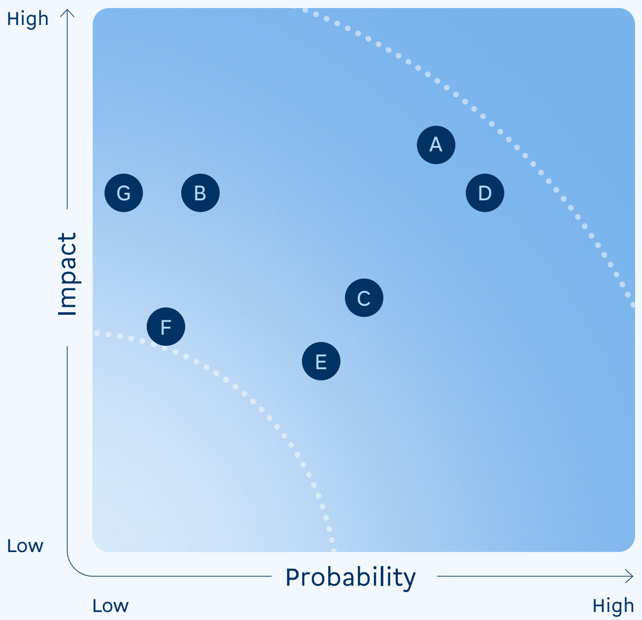
- Avoid – seeks to eliminate uncertainty by changing circumstances.
- Transfer – seeks to transfer ownership of and/or liability for the risk to a third party.
- Accept – recognises net risks and monitors risk exposure.
- Mitigate – seeks to minimise risk exposure to below the acceptable threshold.

To ensure an understanding of the philosophy and the risk management preferences, Solar provides structured criteria for risk attitude and a catalogue of mitigating activities.

Risk appetite and tolerance per risk category



Solar Risk Map



Solar's top risks are mapped out in terms of probability and impact in the risk map.

- A Cyberattack
- B IT interruptions
- C Global supply chain
- D Geopolitical and macroeconomic uncertainty
- E Credit management
- F New entrants in the market
- G Central warehouse breakdown

Exposure to potential top risks and mitigation

One of the risks reported last year, 'Warehouse operations', has been significantly reduced by means of extensive contingency plans, scenario analyses and the past experience of handling the pandemic fallout. Moreover, as COVID-19 is no longer regarded as a major threat in Europe, the risk is no longer prioritised at group level.

Additionally, the risk of talent management from last year has been minimised to an acceptable level thanks to the ongoing initiatives led by HR.

The emerging risks relating to sustainability have been included in interviews and local risk assessments. However, the consolidated risk score has not yet triggered greater attention at group level, although the associated risks are still monitored closely.

	A Cyberattack	B IT interruption
Risk	The risk is unchanged.	The risk is unchanged.
Scenario	Risk of IT breakdown and/or data breach due to a cyberattack.	Risk of business interruption due to unforeseen but inherent events affecting IT operations such as fire, power outage, network, or system failure, and other natural or unintentional man-made hazards.
Impact	Business interruptions in the form of compromised data, denial of service, intellectual property theft, and regulatory investigations are among the consequences of various cyber incidents and would ultimately lead to financial losses and an inability to run daily operations. The probability of the worst-case scenario is slightly above medium, and the potential impact is assessed as between medium and high.	Potential IT interruption may have a significant impact on earnings and reputation depending on the nature and scale of the event. However, the probability of the worst-case scenario is between low and medium, but the potential impact is assessed as between medium and high.
Mitigation	Mitigation measures focus on strengthening cyber resilience. This includes 24-hour monitoring of the network for unusual behaviour as well as ensuring relevant solutions or upgrading existing ones. Using the advanced security analytics tool supports the evaluation of the organisation's security measures and implementation of recommended activities. The disaster recovery tests provide assurance that the company's 'crown jewels' (the most critical systems) can be restored within an acceptable timeline in case of a successful cyberattack. Solar runs a structured disaster simulation to test business continuity plans and scenario analyses to identify potential improvement areas. Additionally, Group IT continues to communicate appropriate internal information and deliver e-learnings on IT security to maintain organisational awareness and reduce the likelihood of an unwanted event caused by the human factor. As external threats continue to increase, the risk is assessed as unchanged despite a number of mitigating measures.	The IT area is continuously monitored and evaluated. Business-critical applications are mirrored at two central data centres in order to safeguard IT operations so that the business can continue to run if one centre experiences downtime. Preventive measures planned to reduce the impact of cyberattacks – such as improving network security, improving application robustness, or strengthening and testing business continuity plans – will also reduce the risk of losing stable digital operations.

	C Global supply chain	D Geopolitical and macroeconomic uncertainty	E Credit management
Risk	The risk's impact is unchanged, but its probability has decreased slightly.	The risk has been added to the list of top group risks this year.	The risk is unchanged.
Scenario	Risk of stock being unavailable due to a global supply chain disruption and/or potential price volatility.	Risk of adverse market conditions or a change to industry trends due to geopolitical and macroeconomic uncertainties.	Risk of negative financial consequences of extending credit to customers.
Impact	Inability to meet customer demand and maintain acceptable delivery services can jeopardise customer relationships and ultimately affect business results. The probability of the risk as well as its impact are considered medium.	Geopolitical tensions as well as a wide range of macroeconomic factors (incl. increasing inflation, interest rates, energy costs) may adversely impact markets and reduce demand.	Extending credit to customers is regarded as a natural and important element in Solar's business operations. If a negative market cycle occurs, then the credit risk increases. The challenging macroeconomic conditions, in particular the continuing rise in inflation and interest rates, may raise the likelihood of the risk. The probability and potential impact of the worst-case scenario is assessed as close to medium.
Mitigation	Solar continues to implement measures aimed at minimising the risk of a zero stock situation occurring. Ensuring an adequate inventory and increasing the purchase of materials that are at high risk are natural mitigation measures that have already been undertaken. Increasing the conversion to concept products would also improve product availability. Solar maintains a dialogue with major suppliers regarding their supply chain. Additionally, a review of alternative suppliers is taking place to minimise negative consequences should a disruption affect a certain country or supplier. A dedicated cross-functional team shares market information and continuously reviews risk indicators to identify early warnings. Improving the order placement process, monitoring average delays in delivery, and improving forecasts on material levels help to avoid a shortage of critical products in warehouses.	Solar has drawn up the appropriate risk indicators and mitigation measures for specific parts of the business. These are monitored on a regular basis in anticipation of an event requiring a rapid response. Strong focus on selling the right products (i.e. climate & energy) and growing the concept share are measures designed to achieve the projected results. With a view to a potential escalation of political tensions, Solar has incorporated a military conflict or a hybrid attack into its disaster management framework. Potential triggers have been identified, and scenarios and emergency strategies have been defined in the event of a conflict affecting the countries in which we operate.	Solar conducts efficient credit management at all times and monitors the development of credit risk. Furthermore, we have taken out insurance to hedge against potential losses on trade receivables. In addition, uninsured trade receivables are generally spread across a large number of small customers. The impact of current market volatility has been a contributing factor in maintaining the risk at the same level as last year.

	F New entrants in the market	G Central warehouse breakdown
Risk	The risk is unchanged.	The risk is unchanged.
Scenario	The risk of new market players entering the market and giving rise to increased competition and/or price pressure with a negative impact on Solar's business.	Risk of business interruption at the central warehouses due to unforeseen but inherent events such as fire, power outage, flooding, and other natural or man-made hazards.
Impact	The current commercial risk of strong new entrants or acquisitions in the market may result in reduced competitiveness, lost revenue, and decreased earnings. The probability of the worst-case scenario is assessed as close to medium with the potential impact assessed as between low and medium.	Potential interruption of the operations of central warehouses may have a significant impact on earnings and reputation depending on the nature and scale of the event. However, the probability of the worst-case scenario is low, but the potential impact is assessed as between medium and high.
Mitigation	Solar seeks to engage in an active and regular cross-border dialogue to share experience. A dedicated cross-functional team is in place to monitor potential new players' strategies and/or recent market developments as well as to understand customers' current and future buying criteria. Commercial market and sales organisations monitor this for early indicators. In accordance with observations and feedback, Solar continues to invest in digital tools and value-adding services to adapt to new trends.	A contingency plan has been updated at all central warehouses. It clarifies roles and responsibilities and describes actions required from staff in case of possible force majeure events. Solar arranges for regular warehouse audits in order to verify the level of preventive and detectable security measures to protect its facilities. Thanks to the implementation of the automated storage and retrieval systems in Denmark, Norway and the Netherlands, the risk of a man-made hazard is limited.

06

Corporate matters

I appreciate Solar Light's professionalism and their readiness to take on challenges. Their lighting calculations and quantity descriptions for the Ångströmlaboratoriet project at Uppsala university are always supported by sound documentation.

Krister Blom
Project manager at Galore Electro

Corporate governance

Solar complies with corporate governance recommendations

Solar has set out our practice in relation to the 2020 recommendations of the Danish Committee on Corporate Governance.

Solar regards the 2020 recommendations as a valuable tool for exercising sound management, providing shareholders and other stakeholders with full transparency and ensuring efficient risk management.

A full description of Solar's views on the individual items in the corporate governance recommendations is available at:

www.solar.eu/investor/corporate-governance

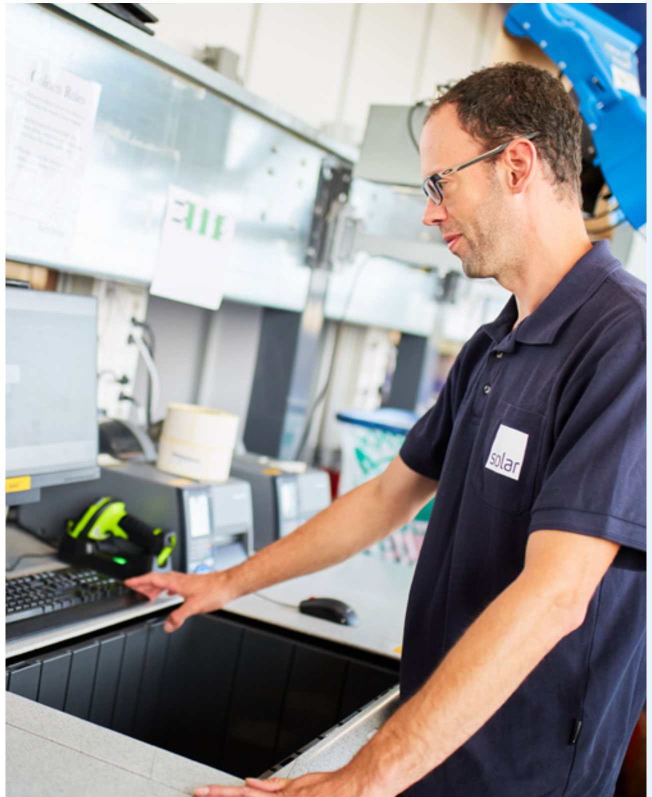
Deviation

Solar complies with 39 of the 40 recommendations but deviates from.

Recommendation on the variable part of remuneration

Limits have been set as to the size of both share-based and non-share-based incentive payments in relation to the fixed remuneration in order to ensure an appropriate balance between long-term and short-term interests and balanced risk.

As a simple model for allocation of variable remuneration is applied, the Board of Directors does not deem it relevant to assess the value of this in different scenarios.



Statutory corporate governance statement

Solar has chosen to make the statutory corporate governance statement, cf. Danish Financial Statements Act section 107b, available on the company's website.

Please use this link to view the statutory corporate governance statement 2022:

www.solar.eu/investor/corporate-governance

The Audit Committee and Internal Audit

Descriptions of the roles and responsibilities of the Audit Committee and Internal Audit are available on the link below.

www.solar.eu/investor/corporate-governance

Board of Directors

The Board of Directors and the Executive Board, which comprises the CEO, CCO and CFO, are jointly responsible for Solar Group's overall and strategic management.

Nomination Committee

Once a year, the composition of the Board of Directors is assessed by a representative from the company's majority shareholder, the Fund of 20th December, together with three representatives from the board, including the chair of the company's Board of Directors.

The committee puts forward proposals for both re-election and election of new members of the Board of Directors and the Board's annual evaluation is included as part of the process. The committee can seek assistance from external advisers and shareholders and undertakes a number of preparatory tasks to ensure that the Board of Directors meets the guidelines laid down by the Board of Directors at all times. Emphasis is placed on members representing relevant expertise in relation to the company's requirements. The aim remains to ensure diversity and a balance between continuity and renewal of the Board of Directors.

The Nomination Committee is not a board committee in the same sense as the Audit and Remuneration Committees, and the Board of Directors' tasks in relation to the composition of the board have not changed since its establishment.

A charter determining the guidelines for the composition and tasks of the Nomination Committee is available at:

www.solar.eu

Diversity in the Board of Directors

Solar's diversity policy sets out our objective for the composition of the Board of Directors.

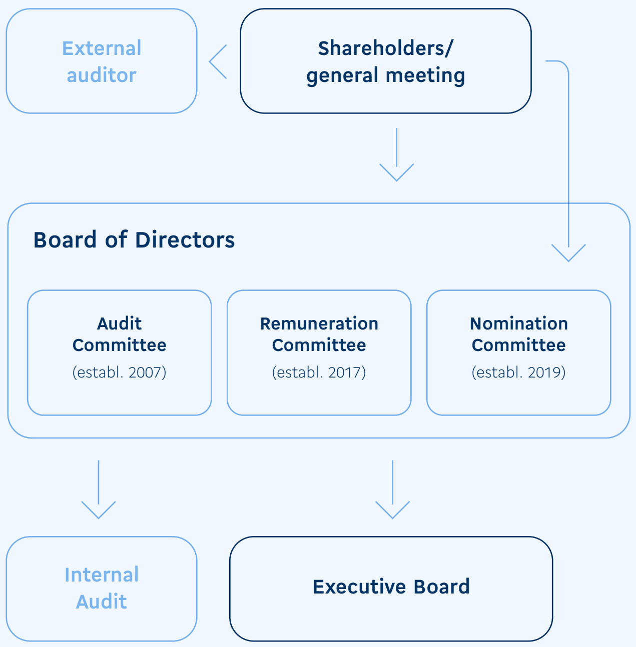
When board members are replaced, we conduct a broad sweep of the market to ensure a mix of skills and diversity.

The Board of Directors strives for equal gender representation, while ensuring that it has a broad portfolio of skills and experience. Our aim is to ensure that women are not underrepresented.

At the Annual General Meeting in 2022, Katrine Borum was elected replacing Jens Borum.

We reached our 2023 aim as women now make up 2 of 6 board members elected at the Annual General Meeting which according to law is considered an even distribution.

Corporate governance structure



Board of Directors

Board of Directors' affiliation with Solar

Peter Bang, Morten Chrone, Louise Knauer and Michael Troensegaard Andersen are independent of the company pursuant to the definition in the recommendations on corporate governance in Denmark.

Jesper Dalsgaard and Katrine Borum is affiliated with the Fund of 20th December, Solar's majority shareholder.

In 2022, the Board of Directors elected Peter Bang, Michael Troensegaard Andersen and Louise Knauer as members of the Audit Committee. Peter Bang chairs the Audit Committee. He and Michael Troensegaard Andersen have special accountancy qualifications.

The Board of Directors elected Morten Chrone and Louise Knauer as members of the Remuneration Committee together with the Chair of the Board of Directors Michael Troensegaard Andersen. Michael Troensegaard Andersen chairs the Remuneration Committee.

Employee representatives

The most recent ordinary election of employee representatives was held electronically on 21 February – 3 March 2022. Rune Jesper Nielsen, Denise Goldby, and Michael Kærgaard Ravn were elected as members of the Board of Directors -all three of them as new members.

Under the law, employee representatives have the same rights, duties and responsibilities as the other members of the board. Under Danish law, employees have the right to elect a number of representatives and alternates, corresponding to half the representatives elected by the Annual General Meeting at the time of the announcement of the election of employee representatives.

Election period

All board members elected at the Annual General Meeting stand for election each year, whereas employee representatives are elected by the company’s employees for four-year terms.

Activities

A minimum of six ordinary board meetings as well as one Board of Directors’ conference are held each year. In 2022, we had nine board meetings and one conference for the Board of Directors.

Evaluation

During Q4 2022, an externally facilitated board evaluation process was conducted, among others covering the cooperation between the Board of Directors and the Executive Board, the Chair's role, the Board's and Board Committees' work and an assessment of Board capabilities relative to those best supporting the Solar's strategy.

All members of the Board of Directors participated in the evaluation and provided input via questionnaires and interviews, thus forming the basis of an evaluation report. The 2022 evaluation has been shared with the Nomination Committee and has not given rise to any additional measures.

Meeting attendance in 2022

Board member	Board Meetings	Board Conference	Audit Committee	Remuneration Committee
Michael Troensegaard Andersen	9	1	7	1
Jesper Dalsgaard	9	1	-	–
Peter Bang	8	1	7	–
Katrine Borum[1]	7	1	–	–
Morten Chrone	9	1	–	1
Denise Goldby[1]	6	1	–	–
Louise Knauer	9	–	7	1
Rune Jesper Nielsen[1]	7	1	–	–
Michael Kærgaard Ravn[1]	7	1	–	–
Jens Borum[2]	3	–	–	–
Lars Lange Andersen[2]	3	–	–	–
Ulrik Damgaard[2]	3	–	–	–
Bent Frisk[2]	3	–	–	–

[1] Joined at AGM 18 March 2022 [2] Left at AGM 18 March 2022

Board of Directors

Members of the Board of Directors

Michael Troensegaard Andersen

Born 1961
Joined 2021
Chair

- Master of Science in Mechanical Engineering from Denmark's Technical University (1987) and a Graduate Diploma in Business Administration (Financial and Management Accounting) from Copenhagen Business School (1988).
- Member of the board of directors of Hansen-Group A/S.
- Possesses experience as CEO in listed companies and of strategic, structural and organisational transformation, sustainability and green transition, together with in-depth knowledge of the European Building and Building Material Industry.
- Remuneration 2022: DKK 726,250.
- Holds 774 Solar B shares of which 264 were acquired in 2022.

Jesper Dalsgaard Jensen

Born 1968
Joined 2017
Vice Chair

- Managing Director, Rambøll Environment & Health, Rambøll Group A/S.
- M.Sc. in Law and Business Administration 1993.
- Member of the board of directors of the Fund of 20th December, Rambøll Management Consulting A/S and Mannaz A/S.
- Possesses executive management experience of companies managed by funds and companies within the construction industry, and has experience within strategy, business development, mergers & acquisitions together with in-depth knowledge and experience within sustainability and green transition.
- Remuneration 2022: DKK 453,750.
- Holds 1,100 Solar B shares. Did not trade Solar shares in 2022.

Peter Bang

Born 1969
Joined 2018

- Cand.oecon. 1994 from Aarhus University, specialising in business economics and financing.
- Chair of the board of directors of BIMobject AB.
- Experience within construction, climate/energy, sustainability and green transition, digitalisation, organisational development, as well as finance and performance management.
- Remuneration 2022: DKK 511,250.
- Holds 1,200 Solar B shares. Did not trade Solar shares in 2022.

Katrine Borum

Born 1981
Joined 2022

- Senior registrar at Nordsjællands Hospital.
- Cand.med. University of Copenhagen 2010, Orthopedic specialist, 2021.
- Member of Danish Orthopaedic Society's education committee.
- Experience with managing many professions and developing an educational environment.
- Remuneration 2022: DKK 270,000.
- Holds 42,723 Solar B shares. Inherited 45,970 and divested 8,247 Solar B shares in 2022.

