Solar A/S
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Announcement no. 1 2020

6 February 2020

Annual Report 2019

2019 group results were largely on par with guidance. At the Annual General Meeting, the Board of Directors will propose 2019 dividends distribution of DKK 14 per share.

CEO Jens Andersen says:
"In 2019, our core business achieved the best financial result in a decade with a significant EBITA increase. As a clear indicator of value creation, ROIC from core business was almost 11%.

Once again we generated a strong cash flow, allowing us to pay out dividends of more than DKK 100m to our shareholders.

Entering 2020, we are well-positioned to benefit from the green transition. We are experiencing continuous growth within climate and energy and see obvious green business opportunities ahead of us."

Financial highlights (DKK million)*	**Q4 2019**	**Q4 2018**	**2019**	**2018**
Revenue	3,077	3,009	11,679	11,098
EBITA	115	109	360	327
Earnings before tax	73	54	120	237
Cash flow from operating activities	305	327	300	224
Financial ratios (%)				
Organic growth adj. for number of working days	2.6	2.5	4.9	2.2
EBITA margin	3.7	3.6	3.1	2.9
Net working capital, period-end/revenue (LTM)	11.0	9.8	11.0	9.8
Gearing (NIBD/EBITDA), no. of times	1.7	1.2	1.7	1.2

* Due to the divestments of our Austrian and Belgian business activities, GFI GmbH and Claessen ELGB NV, in 2018, and the divestment of our Norwegian training business, STI, in Q1 2019, 2018 and 2019 figures in this announcement relate to our continuing operations.

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2019 Revenue

- Adjusted organic growth amounted to 4.9% (2.2%).

2019 EBITA

- The results for core business were on par with our expectations, while results for related business were disappointing.
- EBITA from core business increased by DKK 31m to DKK 379m.
- EBITA from related business was up at DKK -19m (DKK -21m). Our strategic review of MAG45 is ongoing.

BIMobject AB valuation

- Based on the share price on 31 December 2019, the BIMobject value amounted to DKK 139m. In 2019, Solar thus identified a need for write-down of DKK 86m. In 2018, we reversed the write-down of DKK 59m on BIMobject originally recognised in 2017.

Dividends distribution

- At the Annual General Meeting, the Board of Directors will propose dividends distribution of DKK 14.00 per share.

2020 outlook

- We expect revenue of approx. DKK 11.8bn equal to an organic growth of approx. 1%.
- We expect an EBITA of approx. DKK 400m including one-off costs of DKK 30m related to SAP eWM implementations.
- Consequently, we expect to deliver an operating EBITA of approx. DKK 430m.
- Please see the detailed distribution in the table below.

Guidance 2020 DKK million	Core business	Related business	Solar Group
Revenue	11,200	600	11,800
EBITA	400	0	400

Audio webcast and teleconference today
The presentation of Annual Report 2019 will be made in English on 6 February 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 08
UK: tel. +44 333 300 9032
US: tel. +1 646 722 4956

Yours faithfully,
Solar A/S

Jens Andersen

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Enclosure: Annual Report 2019, pages 1-150, including Q4 2019 quarterly information.

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.

Annual Report

2019

Solar A/S
CVR no. 15 90 84 16

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AT A GLANCE

A green and digital sourcing and services company

Solar Group is a leading European sourcing and services company mainly within electrical, heating & plumbing, ventilation and climate & energy solutions.

We serve professionals operating within the area of technical installation and a variety of industrial customers. Our industry business is growing faster than our installation business, making us less dependent on construction.

Our core business focus is product sourcing, value-adding services and optimising our customers' businesses.

We drive the green transition and provide best in class solutions to ensure sustainable use of resources. We have a presence in Denmark, Norway, Sweden, the Netherlands, Poland and the Faroe Islands.

Digitalisation is a core competence in our business. In core business we have an e-business share above 50%. We also strive to create digital business development together with our digital partners; BIMobject (Building Information Modelling within digital construction) LetsBuild (dynamic project management), Minuba (online job and resource management) and Viva Labs (smart home platform).

Solar Group is headquartered in Vejen, Denmark, and listed on Nasdaq Copenhagen. The group employs around 3,000 people.

STATEMENT FROM THE CEO

Core business achieved the best financial result in a decade

In 2019, core business achieved the best financial result in a decade. At the same time, we invested in technology, SAP eWM and AutoStore, to strengthen our business for the future. We are dedicated to the green transition, digitalisation and customer productivity. We are committed to ensuring that, through us, our customers can add real value to their business.

We maintain our focus on energy-efficient solutions to drive the green transition and provide best-in-class solutions to ensure sustainable use of resources.

We are dedicated to the green transition, digitalisation and customer productivity. We support our customers in developing energy-efficient solutions, reducing waste and optimising logistics based on strong digital platforms.

We see strong business potential in the transition from fossil fuels to green and renewable energy. The process of electrification will play a particularly important role going forward and will provide us with new business opportunities. We are dedicated to turning energy efficiency into a profitable and responsible business.

We will continue to launch initiatives with a green angle, wherever it makes sense to do so. Our fast, green deliveries at our new customer centre in Copenhagen are one such example. Bicycles are used as a means of delivery, and paper bags instead of cardboard boxes are used for our Fastbox deliveries. We see a growing demand for Solar Fastbox and in total, we had more than 100,000 Fastbox deliveries in 2019.

Furthermore, with our strong positions in infrastructure and digitalisation, we see great opportunities in the future 5G network. This will enable consumers, industries and IoT devices to be connected on an unprecedented scale. The 5G network will thus bring about a breakthrough in the Internet of Things, allowing all kinds of things to be connected to the internet. This is also fully in line with our smart home solutions.

Moreover, our Total Cost of Ownership approach to our customers' sourcing arrangements enables us to assist them in optimising their purchasing and logistics. It also reduces administration, general consumption and tied up inventory capital.

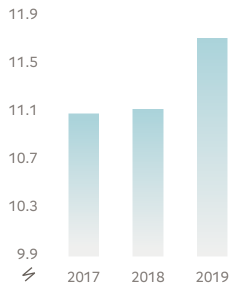
We believe in taking a holistic approach to our customers' business, enabling them to deliver greater transparency and flexibility as well as more efficient cost control, thereby strengthening their competitive position.

At the same time, we have launched project Better Business to focus on the right products to the rights customers.

All of this would not be possible without our 3,000 dedicated and innovative employees.

Jens Andersen
CEO

Financial highlights 2019



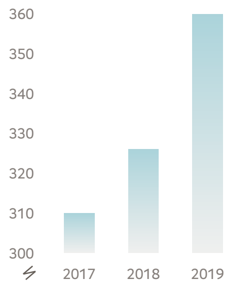
11.7bn

REVENUE
DKK

Organic growth reached 4.9% and was at a higher pace in 2019 compared to 2018.

Within core business, we saw growth in all entities: Solar Norge saw two-digit growth, Solar Nederland experienced growth of more than 7%, and Solar Sverige returned to positive organic growth.

Overall, related business saw no growth in 2019.



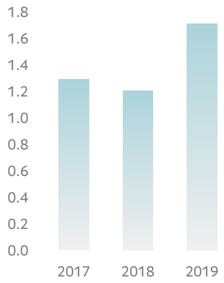
360m

EBITA
DKK

In 2019, EBITA increased by DKK 33m mainly due to revenue growth.

With EBITA of DKK 379m, core business posted the best financial result in a decade, and EBITA increased in almost all entities.

