

Announcement no. 8 2020

6 May 2020

Quarterly Report Q1 2020

Revenue was on par with our expectations, while a strong focus on improved profitability resulted in an EBITA above our expectations. Like other companies, Solar is affected by the challenges caused by the COVID-19 pandemic. However, Solar has an agile business model and is fundamentally a digital business, which means that we are well positioned for the next normal.

CEO Jens Andersen says:

"We are pleased to see that EBITA from core business was up by more than 20% in Q1 and thereby exceeded our expectations. Like other companies, Solar is affected by the challenges caused by the COVID-19 pandemic, and we experienced a limited effect in April with a decline in group revenue resulting in a negative organic growth of -1.6%.

Solar has an agile business model with strong supplier partnerships, a high and ever-increasing share of e-business and an enhanced group mindset, which will enable us to manage the challenges brought about by COVID-19. We have taken the necessary precautions and introduced a number of initiatives to limit the risk of infection.

Being a digital company with strong logistics, Solar is well positioned for the digital transformation of our industry. In these times of COVID-19 and social distancing, it has become even clearer how digital solutions can support a healthy business environment. We are currently seeing the rapid adoption of digital tools to communicate, coordinate, and order materials."

Financial highlights (DKK million)*	Q1 2020	Q1 2019	2019
Revenue	3,045	2,957	11,679
EBITA	97	80	360
Cash flow from operating activities	-43	-132	300
Financial ratios (%)			
Organic growth adj. for number of working days	1.4	5.8	4.9
EBITA margin	3.2	2.7	3.1
Net working capital, period-end/revenue (LTM)	12.2	11.8	11.0
Gearing (NIBD/EBITDA), no. of times	1.9	2.5	1.7
* Due to the divestment of our Norwegian training business, STI, in Q1 2019, 2019 and 2020 figures in this announcement relate to our continuing operations.			

Q1 2020 Revenue

- Group revenue was on par with expectations.
- Adjusted organic growth amounted to 1.4% (5.8%).

Q1 2020 EBITA

- Group EBITA was above expectations.
- EBITA from core business was up by more than 20% at DKK 97m (DKK 81m) corresponding to an EBITA margin of 3.3% (2.9%). This was driven by improvements in Solar Danmark, Solar Sverige and Solar Norge.
- As expected, Solar Danmark's and Solar Norge's respective performance included a negative effect from the roll-out costs for SAP eWM of approx. DKK 7m and approx. DKK 2m. Overall, we continue to expect one-off costs of DKK 30m relating to SAP eWM implementations in 2020.

BIMobject valuation

- Based on the share price on 31 March 2020, the value of BIMobject amounted to DKK 110m. Solar thus identified a need for a write-down of DKK 24m (DKK 57m).

2020 outlook

- Solar's Q1 results were above expectations. However, due to COVID-19, we began to see a slight decline in revenue in some markets in the last week of March. Based on this development, Solar withdrew our previously announced outlook for 2020 cf. announcement no. 6 2020 dated 27 March.
- April revenue showed a negative adjusted organic growth of -1.6%. Core business ended with a negative organic growth of -2.5% while related business saw positive organic growth of 14.1%.

- As soon as a more stable external environment has been established and we have a clear overview of the effects of COVID-19 on Solar, we will issue a new guidance for 2020.

Audio webcast and teleconference today

The presentation of Quarterly Report Q1 2020 will be made in English on 6 May 2020 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu. Participation will be possible via a teleconference.

Teleconference call-in numbers:

DK: tel. +45 781 501 10

UK: tel. +44 333 300 9265

US: tel. +1 646 722 4903

Yours faithfully,
Solar A/S

Jens Andersen

Contacts

CEO Jens Andersen - tel. +45 79 30 02 01

CFO Michael H. Jeppesen - tel. +45 79 30 02 62

Director, Stakeholder Relations Charlotte Risskov Kræfting -
tel. +45 40 34 29 08

Enclosure: Quarterly Report Q1 2019, pages 1-27.

Solar A/S

LEI: 21380031XTLI9X5MTY92

Industrivej Vest 43 ■ DK-6600 Vejen ■ Denmark

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

Facts about Solar

Solar is a leading European sourcing and services company mainly within electrical, heating and plumbing, ventilation and climate and energy solutions. Our core business centres on product sourcing, value-adding services and optimisation of our customers' businesses.

We facilitate efficiency improvement and provide digital tools that turn our customers into winners. We drive the green transition and provide best in class solutions to ensure sustainable use of resources.

Solar Group is headquartered in Denmark, generated revenue of approx. DKK 11.7bn in 2019 and has approx. 3,000 employees. Solar is listed on Nasdaq Copenhagen and operates under the short designation SOLAR B. For more information, please visit www.solar.eu.

Disclaimer

This announcement was published in Danish and English today via Nasdaq Copenhagen. In the event of any inconsistency between the two versions, the Danish version shall prevail.