Morten Chrone

Born 1966
Joined 2019

- Group CEO, Unisport Saltex Oy.
- MBA 2001 and B.Eng. in Civil and Constructional Engineering 1994.
- Chair of the board of Unisport Scandinavia ApS and CEO of Mads ApS.
- Has held management positions within the construction industry/wholesale business in Denmark and abroad for the past 25 years and has significant knowledge of Solar's core business and the markets we operate in.
- Remuneration 2022: DKK 338,750.
- Holds 712 Solar B shares. Did not trade Solar shares in 2022.

Board of Directors

Members of the Board of Directors

Denise Goldby

Born 1987
Joined 2022
Employee-elected member

- Head of Solar's Copenhagen and Amager customer centres.
- Remuneration 2022: DKK 150,000.
- Holds 20 Solar B shares which were acquired in 2022.

Louise Knauer

Born 1983
Joined 2017

- CED of Lady Invest ApS and It's a club ApS.
- BSc in business administration and commercial law, 2006, and MSc in finance and strategic management, 2008.
- Member of the boards of directors of Rekom Group Holding ApS, Rekom Group A/S, CC Mist NEW Holding II ApS, CC Fly Holding II A/S, CC Globe Holding I ApS, CC Globe Holding II A/S, FERM LIVING ApS, Skako A/S and two subsidiaries hereof.
- Possesses experience as CEO and member of executive committees of listed and family-owned companies. Has experience within strategy, M&A, and organisational development, and company turnarounds. In addition, expertise within tech, innovation, digitisation, data/AI/ML and cyber security.
- Remuneration 2022: DKK 411,250.
- Holds 381 Solar B shares. Did not trade Solar shares in 2022.

Rune Jesper Nielsen

Born 1971
Joined 2022
Employee-elected member

- Warehouse employee.
- Remuneration 2022: DKK 150,000.
- Holds no Solar shares. Did not trade Solar shares in 2022.

Michael Kærgaard Ravn

Born 1971
Joined 2022
Employee-elected member

- Account Manager, Industry OEM.
- Remuneration 2022: DKK 150,000.
- Holds 123 Solar B shares. Did not trade Solar shares in 2022.

Executive management

Executive Board and Solar Group Management

Jens E. Andersen

Born 1968
CEO

- Chair of the boards of directors of 7 Solar Group subsidiaries.
- Member of the boards of directors of VELTEK, Associated Danish Ports A/S and HF Christiansen Holding A/S and two subsidiaries hereof.
- Holds 10,664 Solar B shares of which 1,422 were acquired in 2022.
- Holds 10,952 restricted share units. 4,421 restricted share units were granted and 1,641 were settled in 2022.
- Remuneration: DKK 12.2m.

Hugo Dorph

Born 1965
CCO

- Member of the boards of directors of 5 Solar Group subsidiaries.
- Chair of the board of directors of Flexya A/S, Flexya Innovations A/S and LetsBuild Denmark ApS.
- Vice chair of the board of directors of HomeBob A/S.
- Holds no Solar shares.
- Holds 5,766 restricted share units. 2,500 restricted share units were granted and 952 were settled in 2022.
- Remuneration: DKK 6.9m.

Michael H. Jeppesen

Born 1966
CFO

- Member of the boards of directors of all Solar Group subsidiaries.
- Member of the boards of directors of Aktieselskabet Sønder Omme Plantage.
- Holds 4,080 Solar B shares. Did not trade Solar shares in 2022.
- Holds 5,643 restricted share units. 2,377 restricted share units were granted and 793 were settled in 2022.
- Remuneration: DKK 6.9m.

Solar Group Management

Solar Group Management comprises the Executive Board, our Senior Vice Presidents and the MDs of the Solar Group subsidiaries.

Carsten L. Antonisen Born 1965,
Senior Vice President & MD Solar Danmark

Jan Willy Fjellvær Born 1961,
Senior Vice President & MD Solar Norge

Lars Goth Born 1961,
Senior Vice President, Group Operations

Anders Koppel Born 1969,
Senior Vice President & MD Solar Sverige

Anders Solberg Odgaard Born 1971,
Senior Vice President, CIO

Peter Pedersen Born 1970,
Senior Vice President, Commercial Market

Michiel Rohrman Born 1967,
Senior Vice President & MD Solar Nederland

Frank Simonsen Born 1978,
Senior Vice President, Finance

Ole Sørensen Born 1971,
Senior Vice President, Industry Sales

Dariusz Targosz Born 1969,
Senior Vice President & MD Solar Polska

Bauke Zeinstra Born 1966,
Senior Vice President & MD MAG45

Shareholder information

In 2022, Solar paid out DKK 658m as ordinary and extraordinary dividend, corresponding to a payout ratio of 124%.

The Solar share price development

On 31 December 2022, the price of Solar's B share was DKK 620, down from the 2022 starting price of DKK 795. This is a decrease of approx. 22% over the year. By way of comparison, the MidCap index decreased by 11.7% in 2022.

Over a five-year period, Solar's B share has generated a total shareholder return of 95%.

Dividends

The Board of Directors proposes that the Annual General Meeting approves a dividend of DKK 45.00 per share for a total payout of DKK 329 million for the 2022 financial year. The proposed dividend corresponds to a payout ratio of 50%. The proposal is in line with the previously stated plan to have a payout ratio of at least 35% of profits after tax. If approved, the 2022 dividend will be disbursed on March 22, 2023, with March 17, 2023 as the last trading day with dividend.

The Solar share

	A share	B share
Shares	900,000	6,460,000
Nominel value (DKK)	100	100
Votes per share	10	1
Treasury shares	-	56,813
Stock Exchange	-	Nasdaq Copenhagen Stock Exchange
Ticker symbol		Solar B
Share price year-end (DKK)	620	620
Market Cap year-end (DKKm)	558	4,005

Dividend payments

DKK million	2022	2021	2020	2019	2018
Ordinary, dividend	329	204	102	102	102
Extraordinary, dividend	329	110	–	–	–
Total, dividend	658	314	102	102	102
Payout ratio in %	124	62	92	159	77

Annual general meeting

Solar's Annual General Meeting will be held on Friday 17 March 2023 at 11.00.

Shareholders can register for the Annual General Meeting at the investor portal accessible via:

www.solar.eu/investor/

The Board of Directors will submit the following items for approval by the Annual General Meeting:

- Payment of DKK 45.00 in return per share outstanding of DKK 100.
- Authority to potentially pass a resolution to distribute extraordinary dividends of up to DKK 50.00 per share.
- Authority to acquire treasury shares valued at up to 10% of share capital.
- Change of the articles of association including prolongation of authorisation to implement capital increase.
- Change of remuneration policy primarily in relation to clarifications but also including a change for board members to receive meeting attendance fees instead of compensation for lost income.
- Approval of remuneration report 2022.
- Approval of the Board of Directors' remuneration of an unchanged DKK 200,000 in 2023 and meeting attendance fees of DKK 15,000 for physical meetings and DKK 7,500 for digital meetings in 2023.

A presentation of our Board of Directors can be found on pages 36-37.

Shareholder information

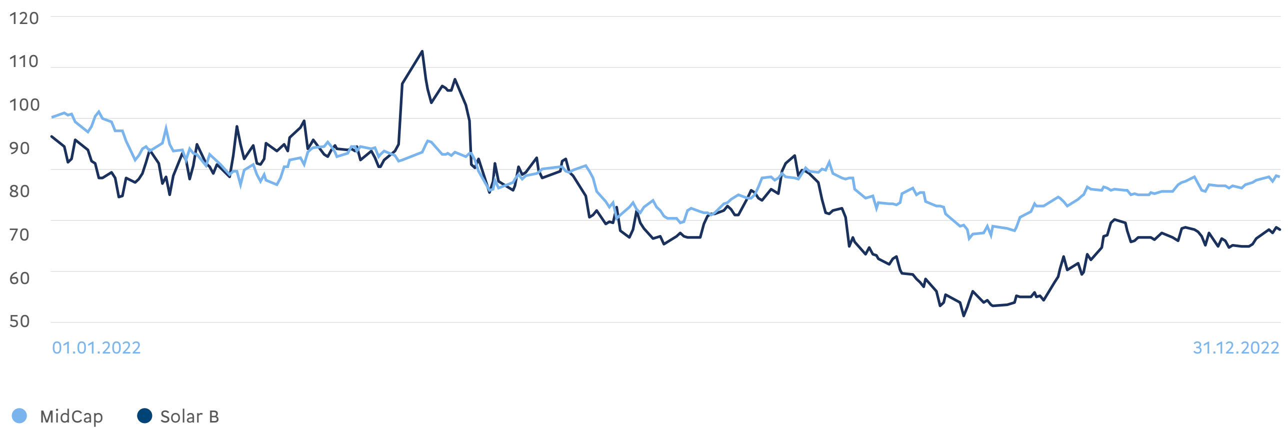
Investor relations policy

We strive to maintain an open dialogue with investors and to provide them with accurate and adequate information for making reasoned investment decisions about Solar's shares. We ensure all investors are given fair and equal access to information by publishing relevant information via Nasdaq Copenhagen. We participate in conferences, arrange roadshows and organise meetings with investors and financial analysts following the publication of quarterly and annual reports. Investor meetings and similar events cannot be held during our quiet periods, which start on 2 January, 3 April, 3 July and 2 October and end with the publication of a quarterly or annual report.

Shareholders with more than 5% of shares or votes

Shareholders according to section 55 of the Danish Comapnies Act	Share Capital	Votes
The Fund of 20th December, Vejen, Denmark	17.0%	60.5%
Nordea Funds Ltd., Helsinki, Finland	10.4%	5.0%

Share price development (index)



Financial calendar 2023

09 Feb	Annual Report 2022
17 Mar	Annual General Meeting
04 May	Quarterly Report Q1 2023
10 Aug	Quarterly Report Q2 2023
02 Nov	Quarterly Report Q3 2023

Analysts

The following financial institutions cover the Solar share:

- Carnegie Bank
- SEB

We are expecting coverage from additional financial institutions during 2023.

Investor contact

Dennis Callesen
Investor Relations Director
Tel.: +45 29 92 18 11
E-mail: deca@solar.dk

Consolidated financial statements 2022

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Summary for the Solar Group

2018-2022

Income statement (DKK million)	2022	2021	2020	2019	2018
Revenue	13,863	12,354	11,465	11,679	11,098
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,175	911	637	538	379
Earnings before interest, tax and amortisation (EBITA)	978	727	455	360	327
Earnings before interest and tax (EBIT)	909	672	248	260	224
Financials, net	-50	-48	-40	-35	-35
Earnings before tax (EBT)	858	622	300	120	237
Net profit for the year	660	531	222	64	133

Cash flow (DKK million)	2022	2021	2020	2019	2018
Cash flow from operating activities	16	783	813	300	224
Cash flow from investing activities	-259	-191	162	-194	-112
Cash flow from financing activities	-82	-515	-627	-110	-108
Net investments in intangible assets	-59	-58	-50	-35	-88
Net investments in property, plant and equipment	-167	-125	-25	-110	-59
Acquisition and divestment of subsidiaries and operations, net	-34	0	0	-35	50

Balance sheet (DKK million)	2022	2021	2020	2019	2018
Non-current assets	1,564	1,415	1,339	1,756	1,516
Current assets	4,337	3,890	3,268	3,234	3,117
Balance sheet total	5,901	5,305	4,607	4,990	4,633
Equity	1,931	1,952	1,696	1,592	1,638
Non-current liabilities	709	435	498	503	543
Current liabilities	3,261	2,918	2,413	2,895	2,452
Interest-bearing liabilities, net	1,074	-37	128	921	461
Invested capital	2,978	1,866	1,760	2,297	1,797
Net working capital, year-end	2,205	1,259	1,109	1,280	1,090
Net working capital, average	2,010	1,363	1,322	1,386	1,182

Financial ratios (% unless otherwise stated)	2022	2021	2020	2019	2018
Revenue growth	12.2	7.8	-1.8	5.2	0.3
Organic growth	12.9	6.4	-1.2	4.8	1.8
Organic growth adjusted for number of working days	12.9	5.9	-2.0	4.9	2.2
Gross profit margin	23.4	22.4	21.0	20.1	20.2
EBITDA margin	8.5	7.4	5.6	4.6	3.4
EBITA margin	7.1	5.9	4.0	3.1	2.9
EBIT margin	6.6	5.4	2.2	2.2	2.0
Effective tax rate	23.1	14.6	26.0	45.2	23.3
Net working capital (year-end NWC)/revenue (LTM)	15.9	10.2	9.7	11.0	9.8
Net working capital (average NWC)/revenue (LTM)	14.5	11.0	11.5	11.9	10.6
Gearing (net interest-bearing liabilities/EBITDA), no. of times	0.9	0.0	0.2	1.7	1.2
Return on equity (ROE)	34.0	29.1	13.5	4.0	8.2
Return on invested capital (ROIC)	25.5	24.6	13.8	8.3	8.1
Enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	5.7	7.8	5.8	7.9	6.8
Equity ratio	32.7	36.8	36.8	31.9	35.4

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Summary for the Solar Group

2018-2022 – continued

Share ratios (DKK unless otherwise stated)	2022	2021	2020	2019	2018
Earnings per share outstanding (EPS)	90.37	72.72	30.42	8.77	18.22
Intrinsic value per share outstanding	264.41	267.28	232.38	218.13	224.44
Cash flow from operating activities per share outstanding	2.19	107.23	111.40	41.11	30.67
Share price	622.62	795.05	353.70	297.31	284.12
Share price/intrinsic value	2.35	2.97	1.52	1.36	1.27
Ordinary dividend per share	45.00	45.00	28.00	14.00	14.00
Extraordinary dividend per share	-	45.00	15.00	-	-
Total dividend in % of net profit for the year (payout ratio)	49.8	123.8	141.1	159.4	76.7
Price Earnings (P/E)	6.9	10.9	11.6	33.9	15.6

Employees	2022	2021	2020	2019	2018
Average number of employees (FTEs)	3,019	2,908	2,935	3,039	2,941

Definitions	
Organic growth	Revenue growth adjusted for enterprises acquired and divested and any exchange rate changes. No adjustments have been made for number of working days.
Net working capital	Inventories and trade receivables less trade payables.
ROIC	Return on invested capital calculated on the basis of EBIT exclusive impairment on goodwill less tax calculated using the effective tax rate adjusted for one-off effects.

In all material aspects financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios". As at 1 January 2019, Solar implemented IFRS 16, Leases, by applying the modified retrospective approach. Comparative figures are not restated. This especially affects EBITDA, interest-bearing liabilities, EBITDA margin, gearing and equity ratio.

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Statement of comprehensive income

Income statement

Notes	DKK million	2022	2021
2.1	Revenue	13,863	12,354
	Cost of sales	-10,618	-9,581
	Gross profit	3,245	**2,773**
	Other operating income	0	7
5.4	External operating costs	-386	-297
2.2	Staff costs	-1,656	-1,552
2.3	Loss on trade receivables	-28	-20
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,175**	**911**
2.4	Depreciation and write-down on property, plant and equipment	-197	-184
	Earnings before interest, tax and amortisation (EBITA)	**978**	**727**
2.4	Amortisation and impairment of intangible assets	-69	-55
	Earnings before interest and tax (EBIT)	**909**	**672**
3.4	Share of net profit from associates	-1	-2
4.4	Financial income	53	41
4.5	Financial expenses	-103	-89
	Earnings before tax (EBT)	**858**	**622**
2.5	Income tax	-198	-91
2.6	**Net profit for the year**	**660**	**531**
4.2	Earnings in DKK per share outstanding (EPS) for the year	90.37	72.72
4.2	Diluted earnings in DKK per share outstanding (EPS-D) for the year	90.05	72.50

Other comprehensive income

DKK million	2022	2021
Net profit for the year	**660**	**531**
Items that can be reclassified to the income statement		
Foreign currency translation adjustments of foreign subsidiaries	-51	14
Fair value adjustments of hedging instruments before tax	36	29
Tax on fair value adjustments of hedging instruments	-8	-6
Other income and costs recognised after tax	**-23**	**37**
Total comprehensive income for the year	**637**	**568**

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Balance sheet

As at 31 December

Notes	DKK million	2022	2021
	Assets		
3.1	Intangible assets	173	159
3.2	Property, plant and equipment	963	885
3.3	Right-of-use assets	383	300
2.5	Deferred tax assets	9	13
3.4	Investments in associates	4	5
	Other non-current assets	32	53
	Non-current assets	**1,564**	**1,415**
3.5	Inventories	2,248	1,855
3.6	Trade receivables	1,859	1,502
	Income tax receivable	13	0
	Other receivables	9	6
	Prepayments	42	46
	Cash at bank and in hand	166	481
	Current assets	**4,337**	**3,890**
	Total assets	**5,901**	**5,305**

Notes	DKK million	2022	2021
	Equity and liabilities		
4.1	Share capital	736	736
	Reserves	-181	-158
	Retained earnings	1,047	1,045
	Proposed dividends for the financial year	329	329
	Equity	**1,931**	**1,952**
4.3	Interest-bearing liabilities	293	120
3.3, 4.3	Lease liabilities	274	203
2.5	Provision for deferred tax	133	101
3.7	Other provisions	9	11
	Non-current liabilities	**709**	**435**
4.3	Interest-bearing liabilities	556	19
3.3, 4.3	Lease liabilities	117	102
	Trade payables	1,902	2,098
	Income tax payable	63	33
3.8	Other payables	604	644
	Prepayments	2	1
3.7	Other provisions	17	21
	Current liabilities	**3,261**	**2,918**
	Liabilities	**3,970**	**3,353**
	Total equity and liabilities	**5,901**	**5,305**

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Cash flow statement

Notes	DKK million	2022	2021
	Net profit for the year	**660**	**531**
2.4	Depreciation, write-down and amortisation	266	239
	Changes to provisions and other adjustments	-18	11
	Share of net profit from associates	1	2
4.4, 4.5	Financials, net	50	48
	Income tax	198	91
4.4	Financial income, received	15	23
4.5	Financial expenses, settled	-43	-50
	Income tax, settled	-155	-81
	Cash flow before working capital changes	**974**	**814**
	Working capital changes		
	Inventory changes	-433	-319
	Receivables changes	-394	-229
	Non-interest-bearing liabilities changes	-131	517
	Cash flow from operating activities	**16**	**783**
	Investing activities		
3.1	Purchase of intangible assets	-59	-58
	Purchase of property, plant and equipment	-167	-143
	Disposal of property, plant and equipment	0	18
	Acquisition of associates	0	-5
5.6	Acquisition of subsidiaries and activities	-34	0
	Other financial investments	1	-3
	Cash flow from investing activities	**-259**	**-191**

Notes	DKK million	2022	2021
	Financing activities		
4.3	Repayment of non-current interest-bearing debt	-12	-79
	Raising of non-current interest-bearing liabilities	185	0
	Change in current interest-bearing debt	519	-9
3.3	Instalment on lease liabilities	-116	-115
4.1	Sale of treasury shares	0	2
	Dividends distributed	-658	-314
	Cash flow from financing activities	**-82**	**-515**
	Total cash flow	**-325**	**77**
	Cash at bank and in hand at the beginning of the year	481	404
5.6	Assumed on acquisition of subsidaries	10	0
	Cash at bank and in hand at the end of the year	**166**	**481**
	Cash at bank and in hand	166	481
	Cash at bank and in hand at the end of the year	**166**	**481**

Contents

Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Retained earnings	Proposed dividends	Total
2022						
Equity as at 1 January	**736**	**-37**	**-121**	**1,045**	**329**	**1,952**
Foreign currency translation adjustments of foreign subsidiaries			-51			-51
Fair value adjustments of hedging instruments before tax		36				36
Tax on fair value adjustments		-8				-8
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	28	-51	0	0	-23
Net profit for the year				331	329	660
Comprehensive income	**0**	**28**	**-51**	**331**	**329**	**637**
Distribution of dividends (DKK 45.00 per share)					-329	-329
Distribution of extraordinary dividend (DKK 45.00 per share)				-329		-329
Transactions with the owners	**0**	**0**	**0**	**-329**	**-329**	**-658**
Equity as at 31 December	**736**	**-9**	**-172**	**1,047**	**329**	**1,931**

1) Reserves for hedging transactions and reserves for foreign currency translation adjustments are recognised in the balance sheet as a total amount under reserves.