Related business improved its results but still diluted earnings by delivering EBITA of DKK -19m.

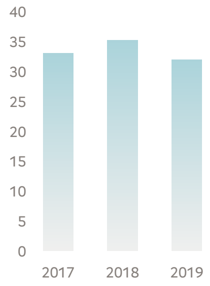


1.7

GEARING
times EBITDA

At year-end, gearing showed 1.7 times EBITDA. Calculated as an average, gearing showed 2.0 times EBITDA in 2019. The average gearing was within our gearing target of 1.5-3.0 times EBITDA.

Net interest-bearing debt increased by DKK 460m of which DKK 344m was due to the implementation of IFRS 16, Leases. Furthermore, we paid dividend of DKK 102m, invested DKK 49m in business activities and invested DKK 145m in digital improvements and operations optimisation.

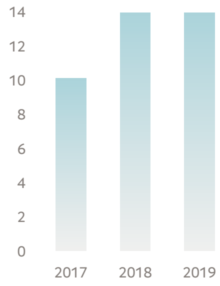


31.9

EQUITY RATIO
%

We have a strong balance sheet with an equity ratio of 31.9%. This is just short of our target equity ratio of 35-40%.

The Board of Directors regularly assesses the company's capital and share structure to ensure that these are appropriate for both shareholders and the company.



14.00

DIVIDEND PER SHARE
DKK

Our target for payout ratio is at least 35% of profit after tax. The Board of Directors will submit a proposal to the Annual General Meeting for paying out dividend of DKK 14 per share corresponding to a payout ratio of 159%.

In 2017 and 2018, the dividend payment amounted to DKK 10 and DKK 14 per share, respectively.

INVESTMENT PROPOSITION

Green business opportunities

Today, climate and energy makes up more than 10% of our revenue, corresponding to more than DKK 1bn and we are experiencing continuous growth within this business area. Our energy-efficient solutions match the green transition. Especially the process of electrification will play an important role going forward and provide us with new business opportunities. Solar provides several products and solutions within renewable energy and energy efficiency such as heat pumps, solar cell panels, electric vehicle charging stations, LED lighting and ventilation.

>1bn
DKK

Strong cash flow generation

Historically, Solar has succeeded in generating a strong and stable cash flow. We aim to increase our profitability and thereby strengthen our margin. At the same time, we do not foresee the same need for investments as was the case in 2017-2019. All things being equal, this will generate capital. On average for 2015-2019, our cash conversion rate was approx. 50% despite investments in digitalisation and automation.

50%

A true digital company

With an e-business share above 50% – in Denmark up to 80% – more than DKK 6bn of our approx. DKK 11bn revenue comes from digital sales. We use our strong digital platforms, including our webshop, website and digital communication and marketing, to support a personalised customer experience. Our Installation and Industry customers are making increasing use of mobile apps and digital tools in their work. Together with the digital transformation of the construction industry, this provides us with opportunities for new services to drive productivity and cost savings in collaboration with our customers. In addition, we hold a dual track investment in four digital startups. This is partly a financial investment and partly a way to strengthen our core business via collaborations, not necessarily as a long-term owner.

>6bn
DKK

Dividends and share buy-back

The Board of Directors regularly assesses the company's capital and share structure to ensure that these are appropriate for both our shareholders and the company. We use dividends and share buy-back programmes as instruments to adjust our financial capital. In 2019, Solar was ranked number 6 among Danish listed companies with the highest dividend yield. Between 2015-2019, we paid out DKK 395m in dividends and spent DKK 216m on share buy-back, meaning DKK 611m in total was paid back to our shareholders.

611m
DKK

EVENTS OF THE YEAR

Progress on our strategic focus areas

Strategic suppliers

During the year, we increased our share of concept sales in all our markets and seven concepts: Solar Plus, Solar Netto, Solar Project, Solar Light, Solar Cable, Solar Heat and Solar Tools.

Our concept assortment covers multiple areas and we offer a number of different services within our various concepts, such as Solar Fastbox, Solar Kitbox and a Kanban solution.

Industry focus

Our Scandinavian industry business made good progress. Our growth rate within Industry in our core business was around 7% in 2019. Our customers have welcomed our Total Cost of Ownership (TCO) approach and the way we provide them with cross-border solutions. Our entire industry outdoor sales team has completed sales training in line with our TCO approach.

We facilitate development meetings with our customers to drive business development and identify their needs and relevant services. We target industry customers who seek to optimise their businesses and costs by offering their long-tail spend to relevant suppliers.

Operational excellence

To optimise the handling of small and medium-sized goods and provide logistics with a competitive advantage, we have implemented AutoStore, an automated storage and retrieval system, at our central warehouse in Gardermoen in Norway. Based on our positive experience, we are also implementing AutoStore at our central warehouse in Alkmaar in the Netherlands to gain even more benefits.

To replace our in-house developed warehouse management system, we implemented SAP eWM (extended Warehouse Management system) at our two Swedish central warehouses – in Halmstad in 2018 and in Örebro in 2019. After two successful implementations, the third will follow at our central warehouse in Vejen in Denmark where training in SAP eWM has begun. Later, we will implement SAP eWM in Solar Norge and Solar Nederland.

Financial performance

5 year summary

Consolidated (DKK million)	2019	2018	2017	2016	2015
Revenue	11,679	11,098	11,061	10,420	10,587
Earnings before interest, tax, depreciation and amortisation (EBITDA)	538	379	362	368	362
Earnings before interest, tax and amortisation (EBITA)	360	327	310	312	296
Earnings before interest and tax (EBIT)	260	224	176	256	249
Earnings before tax (EBT)	120	237	176	223	201
Net profit for the year	64	133	19	125	167
Balance sheet total	4,990	4,633	4,717	4,506	4,671
Equity	1,592	1,638	1,591	1,683	1,831
Interest-bearing liabilities, net	921	461	489	43	-184
Cash flow from operating activities, continuing operations	300	224	7	203	331
Net investments in property, plant and equipment	-110	-59	-14	51	-25

Employees					
Average number of employees (FTEs), continuing operations	3,039	2,941	2,870	2,814	2,871

Financial ratios (% unless otherwise stated)	2019	2018	2017	2016	2015
Organic growth adjusted for number of working days	4.9	2.2	7.0	2.3	5.2
Gross profit margin	20.1	20.2	20.7	21.1	20.8
EBITDA margin	4.6	3.4	3.3	3.5	3.4
EBITA margin	3.1	2.9	2.8	3.0	2.8
Effective tax rate	45.2	23.3	17.0	28.3	33.2
Net working capital (year-end NWC)/revenue (LTM)	11.0	9.8	9.7	8.4	9.3
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.7	1.2	1.3	0.1	-0.5
Return on equity (ROE)	4.0	8.2	1.2	7.1	9.4
Return on invested capital (ROIC)	8.3	8.1	6.3	10.0	8.5
Equity ratio	31.9	35.4	33.7	37.4	39.2

Share ratios (DKK unless otherwise stated)					
Earnings per share per share outstanding (EPS)	8.77	18.22	2.60	16.50	21.26
Dividend per share	14.00	14.00	10.00	12.00	10.00
Dividend in % of net profit for the year (payout ratio)	159.4	76.7	385.6	70.2	46.8

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 2017 and 2018, and Claessen ELGB N.V. and GFI GmbH for 2016 and 2017, whereas these are not adjusted for previous years. In accordance with IFRS, the balance sheet has not been restated.