Q1 2020

Solar A/S
CVR no. 15 90 84 16



solar

stronger together

Contents

MANAGEMENT'S REVIEW

- 3 Financial highlights
- 4 Business update
- 8 Digital update
- 10 Financial review
- 12 Shareholder information

FINANCIAL STATEMENTS

- 14 Statement of comprehensive income
- 15 Balance sheet
- 16 Cash flow statement
- 17 Statement of changes in equity
- 19 Notes
- 23 Quarterly figures
- 26 Statement by the Executive Board
and the Board of Directors

Financial highlights

Consolidated (DKK million)	Q1		Year
	2020	2019	2019
Revenue	3,045	2,957	11,679
Earnings before interest, tax, depreciation and amortisation (EBITDA)	142	121	538
Earnings before interest, tax and amortisation (EBITA)	97	80	360
Earnings before interest and tax (EBIT)	82	62	260
Earnings before tax (EBT)	45	-7	120
Net profit for the period	30	-20	64
Balance sheet total	4,985	5,164	4,990
Equity	1,441	1,515	1,592
Interest-bearing liabilities, net	1,077	1,032	921
Cash flow from operating activities, continuing operations	-43	-132	300
Net investments in property, plant and equipment	-13	-21	-110

Employees

Number of employees (FTE), end of period, continuing operations	3,052	2,982	3,041
Average number of employees (FTE), LTM, continuing operations	3,057	2,951	3,039

Financial ratios (% , unless otherwise stated)

Organic growth adjusted for number of working days	1.4	5.8	4.9
Gross profit margin	20.5	20.1	20.1
EBITDA margin	4.7	4.1	4.6
EBITA margin	3.2	2.7	3.1
Net working capital (NWC at end of period)/revenue (LTM)	12.2	11.8	11.0
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.9	2.5	1.7
Return on equity (ROE)	7.5	2.0	4.0
Equity ratio	28.9	29.3	31.9

Employees

Earnings per share outstanding (EPS)	4.11	-2.74	8.77
--------------------------------------	------	-------	------

In general, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Ratios 2019".

Q1 FINANCIAL MESSAGES

- Q1 EBITA exceeded our expectations.
- Revenue was on par with our expectations and amounted to DKK 3.0bn (DKK 3.0bn).
- EBITA increased by more than 20% to DKK 97m (DKK 80m).
- Due to COVID-19, we began to see a slight decline in revenue in some markets in the last week of March. Based on this development, we withdrew our previously announced outlook for 2020, see pages 4-5.

BUSINESS UPDATE

Solar and COVID-19

Like other international companies, Solar is affected by both global trends and local conditions in the markets where we operate. The COVID-19 pandemic has impacted the entire world and Solar is affected by the challenges this has brought about.

KEY RISKS AND MITIGATION

Our number one priority is to protect our employees, customers and other business partners. We have set up global and local response teams tasked with limiting the risk of infection, safeguarding business continuity and ensuring that our business can continue to operate. We carefully monitor our business using different scenarios.

Solar is a digital company with more than 60% of our business conducted digitally across key markets. In the current COVID-19 pandemic, operating digitally is more relevant than ever. As an international company, we operate in many different digitally connected geographical locations. Our employees are used to working across borders on a daily basis. Should one location be in lockdown we are, to all extents and purposes, able to serve customers from another location.

We take the utmost care to reduce the risk of infection. Our blue-collar workers at our central warehouses are segregated into different zones to prevent the virus from spreading and we have replacement teams available should this be necessary. We have divided our offices into separate zones and our white-collar employees work from home wherever possible. The necessary precautions have been taken at our customer centres.

Our strong partnerships with our suppliers mean that we have alternatives to both products and production sites. In terms of delivery, overnight distribution is the safest method and most of our revenue comes from goods delivered overnight.

Solar is exposed to credit risks in respect of trade receivables. In general, the vast majority of our companies have taken out insurance to hedge against potential losses. As a result, 72% of trade receivables are covered by insurance as at 31 March against 76% at year-end 2019.

Solar conducts efficient credit management at all times and in March, we tightened our credit policy.

In 2019, loss on trade receivables amounted to 0.1% of revenue whereas during the financial crisis in 2009, it increased to 0.3%. Regardless of our credit management initiatives and the fact that a relatively large proportion of trade receivables is insured, there is a risk of a similar development.

Despite a risk of increased loss on accounts receivables, our agile business model enables us to protect the earnings.

Other commercial and financial risks relating to our activities are detailed in Solar's Annual Report 2019.

FINANCIAL IMPACT

Q1 EBITA exceeded our expectations. However, due to COVID-19, we began to see a slight decline in revenue in some markets in the last week of March. Based on this development, we withdrew our previously announced outlook for 2020 cf. announcement no. 6 2020 dated 27 March.

During the COVID-19 pandemic, we are working with different financial scenarios and we are making preparations to take the initiatives needed to safeguard business continuity.

In financial terms, January, February and the first three weeks of March progressed as planned. In mid-March, we began to see a gradual decline in order lines. Revenue, however, remained stable. This changed in the last week of March when we began to see a slightly declining revenue in some markets.

Consequently, we decided to implement a furlough scheme in several markets at the end of March.

BUSINESS UPDATE

As soon as a more stable external environment has been established and we have a clear overview of the effects of COVID-19 on Solar, we will issue a new guidance for 2020.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

In our key markets, construction has not been as severely impacted by the COVID-19 lockdown as expected in March. However, the trend seems to be that service sales is declining slightly whereas project sales remains more stable.

Within Industry, we see variances among the different segments and the different markets. However, there seems to be a trend towards a slowdown among OEM customers and Marine & Offshore in all markets, whereas Infrastructure continued to deliver solid growth.

In April, we saw a slight negative development with a negative organic growth of -1.6% on group basis.

Our most profitable entities Solar Danmark and Solar Norge were stagnant, whereas Solar Sverige, Solar Nederland and Solar Polska saw negative growth. In total, core business ended with a negative growth of -2.5%.

Related business delivered a positive organic growth of 14%.

However, the long-term financial impact from the COVID-19 pandemic is unclear.

The fact that Solar is fundamentally a digital company with an agile business model enables us to manage the challenges caused by the COVID-19 pandemic.

We launched several prudent cost-saving initiatives to protect short-term earnings and cash generation – mainly the furlough scheme, hiring freeze, reduction in the use of temporary staff and general cost containment including initiatives to strengthen our gross margin.

As the situation develops, we will continue to take decisive actions whilst ensuring the business is appropriately sized for the post COVID-19 operating environment – the next normal.