Contents

Statement of changes in equity

– continued

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Retained earnings	Proposed dividends	Total
2021						
Equity as at 1 January	**736**	**-60**	**-135**	**951**	**204**	**1,696**
Foreign currency translation adjustments of foreign subsidiaries			14			14
Fair value adjustments of hedging instruments before tax		29				29
Tax on fair value adjustments		-6				-6
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	23	14	0	0	37
Net profit for the year				202	329	531
Comprehensive income	**0**	**23**	**14**	**202**	**329**	**568**
Distribution of dividends (DKK 28.00 per share)					-204	-204
Distribution of extraordinary dividend (DKK 15.00 per share)				-110		-110
Sale of treasury shares				2		2
Transactions with the owners	**0**	**0**	**0**	**-108**	**-204**	**-312**
Equity as at 31 December	**736**	**-37**	**-121**	**1,045**	**329**	**1,952**

1) Reserves for hedging transactions and reserves for foreign currency translation adjustments are recognised in the balance sheet as a total amount under reserves.

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Section 1
Basis for preparation

Solar A/S
Industrivej Vest 43
6600 Vejen
Denmark

Contents

1 Basis for preparation

1.1 General accounting policies

The consolidated financial statements of Solar A/S for 2022 are presented in accordance with the International Financial Reporting Standards (IFRSs) as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies and the IFRS executive order issued in accordance with the Danish Financial Statements Act.

The consolidated financial statements have been prepared using the historical cost formula with the exception of derivative financial instruments and investments in equity instruments, which are measured at fair value, as well as non-current assets and groups of assets held for sale, which are measured at the lowest value of the book value before changes in classification or fair value less sales costs.

The accounting policies described below have been applied consistently in the financial year and to the comparative figures.

Implementation of new financial reporting standards

No additional standards have been implemented in 2022 only amendments and improvements to existing standards. These changes have no impact on Solar's accounting policies.

Presentation currency

The annual report is presented in Danish kroner rounded off to the nearest 1,000,000 Danish kroner. Danish kroner is the parent company's functional currency.

Translation of foreign currency items

A functional currency has been set for each reporting group entity. The functional currencies are the currencies used in the primary economic environments in which each individual reporting entity operates. Transactions in other currencies than the functional currency are considered transactions in foreign currencies.

Transactions in foreign currency are translated at first recognition to the functional currency at the exchange rate prevailing at the date of the transaction. Differences between the exchange rate prevailing on the date of the transaction and the exchange rate on the payment date are recognised in the income statement as items under financial income and expenses.

All monetary items in foreign currencies that have not been settled on the balance sheet date are translated into the functional currencies using the exchange rates on the balance sheet date. Any difference between the exchange rate prevailing on the date of the transaction and the balance sheet date exchange rate are recognised in the income statement as items under financial income and expenses.

When recognising entities with different functional currencies than Danish kroner in the consolidated financial statements, the income statements are translated at the exchange rate prevailing on the date of the transaction and balance sheet items are translated at the balance sheet date exchange rates. The average rate of exchange for the individual months is used as exchange rate prevailing on the date of the transaction when this does not result in a considerably different presentation. Exchange rate differences, from translation of these entities' equity at the beginning of the year at the balance sheet date exchange rates and in connection with the translation of income statements from the exchange rate prevailing at the date of transaction to the balance sheet date exchange rates, are recognised directly in other comprehensive income as a separate reserve for foreign currency translation adjustments.

When translating investments in associates with a functional currency other than Danish kroner in the consolidated financial statement, the group's share of comprehensive income is translated at the average exchange rates and the share of equity, including goodwill, is translated at the exchange rate on the balance sheet date.

The exchange rate difference resulting from the translation of the share of foreign associates' equity at the beginning of the year at the exchange rate on the balance sheet date and the translation of the share of comprehensive income from the average exchange rates to the exchange rate prevailing on the balance sheet date is recognised in other comprehensive income and presented in a separate reserve for foreign currency translation adjustments under equity. The cumulative currency translation adjustment is recycled to the income statement upon disposal of the investment.

Consolidated financial statements

The consolidated financial statements include the financial statements of the parent company Solar A/S and subsidiaries in which Solar A/S has power over the investee, exposure to variable returns and the ability to use its power over the investee to affect the returns.

The consolidated financial statements have been prepared as an aggregation of the parent company and the individual subsidiaries' financial statements and in accordance with the group's accounting policies. Intercompany revenue, other intercompany operating items, intercompany balances, profit and loss from transactions between the consolidated entities as well as internal equity investments are eliminated.

Entities over which the group has significant influence but not control over operational and financial decisions are classified as associates. Significant influence typically exists when the group directly or indirectly holds more than 20%

Contents

1 Basis for preparation

1.1 General accounting policies – continued

of voting rights, but less than 50%. However, for each investment an individual assessment on the classification will be performed. The assessment will be based on our part of the voting rights and our representation on Board of Directors. If such an assessment concludes that we have insignificant influence then the investment is classified as other non-current assets.

The group's share of the associates' earnings after tax and the elimination of the proportional share of internal profit/loss is recognised in the income statement. The group's share of the associates' other comprehensive income is recognised in other comprehensive income.

When obtaining significant influence over an entity in which the group has previously held an interest accounted for as a financial asset, the fair value as of the date when the group obtained significant influence is deemed as cost under the equity method.

Statement of comprehensive income

Solar A/S presents the statement of comprehensive income in two statements. An income statement and a statement of comprehensive income that show the year's results and income that forms part of other comprehensive income. Other comprehensive income includes exchange rate adjustments, adjustments of investments in associates and hedging transactions.

Cash flow statement

The cash flow statement shows cash flow distributed on operating, investing and financing activities for the year, changes in cash and cash equivalents, and cash at bank and in hand at the beginning and end of the year.

The effect of cash flow on the acquisition and divestment of entities is shown separately under cash flow from investing activities. Cash flow from acquired entities is recognised in the cash flow statement from the date of acquisition and cash flow from divested entities is recognised until the time of divestment.

Cash flow from operating activities is determined using the indirect method as earnings before tax adjusted for non-cash operating items, changes in working capital, interest received and paid, and income tax paid. Cash flow from investing activities includes payments in connection with the acquisition and sale of intangibles, property, plant and equipment and investments, and acquisition and divestment of entities. Cash flow from financing activities includes acquisition and sale of treasury shares, dividends distribution, incurrence or repayment of non-current and current interest-bearing liabilities and instalment on lease liabilities. Cash at bank and in hand includes cash holdings and deposits with banks.

Financial ratios

In general, financial ratios are calculated in accordance with the "Recommendations and Ratios" of the Danish Finance Society.

Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33.

Reporting under the ESEF regulation

The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) has introduced a single electronic reporting format for the annual financial reports of issuers with securities listed on the EU-regulated markets.

The combination of XHTML format and iXBRL tags enables the annual financial reports to be read by both humans and machines, thus enhancing accessibility, analysis and comparability of the information included in the annual financial reports.

The Group's iXBRL tags have been prepared in accordance with the ESEF taxonomy, which is included in the ESEF Regulation and has been developed based on the IFRS taxonomy published by the IFRS Foundation.

The line items in the consolidated financial statements are tagged to elements in the ESEF taxonomy. For financial line items that are not directly defined in the ESEF taxonomy, an extension to the taxonomy has been created. Extensions are anchored to elements in the ESEF taxonomy, except for extensions that are subtotals.

Notes and accounting policies to the consolidated financial statements are block tagged to elements in the ESEF taxonomy included in Annex II of the Regulatory Technical Standards (RTS). If more than one element in the ESEF taxonomy corresponds to a disclosure, then the information has several tags known as multi tagging.

The annual report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) consists of the XHTML document together with the technical files, all of which are included in the ZIP file Sola-2022-12-31-en.zip.

Key definitions

XHTML (eXtensible HyperText Markup Language) is a text-based language used to structure and mark up content such as text, images and hyperlinks in documents that are displayed in a web browser. iXBRL tags (or Inline XBRL tags) are hidden metainformation embedded in the source

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1 Basis for preparation

1.1 General accounting policies – continued

code of an XHTML document that enables the conversion of XHTML-formatted information into a machine-readable XBRL data record using appropriate software.

A financial reporting taxonomy is an electronic dictionary of business reporting elements used to report business data. A taxonomy element is an element defined in a taxonomy that is used for the machine-readable labelling of information in an XBRL data record.

Description of accounting policies in notes
Descriptions of accounting policies in the notes form part of the overall description of accounting policies.

These descriptions are found in the following notes:

Note 2.1 Segment information
Note 2.5 Income tax
Note 2.6 Net profit for the year
Note 3.1 Intangible assets
Note 3.2 Property, plant and equipment
Note 3.3 Leases
Note 3.4 Associates
Note 3.5 Inventories
Note 3.6 Trade receivables
Note 3.7 Other provisions
Note 4.1 Share capital
Note 4.3 Interest-bearing liabilities and maturity statement
Note 5.1 Share-based payment

1.2 Significant accounting estimates and assessments

When preparing the annual report in accordance with generally applicable principles, management make estimates and assumptions that affect the reported assets and liabilities. Management base their estimates on historic experience and expectations for future events. Therefore, actual results may differ from these estimates.

The following estimates and accompanying assessments are deemed material for the preparation of the financial statements:

- Impairment test of software
- Inventory write-down
- Write-down for loss on doubtful receivables
- Deferred tax assets

These estimates and assessments are described in the following notes:
Note 2.5 Income tax
Note 3.1 Intangible assets
Note 3.5 Inventories
Note 3.6 Trade receivables

1.3 Financial risks

Results and equity are affected by a range of financial risks. All financial transactions are based on commercial activities, and no speculative transactions are made. Derivative financial instruments are solely used for hedging of financial risks.

The financial risks are described in the following notes:

Note 3.6 Trade receivables
Note 4.3 Interest-bearing liabilities and maturity statement

For description of Solar's other business related risks and our approach to risk management, see the management's review on pages 27-31.

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02

Section 2
Income statement

Contents

2 Income statement

2.1 Segment information

Solar's business segments are Installation, Industry and Trade and are based on the customers' affiliation with the segments. Installation covers installation of electrical, and heating and plumbing products, while Industry covers industry, offshore and marine, and utility and infrastructure. Trade covers other small areas. The three main segments have been identified without aggregation of operating segments. Segment income and costs include any items that are directly attributable to the individual segment and any items that can be reliably allocated to the individual segment. Non-allocated costs refer to income and costs related to joint group functions. Assets and liabilities are not included in segment reporting.

DKK million	Installation	Industry	Trade	Total
2022				
Revenue	8,013	4,543	1,307	13,863
Cost of sales	-6,213	-3,367	-1,038	-10,618
Gross profit	**1,800**	**1,176**	**269**	**3,245**
Direct costs	-272	-133	-37	-442
Earnings before indirect costs	**1,528**	**1,043**	**232**	**2,803**
Indirect costs	-507	-232	-58	-797
Segment profit	**1,021**	**811**	**174**	**2,006**
Non-allocated costs				-831
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**1,175**
Depreciation and amortisation				-266
Earnings before interest and tax (EBIT)				**909**
Financials, net incl. share of net profit from associates and impairment on associates				-51
Earnings before tax (EBT)				**858**

Accounting policies

The reporting on business segments follows the structure of Solar's internal management reporting to chief operating decision makers, the group Executive Board. The group Executive Board uses business segmentation when allocating resources and following up on results.

Furthermore, Solar presents the geographical distribution of revenue and non-current assets divided on Denmark, Sweden, Norway, the Netherlands, Poland, Several markets (MAG45), and Other markets. The geographical distribution is based on the business units operating in these geographical areas.

MAG45 is included in the operating segment Industry, while Højager Belysning and Solar Polaris are included in the operating segment Trade.

Revenue

Revenue includes goods for resale recognised in the income statement if the transfer of control to the customer according to the agreed delivery terms takes place before the end of the year and if revenue can be determined reliably. Revenue is measured exclusive VAT and duties charged on behalf of a third party. All types of discounts allowed are recognised in revenue.

Cost of sales

Cost of sales includes the year's purchases and change in inventory of goods for resale. This includes shrinkage and any write-down resulting from obsolescence.

Contents

2 Income statement

2.1 Segment information – continued

DKK million	Installation	Industry	Trade	Total
2021				
Revenue	7,399	3,920	1,035	12,354
Cost of sales	-5,863	-2,951	-767	-9,581
Gross profit	**1,536**	**969**	**268**	**2,773**
Direct costs	-242	-123	-34	-399
Earnings before indirect costs	**1,294**	**846**	**234**	**2,374**
Indirect costs	-480	-211	-51	-742
Segment profit	**814**	**635**	**183**	**1,632**
Non-allocated costs				-721
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**911**
Depreciation and amortisation				-239
Earnings before interest and tax (EBIT)				**672**
Financials, net incl. share of net profit from associates and impairment on associates				-50
Earnings before tax (EBT)				**622**

Geographical information

Solar A/S primarily operates on the Danish, Swedish, Norwegian and Dutch markets. In the below table, Other markets covers the remaining markets, which can be seen in the companies overview available on page 128. The below allocation has been made based on the products' place of sale.

DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
2022					
Denmark	4,511	11.0	447	9.9	2,503
Sweden	2,761	7.9	226	8.2	192
Norway	2,278	17.5	194	8.5	220
The Netherlands	3,320	16.2	237	7.1	333
Poland	487	7.0	22	4.5	36
Several markets (MAG45)	779	18.9	40	5.1	50
Other markets	128	32.1	9	7.0	30
Eliminations	-401	-	0	-	-1,800
Solar Group	**13,863**	**12.9**	**1,175**	**8.5**	**1,564**

DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
2021					
Denmark	4,040	9.7	399	9.9	1,988
Sweden	2,665	4.7	160	6.0	200
Norway	1,929	2.1	160	8.3	177
The Netherlands	2,879	-1.4	136	4.7	335
Poland	462	39.0	19	4.1	27
Several markets (MAG45)	660	17.2	30	4.5	56
Other markets	63	6.1	7	11.1	4
Eliminations	-344	-	0	-	-1,372
Solar Group	**12,354**	**5.9**	**911**	**7.4**	**1,415**

Contents

2 Income statement

2.2 Staff costs

DKK million	2022	2021
Salaries and wages etc.	1,378	1,282
Pensions, defined contribution	111	106
Costs related to social security	159	160
Share-based payment	8	4
Total	**1,656**	**1,552**
Average number of employees (FTEs)	3,019	2,908
Number of employees at year-end (FTEs)	3,043	2,936
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Salaries and wages etc.	22	20
Share-based payment[1]	4	7
Total	**26**	**27**

1) See note 5.1 share-based payment. The amount stated is the total cost related to share-based payment. A part of this cost is included in financial expenses, which in 2022 amounted to DKK 0m (2021: DKK 5m).

Terms of notice for members of the Executive Board is 12 months. When stepping down, the members of the Executive Board are entitled to 6 months' remuneration.

Contents

2 Income statement

2.3 Loss on trade receivables

DKK million	2022	2021
Recognised losses	26	19
Received on trade receivables previously written off	-1	-2
	25	**17**
Change in write-down for bad and doubtful debts	3	3
Total	**28**	**20**

Relevant accounting policies are described in note 3.6, trade receivables.

2.4 Depreciation, write-down, amortisation and impairment

DKK million	2022	2021
Buildings	28	27
Plant, operating equipment, tools and equipment	42	35
Leasehold improvements	5	4
Tenancy, lease	91	86
Cars, lease	23	24
IT equipment, lease	6	6
Technical equipment, lease	2	2
Total depreciation and write-down on property, plant and equipment	**197**	**184**
Customer-related assets	4	1
Software	65	54
Total amortisation and impairment of intangible assets	**69**	**55**

Relevant accounting policies are described in note 3.1, intangible assets, and note 3.2, property, plant and equipment, and note 3.3, leases.

Contents

2 Income statement

2.5 Income tax

DKK million	2022	2021
Current tax	176	124
Deferred tax	25	-13
Tax on profit for the year	**201**	**111**
Tax on taxable profit previous year	-1	-20
Adjustment of deferred tax for previous years	-2	1
Change in Swedish income tax rate	0	-1
Total	**198**	**91**
Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Tax base change for non-capitalised loss in subsidiaries	-0.1%	-4.8%
Change in Swedish income tax rate	0.0%	-0.2%
Non-taxable/deductible items in parent company	0.5%	0.8%
Non-taxable/deductible items and differing tax rates compared to Danish tax rate in foreign subsidiaries	0.8%	-0.2%
Tax for previous years	-0.1%	-3.0%
Effective tax rate	**23.1%**	**14.6%**
Income tax settled		
Denmark	83	52
Sweden	33	7
Norway	28	20
The Netherlands	3	-
Poland	3	-
Other countries	5	2
Total	**155**	**81**

Accounting policies

Tax for the year is recognised with the share attributable to results for the year in the income statement and with the share attributable to other recognised income and costs in the statement of comprehensive income. Tax consists of current tax and changes to deferred tax.

Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax on the year's taxable income, adjusted for tax on previous year's taxable income and for tax paid on account.

Contents

2 Income statement

2.5 Income tax – continued

DKK million	2022	2021
Provision for deferred tax		
1/1	88	95
Foreign currency translation adjustments	-2	0
Acquired or divested enterprises	5	0
Recognised in other comprehensive income	8	6
Ordinary tax recognised in income statement	25	-13
Total 31/12	**124**	**88**
Specified as follows:		
Deferred tax liabilities	133	101
Deferred tax assets	-9	-13
Total deferred tax, net	**124**	**88**
Further specified as follows:		
Expected use within 1 year	-6	-18
Expected use after 1 year	130	106
Total, net	**124**	**88**
Not recognised in balance sheet:		
Deferred tax assets	20	23

Deferred tax assets not recognised in the balance sheet are the part of tax losses where it is not considered sufficiently certain that the tax losses can be realised within a short time frame. Non-recognised tax assets can in all material respects be attributed to tax losses in the Netherlands, where the non-recognised tax assets may be exercised with no maturity date. In addition, deferred tax assets not recognised in the balance sheet of Claessen ELGB NV (activity divested in 2018) and Solar Deutschland GmbH (activity divested in 2015) amounted to DKK 80m (DKK 80m) at the end of the period.

Accounting policies

Deferred tax is measured in accordance with the balance sheet liability method of all temporary differentials between accounting and tax-related amounts and provisions. Deferred tax is recognised at the local tax rate that any temporary differentials are expected to be realised at based on the adopted or expected adopted tax legislation on the balance sheet date.

Deferred tax assets, including the tax value of tax loss allowed for carryforward, are measured at the value at which the asset is expected to be realised, either by elimination in tax of future earnings or by offsetting against deferred tax liabilities.

Deferred tax assets are assessed annually and only recognised to the extent that it is probable that they will be utilised.

Deferred tax is also recognised for the covering of the retaxation of losses in former foreign subsidiaries participating in joint taxation assessed as becoming current.