Guidance follow-up 2019

Our group results were largely on par with guidance. The results for core business were on par with our expectations, while results for related business were disappointing.

STRONGER THAN EXPECTED

Sales development in Solar Norge
Solar Norge saw strong organic growth of 10% in 2019. All segments performed better, particularly within Industry. The growth in H2 was within high margin products, making the business more sustainable, whereas a significant proportion of the growth in Q2 was related to direct deliveries with a low margin.

AS EXPECTED

Industry
The investments we have made in the industry organisation are paying off. We continue to gain new customers and notably within infrastructure, we succeeded in closing some significant contracts in 2019, which we expect to make a positive contribution in 2020.

SAP eWM and AutoStore implementation
In 2019, we implemented SAP eWM at our central warehouse in Örebro, Sweden. The go-live was as expected with only minor disruption experienced in the following weeks. Overall, the negative impact was approx. DKK 10m on EBITA.

In Norway, we implemented AutoStore, an automated storage and retrieval system with 40 robots and 35,000 bins. As the improvements materialised as expected, we have embarked on the implementation of AutoStore in Solar Nederland.

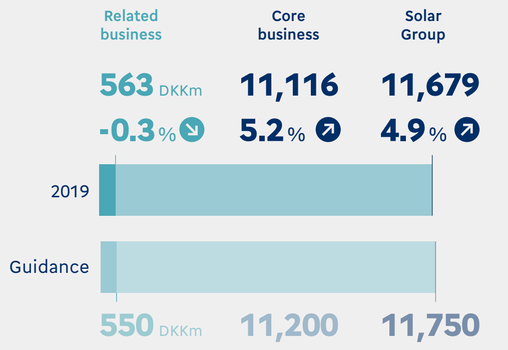
Strategic suppliers and concept sales
In 2019, we continued to pursue growth opportunities in concept sales. The concept alignments across the countries where we operate were finalised as planned. We have now established all the concepts in all our markets, and we can see revenue from concept sales picking up.

WEAKER THAN EXPECTED

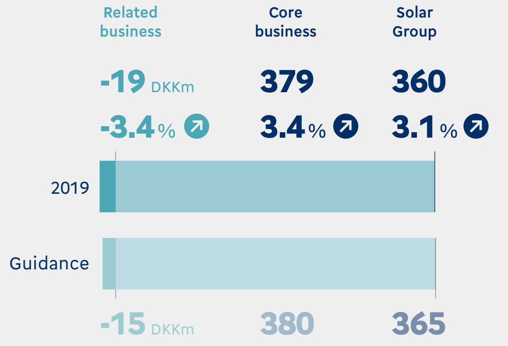
Sales development in MAG45
MAG45 saw negative organic growth during H2. Consequently, we embarked on several initiatives during H2 to restructure the company.

We are currently in the process of a strategic review of MAG45, cf. page 11.

Revenue and adj. organic growth



EBITA and EBITA margin



FINANCIAL REVIEW

EBITA for core business was up by DKK 31m in 2019

(Figures in brackets are corresponding 2018 figures)

Core business delivered solid adjusted organic growth of 5.2% and posted revenue of DKK 11.1bn (DKK 10.5bn). EBITA for core business increased by DKK 31m to DKK 379m. Almost all core business entities saw significant EBITA increase in 2019.

Our group results were largely on par with guidance. The results for core business were on par with our expectations, while results for related business were disappointing.

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 Other – is included in the note segment, Information.

REVENUE

The Installation and Industry segments continued to see growth in all our markets in 2019, and growth in our Norwegian and Dutch businesses was particularly notable. In 2019, Solar Sverige returned to positive growth and delivered adjusted organic growth of 1.5% (-2.5%).

Solar's overall adjusted organic growth for Installation and Industry was around 6% and 7% respectively. The growth has been adjusted for the estimated impact of the acquired business activities in Sweden. Adjusted organic growth at group level amounted to 4.9% (2.2%).

Revenue totalled DKK 11.7bn (DKK 11.1bn) and was positively affected by the estimated revenue from the acquired Swedish business activities.

Core business delivered adjusted organic growth of 5.2% (1.1%), and we saw positive adjusted organic growth in all entities.

GROSS PROFIT MARGIN

The gross profit margin decreased to 20.1% (20.2%).

Freight costs increased and negatively affected gross profit margin at group level by 0.1 percentage points.

In addition, in Q2 a significant proportion of the revenue growth in Solar Norge was related to direct deliveries with a low margin. In H2, a significant part of the revenue growth in Solar Nederland related to low margin products and customers.

OTHER INCOME

Other income amounted to DKK 9m (DKK 0m). DKK 3m relates to the impact from Solar Polska winning a court case regarding a VAT refund relating to previous years.

The net impact of the acquisition of the Swedish business activities is also recognised as other income. Negative goodwill of DKK 18m was recognised as income and DKK 16m in provisions for restructuring etc. was recognised as costs.

EXTERNAL OPERATING COSTS AND DEPRECIATION

Due to the implementation of IFRS 16, Leases, external operating costs were down by DKK 122m

RELATED BUSINESS

Revenue from related business amounts to approx. 5% of our total revenue. Related business is made up by MAG45 and to a lesser extent Solar Polaris.

Since acquiring MAG45 in 2016, we have grown revenue by approx. 60%. However, despite the growth we have not achieved the expected positive earnings. Our related business policy requires a positive EBITA within a timeframe of no more than three years. In Q3 2019, we therefore initiated a strategic review of MAG45.

As part of our strategic review in H2 2019, we closed down loss-making hubs and rightsized other hubs. We also reorganised the sales organisation and reduced the management team and support functions to match the expected activity levels in 2020. These actions resulted in an impairment loss of DKK 4m related to the customer list in the Italian hub and an impairment loss regarding software of DKK 21m, cf. note 10, page 69.

Our strategic review is ongoing. We are currently exploring our strategic opportunities, including that Solar may not necessarily be a long-term owner of MAG45.

Related business showed adjusted organic growth of -0.3% (28.9%) while EBITA was up at DKK -19m (DKK -21m) in 2019. Revenue and EBITA performance for MAG45 were disappointing and below expectations. The 2019 result was affected by restructuring costs of approx. DKK 3m. On a full-year basis, cost savings of approx. DKK 9m are expected.

FINANCIAL REVIEW

while correspondingly, depreciation was up by DKK 120m and net financials by DKK 5m. Were this change to be reversed, external operating costs would amount to DKK 451m (DKK 448m) and depreciation to DKK 58m (DKK 52m).

LOSS ON TRADE RECEIVABLES

Loss on trade receivables amounted to 0.2% of revenue (0.1%) affected by a general increase in provisions for loss.

EBITA

EBITA increased by DKK 33m to DKK 360m, corresponding to an EBITA margin of 3.1% (2.9%) of revenue.

Core business achieved the best result in a decade as EBITA increased by DKK 31m to DKK 379m. The results of the individual countries are disclosed on page 59.

AMORTISATION

Amortisation totalled DKK 100m (DKK 103m). Review of intangible assets resulted in an impairment loss of DKK 25m for MAG45. DKK 21m related to software and DKK 4m related to customer lists obtained when MAG45 acquired the industrial business activities in Savone, Italy, in 2017.