BUSINESS UPDATE

We continue to focus on our three strategic pillars

Solar has an agile business model with strong supplier partnerships, a high and increasing e-business share and enhanced group mindset, which will enable us to manage the challenges brought about by COVID-19.

STRATEGIC SUPPLIERS

Our strong partnerships with suppliers mean that we have alternatives to both products and production sites, which is a clear advantage in a situation such as that caused by COVID-19. Our combination of A-brands and Solar concepts allows us to compensate for the shortage of certain products.

INDUSTRY FOCUS

Solar's Scandinavian industry business continues to strengthen our strong position within Infrastructure.

Most recently, Solar entered a strategic partnership agreement with Global Connect A/S, a leading Northern European data centre and fibre infrastructure provider. The partnership involves a total supply chain solution and will potentially cover a number of geographical markets.

"We were looking for a comprehensive and flexible supply chain solution, allowing us to scale and standardise our business without increasing complexity too much. By partnering with Solar, we have found a sourcing and services partner with a proven track record of operating these total supply chain solutions," says Mohammad Asim, CPO Global Connect A/S.

The partnership is under implementation and is expected to go live in May 2020.

In our related business, MAG45 continues to focus on industry supply solutions.

OPERATIONAL EXCELLENCE

Our cross-border organisation has proved itself during these challenging times caused by COVID-19, enabling us to deliver execution power. The group mindset among employees is increasing and we stand united across markets and functions.

Over the weekend of 29 February - 1 March, we launched SAP eWM - Extended Warehouse Management system - at our central warehouse in Vejen in Denmark to replace our in-house developed warehouse management system. Overall, the go-live was very successful with only minor disruptions. In fact, the implementation was so well executed that we were able to end the hypercare period earlier than expected.

With three successful SAP eWM implementations, we are now ready to focus on our central warehouse in Norway for our next implementation. However, timing is dependent on possible travel restrictions due to COVID-19.

In addition, AutoStore in Solar Nederland was successfully implemented and is now fully operational. The automated storage and retrieval system consists of 41,000 bins, is operated by 50 robots 24/7 and can handle small articles. The system offers digital weight control and closes boxes automatically. We thus avoid using unnecessary packaging and transporting air. The system has also reduced power consumption by approx. 66%.



BUSINESS UPDATE

We pursue green business opportunities

We continue to focus on green business opportunities to drive energy transition and support sustainable business.

ENERGY-EFFICIENT SOLUTIONS

We offer many advanced technologies to support energy efficiency, including ventilation, LED lighting, EV chargers, heat pumps and solar power.

A recent example is our promotion of the installation of solar cells on the roofs of our customers' vans to generate green energy.

We are enabling our customers to be more productive and by making energy mobile, there is always 230V available to power tools and machinery. Apart from their increased productivity and flexibility, they help increase the production of renewable energy and reduce CO2 emissions. As green workers they become more attractive to the end customers.

In addition, PV panels have been installed on the roof of Solar's own clothing supply vehicle. The vehicle not only provides customers with easy access to work clothes but produces green energy at the same time.



DIGITAL UPDATE

We are a digital business

In the current COVID-19 pandemic and the extraordinary circumstances it has brought about, being digital is more relevant than ever. Solar's strong position within the digital transformation of our industry combined with reliable logistics makes a difference. As a digital company with an ever-increasing share of e-business, we are fully capable of serving our customers through digital channels.

Solar's digital business stretches back decades. Already in the late 1980's, we offered a digital catalogue to our customers on the first PC's and the ability to place orders via modem by 6pm for delivery early the following morning. More than 30 years of digital business has matured our digital processes and acumen supporting the next digital steps.

Today, we offer a broad selection of digital channels for acquiring overnight delivery, mobile ordering of our 1-hour Fastbox service and digitally managed inventory in the back of installers' vans - all with supreme positioning of Solar's concepts.

More than 60% of Solar's orders are fully digital across key markets and our mobile app is our fastest growing sales channel. Less than 10% of our sales are over the counter. The remainder of our sales are by phone and e-mail. All this points to the fact that Solar is fundamentally a digital business.

Digital business is better business

Being digital allows us to invest in improving our customers' experience and our own efficiency at the same time. Being digital means being accessible 24/7 and tailored to each individual customer. The more digital orders we generate, the more automated we become and the more

data we capture. This means that we can provide better service at lower cost, while gaining better insight into our business and predict the needs of our customers.

It matters to be the leading digital player

Being the most digital player in our field attracts more digital customers with a higher lifetime value to Solar due to their faster growth and higher profitability. Digital customers are more focused on productivity and less focused on shopping around. In return, they expect transparency, quality and precision, which are all strengths of digital suppliers like Solar. Digital leadership differentiates Solar in a business where the same product can be bought elsewhere, but not in the same way. Solar, therefore, is keen to invest in the best buying and delivery experience in our industry.

Solar is well positioned for digital transformation

Four core strengths need to be in place in order to thrive in a time of digital transformation. Solar has successfully implemented each of the four:

- Strong data analytics and data science expertise and tools
 - Access to leading edge skills and technologies within the key, new digital application areas of our customers' business.
- These core capabilities allow Solar to control and automate strong internal processes while providing flexible, digital customer solutions and services, leveraging the wealth of data generated across the business.
- Solar partners with digital start-ups**
- Although Solar is digital, we are not a software company. Our access to leading edge expertise within digital installation, digital construction and digital industry supply is, therefore, supported by minority investments and partnerships with leading digital start-ups within each of these fields. At the same time, Solar offers a strong partnership over and above our investment, which means that together we can provide new digital services to our joint customers.
- Solar thus has a strong portfolio of digital partnerships and investments, e.g. BIMObject, LetsBuild, and Minuba, which drive digitalisation forwards in both our business and that of our customers.
- A robust digital operations platform providing transparency, control and transactional data across the business
 - A flexible customer platform supporting a personalised experience and behavioural data across all customer touch points

DIGITAL UPDATE

In these times of COVID-19 and social distancing, it has become even clearer how digital solutions can support a healthy business environment. We are currently seeing the rapid adoption of digital tools to communicate, coordinate and order materials. This all points to a post-crisis opportunity for higher digital efficiency and collaboration for which Solar is well positioned.