Accounting estimates and assessments

Deferred tax assets

Deferred tax assets are not recognised if it is not deemed sufficiently safe that these can reduce future taxable income. In this connection, management assess expected future taxable income.

Contents

2 Income statement

2.5 Income tax – continued

DKK million	2021	Foreign currency translation adjustments	Acquired or divested enterprises	Recognised in other comprehensive income	Ordinary tax recognised in income statement	2022
Property, plant and equipment	43	-1	0	0	19	61
Inventories	-4	0	0	0	0	-4
Provisions for loss on receivables	-3	0	0	0	2	-1
Pension obligations	-1	0	0	0	1	0
Other items[1]	53	-1	5	8	3	68
Total, net	**88**	**-2**	**5**	**8**	**25**	**124**

1) Other items particularly cover intangible assets and loss balances in jointly taxed entities.

Contents

2 Income statement

2.6 Net profit for the year

DKK million	2022	2021
Proposed distribution of net profit for the year:		
Proposed dividend, parent	329	329
Retained earnings	331	202
Net profit for the year	**660**	**531**
Ordinary dividend in DKK per share of DKK 100[1]	45.00	45.00
Extraordinary dividend in DKK per share of DKK 100[2]	-	45.00

1) Calculations are based on proposed dividends.
2) Based on 2021 results, an extraordinary dividend was paid in H1 2022.

Accounting policies

Dividends

Proposed dividends are recognised as a liability at the time of adoption of the general meeting.

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Section 3
Invested capital

Contents

3 Invested capital

3.1 Intangible assets

DKK million	Customers-related assets	Software	Total
2022			
Cost 1/1	234	726	960
Foreign currency translation adjustment	-13	0	-13
Acquired enterprises	24	0	24
Additions during the year	0	59	59
Disposals during the year	0	-52	-52
Cost 31/12	**245**	**733**	**978**
Amortisation 1/1	231	570	801
Foreign currency translation adjustment	-13	0	-13
Amortisation during the year	4	65	69
Amortisation of abandoned assets	0	-52	-52
Amortisation and impairment 31/12	**222**	**583**	**805**
Carrying amount 31/12	**23**	**150**	**173**
Remaining amortisation period in number of years	**1-7**	**1-8**	**-**

Accounting policies

Customer-related intangible assets

Customer-related intangible assets acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment loss.

Customer-related intangible assets are amortised using the straight-line principle over the expected useful life. Typically, the amortisation period is 5-7 years.

Software

Software is measured at cost less accumulated amortisation and writedown. Cost includes both direct internal and external costs.

Software is amortised using the straight-line principle over 4-8 years. The basis of amortisation is reduced by any write-down.

Contents

3 Invested capital

3.1 Intangible assets – continued

DKK million	Customers-related assets	Software	Total
2021			
Cost 1/1	278	690	968
Foreign currency translation adjustment	-3	-1	-4
Additions during the year	0	58	58
Disposals during the year	-41	-21	-62
Cost 31/12	**234**	**726**	**960**
Amortisation 1/1	274	537	811
Foreign currency translation adjustment	-3	0	-3
Amortisation during the year	1	54	55
Amortisation of abandoned assets	-41	-21	-62
Amortisation and impairment 31/12	**231**	**570**	**801**
Carrying amount 31/12	**3**	**156**	**159**
Remaining amortisation period in number of years	**1-4**	**1-8**	**-**

Accounting policies

Impairment of intangible assets

The carrying amount of intangible assets is assessed annually to determine whether there is any indication of impairment.

When such an indication is present, the asset's recoverable amount is calculated, which is the highest of the asset's fair value less expected costs of disposal or value in use. Value in use is calculated as the present value of expected cash flow from the smallest cash-generating unit to which the asset belongs.

Impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. Impairment loss is recognised in the income statement.

Impairment loss relating to goodwill is not reversed. Impairment on other intangible assets are reversed to the extent that changes have been made to the assumptions and estimates that led to the write-down.

Accounting estimates and assessments

Software

Software is evaluated annually for indicators of a need for impairment. If a need to perform impairment is identified, an impairment test of the software is performed.

The impairment test is made on the basis of different factors, including the software's future application, the present value of the expected cost saving as well as interest and risks.

Contents

3 Invested capital

3.2 Property, plant and equipment

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2022					
Cost 1/1	1,124	580	56	116	1,876
Foreign currency translation adjustment	-20	-17	-1	0	-38
Additions during the year	105	163	8	122	398
Disposals during the year	-1	-165	-6	-231	-403
Cost 31/12	**1,208**	**561**	**57**	**7**	**1,833**
Write-down and depreciation 1/1	482	471	38	0	991
Foreign currency translation adjustments	-8	-15	-1	0	-24
Write-down and depreciation during the year	28	42	5	0	75
Write-down and depreciation of abandoned assets	-1	-165	-6	0	-172
Write-down and depreciation 31/12	**501**	**333**	**36**	**0**	**870**
Carrying amount 31/12	**707**	**228**	**21**	**7**	**963**

Accounting policies

Property, plant and equipment

Land and buildings as well as other plant, operating equipment, and tools and equipment are measured at cost less accumulated depreciation and write-down.

Cost includes the purchase price and costs directly attributable to the acquisition until the time when the asset is ready for use. Cost of a combined asset is disaggregated into separate components which are depreciated separately if the useful lives of the individual components differ.

Subsequent expenditure, for example in connection with the replacement of components of property, plant or equipment, is recognised in the carrying amount of the relevant asset when it is probable that the incurrence will result in future economic benefits for the group. The replaced components cease to be recognised in the balance sheet and the carrying amount is transferred to the income statement. All other general repair and maintenance costs are recognised in the income statement when these are incurred.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives which are:

- Buildings 40 years
- Technical installations 20 years
- Plant, operating equipment, and tools and equipment 2-5 years

There are a few differences from the mentioned depreciation periods in which useful life is estimated as shorter. Leasehold improvements are depreciated over the lease term, however, maximum 5 years.

Land is not depreciated.

Contents

3 Invested capital

3.2 Property, plant and equipment – continued

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2021					
Cost 1/1	1,155	605	76	8	1,844
Foreign currency translation adjustment	5	3	1	0	9
Additions during the year	0	33	2	128	163
Disposals during the year	-36	-61	-23	-20	-140
Cost 31/12	**1,124**	**580**	**56**	**116**	**1,876**
Write-down and depreciation 1/1	475	495	56	0	1,026
Foreign currency translation adjustments	1	2	1	0	4
Write-down and depreciation during the year	27	35	4	0	66
Write-down and depreciation of abandoned assets	-21	-61	-23	0	-105
Write-down and depreciation 31/12	**482**	**471**	**38**	**0**	**991**
Carrying amount 31/12	**642**	**109**	**18**	**116**	**885**

Accounting policies – continued

The basis of depreciation is determined in consideration of the asset's residual value and reduced by any impairment. Residual value is determined at the time of acquisition and reassessed annually. If residual value exceeds the asset's carrying amount, depreciation will cease.

By changing the depreciation period or residual value, the effect of future depreciation is recognised as a change to accounting estimates.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is assessed annually to determine whether there is any indication of impairment.

When such an indication is present, the asset's recoverable amount is calculated, which is the highest of the asset's fair value less expected costs of disposal or value in use. Value in use is calculated as the present value of expected cash flow from the smallest cash flow-generating unit to which the asset belongs.

Impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. Impairment loss is recognised in the income statement. Write-down on property, plant and equipment is reversed to the extent that changes have been made to the assumptions and estimates that led to the write-down.

Contents

3 Invested capital

3.3 Leases

Right-of-use assets

DKK million	Tenancy	Cars	IT equipment	Technical equipment	Other equipment	Total
2022						
Cost 1/1	426	93	21	9	1	550
Foreign currency translation adjustment	-16	-3	-1	-1	0	-21
Acquired enterprises	4	0	0	0	0	4
Additions during the year	182	37	3	2	0	224
Disposals during the year[1]	-82	-23	0	-2	0	-107
Cost 31/12	**514**	**104**	**23**	**8**	**1**	**650**
Write-down and depreciation 1/1	179	55	11	4	1	250
Foreign currency translation adjustments	-7	-1	-1	-1	0	-10
Write-down and depreciation during the year	91	23	6	2	0	122
Write-down and depreciation of abandoned assets	-71	-23	0	-1	0	-95
Write-down and depreciation 31/12	**192**	**54**	**16**	**4**	**1**	**267**
Carrying amount 31/12	**322**	**50**	**7**	**4**	**0**	**383**

Accounting policies – continued

Right-of-use assets

Right-of-use assets are lease assets arising from a lease agreement. Lease assets are initially measured at cost consisting of the amount of the initial measurement of the lease liability with addition of lease payments made to the lessor at or before the commencement date less any lease incentives received. Five different types of leases have been identified:

- Tenancy
- Cars
- IT equipment
- Technical equipment
- Other equipment

The lease assets are depreciated on a straight-line basis over the lease term.

The carrying amount of the right-of-use asset can be adjusted due to modifications to the lease agreement or in special cases reassessment of the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture of a value below DKK 37,000.

Contents

3 Invested capital

3.3 Leases – continued

DKK million	Tenancy	Cars	IT equipment	Technical equipment	Other equipment	Total
2021						
Cost 1/1	344	86	21	9	2	462
Foreign currency translation adjustment	1	0	0	0	0	1
Additions during the year	118	16	0	4	0	138
Disposals during the year[1]	-37	-9	0	-4	-1	-51
Cost 31/12	**426**	**93**	**21**	**9**	**1**	**550**
Write-down and depreciation 1/1	124	39	5	4	2	174
Foreign currency translation adjustments	0	0	0	0	0	0
Write-down and depreciation during the year	86	24	6	2	0	118
Write-down and depreciation of abandoned assets	-31	-8	0	-2	-1	-42
Write-down and depreciation 31/12	**179**	**55**	**11**	**4**	**1**	**250**
Carrying amount 31/12	**247**	**38**	**10**	**5**	**0**	**300**

1) Disposals relate to expiration and renewal of contracts.

Contents

3 Invested capital

3.3 Leases – continued

Short-term lease liabilities

DKK million	2022	2021
Maturity < 1 year	117	102
Short-term lease liabilities 31/12	**117**	**102**

Long-term lease liabilities

DKK million	2022	2021
Maturity > 1 year < 5 years, undiscounted	259	181
Maturity > 5 years, undiscounted	31	28
Long-term lease liabilities 31/12, undiscounted	290	209
Discounting on lease liabilities > 1 year < 5 years	-14	-5
Discounting on lease liabilities > 5 years	-2	-1
Long-term lease liabilities 31/12	**274**	**203**
Amounts recognised in the income statement		
Depreciation of right-of-use assets	122	118
Interest expense on lease liabilities	8	5
Expense relating to short-term leases	2	1
Expense relating to leases of low-value items	2	1
Expense relating to variable lease payments not included in the measurement of lease liabilities	7	8
Total	**141**	**133**
Cash outflows for leases		
Instalment on lease liabilities	-116	-115
Interest payments	-8	-5
Total cash outflows for leases	**-124**	**-120**

Future cash outflows not recognised as lease liabilities in the balance sheet amount to DKK 0m (DKK 0m) regarding signed but not yet started lease contracts on rent of premises. Extension options regarding lease contracts on rent of premises, which are not recognised in the balance sheet amount to DKK 38m (DKK 28m).

Accounting policies

Lease liabilities

Lease liabilities arise from a lease agreement. Lease liabilities are initially measured at the present value of the lease payments during the non-cancellable lease period with addition of periods covered by an option to extend the lease if exercise of the option is considered reasonably certain on inception of the lease.

At initial recognition, each contract is assessed individually to assess the likelihood of exercising a potential extension option in the contract. The option to extend the contract period will be included in measuring the lease liability if it is reasonably certain that Solar will exercise the option. When calculating the net present value, a discount rate corresponding to Solar's incremental borrowing rate has been used.

The lease liability will be remeasured when changes occur due to modifications to the contract (extension, termination etc.), indexation or in special cases reassessment of the lease term.

Contents

3 Invested capital

3.4 Investments in associates

Investments in associates, DKK million	2022	2021
Cost 1/1	21	16
Additions during the year	0	5
Cost 31/12	**21**	**21**
Adjustments 1/1	-16	-14
Profit from associates	-1	-2
Value adjustment 31/12	**-17**	**-16**
Carrying amount 31/12	**4**	**5**

Associates include the following investments:
- Monterra where Solar owns 30.0%
- HomeBob where Solar owns 44.9%
- Zolw where Solar owns 35.0%
- Edison Data AS where Solar owns 20.0%

Accounting policies

Investment in associates

Investments in associates are accounted for by using the equity method of accounting, by which the investments are measured at the proportional share of the entities' equity determined according to the group's accounting policies reduced by the proportional share of unrealised gains on transaction between the group and the associates and increased by goodwill determined as of the date when the investment became an associate.

Investments in associates are tested for impairment when there is an indication of impairment.

Associates with a negative equity are accounted for at DKK 0. If the group has a legal or actual obligation to cover the negative balance of the associate, this obligation is recognised under liabilities.

Contents

3 Invested capital

3.5 Inventories

DKK million	2022	2021
End products	**2,248**	**1,855**
Recognised write-down	21	1

The main reason for the recognised write-down is an increase in write-down articles.

Accounting policies

Inventories are measured at cost according to the FIFO method or at net realisable value, if this is lower.

Cost of inventories includes purchase price with addition of delivery costs.

The net realisable value of inventories is determined as selling price less costs incurred to make the sale and is determined in consideration of marketability, obsolescence and development of expected selling price.

Accounting estimates and assessments

Write-down of inventories

Write-down of inventories is made due to the obsolescence of products.

Management specifically assess inventories, including the products’ turnover rate, current economic trends and product development when deciding whether the write-down is sufficient.

Contents

3 Invested capital

3.6 Trade receivables

DKK million	2022	2021
Maturity statement, trade receivables		
Not due	1,667	1,411
Past due for 1-30 day(s)	190	89
Past due for 31-90 days	24	17
Past due for 91+ days	14	18
	1,895	1,535
Write-down	-36	-33
Total	**1,859**	**1,502**
Write-down based on:		
Age distribution	15	12
Individual assessment	21	21
Total	**36**	**33**
Write-down 1/1	33	29
Foreign currency translation adjustment	0	1
Write-down for the year	23	18
Losses realised during the year	-12	-8
Reversed for the year	-8	-7
Write-down 31/12	**36**	**33**

A factoring arrangement on non-recourse conditions is established with a few major customers. As a result trade receivables is reduced with approx. DKK 118m (DKK 98m).

Accounting policies

Trade receivables are measured at fair value at acquisition and at amortised cost subsequently. Based on an individual assessment of the loss risk, including a statistical based model, write-down to amortised cost less expected credit losses is made, if this is lower.

Accounting estimates and assessments

Write-down for meeting of loss on doubtful trade receivables

The IFRS 9 simplified approach is applied to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past invoicing.

As the vast majority of our group companies generally takes out insurance to hedge against loss to the extent possible, the write-down based on age distribution amounts to less than x.x% (0.8%) of gross trade receivables. Individual assessment of write-down is performed by management specifically analysing trade receivables, including the customers' credit rating and current economic trends to ensure that write-down is sufficient. Write-down based on individual assessment amounts to 1.1% (1.4%) of gross trade receivables. As the total write-down on trade receivables amounts to less than 2% (3%) of gross trade receivables, no maturity statement of the write-down is included. However, the majority of the provision relates to receivables overdue by more than 30 days (30 days).

Financial risks

Credit risk

Solar is subject to credit risks in respect of trade receivables and cash at bank. No credit risk is deemed to exist in respect of cash as the counterparts are banks with good credit ratings.

As a result of customer diversification, trade receivables are distributed so that there is no significant concentration of risk. Credit granting to customers is regarded as a natural and important element in Solar's business operations. Solar conducts efficient credit management at all times. The vast majority of our group companies generally takes out insurance to hedge against loss to the extent possible. As a result, 68% (68%) of trade receivables is covered by insurance.

Loss due to credit granting is considered a normal business risk and, therefore, will occur.

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3 Invested capital

3.7 Other provisions

DKK million	2022	2021
Non-current		
Other provisions	9	11
Total 31/12	**9**	**11**
Specification, non-current		
1/1	11	12
Reversed during the year	-2	-1
Provisions of the year	0	0
Total 31/12	**9**	**11**
Current		
Other provisions	17	21
Total 31/12	**17**	**21**
Specification, current		
1/1	21	9
Reversed during the year	-9	-9
Provisions of the year	5	21
Total 31/12	**17**	**21**

Accounting policies

Provisions are measured in accordance with management's best estimate of the amount required to settle a liability.

Restructuring expenses are recognised as liabilities when a detailed official plan for the restructuring has been published to the parties affected by the plan on the balance sheet date at the latest.

Contents

3 Invested capital

3.8 Other payables

DKK million	2022	2021
Staff costs	301	282
Taxes and charges	180	215
Interest rate swaps	12	49
Other payables	111	98
Total	**604**	**644**

Relevant accounting policies for derivative financial instruments are described in note 4.3 on interest-bearing liabilities and maturity statement.

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04

Section 4
Capital structure and financing costs

Contents

4 Capital structure and financing costs

4.1 Share capital

DKK million	2022	2021
Share capital 1/1	736	736
Change in share capital	0	0
Share capital 31/12	**736**	**736**
Share capital is fully paid in and divided into the following classes:		
A shares, 900,000 at DKK 100	90	90
B shares, 6,460,000 at DKK 100	646	646
Total	**736**	**736**

	Number of shares		Nominal value (DKK million)	
	2022	2021	2022	2021
A shares outstanding 31/12	**900,00**	**900,000**	**90**	**90**
B shares outstanding				
Outstanding 1/1	6,403,187	6,398,292	640	640
Divestment of treasury shares	0	4,895	0	0
B shares outstanding 31/12	**6,403,187**	**6,403,187**	**640**	**640**
Total shares outstanding 31/12	**7,303,187**	**7,303,187**	**730**	**730**

Treasury shares (B shares)	Number of shares		Nominal value (DKK million)		Cost (DKK million)		Percentage of share capital	
	2022	2021	2022	2021	2022	2021	2022	2021
Holding 1/1	56,813	61,708	6	6	22	24	0.7%	0.8%
Divestment	0	-4,895	0	0	0	-2	0.0%	-0.1%
Holding 31/12	**56,813**	**56,813**	**6**	**6**	**22**	**22**	**0.7%**	**0.7%**

Accounting policies

Treasury shares

Acquisition and disposal sums related to treasury shares are recognised directly in transactions with the owners.

Contents

4 Capital structure and financing costs

4.2 Earnings per share in DKK per share outstanding for the year

	2022	2021
Net profit for the year in DKK million	660	531
Average number of shares	7,360,000	7,360,000
Average number of treasury shares	-56,813	-57,604
Average number of shares outstanding	7,303,187	7,302,396
Dilution effect of share options and restricted share units	25,972	22,120
Diluted number of shares outstanding	7,329,159	**7,324,516**
Earnings per share in DKK per share outstanding for the year	90.37	72.72
Diluted earnings per share in DKK per share outstanding for the year	90.05	72.50

Contents

4 Capital structure and financing costs

4.3 Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2022	2021
Debt to mortgage credit institutions	Fixed[1]	204	129
Debt to credit institutions	Fixed[1]	100	0
Lease liabilities	Calculated	391	305
Bank loans and overdrafts	Floating	545	10
Interest-bearing liabilities		**1,240**	**444**
Trade payables[2]		1,902	2,098
Other payables		604	644
Financial liabilities		**3,746**	**3,186**
Cash at bank and in hand		166	481
Trade receivables		1,859	1,502
Other receivables		64	52
Financial assets		**2,089**	**2,035**
Total, financial balance sheet items, net		**1,657**	**1,151**

1) Interest swaps have been used to hedge floating-rate loans, converting these loans to fixed-rate loans.
2) Solar participates in supplier financing arrangement with a few suppliers. As a result trade payables are increased with approx. DKK 136m (DKK 239m).