In 2018, review of goodwill, customer lists and other intangible assets resulted in an impairment loss of DKK 17m, of which DKK 14m related to core business and DKK 3m to related business regarding an impairment loss on MAG45. In core business, Solar Danmark shut down a loss-making activity and general assessment of digital projects led to an impairment loss on software DKK 9m., while impairment loss on goodwill in Solar Polska amounted to DKK 5m.

DKK million	2019	2018
Core business, amortisation	71	83
Core business, impairment loss	0	14
Related business, amortisation	4	3
Related business, impairment loss	25	3
Amortisation and impairment of intangible assets	100	103

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction, and services associates amounted to DKK -19m (DKK -11m) of which DKK -15m is related to BIMobject and DKK -4m to HomeBob including write-down of the HomeBob app.

IMPAIRMENT ON ASSOCIATES

Based on the share price on 31 December, the BIMobject value amounted to DKK 139m. In 2019, Solar thus identified a need for write-down of DKK 86m. In 2018, we reversed the write-down of DKK 59m on BIMobject originally recognised in 2017. The initial purchase price amounted to DKK 171m.

FINANCIALS

Net financials were unchanged at DKK -35m affected by the implementation of IFRS 16, Leases, of DKK -5m. In 2018, a fair value adjustment of the investment in LetsBuild (former GenieBelt) of DKK 11m was included as financial income and an adjustment of an earn-out of DKK -22m was included as financial costs.

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

EARNINGS BEFORE TAX

Earnings before tax were down at DKK 120m (DKK 237m). However, earnings before tax were affected by impairment loss etc., see table below. When adjusted for these items, earnings before tax were up at DKK 231m (DKK 206m).

DKK million	2019	2018
Earnings before tax	**120**	**237**
Fair value adjustment, recognised under financials	0	-11
Impact due to market value changes in BIMobject:		
Impairment on associates	86	-59
Earnings before tax, adjusted for impact from associates	**206**	**167**
Impairment loss, other intangible assets	21	9
Impairment loss, goodwill and customers list	4	8
Earn-out receivable reversed	0	22
Adjusted earnings before tax	**231**	**206**

INCOME TAX

Income tax totalled DKK 54m (DKK 55m) which corresponds to an effective tax rate of 45.2% (23.3%). Adjusted for impairment on associates, the effective tax rate was 29.5% (28.8%).

NET PROFIT

Profit from continuing operations came to DKK 66m (DKK 182m). Loss from discontinued operations amounted to DKK 2m (DKK 49m). Net profit for the Solar Group thus totalled DKK 64m (DKK 133m).

SHARE CAPITAL

Following approval at the Annual General Meeting on 15 March 2019, Solar reduced its B share capital by nominally DKK 38,562,500 from nominally DKK 774,562,500 to nominally DKK 736,000,000 at the end of April 2019. This corresponds to a reduction of the B share capital of 385,625 B shares of DKK 100 by cancelling treasury B shares.

CHANGE IN ACCOUNTING POLICIES

On 1 January 2019, Solar implemented IFRS 16, Leases, by applying the modified retrospective approach. The cumulative effect is recognised at the date of initial application, 1 January 2019, and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures are not restated.

Leased assets are depreciated over the lease term, and payments are allocated between instalments on the lease liability and interest expense, classified as financial expenses.

The impact on EBITA in Solar is insignificant while EBITDA in 2019 was impacted positively at DKK 122m and corresponds to an impact on EBITDA margin of 1.0 percentage points. For further information, see page 53 on accounting policies.

The change in accounting policies has an insignificant impact on the basis for the incentive-based remuneration scheme for the Executive Board and management team. General information on Solar's incentive scheme is available at our website: www.solar.eu/investor/policies/.

FINANCIAL REVIEW

CASH FLOWS

Net working capital calculated as an average of the previous four quarters amounted to 11.9% (10.6%) of revenue. Net working capital at the end of 2019 amounted to 11.0% (9.8%).

Cash flow from operating activities totalled DKK 300m (DKK 224m) impacted by inventory changes of DKK -92m (DKK -97m) and changes to non-interest-bearing liabilities of DKK -48m (DKK 39m). One of our focus areas in 2020 is to reduce the inventory level.

Total cash flow from investing activities amounted to DKK -194m (DKK -112m) where the divestment of STI had a positive impact of DKK 5m, the acquisition of the Swedish business activities had a negative impact of DKK 40m, and further investments in our existing financial portfolio impacted negatively by DKK 14m. Purchase of property, plant and equipment amounted to DKK 110m (DKK 59m) affected mainly by the finalisation of Solar Norge's investment in AutoStore and Solar Nederland's initial investment in AutoStore.

Cash flow from financing activities was affected by dividend distribution of DKK 102m (DKK 73m) and the implementation of IFRS 16, Leases, as an instalment on lease liabilities of DKK 117m is now included here. A change in the presentation of the cash flow statement means that raising or repayment of current interest-bearing debt is presented as part of the financing activities in 2018 and 2019. Cash flow from financing activities totalled DKK -110m (DKK -108m).

Cash flow from discontinued operations amounted to DKK -2m (DKK -11m). Consequently, total cash flow amounted to DKK -6m (DKK -7m).

Net interest-bearing liabilities amounted to DKK 921m (DKK 461m). The implementation of IFRS 16, Leases, increased interest-bearing liabilities by DKK 344m. Furthermore, over the past 12 months, we have

- invested DKK 35m in digital improvements;
- invested DKK 110m in optimising our operations e.g. AutoStore;
- invested DKK 49m in business activities and
- paid dividend of DKK 102m.

As at 31 December 2019, gearing was 1.7 (1.2) times EBITDA. However, a 0.3 impact was seen from implementing IFRS 16, Leases, as at 1 January 2019. Calculated as an average, our gearing was 2.0 times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 31 December 2019, Solar had undrawn credit facilities of DKK 383m.

Invested capital for the Solar Group totalled DKK 2,297m (DKK 1,797m) affected by the implementation of IFRS 16, Leases, of DKK 341m. ROIC amounted to 8.3% (8.1%). However, a -1.2% impact was seen from implementing IFRS 16, Leases, as at 1 January 2019. ROIC for core business amounted to 10.7%.

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.

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 2019.

Overall, the granting of shares is covered by the same terms as the previous grants of share options. 7,070 restricted shares were granted, amounting to a fair value of DKK 2.1m at the time of granting. The restricted shares vest three years after the time of granting, i.e. this grant of shares vests in 2022. In February 2019, 20,497 share options from the grant in 2015 expired. For more information, please see this report's note 25 on share-based payment.

New incentive schemes focusing on increased return on invested capital, have been established for both the Executive Board and the management team.

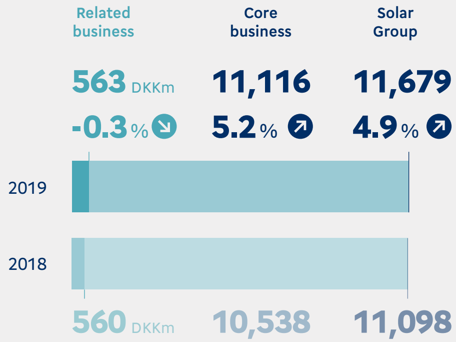
General information on Solar's incentive scheme is available on our website: www.solar.eu/investor/policies/.