New entrants

Should one or more major e-commerce players enter the markets in which Solar operates in the next few years, this will impact many companies. Above all, it will further accelerate the digitalisation of our economy, including in the construction sector. This acceleration will benefit Solar. Combining 100 years of domain experience with three decades of focus on digitalisation, we understand the value we can bring to digital contractors and installers, to digital construction and to digital industry supply.



FINANCIAL REVIEW

Q1 EBITA increased by more than 20% despite a minor slowdown in the last week in March

(Figures in brackets are corresponding figures from Q1 2019)

Revenue was on par with our expectations while strong focus on improved profitability resulted in an EBITA above our expectations. Core business saw adjusted organic growth of 1.5% and posted revenue of DKK 2.9bn (DKK 2.8bn). EBITA for core business increased by DKK 16m to DKK 97m. We did not see any impact from COVID-19 until late March, ref pages 4-5.

REVENUE

In the Installation segment, we saw growth in Solar Danmark and Solar Nederland and in Industry it was Solar Danmark and Solar Sverige that saw positive organic growth.

Solar's overall adjusted organic growth for Installation amounted to around 2% and for Industry it was around 0%. Growth has been adjusted for the estimated impact of the acquired business activities in Sweden.

In Q1, adjusted organic growth at group level amounted to 1.4% (5.8%). Revenue totalled DKK 3.0bn (DKK 3.0bn).

Core business delivered adjusted organic growth of 1.5% (5.7%), and we saw positive adjusted organic growth in Solar Danmark and Solar Nederland, while Solar Norge, Solar Sverige and Solar Polska saw negative adjusted organic growth.

GROSS PROFIT MARGIN

Gross profit margin increased to 20.5% (20.1%) in Q1 2020.

In 2019, we launched our Better Business project, which focuses on supplying the right products to

the right customers. The project is paying off as we saw an increased gross profit margin for Solar Danmark, Solar Sverige, Solar Norge and Solar Polska.

Solar Nederland saw positive adjusted organic growth but a decrease in gross profit margin. A significant part of the growth relates to low margin products and customers. Solar Nederland is in the process of pruning products, which is taking longer than originally anticipated.

OTHER INCOME

Other income amounted to DKK 8m (DKK 0m). Of this, DKK 7m is the outcome of a settlement with the former shareholder of MAG45 cf. Annual Report 2019, note regarding litigation.

EXTERNAL OPERATING COSTS AND STAFF COSTS

In general, costs were affected by the acquisition of Swedish business activities in May 2019.

EBITA

EBITA increased to DKK 97m (DKK 80m) corresponding to an EBITA margin of 3.2% (2.7%) of revenue.

RELATED BUSINESS*

Revenue from related business amounts to approx. 5% of our total revenue.

In H2 2019, we initiated a strategic review of MAG45. Due to the COVID-19 pandemic, we have put the strategic review on hold. When a more stable external environment has been established, we will relaunch the strategic review.

In Q1, revenue and EBITA performance for MAG45 were above expectations. MAG45 delivered an EBITA of DKK 1m despite additional restructuring initiatives, which had a negative impact of approx. DKK 2m.

Related business showed adjusted organic growth of -0.5% (6.7%) while EBITA increased to DKK 0m (DKK-1m).

*Besides MAG45 our related business also includes Solar Polaris.

Our comments on core and related business and disclosures in the note segment information should be regarded as supplementary information. Information on the following segments - Installation, Industry and Trade (previously named Other) is included in the note segment information.

FINANCIAL REVIEW

EBITA from core business was up at DKK 97m (DKK 81m) corresponding to an EBITA margin of 3.3% (2.9%). This was driven by improvements in Solar Danmark, Solar Sverige and Solar Norge.

As expected, Solar Danmark's and Solar Norge's respective performances were negatively affected by roll-out costs for SAP eWM of approx. DKK 7m and approx. DKK 2m respectively. Overall, we continue to expect one-off costs of DKK 30m relating to SAP eWM implementations in 2020.

Besides a negative impact from a less favourable product mix, cf. page 10, Solar Nederland's performance was negatively affected by approx. DKK 6m relating to restructuring costs and costs relating to the implementation of AutoStore, an automated storage and retrieval system.

The results of the individual countries are disclosed on page 20.

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction and services associates was unchanged at DKK -5m relating to BIMObject.

IMPAIRMENT ON ASSOCIATES

Based on the share price on 31 March 2020, the value of BIMObject amounted to DKK 110m. Solar thus identified a need for a write-down of DKK 24m (DKK 57m).

EARNINGS BEFORE TAX

Earnings before tax were up at DKK 45m (DKK -7m) and when adjusted as illustrated in the table below, earnings before tax were up at DKK 69m (DKK 50m).

DKK million	Q1 2020	Q1 2019	Year 2019
Earnings before tax	45	-7	120
<i>Impact due to market value changes in BIMObject:</i>			
Impairment on associates	24	57	86
Earnings before tax, adjusted for impact from associates	69	50	206
Impairment loss, other intangible assets	0	0	21
Impairment loss, goodwill and customers list	0	0	4
Adjusted earnings before tax	69	50	231

NET PROFIT

Profit from continuing operations came to DKK 30m (DKK -18m). Losses from discontinued operations amounted to DKK 0m (DKK -2m). Net profit for the Solar Group thus increased to DKK 30m (DKK -20m).