Reconciliation of development in interest-bearing debt to financing activities in the cash flow statement:

DKK million	2022	2021
Interest-bearing liabilities 1/1	444	531
Repayment of non-current interest-bearing debt	-12	-79
Raising of non-current interest-bearing liabilities	185	0
Change in current interest-bearing debt	519	-9
Instalment on lease liabilities	-116	-115
Lease liability raised during the year, non-cash	197	129
Foreign currency translation adjustment	23	-13
Interest-bearing liabilities 31/12	**1,240**	**444**

Accounting policies

Financial liabilities

Debt to credit institutions is recognised initially at fair value that corresponds to the proceeds received net of transaction costs incurred.

In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method, meaning that the difference between the proceeds and the nominal value is recognised in the income statement under financials for the term of the loan. For information on lease liabilities, see note 3.3.

Financial risks

Interest rate risk

Solar monitors and adjusts interest-bearing liabilities on an ongoing basis. Loans are only raised in the functional currencies of the countries where Solar operates. Of total interest-bearing liabilities, Solar endeavours to ensure that a maximum of half is based on variable payment of interest determined in accordance with current money market rates. The remaining interest-bearing liabilities are fixed-rate. Solar Group has no significant non-current interest-bearing assets.

As a result of Solar's policies, a certain interest rate risk exists.

Contents

4 Capital structure and financing costs

4.3 Interest-bearing liabilities and maturity statement – continued

DKK million	2022	2021
Maturity < 1 year		
Debt to mortgage credit institutions	11	9
Lease liabilities	117	102
Bank loans and overdrafts	545	10
Current interest-bearing liabilities	**673**	**121**
Other financial liabilities	2,506	2,742
Current financial liabilities	**3,179**	**2,863**
Current financial assets	**2,089**	**2,035**
Net current financial liabilities	**1,090**	**828**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	45	32
Debt to credit institutions	100	0
Lease liabilities	245	176
Total	**390**	**208**
Maturity > 5 years		
Debt to mortgage credit institutions	148	88
Lease liabilities	29	27
Total	**177**	**115**
Total non-current liabilities	**567**	**323**
Maturity, until year	**2037**	**2037**

The carrying amount of financial liabilities corresponds to fair value.

Financial risks – continued

Currency risk

Solar is exposed to currency risks in the form of translation risks since a substantial proportion of activity derives from foreign subsidiaries which has other currencies than DKK as functional currency. The functional currencies applied in the group are euro, Danish kroner, Swedish kroner, Norwegian kroner and, to a lesser extent, Polish zloty, Swiss Franc, US dollar and British pound. Solar has a number of investments in foreign subsidiaries, where the translation of equity into Danish kroner depends on exchange rates. Investments in subsidiaries are not hedged as such investments are regarded as long-term and because hedging is seen as unlikely to create any long-term value.

The individual subsidiaries are not significantly affected by exchange rate fluctuations since revenue and costs in subsidiaries are mainly in the same currencies.

Effect from translation of foreign subsidiaries when the exchange rate increases by 10% (average for the year and at year end)

	Profit of the year		Equity	
DKK million	2022	2021	2022	2021
NOK	16.0	13.0	48.2	46.8
SEK	15.8	9.5	40.8	35.2
PLN	1.3	1.4	7.8	7.1
Total	33.1	23.9	96.8	89.1

Liquidity risks

Solar has an objective of substantial self-financing to minimise dependence on lenders and thus gain greater freedom of action. Financing is primarily controlled centrally based on the individual subsidiary's operating and investment cash requirements. Solar ensures that there are always sufficient and flexible cash reserves and diversification of maturities of both non-current and current credit facilities.

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4 Capital structure and financing costs

4.3 Interest-bearing liabilities and maturity statement – continued

DKK million	2022	2021
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	23	11
1-5 year(s)	54	28
> 5 years	49	30
Total	**126**	**69**
Effect of a 1% interest rate increase at the end of the year		
Effect on equity	**10**	**10**
Of this, earnings impact is	**-4**	**0**
Undrawn credit facilities 31/12	**710**	**495**

Distribution on currencies

	Current liabilities		Non-current liabilities	
DKK million	2022	2021	2022	2021
EUR	141	8	112	120
DKK	408	1	181	0
NOK	0	0	0	0
PLN	7	10	0	0
SEK	0	0	0	0
Total	**556**	**19**	**293**	**120**
Interest rate in %	**3.0-5.5**	**1.1-5.4**	**4.3-5.5**	**5.4**

Contents

4 Capital structure and financing costs

4.3 Interest-bearing liabilities and maturity statement – continued

DKK million	2022	2021
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	222	127
Interest rate in % for outstanding interest swaps	4.6-5.5	5.4
Fair value recognised as other payables under current liabilities	-12	-49
Maturity for interest swaps follows the maturity for debt to mortgage credit institutions and credit institutions as stated on previous page.		
Amounts recognised in other comprehensive income		
Adjustment to fair value for the year	30	9
Realised during the year, recognised as financial income/expenses	6	20
Total	**36**	**29**

Fair value of Solar's respective interest-bearing liabilities is seen as fair value measurement at level 2. Mortgage loans are valued based on underlying securities, while bank debt is calculated based on models for discounting to net present value. Non-observable market data is primarily made up of credit risks, which are seen as insignificant in Solar's case.

The fair value of Solar's interest rate instrument is measured as fair value measurement at level 2, since fair value can be determined directly based on the actual forward rates and instalments on the balance sheet date. Outstanding interest rate swaps for hedging of floating-rate loans expire over the period until 2037 (2037).

The group's enterprises have raised loans in their respective functional currencies, while the parent company has also raised loans in euro.

Accounting policies

Derivatives

Derivatives are only used to hedge financial risks in the form of interest rate and currency risks.

Derivatives are recognised at fair value. Both realised and unrealised gains and losses are recognised in the income statement unless the derivatives are part of hedging of future transactions. Value adjustments of derivatives for hedging of future transactions are recognised directly in other comprehensive income.
Any non-effective part of the financial instrument in question is recognised in the income statement.
Derivatives are recognised under other receivables or other payables.

Fair value measurement

The group uses the fair value concept for recognition of certain financial instruments and in connection with some disclosure requirements. Fair value is defined as the price that can be secured when selling an asset or that must be paid to transfer a liability in a standard transaction between market participants (exit price).

Fair value is a marked-based and not enterprise-specific valuation. The enterprise uses the assumptions that market participants would use when pricing an asset or liability based on existing market conditions, including assumptions relating to risks.

As far as possible, fair value measurement is based on market value in active markets (level 1) or alternatively on values derived from observable market information (level 2).
If such observable information is not available or cannot be used without significant modifications, recognised valuation methods and fair estimates are used as the basis of fair values (level 3).

4 Capital structure and financing costs

4.4 Financial income

DKK million	2022	2021
Interest income	13	21
Foreign exchange gains	38	18
Other financial income	2	2
Total	**53**	**41**
Financial income, received	**15**	**23**

4.5 Financial expenses

DKK million	2022	2021
Interest expenses	25	22
Foreign exchange losses	40	16
Fair value adjustments, other financial investments	20	23
Interest on lease liabilities	8	5
Other financial expenses	10	23
Total	**103**	**89**
Financial expenses, settled	**43**	**50**

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05

Section 5
Other notes

Contents

5 Other notes

5.1 Share-based payment

Share options

	Executive Board	Others	Total
No. of share options at year-end 2021			
Outstanding at the beginning of 2021	7,598	16,807	24,405
Exercised	-7,598	-12,435	-20,033
Expired	0	-4,372	-4,372
Outstanding at year-end 2021	**0**	**0**	**0**

Accounting policies

Restricted share units are measured at fair value at the grant date and are recognised in the income statement under staff costs over the period when the final right to the restricted share units is vested. The set-off to this is recognised under other payables, as the employees have the right to choose cash settlement. This liability is regularly adjusted to fair value and fair value adjustments are recognised in financials.

The fair value of the granted restricted share units is estimated using the market price of the company's shares at balance sheet date.

Contents

5 Other notes

5.1 Share-based payment – continued

Restricted share units

	Executive Board	Others	Total
No. of restricted share units at year-end 2022			
Outstanding at the beginning of 2022	16,449	13,789	30,238
Granted in 2022	5,353	5,757	11,110
Adjustment due to dividend distribution	3,945	3,004	6,949
Exercised	-3,386	-4,093	-7,479
Outstanding at year-end 2022	**22,361**	**18,457**	**40,818**
No. of restricted share units at year-end 2021			
Outstanding at the beginning of 2021	10,310	8,875	19,185
Granted in 2021	6,595	6,442	13,037
Forfeited on resignation	0	-1,809	-1,809
Adjustment due to dividend distribution	1,788	1,480	3,268
Exercised	-2,244	-1,199	-3,443
Outstanding at year-end 2021	**16,449**	**13,789**	**30,238**

DKK million	2022	2021
Market value recognised under other liabilities	**15**	**13**

Contents

5 Other notes

5.1 Share-based payment – continued

Specification of restricted share units

	Year of granting			
No. of shares	**2022**	**2021**	**2020**	**2019**
Executive Board				
Granted	5,353	6,595	4,904	2,690
Adjustment due to dividend distribution	690	2,136	2,683	696
Exercised	0	0	0	-3,386
Total	**6,043**	**8,731**	**7,587**	**0**
Others				
Granted	5,757	6,442	2,760	4,380
Forfeited on resignation of management employees	0	0	-575	-1,234
Adjustment due to dividend distribution	749	2,093	1,231	947
Exercised	0	0	0	-4,093
Total	**6,506**	**8,535**	**3,416**	**0**
Price at time of granting	**722.46**	**456.39**	**319.39**	**297.70**
Vesting year	**2025**	**2024**	**2023**	**2022**

Restricted share units

In accordance with Solar's remuneration policy and general guidelines for incentive-based remuneration, the Board of Directors decided to grant restricted shares to the Executive Board and management team in 2022 and 2021. Overall, the grant of shares is covered by the same terms as the previous grants of share options.

Restricted shares are granted for no consideration and provide the holder with a right and an obligation to receive B shares at a nominal value of DKK 100. The price at the time of granting is fixed at DKK 722.46 (456.39) based on the average price on Nasdaq Copenhagen the first 10 business days after publication of Annual Report 2021 (2020). The restricted shares vest three years after the time of granting, meaning that this grant of shares vests in 2025 (2024). At this point, the holder may exercise the restricted share granting.

The number of granted shares was adjusted by +6,949 (+3,268) shares in 2022 (2021) due to dividend distribution.

General information on Solar's incentive scheme is available on our website: https://www.solar.eu/investor/policies.

Contents

5 Other notes

5.2 Contingent liabilities and other financial liabilities

DKK million	2022	2021
Collateral		
Assets have been pledged as collateral for bank arrangements at a carrying amount of:		
Land and buildings	452	371
Current assets	1	0
Total	**453**	**371**

In 2013 Solar Nederland B.V. closed its defined benefit pension plan and transferred all risks that in 2013 amounted to DKK 373m to an insurance company. In 2016 the Conelgro B.V. closed its defined benefit pension plan and transferred all risks that in 2016 amounted to DKK 250m to an insurance company.

Solar is liable for payment of the benefit vs. the participants and has consequently a credit risk vs. the insurance company. Based on the insurance company's current rating, this risk is determined to be limited.

5.3 Related parties

Group and parent Solar A/S are subject to control by the Fund of 20th December (registered as a commercial foundation in Denmark), which owns 17.0% of the shares and holds 60.5% of the voting rights. The remaining shares are owned by a widely combined group of shareholders.

Other related parties include the company's Board of Directors and Executive Board. There have been no transactions in the financial year with members of the Board of Directors and Executive Board other than those which appear from note 2.2 and note 5.1.

Solar invoices the Fund of 20th December for the performance of administrative services at DKK 20,000. Balances with the Fund of 20th December total 0 on balance sheet date.

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5 Other notes

5.4 Auditors' fees

DKK million	2022	2021
Deloitte		
Statutory audit	2	2
Other assurance engagements[1]	1	0
Tax consulting	0	0
Other services[2]	1	1
Total	**4**	**3**
Other auditors		
Statutory audit	1	1
Other services	0	0
Total	**1**	**1**

1) Other assurance engagements mainly consists of IT Cyber resilience and ESG assurance.

2) Other services mainly consists of Board effectiveness review and ESG readiness review (2021: IT-related services and services related to business combinations).

5.5 New financial reporting standards

IASB has issued a number of amendments to existing IFRS standards that are effective for financial years beginning on 1 January 2023 or later, some of which are not yet endorsed by the EU. Solar will implement the amendments when they become effective. It is the assessment that none of these amendments will have significant impact on the financial statements of Solar for the coming years.

5.6 Acquisitions of subsidiaries and activities

2022

On 1 March 2022, Solar acquired the shares in the lighting company Højager Belysning A/S in Denmark.

Total acquisition price of 100% of the Højager Belysning shares amounted to DKK 34m, equal to an enterprise value of DKK 25m.

With the acquisition, Solar takes a strong position with the B2G market in Denmark, as Højager Belysning A/S is a leading supplier within sales of light sources and lighting for the public sector with Staten og Kommunernes Indkøbsservice A/S (in short: SKI) and the regions being their customers.

Højager Belysning A/S has 28 dedicated employees.

Separate financial statements

Contents

Statement of comprehensive income

Income statement

Notes	DKK million	2022	2021
	Revenue	4,511	4,040
	Cost of sales	-3,365	-3,046
	Gross profit	**1,146**	**994**
	Other operating income	29	36
5.3	External operating costs	-72	-38
2.1	Staff costs	-620	-559
2.2	Loss on trade receivables	-7	-5
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**476**	**428**
2.3	Depreciation and write-down on property, plant and equipment	-60	-47
	Earnings before interest, tax and amortisation (EBITA)	**416**	**381**
2.3	Amortisation and impairment of intangible assets	-65	-55
	Earnings before interest and tax (EBIT)	**351**	**326**
	Profit from subsidiaries	418	291
	Share of net profit from associates	-1	-1
4.3	Financial income	25	29
4.4	Financial expenses	-60	-65
	Earnings before tax (EBT)	**733**	**580**
2.4	Income tax	-73	-49
2.5	**Net profit for the year**	**660**	**531**

Other comprehensive income

DKK million	2022	2021
Net profit for the year	**660**	**531**
Items that can be reclassified to the income statement		
Foreign currency translation adjustments of foreign subsidiaries	-51	14
Fair value adjustments of hedging instruments before tax, parent company	36	29
Tax on fair value adjustments of hedging instruments, parent company	-8	-6
Other income and costs recognised after tax	**-23**	**37**
Total comprehensive income for the year	**637**	**568**

Contents

Balance sheet

As at 31 December

Notes	DKK million	2022	2021
	Assets		
3.1	Intangible assets	148	157
3.2	Property, plant and equipment	450	332
3.3	Right-of-use assets	76	76
3.4	Investments measured at equity value	1,800	1,372
3.4	Other non-current assets	30	51
	Non-current assets	**2,504**	**1,988**
3.5	Inventories	826	663
3.6	Trade receivables	555	441
	Receivables from subsidiaries	202	282
	Income tax receivable	7	2
	Other receivables	1	4
	Prepayments	13	15
	Cash at bank and in hand	110	408
	Current assets	**1,714**	**1,815**
	Total assets	**4,218**	**3,803**

Notes	DKK million	2022	2021
	Equity and liabilities		
4.1	Share capital	736	736
	Reserves	-70	-39
	Retained earnings	936	926
	Proposed dividends for the financial year	329	329
	Equity	**1,931**	**1,952**
4.2	Interest-bearing liabilities	293	120
3.3, 4.2	Lease liabilities	49	55
2.4	Provision for deferred tax	78	74
3.7	Other provisions	0	1
	Non-current liabilities	**420**	**250**
4.2	Interest-bearing liabilities	535	9
3.3, 4.2	Lease liabilities	28	23
	Trade payables	756	944
	Amounts owed to subsidiaries	302	308
3.8	Other payables	243	316
	Prepayments	1	1
3.7	Other provisions	2	0
	Current liabilities	**1,867**	**1,601**
	Liabilities	**2,287**	**1,851**
	Total equity and liabilities	**4,218**	**3,803**

Contents

Cash flow statement

Notes	DKK million	2022	2021
	Net profit for the year	**660**	**531**
2.3	Depreciation, write-down and amortisation	125	102
	Changes to provisions and other adjustments	3	0
	Profit from subsidiaries	-418	-291
	Share of net profit from associates	1	1
4.3, 4.4	Financials, net	35	36
	Income tax	73	49
4.3	Financial income, received	17	25
4.4	Financial expenses, settled	-32	-39
	Income tax, settled	-83	-52
	Cash flow before working capital changes	**381**	**362**
	Working capital changes		
	Inventory changes	-163	-130
	Receivables changes	-114	-98
	Non-interest-bearing liabilities changes	-225	289
	Cash flow from operating activities	**-121**	**423**

Notes	DKK million	2022	2021
	Investing activities		
3.1	Purchase of intangible assets	-56	-58
	Purchase of property, plant and equipment	-151	-127
	Disposal of property, plant and equipment	0	18
	Changes to loans to subsidaries	75	129
	Dividends from subsidiaries	6	153
	Acquistion of subsidiaries and activities	-34	0
	Acquistion of associates	0	-2
	Capital increase subsidiaries	-33	0
	Other financial investments	1	-3
	Cash flow from investing activities	**-192**	**110**
	Financing activities		
4.2	Repayment of non-current interest-bearing debt	-12	-79
	Raising of non-current interest-bearing liabilities	185	0
	Change in current interest-bearing liabilities	526	-32
	Instalment on lease liabilities	-26	-25
	Sale of treasury shares	0	2
	Dividends distributed	-658	-314
	Cash flow from financing activities	**15**	**-448**
	Total cash flow	**-298**	**85**
	Cash at bank and in hand at the beginning of the year	408	323
	Cash at bank and in hand at the end of the year	**110**	**408**
	Cash at bank and in hand	110	408
	Cash at bank and in hand at the end of the year	**110**	**408**

Contents

Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Reserves for development costs[1]	Retained earnings	Proposed dividends	Total
2022							
Equity as at 1 January	**736**	**-37**	**-121**	**119**	**926**	**329**	**1,952**
Foreign currency translation adjustments of foreign subsidiaries			-51				-51
Fair value adjustments of hedging instruments before tax		36					36
Tax on fair value adjustments		-8					-8
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	28	-51	0	0	0	-23
Net profit for the year				-8	339	329	660
Comprehensive income	**0**	**28**	**-51**	**-8**	**339**	**329**	**637**
Distribution of dividends (DKK 45.00 per share)						-329	-329
Distribution of extraordinary dividend (DKK 45.00 per share)					-329		-329
Transactions with the owners	**0**	**0**	**0**	**0**	**-329**	**-329**	**-658**
Equity as at 31 December	**736**	**-9**	**-172**	**111**	**936**	**329**	**1,931**

1) Reserves for hedging transactions, reserves for foreign currency translation adjustments and reserves for development costs are recognised in the balance sheet as a total amount under reserves.