DIVESTMENTS AND ACQUISITIONS

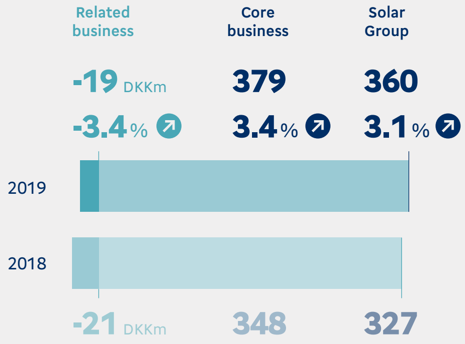
Acquisition of Swedish business activities

On 15 May 2019, Solar acquired selected parts of Onninen AB's Swedish business activities from the Finnish Kesko Corporation. Solar acquired the heating, plumbing and air-conditioning business segment, which mainly serves small and medium-sized contractors in Sweden. The acquisition includes 12 branches. Initially, we expected to retain full-year revenue of approx. DKK 400m. However, based on developments in Q4, we can now see a full-year revenue of approx. DKK 300m partly due to pruning. As the acquired activities are now fully integrated into Solar Sverige, we estimate the 2019 EBITA impact to be approx. DKK -10m due to integration and restructuring costs.

Revenue and adj. organic growth



EBITA and EBITA margin



Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, and P/F Solar Føroyar.

Related business includes MAG45 and Solar Polaris.

FINANCIAL REVIEW

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, cf. company announcements nos. 7 2019 and 21 2018. 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.

Divestment of Austrian and Belgian business activities
At the end of January 2018, Solar entered into an agreement with Sonepar concerning the divestment of activities in the loss-making subsidiaries GFI GmbH, Austria, and Claessen ELGB NV, Belgium, cf. company announcements nos. 3, 12 and 14 2018. The divestment constituted a loss of DKK 47m, which was recognised in the Solar Group's income statement as part of the loss from discontinued operations in Q4 2017.

Consequently, in this report GFI GmbH, Austria and Claessen ELGB NV, Belgium, are presented as discontinued operations in 2018 while STI, Norway, is presented as discontinued operations for both 2018 and 2019. Unless otherwise stated, this report solely recognises Solar's continuing operations.

OUTLOOK

Guidance 2020

For the Solar Group, we expect revenue of approx. DKK 11,800m equal to an organic growth of approx. 1%. We expect an EBITA of approx. DKK 400m including one-off costs of DKK 30m related to SAP eWM implementations.

MARKET OUTLOOK FOR SOLAR'S BUSINESS AREAS

In general, we do not expect any major changes in the market outlook for 2020 compared to 2019.

Installation

Overall, we expect the installation market to grow in 2020 compared to 2019.

Denmark – Compared to 2019, we expect new construction and renovation activities to increase slightly.

Sweden – We have seen a decline in the number of building permits. During Q4 2019, we saw the first signs of a slowdown in the market. Therefore, we expect the market to be stagnant in 2020. However, we see a risk of negative market development in H2 2020.

Norway – We expect the installation segment to generate modest growth, partly driven by the ongoing electrification.

The Netherlands – Compared to 2019, we expect new construction and renovation activities to increase albeit at a slower pace.

Industry

For 2020, we expect a slightly positive trend in all major markets.

Other

We expect growth within Special Sales, which is the primary activity in the Other segment.

FINANCIAL OUTLOOK 2020

Core business, revenue guidance

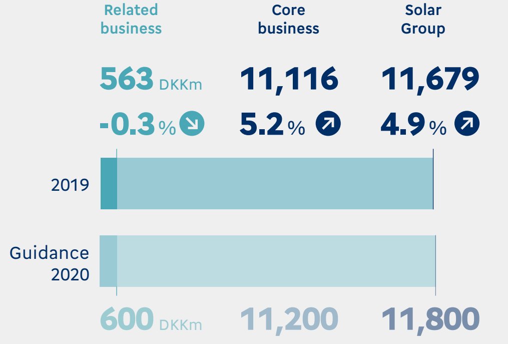
For core business, we expect revenue at approx. DKK 11,200m, corresponding to organic growth of approx. 1%.

As part of our project Better Business, we are pruning products. This is expected to reduce revenue by approx. DKK 200m compared to 2019. Adjusted for this, we expect an underlying organic growth of approx. 3%.

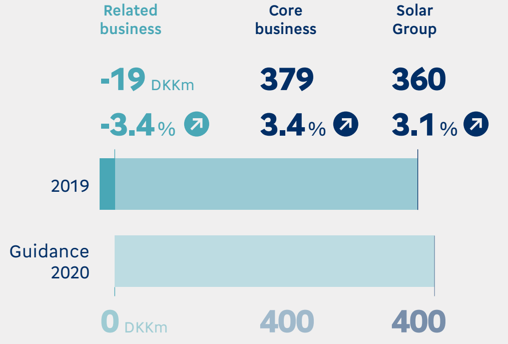
Core business, EBITA guidance

We expect EBITA of approx. DKK 400m including total one-off costs of DKK 30m related to our SAP eWM implementations in Denmark, Norway and the Netherlands.

Revenue and adj. organic growth



EBITA and EBITA margin



OUTLOOK

Consequently, we expect our core business to deliver an operating EBITA of approx. DKK 430m corresponding to an EBITA margin of 3.8%, which is slightly short of our target of 4% due to the challenges we have experienced in the Swedish market. We expect to be back on track in Sweden within the coming year.

Related business, guidance
For related business, we expect revenue of around DKK 600m, organic growth in the region of 3% and an EBITA of approx. DKK 0m.

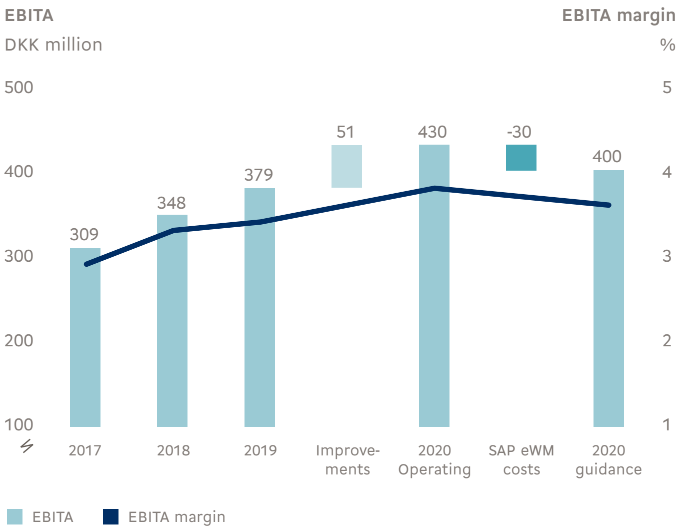
In 2019, MAG45 has seen decreasing growth. During the last part of Q4 2019, we saw a trend shift. The order backlog increased again and was close to an all-time high by the end of December. We expect this trend to continue and gradually lead to growth.

Our strategic review of MAG45 is ongoing, cf. page 11.

Solar Group, guidance
In total, we expect revenue of approx. DKK 11,800m equal to an organic growth of approx. 1%.

We expect an EBITA of approx. DKK 400m including one-off costs of DKK 30m related to SAP eWM implementations.

EBITA development, core business



Our business

BUSINESS UPDATE

Our business model

KEY RESOURCES

HUMAN RESOURCES
Our 3,000 'can-do' people use market insight to develop new business areas and move our business forward.

INNOVATION CULTURE
Our people have both the right and duty to challenge our customers, suppliers and each other to create innovative solutions.

TECHNOLOGICAL KNOWHOW
Our people have thorough knowledge about products and technologies.