CASH FLOWS

Net working capital calculated as an average of the previous four quarters amounted to 12.0% (10.9%) of revenue. Net working capital at the end of Q1 2020 amounted to 12.2% (11.8%).

Cash flow from operating activities totalled DKK -43m (DKK -132m) impacted by inventory changes of DKK 85m (DKK -47m) and changes to receivables of DKK -303m (DKK -279m). Inventories are reduced due to targeted efforts in combination with a normalisation of the inventory level in Sweden following the acquisition of business activities, while receivables are affected by normal seasonal fluctuations.

Total cash flow from investing activities amounted to DKK -25m (DKK -28m). Purchase of property, plant and equipment amounted to DKK -14m (DKK -21m) and was impacted by the implementation

of AutoStore in Solar Nederland in Q1 2020 and in Solar Norge in Q1 2019. The divestment of STI had a positive impact of DKK 5m in Q1 2019.

Cash flow from financing activities was affected by dividend distributions of DKK 102m (DKK 102m) and by the change in current interest-bearing debt of DKK 220m (DKK 292m). Cash flow from financing activities totalled DKK 84m (DKK 160m).

Cash flow from discontinued operations amounted to DKK 0m (DKK -2m). Consequently, total cash flow amounted to DKK 16m (DKK -2m).

Net interest-bearing liabilities were up at DKK 1,077m (DKK 1,032m). Over the past 12 months, we have

- invested DKK 37m in digital improvements;
- invested DKK 103m in optimising our operations e.g. AutoStore;
- invested DKK 52m in business activities and
- paid dividend of DKK 102m.

As at 31 March 2020, gearing was 1.9 (2.5) times EBITDA. Calculated as an average, gearing amounted to 1.9 (1.7) times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 31 March 2020, Solar had undrawn credit facilities of DKK 319m.

Invested capital for the Solar Group totalled DKK 2,332m (DKK 2,302m).

ROIC amounted to 9.0% (8.1%). ROIC for core business amounted to 11.3%.

Activities with a Solar equity interest of less than 50% and discontinued activities are not included in the ROIC calculation. Invested capital only includes operating assets and liabilities.

DIVESTMENTS AND ACQUISITIONS

Acquisition of Swedish business activities

On 15 May 2019, Solar acquired selected parts of Onninen AB's Swedish business activities. In 2019, we saw a full-year revenue of approx. DKK 300m. As the acquired activities are fully integrated into Solar Sverige, we estimated the 2019 EBITA impact to be approx. DKK -10m due to integration and restructuring costs.

Divestment of Norwegian training business

In March 2019, Solar concluded the process, initiated in December 2018, of a management buyout of our Norwegian training business, Scandinavian Technology Institute (STI), part of our related business. The divestment constituted a loss of DKK 17m, which was recognised in the Solar Group's income statement as part of the loss from discontinued operations in Q4 2018.

SHAREHOLDER INFORMATION

Share and webcast information

SOLAR'S SHARES

Solar's share capital is divided into nominal value DKK 90 million A shares and nominal value DKK 646 million B shares.

The A shares are not listed. The B shares are listed on Nasdaq Copenhagen under the ID code DK0010274844, and are designated SOLAR B, and form part of the MidCap index and MidCap on Nasdaq Nordic.

The share capital includes 900,000 A shares and 6,460,000 B shares. Solar's portfolio of treasury shares totals 61,708 B shares or 0.8% of share capital.

A shares have 10 votes per share amount of DKK 100, while B shares have 1 vote per share amount of DKK 100.

TOTAL SHAREHOLDER RETURN

The total shareholder return of the Solar B share during the holding period 1 January 2020 - 31 March 2020 was DKK -78.81 as DKK 14.00 was paid out in dividend and the share price decrease amounted to DKK -92.81 in Q1 2020.

Comparable companies have seen a similar development in their share price as the corona crisis is affecting the stock market in general.

AUDIO WEBCAST

The presentation of the Quarterly Report Q1 2020 will be conducted in English on 6 May 2020 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu.

FINANCIAL CALENDAR 2020

4 July - 12 August	IR quiet period
12 August	Quarterly Report Q2 2020
4 October - 4 November	IR quiet period
4 November	Quarterly Report Q3 2020

DISTRIBUTION OF SHARE CAPITAL AND VOTES BASED ON THE LATEST PUBLIC INFORMATION

Holdings of 5% or more of share capital	Share capital in %	Votes in %
The Fund of 20th December, Vejen, Denmark	16.9%	60.0%
RWC Asset Management LLP, London, England	15.8%	7.5%
Nordea Funds Ltd., Helsinki, Finland	10.4%	5.0%
Investeringsforeningen Nordea Invest, Copenhagen, Denmark	5.0%	2.4%

Consolidated financial statements

Statement of comprehensive income

Income statement

DKK million	Q1		Year
	2020	2019	2019
Revenue	3,045	2,957	11,679
Cost of sales	-2,422	-2,364	-9,326
Gross profit	623	593	2,353
Other operating income and costs	8	0	9
External operating costs	-88	-93	-329
Staff costs	-395	-374	-1,477
Loss on trade receivables	-6	-5	-18
Earnings before interest, tax, depreciation and amortisation (EBITDA)	142	121	538
Depreciation and write-down on property, plant and equipment	-45	-41	-178
Earnings before interest, tax and amortisation (EBITA)	97	80	360
Amortisation and impairment of intangible assets	-15	-18	-100
Earnings before interest and tax (EBIT)	82	62	260
Share of net profit from associates	-5	-5	-19
Impairment on associates	-24	-57	-86
Financial income	9	4	18
Financial expenses	-17	-11	-53
Earnings before tax (EBT)	45	-7	120
Income tax	-15	-11	-54
Profit or loss of continuing operations	30	-18	66
Loss of discontinued operations	0	-2	-2
Net profit for the period	30	-20	64
Earnings in DKK per share outstanding (EPS)	4.11	-2.74	8.77
Diluted earnings in DKK per share outstanding (EPS-D)	4.11	-2.74	8.77
Earnings in DKK per share outstanding (EPS) of continuing operations	4.11	-2.47	9.04
Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations	4.11	-2.47	9.04