Statement of changes in equity

– continued

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Reserves for development costs[1]	Retained earnings	Proposed dividends	Total
2021							
Equity as at 1 January	**736**	**-60**	**-135**	**115**	**836**	**204**	**1,696**
Foreign currency translation adjustments of foreign subsidiaries			14				14
Fair value adjustments of hedging instruments before tax		29					29
Tax on fair value adjustments		-6					-6
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	23	14	0	0	0	37
Net profit for the year				4	198	329	531
Comprehensive income	**0**	**23**	**14**	**4**	**198**	**329**	**568**
Distribution of dividends (DKK 28.00 per share)						-204	-204
Distribution of extraordinary dividend (DKK 15.00 per share)					-110		-110
Sale of treasury shares					2		2
Transactions with the owners	**0**	**0**	**0**	**0**	**-108**	**-204**	**-312**
Equity as at 31 December	**736**	**-37**	**-121**	**119**	**926**	**329**	**1,952**

1) Reserves for hedging transactions, reserves for foreign currency translation adjustments and reserves for development costs are recognised in the balance sheet as a total amount under reserves.

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Section 1
Basis for preparation

Contents

1 Basis for preparation

1.1 General accounting policies

The separate financial statements of the parent company for 2022 are presented in accordance with the International Financial Reporting Standards (IFRSs) as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies and the IFRS executive order issued in accordance with the Danish Financial Statements Act.

A general description of accounting policies can be found in the consolidated financial statements on pages 50-52 note 1.1, Accounting policies.

Descriptions of accounting policies in notes
Descriptions of accounting policies in the notes form part of the overall description of accounting policies. Parent-specific descriptions are found in the following notes:

Note 2.4	Income tax
Note 2.5	Net profit for the year
Note 3.1	Intangible assets
Note 3.2	Property, plant and equipment
Note 3.3	Leases
Note 3.4	Investments measured at equity value and other non-current assets
Note 3.5	Inventories
Note 3.6	Trade receivables
Note 3.7	Other provisions
Note 4.1	Share capital
Note 4.2	Interest-bearing liabilities
Note 5.1	Contingent liabilities and other financial liabilities

1.2 Significant accounting estimates and assessments

When preparing the annual report in accordance with generally applicable principles, management make estimates and assumptions that affect the reported assets and liabilities. Management base their estimates on historic experience and expectations for future events. Therefore, actual results may differ from these estimates.

The following estimates and accompanying assessments are deemed material for the preparation of the financial statements:

- Impairment test of equity investments
- Impairment test of software
- Inventory write-down
- Write-down for loss on doubtful receivables

These estimates and assessments are described in the following notes:

Note 3.1	Intangible assets
Note 3.5	Inventories
Note 3.6	Trade receivables

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02

Section 2

Income statement

Contents

2 Income statement

2.1 Staff costs

DKK million	2022	2021
Salaries and wages etc.	561	509
Pensions, defined contribution	40	36
Costs related to social security	13	12
Share-based payment	6	2
Total	**620**	**559**
Average number of employees (FTEs)	869	810
Number of employees at year-end (FTEs)	886	847
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Salaries and wages etc.	22	20
Share-based payment[1]	4	7
Total	**26**	**27**

1) The amount stated is the total cost related to share-based payment. A part of this cost is included in financial expenses, which in 2022 amounted to DKK 0m (2021: DKK 5m)

Terms of notice for members of the Executive Board is 12 months. When stepping down, the members of the Executive Board are entitled to 6 months' remuneration.

Contents

2 Income statement

2.2 Loss on trade receivables

DKK million	2022	2021
Recognised losses	6	6
Received on trade receivables previously written off	0	0
	6	**6**
Change in write-down for bad and doubtful debts	1	-1
Total	**7**	**5**

Relevant accounting policies are described in note 3.6, trade receivables.

2.3 Depreciation, write-down and amortisation

DKK million	2022	2021
Buildings	14	14
Plant, operating equipment, tools and equipment	17	7
Leasehold improvements	2	1
Tenancy, lease	14	13
Cars, lease	8	7
IT equipment, lease	5	5
Total depreciation and write-down on property, plant and equipment	**60**	**47**
Customer-related assets	0	1
Software	65	54
Total amortisation and impairment of intangible assets	**65**	**55**

Relevant accounting policies are described in note 3.1, intangible assets, and note 3.2, property, plant and equipment, and note 3.3, leases.

Contents

2 Income statement

2.4 Income tax

DKK million	2022	2021
Current tax	78	73
Deferred tax	-4	-4
Tax on profit for the year	**74**	**69**
Tax on taxable profit previous year	-1	-20
Total	**73**	**49**
Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Profit/loss from subsidiaries	-12.6%	-11.0%
Impairment on / gain from sale of / reversal of impairment on associates	0.5%	0.0%
Non-taxable/deductible items in parent	0.1%	0.8%
Tax regarding prevoius year	0.0%	-3.3%
Effective tax rate	**10.0%**	**8.5%**

Accounting policies

Tax for the year is recognised with the share attributable to results for the year in the income statement and with the share attributable to other recognised income and costs in the statement of comprehensive income. Tax consists of current tax and changes to deferred tax.

Contents

2 Income statement

2.4 Income tax – continued

DKK million	2022	2021
Deferred tax 1/1	74	72
Recognised in other comprehensive income	8	6
Ordinary tax recognised in income statement	-4	-4
Other items	0	0
Deferred tax 31/12	**78**	**74**
Specified as follows:		
Deferred tax	78	74
Deferred tax assets	0	0
Total deferred tax, net	**78**	**74**
Further specified as follows:		
Expected use within 1 year	0	0
Expected use after 1 year	78	74
Total, net	**78**	**74**

DKK million	2021	Recognised in other comprehensive income	Ordinary tax recognised in income statement	2022
Property, plant and equipment	23	0	5	28
Other items[1]	51	8	-9	50
Total, net	**74**	**8**	**-4**	**78**

1) Other items particularly cover intangible assets and loss balances in jointly taxed entities.

Accounting policies

Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax on the year's taxable income, adjusted for tax on previous year's taxable income and for tax paid on account.

Deferred tax is measured in accordance with the balance sheet liability method of all temporary differentials between accounting and tax-related amounts and provisions. Deferred tax is recognised at the local tax rate that any temporary differentials are expected to be realised at based on the adopted or expected adopted tax legislation on the balance sheet date.

Deferred tax assets, including the tax value of tax loss allowed for carryforward, are measured at the value at which the asset is expected to be realised, either by elimination in tax of future earnings or by offsetting against deferred tax liabilities.

Deferred tax assets are assessed annually and only recognised to the extent that it is probable that they will be utilised.

Deferred tax is also recognised for the covering of retaxation of losses in former foreign subsidiaries participating in joint taxation assessed as becoming current.

Contents

2 Income statement

2.5 Net profit for the year

DKK million	2022	2021
Proposed distribution of net profit for the year:		
Proposed dividend	329	329
Reserves for development costs	-8	4
Retained earnings	339	198
Net profit for the year	**660**	**531**
Ordinary dividend in DKK per share of DKK 100[1]	45.00	45.00
Extraordinary dividend in DKK per share of DKK 100[2]	-	45.00

1) Calculations are based on proposed dividends.
2) Based on 2021 results, an extraordinary dividend was paid in H1 2022.

Accounting policies

Dividends

Proposed dividends are recognised as a liability at the time of adoption of the general meeting.

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Section 3
Invested capital

Contents

3 Invested capital

3.1 Intangible assets

DKK million	Customers-related assets	Software	Total
2022			
Cost 1/1	5	691	696
Additions during the year	0	56	56
Disposals during the year	0	-46	-46
Cost 31/12	**5**	**701**	**706**
Amortisation and impairment 1/1	3	536	539
Amortisation during the year	0	65	65
Amortisation of abandoned assets	0	-46	-46
Amortisation and impairment 31/12	**3**	**555**	**558**
Carrying amount 31/12	**2**	**146**	**148**
Remaining amortisation period in number of years	**3**	**1-8**	**-**

Accounting policies

Customer-related intangible assets

Customer-related intangible assets acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment loss.

Customer-related intangible assets are amortised using the straight-line principle over the expected useful life. Typically, the amortisation period is 5-7 years.

Software

Software is measured at cost less accumulated amortisation and write-down. Cost includes both direct internal and external costs. Software is amortised using the straight-line principle over 4-8 years. The basis of amortisation is reduced by any write-down.

Contents

3 Invested capital

3.1 Intangible assets – continued

DKK million	Customers-related assets	Software	Total
2021			
Cost 1/1	46	653	699
Additions during the year	0	58	58
Disposals during the year	-41	-20	-61
Cost 31/12	**5**	**691**	**696**
Amortisation and impairment 1/1	43	502	545
Amortisation during the year	1	54	55
Amortisation of abandoned assets	-41	-20	-61
Amortisation and impairment 31/12	**3**	**536**	**539**
Carrying amount 31/12	**2**	**155**	**157**
Remaining amortisation period in number of years	**4**	**1-8**	**-**

Accounting policies – continued

Impairment of intangible assets

The carrying amount of intangible assets is assessed annually to determine whether there is any indication of impairment.

When such an indication is present, the asset's recoverable amount is calculated, which is the highest of the asset's fair value less expected costs of disposal or value in use. Value in use is calculated as the present value of expected cash flow from the smallest cash-generating unit to which the asset belongs.

Impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. Impairment loss is recognised in the income statement.

Impairment loss on intangible assets is reversed if changes have been made to the assumptions and estimates that led to the impairment loss.

Accounting estimates and assessments

Software

Software is evaluated annually for indicators of a need for impairment. If a need to perform impairment is identified, an impairment test for the software is performed.

The impairment test is made on the basis of different factors, including the software's future application, the present value of the expected cost saving as well as interest and risks.

Contents

3 Invested capital

3.2 Property, plant and equipment

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2022					
Cost 1/1	377	219	10	115	721
Additions during the year	105	154	4	117	380
Disposals during the year	-1	-119	0	-229	-349
Cost 31/12	**481**	**254**	**14**	**3**	**752**
Write-down and depreciation 1/1	190	193	6	0	389
Write-down and depreciation during the year	14	17	2	0	33
Write-down and depreciation of abandoned assets	-1	-119	0	0	-120
Write-down and depreciation 31/12	**203**	**91**	**8**	**0**	**302**
Carrying amount 31/12	**278**	**163**	**6**	**3**	**450**

Accounting policies

Property, plant and equipment

Land and buildings as well as other plant, operating equipment, and tools and equipment are measured at cost less accumulated depreciation and write-down.

Cost includes the purchase price and costs directly attributable to the acquisition until the time when the asset is ready for use. Cost of a combined asset is disaggregated into separate components which are depreciated separately if the useful lives of the individual components differ.

Subsequent expenditure, for example in connection with the replacement of components of property, plant or equipment, is recognised in the carrying amount of the relevant asset when it is probable that the incurrence will result in future economic benefits for the group.
The replaced components cease to be recognised in the balance sheet and the carrying amount is transferred to the income statement. All other general repair and maintenance costs are recognised in the income statement when these are incurred.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives which are:

- Buildings 40 years
- Technical installations 20 years
- Plant, operating equipment, and tools and equipment 2-5 years

There are a few differences from the mentioned depreciation periods in which useful life is estimated as shorter. Leasehold improvements are depreciated over the lease term, however, maximum 5 years.

Land is not depreciated.

Contents

3 Invested capital

3.2 Property, plant and equipment – continued

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2021					
Cost 1/1	410	244	10	5	669
Additions during the year	0	17	0	123	140
Disposals during the year	-33	-42	0	-13	-88
Cost 31/12	**377**	**219**	**10**	**115**	**721**
Write-down and depreciation 1/1	194	228	5	0	427
Write-down and depreciation during the year	14	7	1	0	22
Write-down and depreciation of abandoned assets	-18	-42	0	0	-60
Write-down and depreciation 31/12	**190**	**193**	**6**	**0**	**389**
Carrying amount 31/12	**187**	**26**	**4**	**115**	**332**

Accounting policies – continued

The basis of depreciation is determined in consideration of the asset's residual value and reduced by any impairment. Residual value is determined at the time of acquisition and reassessed annually. If residual value exceeds the asset's carrying amount, depreciation will cease.

By changing the depreciation period or residual value, the effect of future depreciation is recognised as a change to accounting estimates.

Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is assessed annually to determine whether there is any indication of impairment.

When such an indication is present, the asset's recoverable amount is calculated, which is the highest of the asset's fair value less expected costs of disposal or value in use. Value in use is calculated as the present value of expected cash flow from the smallest cash-generating unit to which the asset belongs.

Impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. Impairment loss is recognised in the income statement.

Write-down on property, plant and equipment is reversed to the extent that changes have been made to the assumptions and estimates that led to the write-down.

Contents

3 Invested capital

3.3 Leases

Right-of-use assets

DKK million	Tenancy	Cars	IT equipment	Total
2022				
Cost 1/1	91	28	21	140
Additions during the year	11	13	3	27
Disposals during the year	-4	-7	0	-11
Cost 31/12	**98**	**34**	**24**	**156**
Write-down and depreciation 1/1	35	19	10	64
Write-down and depreciation during the year	14	8	5	27
Write-down and depreciation of abandoned assets	-4	-7	0	-11
Write-down and depreciation 31/12	**45**	**20**	**15**	**80**
Carrying amount 31/12	**53**	**14**	**9**	**76**

Accounting policies – continued

Right-of-use assets

Right-of-use assets are lease assets arising from a lease agreement. Lease assets are initially measured at cost consisting of the amount of the initial measurement of the lease liability with addition of lease payments made to the lessor at or before the commencement date less any lease incentives received. Three different types of leases have been identified:

- Tenancy
- Cars
- IT equipment

The lease assets are depreciated on a straight-line basis over the lease term. The carrying amount of the right-of-use asset can be adjusted due to modifications to the lease agreement or in special cases reassessment of the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture of a value below DKK 37,000.

Contents

3 Invested capital

3.3 Leases – continued

Right-of-use assets

DKK million	Tenancy	Cars	IT equipment	Total
2021				
Cost 1/1	64	28	21	113
Additions during the year	27	2	0	29
Disposals during the year	0	-2	0	-2
Cost 31/12	**91**	**28**	**21**	**140**
Write-down and depreciation 1/1	22	14	5	41
Write-down and depreciation during the year	13	7	5	25
Write-down and depreciation of abandoned assets	0	-2	0	-2
Write-down and depreciation 31/12	**35**	**19**	**10**	**64**
Carrying amount 31/12	**56**	**9**	**11**	**76**

Contents

3 Invested capital

3.3 Leases – continued

Short-term lease liabilities

DKK million	2022	2021
Maturity < 1 year	28	23
Short-term lease liabilities 31/12	**28**	**23**

Long-term lease liabilities

DKK million	2022	2021
Maturity > 1 year < 5 years, undiscounted	42	41
Maturity > 5 years, undiscounted	8	16
Long-term lease liabilities 31/12, undiscounted	50	57
Discounting on lease liabilities > 1 year < 5 years	-1	-1
Discounting on lease liabilities > 5 years	0	-1
Long-term lease liabilities 31/12	**49**	**55**

Amounts recognized in the Profit & Loss statement

DKK million	2022	2021
Depreciation of Right-of-use assets	26	25
Interest expense on lease liabilities	1	1
Expense relating to short-term leases	0	0
Expense relating to leases of low-value items	0	0
Expense relating to variable lease payments not included in the measurement of lease liabilities	1	1
Total	**28**	**27**
Cash outflows for leases		
Instalment on lease liabilities	-26	-25
Interest payments	-1	-1
Total cash outflows for leases	**-27**	**-26**

Accounting policies

Lease liabilities

Lease liabilities arise from a lease agreement. Lease liabilities are initially measured at the present value of the lease payments during the non-cancellable lease period with addition of periods covered by an option to extend the lease if exercise of the option is considered reasonably certain on inception of the lease.

At initial recognition, each contract is assessed individually to assess the likelihood of exercising a potential extension option in the contract. The option to extend the contract period will be included in measuring the lease liability if it is reasonably certain that Solar will exercise the option. When calculating the net present value, a discount rate corresponding to Solar's incremental borrowing rate has been used.

The lease liability will be remeasured when changes occur due to modifications to the contract (extension, termination etc.), indexation or in special cases reassessment of the lease term.

Contents

3 Invested capital

3.4 Investments measured at equity value and other non-current assets

DKK million	Equity investments	Investments in associates	Other investments	Other recievables	Total
2022					
Cost 1/1	2,624	16	59	19	2,718
Additions during the year	67	0	0	1	68
Transferred from Other receivables to other investments	0	0	5	-5	0
Disposals during the year	-100	0	-4	0	-4
Cost 31/12	**2,591**	**16**	**60**	**15**	**2,782**
Value adjustment 1/1	-1,253	-15	-23	-4	-1,295
Foreign currency translation adjustments	-50	0	0	0	-50
Dividends from subsidiaries	-6	0	0	0	-6
Profit from subsidiaries	418	-1	0	0	417
Fair value adjustment recognised under financial expenses	0	0	-16	-4	-20
Other adjustments	100	0	2	0	2
Value adjustment 31/12	**-791**	**-16**	**-37**	**-8**	**-952**
Carrying amount 31/12	**1,800**	**0**	**23**	**7**	**1,830**

Accounting policies

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the parent company's share of the post-acquisition profits or losses of the subsidiary in profit or loss statement, and the parent company's share of movements in other comprehensive income of the investee in other comprehensive income.

Dividends received or receivable from subsidiaries are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the parent company and its subsidiaries are eliminated to the extent of the parent company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the parent company.

The carrying amount of equity-accounted investments is tested for impairment.

Other investments are measured at fair value.

Contents

3 Invested capital

3.4 Investments measured at equity value and other non-current assets – continued

DKK million	Equity investments	Investments in associates	Other investments	Other recievables	Total
2021					
Cost 1/1	2,624	14	55	20	2,713
Additions during the year	0	2	3	7	12
Transferred from other recievables to other investments	0	0	1	-1	0
Disposals during the year	0	0	0	-7	-7
Cost 31/12	**2,624**	**16**	**59**	**19**	**2,718**
Value adjustment 1/1	-1,405	-14	-4	-2	-1,425
Foreign currency translation adjustments	14	0	0	0	14
Dividends from subsidiaries	-153	0	0	0	-153
Profit from subsidiaries	291	-1	0	0	290
Fair value adjustment recognised under financial expenses	0	0	-19	-4	-23
Other adjustments	0	0	0	2	2
Value adjustment 31/12	**-1,253**	**-15**	**-23**	**-4**	**-1,295**
Carrying amount 31/12	**1,371**	**1**	**36**	**15**	**1,423**

Contents

3 Invested capital

3.5 Inventories

DKK million	2022	2021
End products	**826**	**663**
Recognised write-down	8	0

The main reasons for the recognised write-downs is an increase in write-down articles.

Accounting policies

Inventories are measured at cost according to the FIFO method or at net realisable value, if this is lower.

Cost of inventories includes purchase price with addition of delivery costs.

The net realisable value of inventories is determined as selling price less costs incurred to make the sale and is determined in consideration of marketability, obsolescence and development of expected selling price.

Accounting estimates and assessments

Write-down of inventories

Write-down of inventories is made due to the obsolescence of products.

Management specifically assess inventories, including the products' turnover rate, current economic trends and product development when deciding whether the write-down is sufficient.