STAKEHOLDER ENGAGEMENT
We engage with a number of different stakeholders to keep developing our business and create an understanding of our productivity agenda.

FINANCIAL CAPITAL
Our financial situation is sound and our collaboration with the capital market helps to ensure the continuous development of our business.

CORE ACTIVITIES

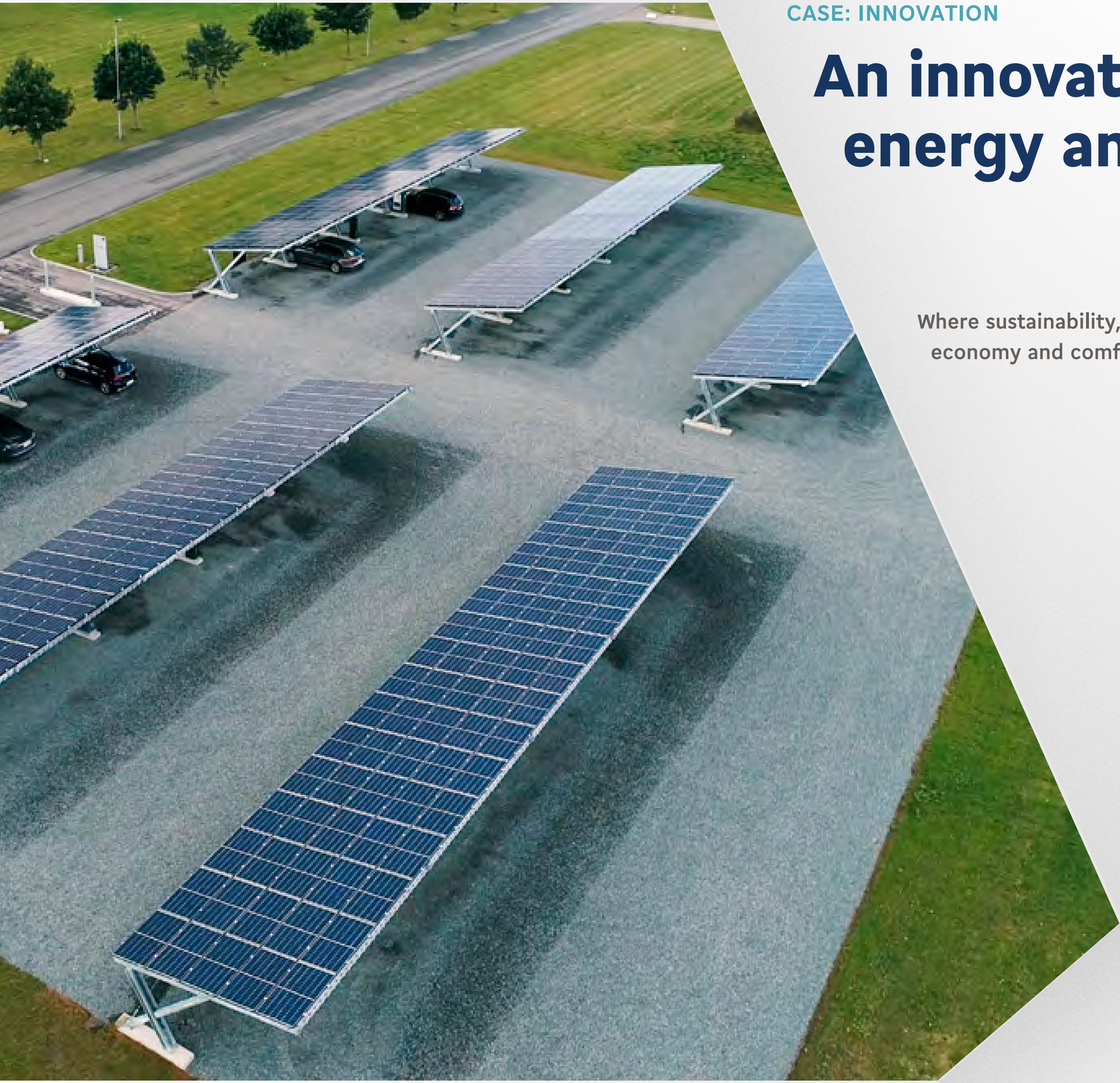
SOURCING EXCELLENCE	SERVICES EXCELLENCE	OPERATIONAL EXCELLENCE	DIGITAL LEADERSHIP
We build on long-term cooperation with our strategic suppliers, and by consolidating our customers' sourcing needs, we aim to increase efficiency throughout the supply chain.	We work closely with our customers to offer tailored, value-adding services that optimise their businesses and make them more productive.	Central and regional warehousing, common lean processes, integrated IT systems and shared services across our local operating companies support our business.	With an e-business share above 50%, we are a true digital company and use our platform, including webshop, website and digital marketing, to support a personalised customer experience.
Based on our understanding of our customers' needs we work both with brand manufacturers and proactively seek alternatives.	Our services range from product engineering, advisory services and technical support to customer logistics and Fastbox.	We drive continuous improvement within a broad range of disciplines, and we effectively leverage our regional footprint to reduce costs and improve efficiency.	We assume digital leadership and drive business development in collaboration with our digital partners.
We offer a number of Solar concepts that meet different customer needs. We have concepts suitable for both installation and industry customers.	Our broad range of services are suitable for both installation and industry customers.	We strive to keep our costs low to protect our margins in a market with increasing price transparency. We exercise strict management over our cost base.	We use the digital transformation of the construction industry to develop new services to drive productivity and cost savings in collaboration with our customers.

VALUE CREATION

CUSTOMER VALUE
We create customer productivity by helping our customers run their businesses more efficiently and reduce energy consumption and waste.

SHAREHOLDER VALUE
We strive to create value for our shareholders by constantly optimising our business to increase the value of the company.

EMPLOYEE VALUE
We create value for our employees by giving them responsibility, trust, exciting jobs and career opportunities.



CASE: INNOVATION

An innovative approach to energy and parking

Where sustainability, sound operational economy and comfort come together.

At group headquarters we have installed solar cell panels on the roof of the car park to produce our own energy supply and to demonstrate an obvious solution to potential customers.

The system consists of 510 solar panels and is expected to produce 150,000 kWh per year.

The photovoltaic power station generates sufficient power to run our data centre, provides protection for vehicles and is equipped with chargers for electric cars, which is consistent with increased electrification of the automotive industry.

The concept is known as SunDryve: Sun because of the obvious association with solar panels while Dryve combines the word "dry" with "drive".

We believe the future is all about prudent, green investment and many similar parking areas could be used to support the green transition.

Our unique solar panel parking space was opened by the Danish Minister of Energy, Utilities and Climate on 7 March 2019 and the complete construction was delivered by our subsidiary, Solar Polaris.

BUSINESS UPDATE

Greater support for our customers through new concepts and services

Entering 2020, we are looking at the last year of our current strategy period with a strong focus on our financial targets. Our three strategic focus areas – strategic suppliers, industry focus and operational excellence – have enabled us to offer our customers more value.

STRATEGIC SUPPLIERS

We continue to pursue growth opportunities within concept sales and to harvest synergies across our markets.

To raise our share of concept sales, we have increased our concept offerings in all markets by

- expanding the number of products and product categories within all concepts;
- consolidating strategic suppliers across concepts and markets;
- offering well-known and thoroughly tested concepts to other segments;
- launching new concepts in all markets.