Other comprehensive income

DKK million	Q1		Year
	2020	2019	2019
Net profit for the period	30	-20	64
Other income and costs recognised:			
Items that can be reclassified for the income statement			
Foreign currency translation adjustments of foreign subsidiaries	-75	3	0
Fair value adjustments of hedging instruments before tax	-5	-6	-10
Tax on fair value adjustments of hedging instruments	1	2	2
Other income and costs recognised after tax	-79	-1	-8
Total comprehensive income for the period	-49	-21	56

Balance sheet

	31.03		32.12
DKK million	2020	2019	2019
ASSETS			
Intangible assets	304	373	315
Property, plant and equipment	836	823	865
Right-of-use assets	291	278	341
Deferred tax asset	10	10	10
Investments in associates	119	194	146
Other non-current assets	76	61	79
Non-current assets	1,636	1,739	1,756
Inventories	1,520	1,570	1,666
Trade receivables	1,664	1,732	1,428
Income tax receivable	14	11	14
Other receivables	31	13	8
Prepayments	48	39	62
Cash at bank and in hand	72	60	56
Current assets	3,349	3,425	3,234
Total assets	4,985	5,164	4,990

	31.03		31.12
DKK million	2020	2019	2019
EQUITY AND LIABILITIES			
Share capital	736	775	736
Reserves	-258	-172	-179
Retained earnings	963	912	933
Proposed dividends for the financial year	0	0	102
Equity	1,441	1,515	1,592
Interest-bearing liabilities	154	405	156
Lease liabilities	189	176	231
Provision for pension obligations	0	2	0
Provision for deferred tax	100	110	103
Other provisions	12	20	13
Non-current liabilities	455	713	503
Interest-bearing liabilities	703	409	477
Lease liabilities	103	102	113
Trade payables	1,752	1,971	1,814
Income tax payable	12	1	10
Other payables	504	448	464
Prepayments	6	4	4
Other provisions	9	1	13
Current liabilities	3,089	2,936	2,895
Liabilities	3,544	3,649	3,398
Total equity and liabilities	4,985	5,164	4,990

Cash flow statement

DKK million	Q1		Year
	2020	2019	2019
Net profit or loss of continuing operations for the period	30	-18	66
Write-down negative goodwill	0	0	-18
Depreciation, write-down and amortisation	60	59	278
Impairment on associates	24	57	86
Changes to provisions and other adjustments	-8	-3	-6
Share of net profit from associates	5	5	19
Financials, net	8	7	35
Income tax	15	11	54
Financial income, received	2	2	8
Financial expenses, settled	-9	-8	-41
Income tax, settled	-13	-12	-62
Cash flow before working capital changes	114	100	419
Working capital changes			
Inventory changes	85	-47	-92
Receivables changes	-303	-279	21
Non-interest-bearing liabilities changes	61	94	-48
Cash flow from operating activities, continuing operations	-43	-132	300
Cash flow from operating activities, discontinued operations	0	-2	-2
Cash flow from operating activities	-43	-134	298

DKK million	Q1		Year
	2020	2019	2019
Investing activities			
Purchase of intangible assets	-12	-10	-35
Purchase of property, plant and equipment	-14	-21	-110
Disposal of property, plant and equipment	1	0	0
Acquisition of subsidiaries and activities	0	0	-40
Divestment of subsidiaries and activities	0	5	5
Other financial investments	0	-2	-14
Cash flow from investing activities, continuing operations	-25	-28	-194
Cash flow from investing activities, discontinued operations	0	0	0
Cash flow from investing activities	-25	-28	-194
Financing activities			
Repayment of non-current interest-bearing debt	-2	-2	-9
Change in current interest-bearing debt	220	292	118
Instalment on lease liabilities	-32	-28	-117
Dividends distributed	-102	-102	-102
Cash flow from financing activities, continuing operations	84	160	-110
Cash flow from financing activities, discontinued operations	0	0	0
Cash flow from financing activities	84	160	-110
Total cash flow	16	-2	-6
Cash at bank and in hand at the beginning of the period	56	65	65
Assumed on disposal of subsidiaries	0	-3	-3
Foreign currency translation adjustments	0	0	0
Cash at bank and in hand at the end of the period	72	60	56
Cash at bank and in hand at the end of the period			
Cash at bank and in hand	72	60	56
Cash at bank and in hand at the end of the period	72	60	56

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
2020						
Equity as at 1 January	736	-66	-113	933	102	1,592
Foreign currency translation adjustments of foreign subsidiaries			-75			-75
Fair value adjustments of hedging instruments before tax		-5				-5
Tax on fair value adjustments		1				1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-4	-75	0	0	-79
Net profit for the period				30		30
Comprehensive income	0	-4	-75	30	0	-49
Distribution of dividends (DKK 14.00 per share)					-102	-102
Transactions with the owners	0	0	0	0	-102	-102
Equity as at 31 March	736	-70	-188	963	0	1,441