Contents

3 Invested capital

3.6 Trade receivables[1]

DKK million	2022	2021
Maturity statement, trade receivables		
Not due	520	418
Past due for 1-30 day(s)	36	20
Past due for 31-90 days	7	7
Past due for 91+ days	0	2
	563	447
Write-down	-8	-6
Total	**555**	**441**
Write-down based on:		
Age distribution	2	1
Individual assessment	6	5
Total	**8**	**6**
Write-down 1/1	6	7
Write-down for the year	5	3
Losses realised during the year	-2	-2
Reversed for the year	-1	-2
Write-down 31/12	**8**	**6**

1) A factoring arrangement on non-recourse conditions is established with a few major customers. As a result trade receivables is reduced with approx. DKK 97m (DKK 78m).

We refer to the consolidated accounts, note 3.6, trade receivables, for information on credit risk.

Accounting policies

Trade receivables are measured at fair value at acquisition and at amortised cost subsequently. Based on an individual assessment of the loss risk, including a statistical based model, write-down to amortised cost less expected credit losses is made, if this is lower.

Accounting estimates and assessments

Write-down for meeting of loss on doubtful trade receivables

The IFRS 9 simplified approach is applied to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the day past invoicing.

As the vast majority of our group companies generally takes out insurance to hedge against loss to the extent possible, the write-down based on age distribution amounts to less than 0.4% (0.2%) of gross trade receivables.

Individual assessment of write-down is performed by management specifically analysing trade receivables, including the customers' credit rating and current economic trends to ensure that write-down is sufficient. Write-down based on individual assessment amounts to 1.4% (1.1%) of gross trade receivables. As the total write-down on trade receivables amounts to 1% (1%) of gross trade receivables, no maturity statement of the write-down is included. However, the majority of the provision relates to receivables overdue by more than 31 days (31 days).

Contents

3 Invested capital

3.7 Other provisions

DKK million	2022	2021
Non-current		
Other provisions	0	1
Total 31/12	**0**	**1**
Specification, non-current		
1/1	1	1
Reversed during the year	-1	0
Provisions of the year	0	0
Total 31/12	**0**	**1**
Current		
Restructuring costs	2	0
Total 31/12	**2**	**0**
Specification, current		
1/1	0	1
Reversed during the year	0	-1
Provisions of the year	2	0
Total 31/12	**2**	**0**

Accounting policies

Provisions are measured in accordance with management's best estimate of the amount required to settle a liability.

Restructuring expenses are recognised as liabilities when a detailed official plan for the restructuring has been published to the parties affected by the plan on the balance sheet date at the latest.

Contents

3 Invested capital

3.8 Other payables

DKK million	2022	2021
Staff costs	139	130
Taxes and charges	52	101
Interest rate swaps	12	49
Other payables and amounts payable	40	36
Total	**243**	**316**

Accounting policies for derivative financial instruments are described in note 4.2 on interest-bearing liabilities and maturity statement.

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04

Section 4

Capital structure and financing costs

Contents

4 Capital structure and financing costs

4.1 Share capital

DKK million	2022	2021
Share capital 1/1	736	736
Change in share capital	0	0
Share capital 31/12	**736**	**736**
Share capital is fully paid in and divided into the following classes:		
A shares, 900,000 at DKK 100	90	90
B shares, 6,460,000 at DKK 100	646	646
Total	**736**	**736**

	Number of shares		Nominal value	
	2022	2021	2022	2021
A shares outstanding 31/12	**900,000**	**900,000**	**90**	**90**
B shares outstanding				
Outstanding 1/1	6,403,187	6,398,292	640	640
Divestment of treasury shares	0	4,895	0	0
B shares outstanding 31/12	**6,403,187**	**6,403,187**	**640**	**640**
Total shares outstanding 31/12	**7,303,187**	**7,303,187**	**730**	**730**

Treasury shares (B shares)	Number of shares		Nominal value (DKK million)		Cost (DKK million)		Percentage of share capital	
	2022	2021	2022	2021	2022	2021	2022	2021
Holding 1/1	56,813	61,708	6	6	22	24	0.7%	0.8%
Divestment	0	-4,895	0	0	0	-2	0.0%	-0.1%
Holding 31/12	**56,813**	**56,813**	**6**	**6**	**22**	**22**	**0.7%**	**0.7%**

All treasury shares are held by the parent company.

Accounting policies

Treasury shares

Acquisition and disposal sums related to treasury shares are recognised directly in transactions with the owners.

Contents

4 Capital structure and financing costs

4.2 Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2022	2021
Debt to mortgage credit institutions	Fixed[1]	204	129
Debt to credit institutions	Fixed[1]	100	0
Lease liabilities	Calculated	77	78
Bank loans and overdrafts	Floating	524	0
Interest-bearing liabilities		**905**	**207**
Trade payables[2]		756	944
Other payables		243	316
Financial liabilities		**1,904**	**1,467**
Cash at bank and in hand		110	408
Trade receivables		555	441
Other receivables		223	303
Financial assets		**888**	**1,152**
Total, financial balance sheet items, net		**1,016**	**315**

1) Interest swaps have been used to hedge floating-rate loans, converting these loans to fixed-rate loans.
2) Solar participates in supplier financing arrangement with a few suppliers. As a result trade payables are increased with approx. DKK 136m (DKK 239m).

Reconciliation of development in interest-bearing debt to financing activities in the cash flow statement:

DKK million	2022	2021
Interest-bearing liabilities 1/1	207	312
Repayment of non-current interest-bearing debt	-12	-79
Raising of non-current interest-bearing liabilities	185	0
Change in current interest-bearing debt	525	-32
Instalment on lease liabilities	-26	-25
Lease liability raised during the year, non-cash	27	30
Foreign currency translation adjustment	-1	1
Interest-bearing liabilities 31/12	**905**	**207**

Accounting policies

Financial liabilities

Debt to credit institutions is recognised initially at fair value that corresponds to the proceeds received net of transaction costs incurred.

In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method, meaning that the difference between the proceeds and the nominal value is recognised in the income statement under financials for the term of the loan. For information on lease liabilities, see note 3.3.

Contents

4 Capital structure and financing costs

4.2 Interest-bearing liabilities and maturity statement – continued

DKK million	2022	2021
Current interest-bearing liabilities		
Maturity < 1 year		
Debt to mortgage credit institutions	11	9
Lease liabilities	28	23
Bank loans and overdrafts	524	0
Current interest-bearing liabilities	**563**	**32**
Other financial liabilities	999	1,260
Financial liabilities	**1,562**	**1,292**
Current financial assets	**888**	**1,152**
Net current financial liabilities	**674**	**140**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	45	32
Debt to credit institutions	100	0
Lease liabilities	41	40
Total	**186**	**72**
Maturity > 5 years		
Debt to mortgage credit institutions	148	88
Lease liabilities	8	15
Total	**156**	**103**
Total non-current liabilities	**342**	**175**
Maturity, until year	**2042**	**2037**

The carrying amount of financial liabilities corresponds to fair value.

Contents

4 Capital structure and financing costs

4.2 Interest-bearing liabilities and maturity statement – continued

DKK million	2022	2021
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	16	8
1-5 year(s)	41	26
> 5 years	47	29
Total	**104**	**63**
Effect of a 1% interest rate increase at the end of the year		
Effect on equity	**10**	**10**
Of this, earnings impact is	**-4**	**0**
Undrawn credit facilities 31/12	**638**	**412**

Accounting policies

Derivatives

Derivatives are only used to hedge financial risks in the form of interest rate and currency risks.

Derivatives are recognised at fair value. Both realised and unrealised gains and losses are recognised in the income statement unless the derivatives are part of hedging of future transactions. Value adjustments of derivatives for hedging of future transactions are recognised directly in other comprehensive income. Any non-effective part of the financial instrument in question is recognised in the income statement. Derivatives are recognised under other receivables or other payables.

Fair value measurement

The group uses the fair value concept for recognition of certain financial instruments and in connection with some disclosure requirements. Fair value is defined as the price that can be secured when selling an asset or that must be paid to transfer a liability in a standard transaction between market participants (exit price).

Fair value is a market-based and not enterprise-specific valuation. The enterprise uses the assumptions that market participants would use when pricing an asset or liability based on existing market conditions, including assumptions relating to risks.

As far as possible, fair value measurement is based on market value in active markets (level 1) or alternatively on values derived from observable market information (level 2).

If such observable information is not available or cannot be used without significant modifications, recognised valuation methods and fair estimates are used as the basis of fair values (level 3).

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4 Capital structure and financing costs

4.2 Interest-bearing liabilities and maturity statement – continued

Distribution on currencies

	Current liabilities		Non-current liabilities	
DKK million	2022	2021	2022	2021
EUR	127	8	111	120
DKK	408	1	182	0
SEK	0	0	0	0
Total	**535**	**9**	**293**	**120**
Interest rate in %	**3.0-5.5**	**1.1-5.4**	**4.3-5.5**	**5.4**

DKK million	2022	2021
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	122	127
Interest rate in % for outstanding swaps	5.5	5.4
Fair value	-12	-49
Maturity for interest swaps follows the maturity for debt to mortgage credit institutions as stated on previous page.		
Amounts recognised in other comprehensive income		
Adjustment to fair value for the year	30	9
Realised during the year, recognised as financial income/expenses	6	20
Total	**36**	**29**

Fair value of Solar's respective interest-bearing liabilities is seen as fair value measurement at level 2. Mortgage loans are valued based on underlying securities, while bank debt is calculated based on models for discounting to net present value. Non-observable market data is primarily made up of credit risks, which are seen as insignificant in Solar's case.

The fair value of Solar's interest rate instrument is measured as fair value measurement at level 2, since fair value can be determined directly based on the actual forward rates and instalments on the balance sheet date. Outstanding interest rate swaps for hedging of floating-rate loans expire over the period until 2042 (2037).

The parent company has raised loans in Danish kroner and euro. We refer to the consolidated accounts, note 4.3, interest-bearing liabilities and maturity statement, for more information on liquidity risk, interest rate and currency risk management.

Contents

4 Capital structure and financing costs

4.3 Financial income

DKK million	2022	2021
Interest income	9	23
Foreign exchange gains	8	4
Fair value adjustments on investments	0	0
Other financial income	8	2
Total	**25**	**29**
Financial income, received	**17**	**25**

4.4 Financial expenses

DKK million	2022	2021
Interest expenses	28	16
Foreign exchange losses	8	3
Interest on lease liabilities	1	1
Fair value adjustments, other financial investments	20	23
Other financial expenses	3	22
Total	**60**	**65**
Financial expenses, settled	**32**	**39**

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Section 5
Other notes

Contents

5 Other notes

5.1 Contingent liabilities and other financial liabilities

DKK million	2022	2021
Collateral		
Assets have been pledged as collateral for bank arrangements at a carrying amount of:		
Land and buildings	274	190
Current assets	0	0
Total	**274**	**190**
Mortgaging and guarantees		
As security of subsidiaries' bank arrangements, guarantees have been issued for:		
Total	**93**	**96**
As security of subsidiaries' liabilites, guarantees have been issued for:		
Total	**654**	**493**

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5 Other notes

5.2 Related parties

Group and parent Solar A/S are subject to control by the Fund of 20th December (registered as a commercial foundation in Denmark), which owns 17.0% of the shares and holds 60.5% of the voting rights. The remaining shares are owned by a widely combined group of shareholders.

Other related parties include the company's Board of Directors and Executive Board. There have been no transactions in the financial year with members of the Board of Directors and Executive Board other than those which appear from note 2.1.

The parent company has had the following significant transactions with related parties:

DKK million	2022	2021
Sale of services to subsidiaries	**162**	**150**
Sale of goods to subsidiaries	**165**	**138**
Interst incomde from subsidiaries	**7**	**4**
Interst expense from subsidiaries	**2**	**1**

On the balance sheet date, the usual product balances derived from these transactions exist. These appear from the parent company's balance sheet.

Solar also invoices the Fund of 20th December for the performance of administrative services at DKK 20,000. Balances with the Fund of 20th December total 0 on balance sheet date.

5.3 Auditors' fees

DKK million	2022	2021
Deloitte		
Statutory audit	1	1
Other assurance engagements[1]	1	0
Other services[2]	1	1
Total	**3**	**2**
Other auditors		
Other services	0	0
Total	**0**	**0**

1) Other assurance engagements mainly consists of IT Cyber resilience and ESG assurance.

2) Other services mainly consists of Board effectiveness review and ESG readiness review (2021: IT-related services and services related to business combinations).

Group companies overview

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Group companies overview

Companies fully owned by Solar A/S

Name	Reg. no.	Currency	Share capital	Country
Solar A/S	**15908416**	**DKK**	**736,000,000**	**DK**
Solar Sverige AB	**5562410406**	**SEK**	**100,000,000**	**SE**
Solar Norge AS	**980672891**	**NOK**	**70,000,000**	**NO**
Solar Nederland B.V.	**09013687**	**€**	**67,000,500**	**NL**
Eltechna B.V.	KvK 23066336	€	18,151	NL
MAG45 Holding B.V.	**17213145**	**€**	**28,544**	**NL**
MAG45 B.V.	17168649	€	18,000	NL
MAG45 Sp.z.oo	277409	PLN	50,000	PL
MAG45 GmbH	18354	€	25,000	DE
MAG45 Ltd	311859	€	152	IE
MAG45 (UK) Ltd	4092664	£	301	UK
MAG45 S.a.r.l.	CHF	CHF	20,000	CH
MAG45 INC	123858292	$	1,500	USA
MAG45 S.R.O	27697690	CZK	200,000	CZ
MAG45 Iss Co. Ltd	91320594693364287L	$	80,000	CN
MAG45 Ltd	39740334	$	1	HK
MAG45 Pte Ltd.	201709959H	SG$	100,000	SG
MAG45 Kft	01-09-300892	HUF	3,000,000	HU
MAG45 Srl	10053890967	€	20,000	IT
MAG45 Sarl	919450692	€	100,000	FR
Solar Polska Sp.z.oo	**0000003924**	**PLN**	**65,050,000**	**PL**

Companies fully owned by Solar A/S – continued

Name	Reg. no.	Currency	Share capital	Country
P/F Solar Føroyar	**P/F 104**	**DKK**	**12,000,000**	**FO**
SD of 16 March GmbH	**HRB 516 NM**	**€**	**51,400,000**	**DE**
SD of 17 March Gesellschaft für Vermögensverwaltung mbH	HRB 16642 KI	€	25,000	DE
SD of 16 March Gesellschaft für Vermögensverwaltung mbH	HRB 16638 KI	€	2,556,500	DE
SD of 16 March Immobilienverwaltung GmbH	HRB 16616 KI	€	25,000	DE
Solar Invest A/S	**73316111**	**DKK**	**500,000**	**DK**
Solar Polaris A/S	**38378171**	**DKK**	**5,000,000**	**DK**
Letskog SIA	**40203326011**	**EUR**	**2,800**	**LV**

Companies, where Solar's equity interest is less than 50%

Name	Reg. no.	Currency	Share capital	Country
Associates				
Monterra AB, 30.00%	**559103-4847**	**SEK**	**50,000**	**SE**
HomeBob A/S, 44.91%	**38832840**	**DKK**	**5,511,195**	**DK**
Zolw AS, 35.00%	**925 003 328**	**NOK**	**48,000**	**NO**
Edison Data AS, 20.00%	**928 651 150**	**NOK**	**1.800.000**	**NO**
Other financial investments				
LetsBuild Holding SA, 8.09%	**0656.613.388**	**EUR**	**30,457,207**	**BE**
Minuba ApS, 19.98%	**33259336**	**DKK**	**100,542**	**DK**
SiteHub ApS, 20.00%	**41823194**	**DKK**	**50,000**	**DK**

Statements and reports

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Statement by the Executive Board and the Board of Directors

The group's Board of Directors and Executive Board have today discussed and approved Annual Report for the financial year 1 January – 31 December 2022.

The consolidated financial statements and the separate financial statements have been presented in accordance with International Financial Reporting Standards as approved by the EU. Moreover, the consolidated financial statements and the separate financial statements have been prepared in accordance with additional Danish disclosure requirements of listed companies. Management's review was also prepared in accordance with Danish disclosure requirements of listed companies.

In our opinion, the consolidated financial statements and the separate financial statements give a fair presentation of the group and parent company's assets, liabilities and equity, and financial position as at 31 December 2022 as well as the results of the group and parent company's activities and cash flow for the financial year 1 January – 31 December 2022.

Further, in our opinion, Management review gives a true and fair statement of the development of the group and parent company's activities and financial situation, net profit for the year and of the group and parent company's financial positions and describes the most significant risks and uncertainties pertaining to the group and parent company.

In our opinion, the annual report of Solar A/S for the financial year 1 January to 31 December 2022 with the file name SOLA-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

The annual report is recommended for approval by the annual general meeting.

Vejen, 9 February 2023

EXECUTIVE BOARD

Jens E. Andersen CEO	**Hugo Dorph** CCO	**Michael H. Jeppesen** CFO

BOARD OF DIRECTORS

Michael Troensegaard Andersen Chair	**Jesper Dalsgaard** Vice-chair	**Peter Bang**
Katrine Borum	**Morten Chrone**	**Denise Goldby**
Louise Knauer	**Rune Jesper Nielsen**	**Michael Kærgaard Ravn**

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Independent auditors' report

To the shareholders of Solar A/S

Report on the consolidated financial statements and the parent financial statements

Opinion

We have audited the consolidated financial statements and the parent financial statements of Solar A/S for the financial year 01.01.2022 – 31.12.2022, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022, and of the results of their operations and cash flows for the financial year 01.01.2022 – 31.12.2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to inArticle 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Solar A/S for the first time on 19.03.2021 for the financial year 2021. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 2 years up to and including the financial year 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 01.01.2022 – 31.12.2022. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue

Recognition of revenue is complex due to the volume of transactions and the variety of revenue streams within the different segments. We focused on this area due to the high number of transactions involved and because recognition of revenue involves accounting policy decisions and judgements made by Management, originating from different customer behavior, market conditions and customer agreements and supplier agreements on projects. Further, the number of transactions and extent of revenue streams require various IT setups to ensure correct revenue recognition, which are complex and involve an inherent risk to the revenue recognition process. Reference is made to note 2.1 in the consolidated financial statements.

How the identified key audit matter was addressed in our audit

We assessed and tested the design, implementation and operating effectiveness of relevant internal controls, including test of relevant IT controls performed by our IT specialists, for the different revenue streams primarily relating to 3-way-match of revenue and authorization for manual revenue journals.

In addition, we sample tested revenue transactions and customer bonuses throughout 2022 to underlying documentation. We have focused our sample selection on transactions which were considered unusual by nature or were

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generated outside the normal billing and revenue recognition process.

We also tested cut-off on revenue recognized around the balance sheet date and performed retrospective reviews of returned goods and sample test on credit notes to test the accuracy and completeness of revenue recognition for the year.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed; we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the consolidated financial statements and the parent financial statements of Solar A/S we performed procedures to express an opinion on whether the annual report for the financial year 01.01.2022 – 31.12.2022, with the file name Sola-2022-12-31-en.zip, is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL

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tagging of the consolidated financial statements including notes;

- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Solar A/S for the financial year 2022, with the file name Sola-2022-12-31-en.zip, is prepared, in all material respects, in compliance with the ESEF Regulation.