Without increasing the number of stock-keeping units, we are constantly expanding the number of products we have available, i.e. from our current 215,000 to an anticipated 500,000 within two years.

We can therefore provide our suppliers with access to extended market opportunities and ensure our customers have access to our enlarged product offerings and services, whilst maintaining our inventory levels and reducing our environmental footprint.

INDUSTRY FOCUS

Through our Total Cost of Ownership (TCO) approach, we provide customers with a full and documented overview of total costs, allowing them to focus on their core business.

We target industry customers who seek to optimise their businesses and costs by offering their long-tail spend to relevant suppliers.

At the same time, we continue to develop our services to position Solar as a strong sourcing and logistics partner for our customers.

We prioritise selected key industry verticals and continue to establish new business agreements and attract new customers who appreciate that we are able to serve them in a cross-border context.

To match our industry customers' purchasing patterns, we have expanded our product assortment through the addition of new products and categories.

OPERATIONAL EXCELLENCE

In 2018, we took the first step of our journey to create a centrally led structure by establishing a shared services centre in Poland covering material planning and master data.

In 2019, we took the next step and established a centrally led market and sourcing organisation covering commercial market, sourcing and master data. We have created a Category Management setup within the organisation covering 10 defined product categories. Going forward, we will maintain and develop our cross-border categories in Denmark, Sweden, Norway, the Netherlands and Poland.

Furthermore, to serve our customers even more efficiently, we have established Solar Operations to cover Material Planning, Warehouse Operations & Transport and Services & Solutions.

We maintain a keen focus on optimising systems and processes that support and facilitate changing business requirements. We have therefore implemented AutoStore, an automated storage and retrieval system, at our central warehouse in Gardermoen in Norway.

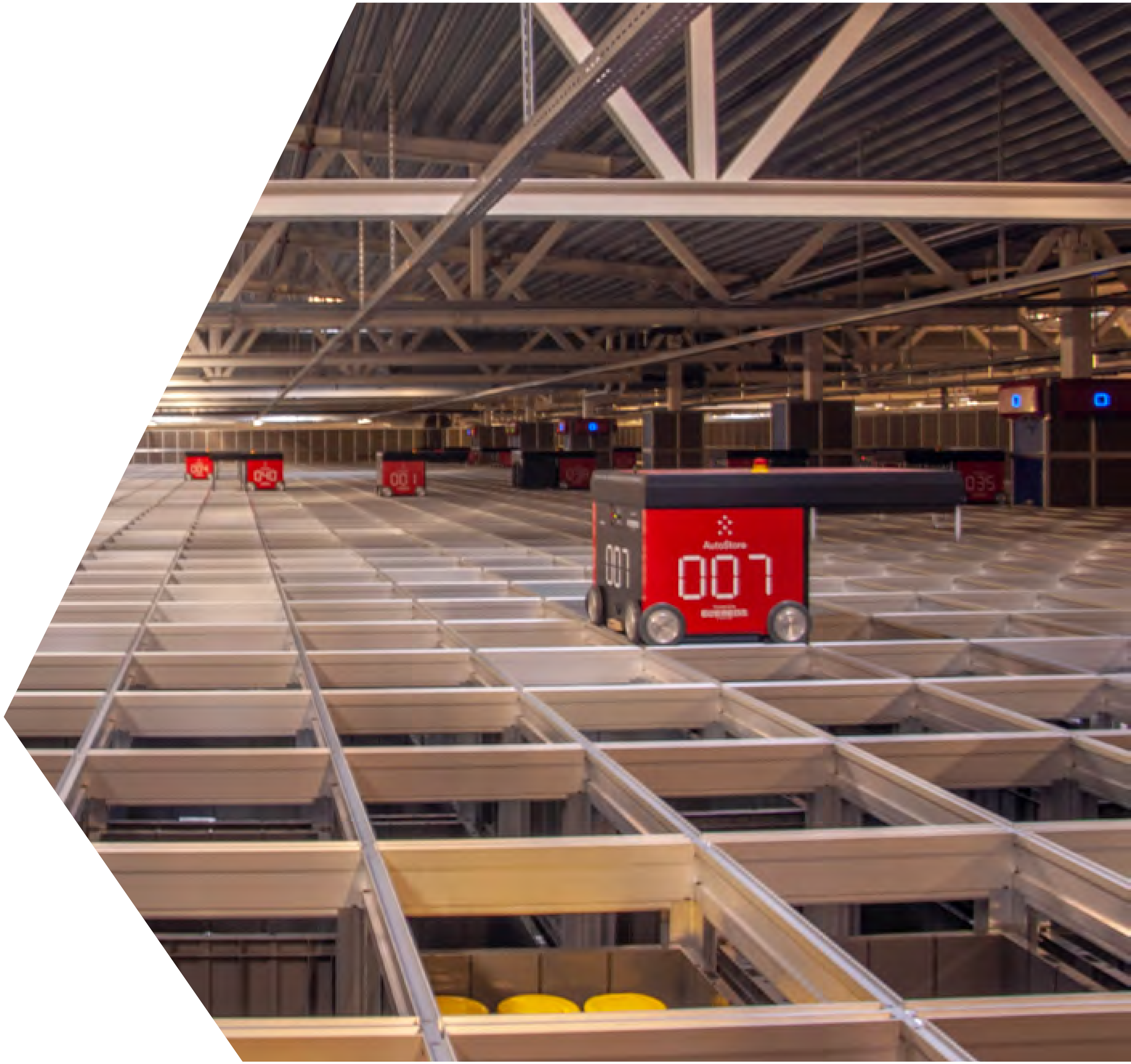
BUSINESS UPDATE

AutoStore has enabled us to expand our inventory capacity without adding more warehouse space or hiring more employees. The system will improve warehouse efficiency and provide us with the flexibility to handle fluctuations in volume much more efficiently.

Based on our positive experience, we are also implementing AutoStore at our central warehouse in Alkmaar in the Netherlands to gain more benefits.

We have implemented SAP eWM – extended Warehouse Management system – to replace our in-house developed warehouse management system at our central warehouse in Örebro in Sweden.

Our warehouse management system is the heart of our central warehouses and by digitising the setup, we are much better placed to develop our business further. The system not only provides us with new commercial advantages but also strengthens our ability to meet our customers' demands for flexible deliveries and excellent supply chain services.



CASE: CUSTOMER PRODUCTIVITY

Services to drive customer productivity

We offer a range of services to drive customer productivity and promote sustainable and responsible use of resources.

Through our Total Cost of Ownership (TCO) approach, we provide our customers with a full and documented overview of total costs. This ensures a better sourcing and services solution, which is more consistent, and allows our customers to focus on their core business.

We want to support our customers by optimising value-adding processes and ensuring strategic management of sourcing, logistics and stock.

A smart and cost-effective stock management solution, such as Solar's Kanban solution, coupled with efficient night delivery, have improved daily operations and the company's competitiveness at the Danish automation company, Sydkystens Automatik.

The Kanban system is quite simple to operate. The shelves contain two boxes of every item, with the rear box ready to replace the first as soon as it becomes empty. An employee scans the box with a phone and new items are automatically ordered. The goods are delivered before the next business day begins.

The number of errors when ordering has been minimised, the time spent on purchasing reduced and consistency of supply has increased.

"Five years ago, we decided to look at our way of purchasing. Solar proposed their Kanban solution and gave us the option of placing orders until 6pm and still receive our delivery before business began the next morning. The combination of night delivery, a high level of consistency and the kanban system ensures high productivity, satis-fied employees and unstressed purchasers who always have a full overview", says Lars Busk, owner of Sydkystens Automatik.