1) Reserves for hedging transactions and reserves for foreign currency translation adjustments 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	Retained earnings	Proposed dividends	Total
2019						
Equity as at 1 January	775	-58	-113	932	102	1,638
Foreign currency translation adjustments of foreign subsidiaries			3			3
Fair value adjustments of hedging instruments before tax		-6				-6
Tax on fair value adjustments		2				2
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-4	3	0	0	-1
Net profit for the period				-20		-20
Comprehensive income	0	-4	3	-20	0	-21
Distribution of dividends (DKK 14.00 per share)					-102	-102
Transactions with the owners	0	0	0	0	-102	-102
Equity as at 31 March	775	-62	-110	912	0	1,515

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

Notes

Segment information

Solar's business segments are Installation, Industry and Trade (previously named Other) 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
Q1 2020				
Revenue	1,855	936	254	3,045
Cost of sales	-1,494	-722	-206	-2,422
Gross profit	361	214	48	623
Direct costs	-67	-27	-6	-100
Earnings before indirect costs	294	187	42	523
Indirect costs	-144	-46	-12	-202
Segment profit	150	141	30	321
Non-allocated costs				-179
Earnings before interest, tax, depreciation and amortisation (EBITDA)				142
Depreciation and amortisation				-60
Earnings before interest and tax (EBIT)				82
Financials, net, and impact from associates				-37
Earnings before tax (EBT)				45

DKK million	Installation	Industry	Trade	Total
Q1 2019				
Revenue	1,774	937	246	2,957
Cost of sales	-1,444	-728	-192	-2,364
Gross profit	330	209	54	593
Direct costs	-64	-27	-5	-96
Earnings before indirect costs	266	182	49	497
Indirect costs	-146	-43	-11	-200
Segment profit	120	139	38	297
Non-allocated costs				-176
Earnings before interest, tax, depreciation and amortisation (EBITDA)				121
Depreciation and amortisation				-59
Earnings before interest and tax (EBIT)				62
Financials, net				-69
Earnings before tax (EBT)				-7

Notes

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 133 of Annual Report 2019. The below allocation has been made based on the products' place of sale. Geographical information as well as information on core business and related business should be regarded as supplementary information.

DKK million	Q1				
	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
2020					
Denmark	946	4.0	60	6.3	2,015
Sweden	642	-1.9	12	1.9	312
Norway	475	-2.0	15	3.2	168
The Netherlands	812	3.8	9	1.1	364
Poland	89	-3.9	0	0.0	30
Other markets	10	26.5	1	10.0	5
Eliminations	-78	-	0	0.0	-1,315
Core business	2,896	1.5	97	3.3	1,579
Several markets (MAG45)	145	-1.1	1	0.7	56
Other markets	4	-	-1	-25.0	1
Related business	149	-0.5	0	0.0	57
Solar Group	3,045	1.4	97	3.2	1,636

DKK million	Q1				
	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
2019					
Denmark	892	5.3	44	4.9	2,072
Sweden	600	0.1	9	1.5	314
Norway	502	12.7	11	2.2	208
The Netherlands	767	7.3	18	2.3	316
Poland	88	0.3	-1	-1.1	34
Other markets	8	8.9	0	0.0	5
Eliminations	-49	-	0	0.0	-1,283
Core business	2,808	5.7	81	2.9	1,666
Several markets (MAG45)	144	9.7	-1	-0.7	72
Other markets	5	-	0	0.0	1
Related business	149	6.7	-1	-0.7	73
Solar Group	2,957	5.8	80	2.7	1,739

Notes

Discontinued operation

On 25 March 2019, Solar closed the process initiated in December 2018 of a management buyout of our Norwegian training business Scandinavian Technology Institute (STI), a part of our related business. The divestment constituted an accounting loss of DKK 17m, which was included in the financial statement for 2018.

The discontinued operation impacted the income statement as follows:

DKK million	Q1		Year
	2020	2019	2019
Revenue	0	12	12
Cost of sales	0	-1	-1
Gross profit	0	11	11
Costs	0	-13	-13
Earnings before interest and tax (EBIT)	0	-2	-2
Financials	0	0	0
Earnings before tax (EBT)	0	-2	-2
Tax on net profit or loss for the period	0	0	0
Net profit or loss for the period	0	-2	-2
Write-down to fair value less costs to sell	0	0	0
Net profit or loss for discontinued operations	0	-2	-2
Earnings from discontinued operations in DKK per share outstanding (EPS)	0.00	-0.27	-0.27
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	0.00	-0.27	-0.27

Notes

Accounting policies

The quarterly report for Solar A/S has been prepared in accordance with IAS 34 "Presentation of interim reports" as approved by the EU and additional Danish disclosure requirements for quarterly reports of listed companies.

Apart from the effect of new IAS/IFRS standards implemented during the period, the accounting policies remain unchanged from the Annual Report 2019, which contains a full description of these on pages 53-55 as well as of relevant, supplementary notes.

Key items in the accounts are based on annual contracts etc. A prudent assessment of the current year's activities was undertaken during the preparation of this quarterly report.

In the quarterly report, income tax has been calculated on the basis of pre-tax profits at the expected average tax rate. No calculations of taxable income for the period have been made.

New accounting standards implemented during the period

No additional standards have been implemented in the period, only amendments and improvements to existing standards. These changes have no impact on Solar.

New accounting standards to be implemented in coming accounting periods

The following standards and amendments relevant for Solar have been issued but are not yet effective:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective 1 January 2022.

Solar has not yet assessed the potential impact of this amendment.

On audit

This quarterly report has not been audited or reviewed.