Aarhus, 9 February 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33963556

Henrik Vedel
State Authorised Public Accountant
Identification No (MNE) mne10052

Lars Siggaard Hansen
State Authorised Public Accountant
Identification No (MNE) mne32208

Q4 2022

Quarterly information

The quarterly information has neither been audited nor reviewed

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Quarterly figures

Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2022	2021	2022	2021	2022	2021	2022	2021
Revenue	3,462	3,004	3,451	3,098	3,266	2,872	3,684	3,380
Earnings before interest, tax, depreciation and amortisation (EBITDA)	281	204	267	211	301	237	326	259
Earnings before interest, tax and amortisation (EBITA)	236	157	218	166	250	192	274	212
Earnings before interest and tax (EBIT)	222	143	202	153	231	179	254	197
Financials, net	-5	-20	-8	3	-6	-20	-31	-11
Earnings before tax (EBT)	217	123	193	156	225	159	223	184
Net profit or loss for the quarter	168	100	147	148	176	124	169	159

	Q1		Q2		Q3		Q4	
Balance sheet (DKK million)	2022	2021	2022	2021	2022	2021	2022	2021
Non-current assets	1,487	1,342	1,557	1,385	1,545	1,393	1,564	1,415
Current assets	4,088	3,500	4,122	3,569	4,392	3,724	4,337	3,890
Balance sheet total	5,575	4,842	5,679	4,954	5,937	5,117	5,901	5,305
Equity	1,808	1,619	1,600	1,661	1,764	1,784	1,931	1,952
Non-current liabilities	453	498	506	457	491	446	709	435
Current liabilities	3,314	2,725	3,573	2,836	3,682	2,887	3,261	2,918
Interest-bearing liabilities, net	617	461	1,122	329	1,205	450	1,074	-37
Invested capital	2,377	2,011	2,675	1,921	2,923	2,185	2,978	1,866
Net working capital, end of period	1,791	1,344	1,856	1,280	2,186	1,568	2,205	1,259
Net working capital, average	1,475	1,300	1,619	1,274	1,773	1,325	2,010	1,363

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Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	2022	2021	2022	2021	2022	2021	2022	2021
Cash flow from operating activities	-202	-88	-10	351	-14	-38	242	558
Cash flow from investing activities	-109	-10	-75	-63	-37	-65	-38	-53
Cash flow from financing activities	-37	-71	41	-271	66	77	-152	-250
Net investments in intangible assets	-16	-13	-14	-15	-12	-14	-17	-16
Net investments in property, plant and equipment	-59	8	-61	-47	-25	-51	-22	-35
Acquisition and disposal of subsidiaries, net	-34	0	0	0	0	0	0	0

	Q1		Q2		Q3		Q4	
Financial ratios (% unless otherwise stated)	2022	2021	2022	2021	2022	2021	2022	2021
Revenue growth	15.2	-1.3	11.4	12.9	13.7	9.7	9.0	10.6
Organic growth	15.4	-2.2	11.7	10.6	14.0	8.8	10.9	9.1
Organic growth adjusted for number of working days	13.6	-0.6	12.4	8.6	14.0	8.8	12.0	7.1
Gross profit margin	23.1	21.9	22.9	22.0	24.1	23.0	23.6	22.9
EBITDA margin	8.1	6.8	7.7	6.8	9.2	8.3	8.8	7.7
EBITA margin	6.8	5.2	6.3	5.4	7.7	6.7	7.4	6.3
EBIT margin	6.4	4.8	5,9	4,9	7,1	6.2	6.9	5.8
Net working capital (NWC end of period)/revenue (LTM)	14.0	11.8	14.1	10.9	16.1	13.0	15.9	10.2
Net working capital (NWC average)/revenue (LTM)	11.5	11.4	12.3	10.8	13.1	11.0	14.5	11.0
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	0.6	0.7	1.1	0.4	1.1	0.5	0.9	0.0
Return on equity (ROE)	31.9	17.6	35.1	18.2	38.6	19.7	35.7	28.4
Return on invested capital (ROIC)	26.5	16.6	25.5	21.0	25.3	23.6	25.5	24.6
Enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	7.5	7.6	6.3	7.0	5,2	7.6	5.7	7.8
Equity ratio	32.4	33.4	28.2	33,5	29,7	34,9	32.7	36.8

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Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK unless otherwise stated)	2022	2021	2022	2021	2022	2021	2022	2021
Earnings per share outstanding (EPS)	23.00	13.70	20.13	20.27	24.10	16.98	23.14	21.77
Intrinsic value per share outstanding	247.56	221.68	219.08	227.43	241.54	244.28	264.41	267.28
Share price	749.19	480.82	597.09	541.47	492.34	632.86	622.62	795.05
Share price/intrinsic value	3.03	2.17	2.73	2.38	2.04	2.59	2.35	2.97

	Q1		Q2		Q3		Q4	
Employees	2022	2021	2022	2021	2022	2021	2022	2021
Average number of employees (FTE's) continuing operations	2,932	2,897	2,956	2,889	2,992	2,890	3,019	2,908

Definitions	
Organic growth	Revenue growth adjusted for enterprises acquired and sold off and any exchange rate changes. No adjustments have been made for number of working days.
Net working capital	Inventories and trade receivables less trade payables.
ROIC	Return on invested capital calculated on the basis of operating profit or loss less tax calculated using the effective tax rate.

In all material aspects financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios".

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Financial review

Q4 EBITDA increased by more than 25% to DKK 326m

(Data shown in brackets relate to the corresponding period in 2021)

Q4 adjusted organic growth increased to 12.0% (7.1%) while gross profit margin rose to 23.6% (22.9%). Q4 EBITDA of DKK 326m (DKK 259m) was supported by positive developments in all markets.

Revenue

Revenue increased to DKK 3.7bn (DKK 3.4bn). Adjusted organic growth level rose to 12.0% (7.1%) with one of our strategic focus areas, Climate & Energy, delivering adjusted organic growth of 116%, which corresponds to total revenue of approx. DKK 438m.

Although growth was supported by price increases, we continued to see growth in volume. The Installation segment posted 6% in adjusted organic growth while the Industry and Trade segments posted double-digit adjusted organic growth.

Gross profit

Gross profit margin increased to 23.6% (22.9%), which combined with revenue growth, resulted in a gross profit increase of DKK 95m. One-off price effects resulted in a positive impact of approx. DKK 70m (DKK 35m) on gross profit. Adjusted for price effects, the gross profit margin decreased by 0.2 percentage points as revenue mix changed towards the trade segment.

External operating costs and staff costs

In total, external operating costs and staff costs amounted to 14.5% (15.1%) of revenue. Rising prices, including energy prices, had a negative effect on cost development. Increased costs were also driven by strong performance.

EBITDA

We succeeded in increasing EBITDA by DKK 67m. This was driven by our four strategic focus areas, Concepts, Industry, Climate & Energy and Trade, positive one-offs and a strong growth level.

The EBITDA margin rose to 8.8% (7.7%) as EBITDA increased to DKK 326m (DKK 259m), which slightly exceeded our expectations.

The results of the individual segments and markets are given on pages 145-146.

Amortisation and impairment

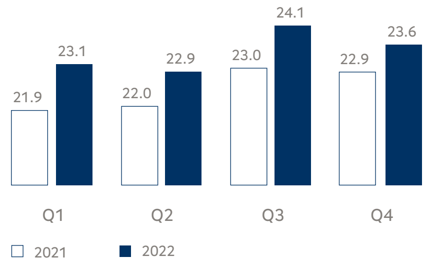
Depreciation and write-down on property, plant and equipment increased to DKK 52m (DKK 47m) as we began to see the effect from the investment in expansion and upgrade of Warehouse Vejen.

Financials

Net financials amounted to DKK -31m (DKK -11m) as a negative fair value adjustment of DKK 17m related to an investment was applied in Q4 2022.

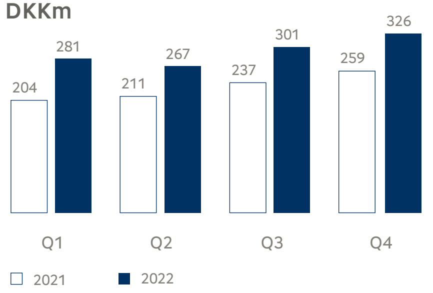
Gross profit margin

%



EBITDA

DKKm



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Financial review - continued

Earnings before tax

Earnings before tax amounted to DKK 223m (DKK 184m).

Income tax

Income tax amounted to DKK 54m (DKK 25m). In Q4 2021, tax loss carried forward amounting to DKK 32m was capitalised due to the improved performance of both MAG45 and Solar Nederland.

Net profit

Net profit increased to DKK 169m (DKK 159m).

Cash flows

Net working capital calculated as an average of the previous four quarters amounted to 14.5% (11.0%) of revenue. Net working capital at the end of 2022 amounted to 15.9% (10.2%).

Cash flow from operating activities totalled DKK 242m (DKK 558m).

Changes in receivables had an impact of DKK 177m (DKK 221m) on cash flow mainly due to a higher growth level in December 2022 compared to December 2021.

Changes in non-interest-bearing liabilities and changes in inventories had a cash flow impact of DKK -84m (DKK 286m) and DKK -67m (DKK -145m) respectively.

The availability of stock materials improved in the latter part of 2022. However, the availability of certain products, especially relating to the Industry segment, remains challenged. In Q4 2022, our inventory level was affected by the decision to safeguard delivery performance during a period of potential goods' shortage but also by price increases. We expect the inventory level to start normalising during 2023.

Cash flow from receivables was affected by the increased growth level in Q4 2022.

Total cash flow from investing activities amounted to DKK -38m (DKK -53m).

Cash flow from financing activities amounted to DKK -152m (DKK -250m), mainly due to a change in current interest-bearing liabilities.

Consequently, total cash flow amounted to DKK 52m (DKK 255m).

Net interest-bearing liabilities were up at DKK 1,074m (DKK -37m).

At the end of 2022, gearing was 0.9 (0.0) times EBITDA. When adjusted for one-off impact, gearing amounted to 1.1 times EBITDA. Our gearing target is between 1.5-3.0 times EBITDA. The Board of Directors continually assesses the capital structure in relation to our target and the need for capital.

At the end of 2022, Solar had undrawn credit facilities of DKK 710m.

Invested capital

Invested capital for the Solar Group totalled DKK 2,978m (DKK 1,866m). ROIC amounted to 25.5% (24.6%). Activities with a Solar equity interest of less than 50% are not included in the ROIC calculation. Invested capital only includes operating assets and liabilities.

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Financial review - continued

All segments delivered strong growth in Q4

Installation

Our Installation segment covers the installation of electrical, heating and plumbing products.

In Q4, Installation revenue increased to DKK 2,067m (DKK 2,023m) which corresponds to overall adjusted organic growth of around 6% (3%) related primarily to the electrical business. All main markets saw growth in the segment, with Solar Norge making a significant contribution.

Segment profit increased to DKK 270m (DKK 245m) which corresponds to a segment profit margin of 13.1% (12.1%) positively affected by an increased gross profit margin.

Industry

This segment covers the industry, offshore and marine industries as well as utilities and infrastructure. Industry also includes MAG45.
In Q4, Industry revenue increased to DKK 1,166m (DKK 1,063m). This corresponds to overall adjusted organic growth of around 13% (10%) related primarily to Marine & Offshore, OEM and MRO although Utility also saw solid growth. Solar Sverige, Solar Norge and MAG45 posted growth above 15%.

Segment profit increased to DKK 220m (DKK 184m). This corresponds to a segment profit margin of 18.9% (17.3%).

Trade

Our Trade segment covers special sales and other small areas. It also includes Solar Polaris.

In Q4, revenue from Trade amounted to DKK 451m (DKK 294m) which corresponds to overall adjusted organic growth of around 50% (27%).

Segment profit amounted to DKK 58m (DKK 48m) which corresponds to a segment profit margin of 12.9% (16.3%). This was negatively affected by a decline in gross profit margin.

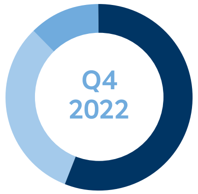
Segment profit includes any items that are directly attributable to the individual segment and any items that can be reliably allocated to the individual segment.

Segment profit does not include non-allocated costs of DKK 222m (DKK 218m) in Q4, which cover income and costs related to joint group functions and to costs which cannot be reliably allocated to the individual segment.

Detailed segment information is given on page 145.

Segment revenue

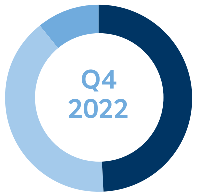
DKKm



- Installation 2,067
- Industry 1,166
- Trade 451

Segment profit

DKKm



- Installation 270
- Industry 220
- Trade 58

	Revenue		Segment profit		Segment margin %	
DKK million	2022	2021	2022	2021	2022	2021
Installation	2,067	2,023	270	245	13.1	12.1
Industry	1,166	1,063	220	184	18.9	17.3
Trade	451	294	58	48	12.9	16.3
Solar Group	**3,684**	**3,380**	**548**	**477**	**14.9**	**14.1**

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Statement of comprehensive income

Income statement

	Q4	
DKK million	2022	2021
Revenue	3,684	3,380
Cost of sales	-2,815	-2,606
Gross profit	**869**	**774**
Other operating income and costs	-1	0
External operating costs	-110	-85
Staff costs	-426	-425
Loss on trade receivables	-6	-5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**326**	**259**
Depreciation and write-down on property, plant and equipment	-52	-47
Earnings before interest, tax and amortisation (EBITA)	**274**	**212**
Amortisation and impairment of intangible assets	-20	-15
Earnings before interest and tax (EBIT)	**254**	**197**
Share of net profit from associates	0	-2
Financial income	16	9
Financial expenses	-47	-20
Earnings before tax (EBT)	**223**	**184**
Income tax	-54	-25
Net profit for the period	**169**	**159**
Earnings in DKK per share outstanding (EPS)	23.14	21.77
Diluted earnings in DKK per share outstanding (EPS-D)	23.07	21.71

Other comprehensive income

	Q4	
DKK million	2022	2021
Net profit for the period	**169**	**159**
Items that can be reclassified for the income statement		
Foreign currency translation adjustment of foreign subsidiaries	-3	6
Fair value adjustment of hedging instruments before tax	1	3
Other income and costs recognised after tax	**-2**	**9**
Total comprehensive income for the period	**167**	**168**

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Balance sheet

Consolidated

DKK million	31.12 2022	2021
Assets		
Intangible assets	173	159
Property, plant and equipment	963	885
Right-of-use assets	383	300
Deferred tax assets	9	13
Investments in associates	4	5
Other non-current assets	32	53
Non-current assets	**1,564**	**1,415**
Inventories	2,248	1,855
Trade receivables	1,859	1,502
Income tax receivable	13	0
Other receivables	9	6
Prepayments	42	46
Cash at bank and in hand	166	481
Current assets	**4,337**	**3,890**
Total assets	**5,901**	**5,305**

DKK million	31.12 2022	2021
Equity and liabilities		
Share capital	736	736
Reserves	-181	-158
Retained earnings	1,047	1,045
Proposed dividend for the financial year	329	329
Equity	**1,931**	**1,952**
Interest-bearing liabilities	293	120
Lease liabilities	274	203
Provision for deferred tax	133	101
Other provisions	9	11
Non-current liabilities	**709**	**435**
Interest-bearing liabilities	556	19
Lease liabilities	117	102
Trade payables	1,902	2,098
Income tax payable	63	33
Other payables	604	644
Prepayments	2	1
Other provisions	17	21
Current liabilities	**3,261**	**2,918**
Liabilities	**3,970**	**3,353**
Total equity and liabilities	**5,901**	**5,305**

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Cash flow statement

Consolidated

DKK million	Q4 2022	Q4 2021
Net profit for the period from continuing operations	**169**	**159**
Depreciation, write-down and amortisation	72	62
Changes to provisions and other adjustments	0	9
Share of net profit from associates	0	2
Financials, net	31	11
Income tax	54	25
Financial income, received	6	4
Financial expenses, settled	-20	-9
Income tax, settled	-96	-67
Cash flow before working capital changes	**216**	**196**
Working capital changes		
Inventory changes	-67	-145
Receivables changes	177	221
Non-interest-bearing liabilities changes	-84	286
Cash flow from operating activities	**242**	**558**
Investing activities		
Purchase of intangible assets	-17	-16
Purchase of property, plant and equipment	-22	-35
Aquisition of associates	0	-2
Other financial investments	1	0
Cash flow from investing activities	**-38**	**-53**

DKK million	Q4 2022	Q4 2021
Financing activities		
Repayment of non-current, interest-bearing debt	-6	-2
Raising of non-current interest-bearing liabilities	185	0
Change in current interest-bearing debt	-301	-219
Instalment on lease liabilities	-30	-29
Cash flow from financing activities	**-152**	**-250**
Total cash flow	**52**	**255**
Cash at bank and in hand at the beginning of period	114	226
Cash at bank and in hand at the end of period	**166**	**481**
Cash at bank and in hand at the end of period		
Cash at bank and in hand	166	481
Cash at bank and in hand at the end of period	**166**	**481**

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Segment information

Solar's business segments are Installation, Industry and Trade and are based on the customers' affiliation with the segments. Installation covers installation of electrical, and heating and plumbing products, while Industry covers industry, offshore and marine, and utility and infrastructure.Trade covers other small areas. The three main segments have been identified without aggregation of operating segments.

Segment income and costs include any items that are directly attributable to the individual segment and any items that can be reliably allocated to the individual segment. Non-allocated costs refer to income and costs related to joint group functions. Assets and liabilities are not included in segment reporting.

Income statement (DKK million)	Installation	Industry	Trade	Total
Q4 2022				
Revenue	2,067	1,166	451	3,684
Cost of sales	-1,599	-852	-364	-2,815
Gross profit	**468**	**314**	**87**	**869**
Direct costs	-69	-35	-10	-114
Earnings before indirect costs	**399**	**279**	**77**	**755**
Indirect costs	-129	-59	-19	-207
Segment profit	**270**	**220**	**58**	**548**
Non-allocated costs				-222
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**326**
Depreciation and amortisation				-72
Earnings before interst and tax (EBIT)				**254**
Financials, net including share of net profit from associates and impairment on associates				-31
Earnings before tax (EBT)				**223**

Income statement (DKK million)	Installation	Industry	Trade	Total
Q4 2021				
Revenue	2,023	1,063	294	3,380
Cost of sales	-1,597	-787	-222	-2,606
Gross profit	**426**	**276**	**72**	**774**
Direct costs	-59	-36	-10	-105
Earnings before indirect costs	**367**	**240**	**62**	**669**
Indirect costs	-122	-56	-14	-192
Segment profit	**245**	**184**	**48**	**477**
Non-allocated costs				-218
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**259**
Depreciation and amortisation				-62
Earnings before interst and tax (EBIT)				**197**
Financials, net including share of net profit from associates and impairment on associates				-13
Earnings before tax (EBT)				**184**

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Segment information

– continued

Geographical information

Solar A/S primarily operates on the Danish, Swedish, Norwegian and Dutch markets. In the below table, Other markets covers the remaining markets, which can be seen in the companies overview available on page 128.

The below allocation has been made based on the products' place of sale.

			Q4		
DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
2022					
Denmark	1,137	7.1	116	10.2	2,503
Sweden	726	4.1	59	8.1	192
Norway	625	23.4	58	9.3	220
The Netherlands	922	18.4	70	7.6	333
Poland	115	-13.9	4	3.5	36
Several markets (MAG45)	211	21.9	14	6.6	50
Other markets	53	88.9	5	9.4	30
Eliminations	-105	-	0	-	-1,800
Solar Group	**3,684**	**12.0**	**326**	**8.8**	**1,564**

			Q4		
DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
2021					
Denmark	1,063	8.0	105	9.9	1,988
Sweden	747	6.6	50	6.7	200
Norway	528	0.2	43	8.1	177
The Netherlands	804	3.6	43	5.3	335
Poland	133	51.1	5	3.8	27
Several markets (MAG45)	178	19.1	9	5.1	56
Other markets	19	3.6	4	21.1	4
Eliminations	-92	-	0	-	-1,372
Solar Group	**3,380**	**7.1**	**259**	**7.7**	**1,415**

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