Quarterly figures

Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2020	2019	2019	2018	2019	2018	2019	2018
Revenue	3,045	2,957	2,868	2,733	2,777	2,539	3,077	3,009
Earnings before interest, tax, depreciation and amortisation (EBITDA)	142	121	104	70	152	106	161	121
Earnings before interest, tax and amortisation (EBITA)	97	80	60	56	105	93	115	109
Earnings before interest and tax (EBIT)	82	62	41	36	82	64	75	74
Financials, net	-8	-7	-9	-7	-9	-7	-10	-16
Earnings before tax (EBT)	45	-7	56	10	-2	70	73	54
Net profit or loss for the quarter	30	-20	48	-7	-22	49	58	10

Balance sheet (DKK million)								
Non-current assets	1,636	1,739	1,792	1,561	1,691	1,572	1,756	1,516
Current assets	3,349	3,425	3,451	3,027	3,460	3,121	3,234	3,117
Balance sheet total	4,985	5,164	5,243	4,588	5,151	4,693	4,990	4,633
Equity	1,441	1,515	1,552	1,584	1,512	1,645	1,592	1,638
Non-current liabilities	455	713	713	540	707	536	503	543
Current liabilities	3,089	2,936	2,978	2,464	2,932	2,512	2,895	2,452
Interest-bearing liabilities, net	1,077	1,032	1,182	662	1,089	712	921	461
Invested capital	2,332	2,302	2,461	1,972	2,395	2,055	2,297	1,797
Net working capital, end of period	1,432	1,331	1,466	1,196	1,467	1,312	1,280	1,090
Net working capital, average	1,411	1,230	1,299	1,173	1,339	1,184	1,386	1,182

Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	2020	2019	2019	2018	2019	2018	2019	2018
Cash flow from operating activities	-43	-132	-17	-41	144	-23	305	327
Cash flow from investing activities	-25	-28	-78	26	-40	-30	-48	-68
Cash flow from financing activities	84	160	82	35	-88	35	-264	-199
Net investments in intangible assets	-12	-10	-8	-27	-8	-20	-9	-17
Net investments in property, plant and equipment	-13	-21	-25	-7	-25	-10	-39	-26
Acquisition and disposal of subsidiaries, net	0	5	-40	60	0	0	0	-10

Financial ratios (% unless otherwise stated)

Revenue growth	3.0	5.0	4.9	2.2	9.4	-2.2	2.3	1.4
Organic growth	2.6	6.0	4.2	3.6	7.9	-0.3	1.6	2.3
Organic growth adjusted for number of working days	1.4	5.8	5.6	1.6	6.3	-0.3	2.6	2.5
Gross profit margin	20.5	20.1	20.2	20.4	19.7	20.2	20.5	20.0
EBITDA margin	4.7	4.1	3.6	2.6	5.5	4.2	5.2	4.0
EBITA margin	3.2	2.7	2.1	2.0	3.8	3.7	3.7	3.6
EBIT margin	2.7	2.1	1.4	1.3	3.0	2.5	2.4	2.5
Net working capital (NWC end of period)/revenue (LTM)	12.2	11.8	12.9	10.7	12.6	11.8	11.0	9.8
Net working capital (NWC average)/revenue (LTM)	12.0	10.9	11.4	10.5	11.5	10.7	11.9	10.6
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	1.9	2.5	2.6	1.8	2.2	2.0	1.7	1.2
Return on equity (ROE)	7.5	2.0	5.7	-1.1	1.0	-0.7	4.1	8.1
Return on invested capital (ROIC)	9.0	8.1	7.9	6.2	8.3	5.6	8.3	8.1
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	6.3	8.5	8.9	10.4	8.1	10.7	7.9	6.8
Equity ratio	28.9	29.3	29.6	34.5	29.4	35.1	31.9	35.4

Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK unless otherwise stated)	2020	2019	2019	2018	2019	2018	2019	2018
Earnings per share outstanding (EPS)	4.11	-2.74	6.82	-0.96	-3.18	6.71	7.95	1.37
Intrinsic value per share outstanding	197.44	207.58	224.52	217.04	218.73	225.40	218.13	224.44
Share price	204.50	286.68	312.60	398.72	289.41	401.55	297.31	284.12
Share price/intrinsic value	1.04	1.38	1.39	1.84	1.32	1.78	1.36	1.27

Employees

Number of employees (FTE), end of period	3,052	2,982	3,079	2,948	3,070	2,918	3,041	2,955
Average number of employees (FTE), LTM	3,057	2,951	2,984	2,915	3,018	2,929	3,039	2,941

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 general, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Ratios 2019".

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.

In general, restatements have been made of income statements, cash flow and key ratios for the discontinued operations in STI for 2018. In accordance with IFRS, the balance sheet has not been restated.

Statement by the Executive Board and the Board of Directors

Today, the group's Board of Directors and Executive Board have discussed and approved the Q1 2020 quarterly report of Solar A/S.

The quarterly report, which has not been audited or reviewed by the company's auditor, is presented in accordance with IAS 34 "Interim Financial Reporting" as approved by the EU and additional Danish disclosure requirements for quarterly reports of listed companies.

In our opinion, the quarterly report gives a fair presentation of the group's assets, equity and liabilities and financial position as at 31 March 2020 as well as of the results of the group's activities and cash flow for Q1 2020.

Further, in our opinion, the management's review gives a true and fair statement of the development of the group's activities and financial situation, net profit or loss for the period and of the group's overall financial position and describes the most significant risks and uncertainties that the group faces.

Vejen, 6 May 2020

EXECUTIVE BOARD

Jens E. Andersen
CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

BOARD OF DIRECTORS

Jens Borum
Chairman

Jesper Dalsgaard
Vice-chairman

Lars Lange Andersen

Peter Bang

Morten Chronne

Ulrik Damgaard

Bent H. Frisk

Louise Knauer

Jens Peter Toft

Solar A/S
Industrivej Vest 43
DK-6600 Vejen
Tel. +45 79 30 00 00
CVR no. 15908416

www.solar.eu
<http://www.linkedin.com/company/solar-as>



stronger together