The combination of night delivery, a high level of consistency and the Kanban system ensures high productivity, satisfied employees and unstressed purchasers who always have a full overview.

Lars Busk, owner of Sydkystens Automatik

CASE: CUSTOMER PRODUCTIVITY

FAST GREEN DELIVERIES

Another popular service designed to improve customer productivity is our Solar Fastbox. We can even provide our customers with fast green deliveries.

In Denmark, we have established a new customer centre in the heart of Copenhagen, which is focused on sustainable solutions for delivery, transport and packaging.

We use bicycles for delivery and paper bags instead of cardboard boxes for our Fastbox deliveries.

The centre serves the growing demand for our Fastbox delivery service, which increases our customers' productivity and offers contractors and fitters a faster delivery service with access to more than 10,000 products.

BUSINESS TRENDS

We drive customer productivity to enable a responsible use of resources

Solar is a digital sourcing and services company. It is also a green company. We are committed to ensuring that, through us, our customers can add real value to their businesses. In our view, optimal performance lies in the intersection of green transition, digitalisation and Total Cost of Ownership.

We believe that megatrends such as the green transition, digitalisation and urbanisation, which reflect the values of our business, offer significant potential.

We support our customers in developing energy-efficient solutions, reducing waste and optimising logistics based on strong digital platforms.

We innovate and play an active role in the digital transformation of our industry by adopting new technologies and providing our customers with user-friendly digital tools.

SUSTAINABLE BUSINESS

Not only do we want to promote a greener society based on economic common sense, we also want to increase the production of renewable energy. We are fully aware that we can influence the green agenda both internally and externally.

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

We are experiencing growth in our climate and energy initiatives and see obvious green business opportunities ahead of us. Our energy-efficient solutions go hand in hand with the green transition where the process of electrification, in particular will play an important role in the future.

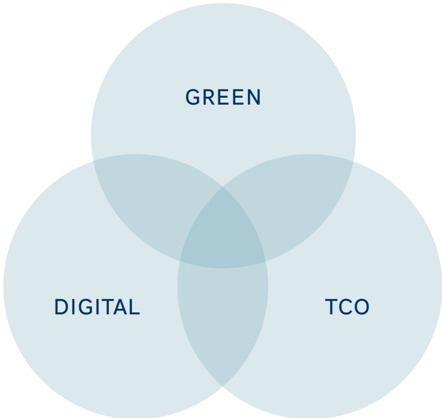
We believe new business models will evolve and be adopted both by B2B customers and B2C customers as a natural part of the global climate agenda.

As an example, Solar Nederland has developed Solar Zero, a total product and services concept, to respond to the energy transition needs. By providing customised advice we enable existing homes and buildings to become energy neutral. The key benefit for the customer is that we can assist in every step of the process starting with a heat loss calculation followed by solid advice about possible components, system integrations and energy monitoring systems.

DIGITAL BUSINESS

More than DKK 6bn of our approx. DKK 11bn annual revenue comes from digital sales. This makes us one of the Danish companies with the highest e-business share. Consequently, e-business and digitalisation are key elements in our business.

More than 50% of our business goes through our webshop, mobile phones and Electronic Data Interchange (EDI) and we are experiencing



In our view, optimal performance lies in the intersection of green transition, digitalisation and Total Cost of Ownership.

BUSINESS TRENDS

continuing growth in our e-business share, especially through mobile phones.
Solar is well positioned for the digital transformation of our industry. Our new customer experience platform is much more than a webshop. We are upgrading and integrating our entire customer platform and use big data to drive customised campaigns and marketing content to ensure an excellent digital customer experience and more cost-effective sales and marketing.

Our substantial share of e-business requires logistics expertise to provide our customers with efficient logistics solutions. Moreover, we offer various digital tools to improve our customers' productivity.

CUSTOMER PRODUCTIVITY

We help our customers to run their businesses more efficiently and to gain greater control of their total costs through our Total Cost of Ownership approach.

We offer a number of services to drive customer productivity and enable a sustainable and responsible use of resources.

We regard goods collection as a waste of customers' valuable time. It is inefficient for professionals to sit in traffic just to pick up goods. Instead, the use of intelligent digital tools to order products and services enables our customers to manage their working day more efficiently. Administrative tasks are digitalised or outsourced and stress levels reduced.

Our well-established Fastbox concept has successfully proved itself as a means of responding to labour shortage within the construction industry. It also responds to the ongoing urbanisation and the increased traffic congestion in our cities.

Over time, we expect municipalities to set requirements for commercial vehicles in towns and cities. They will only be allowed to operate for certain periods of the day and not half empty, which dovetails with our idea of consolidating deliveries.

5G NETWORK AND SMART HOME SOLUTIONS

The 5G network rollout will offer new business opportunities. Our strong position in infrastructure combined with our logistical competences enables us to collaborate with providers of 5G technology, supplying the backbone.

Subsequently, the 5G technology paves the way for our smart home solutions as networks with 5G will enable consumers, industries and IoT devices to connect at unprecedented scale.
We believe in a breakthrough in the Internet of Things, allowing all kinds of things to be connected to the internet.

CASE: GREEN BUSINESS OPPORTUNITIES

Solar Polaris has erected the first large photovoltaic power station in the Faroe Islands

The green transition and renewable energy are the current focus of debate in the Faroe Islands. Looking to the future, the islands will require 60-90 MWp from solar power. Our subsidiary, Solar Polaris, is playing a vital part in this green transition.

Solar Polaris has erected the first large photovoltaic power station on the Faroe Islands. The plant has been installed on a former soccer field at the southernmost point of the islands.

The system, which was erected on time and on budget, can withstand the Faroese weather conditions where wind speeds sometimes reach 60 m/s.

The photovoltaic system consists of 768 solar panels with a total output of almost 250 kWp and an expected production of 160,000 kWh per year.

It is the first step in a major drive by the utility company SEV to bring solar power to the Faroe Islands.

Solar energy is the obvious replacement energy source particularly on parts of the islands which are cut off from the central grid.

The Faroese national broadcasting company reported on the opening of the photovoltaic power station.

OUR PEOPLE

Linking learning and performance

We use a learning and development platform to support our performance development processes. It makes it easy to assign learning programmes from our training facilities and follow up on progress and agreed plans and targets.

DIVERSITY

The Solar Group's approach is to ensure that all employees of our individual companies are treated equally, irrespective of gender, age, race, religion etc., thereby ensuring equal opportunities in terms of employment, training and promotion.

We wish to ensure a high level of diversity, but not at the cost of the necessary skills sets. We always hire the most qualified candidate for the job, regardless of political, religious or personal orientation.

SENIOR LEVEL MANAGEMENT

Solar applies the Mercer position grading system, and in line with this, has defined two upper levels of management: Solar Group Management (SGM) and senior level management, where the latter comprises Vice Presidents and Directors reporting to an SGM member. Our aim is to achieve an overall distribution of women and men of 25% and 75% respectively by 2020.

In our employee performance appraisals, we focus on performance, skills development, development potential, mobility and career plans.

Solar encourages the career development of managers, project workers and specialists, and enables the underrepresented gender to have the right opportunities to develop and advance within the administrative bodies.

We arrange internal management training and onboarding for all new managers, which provides the right tools and qualifications for further managerial development.

We recently changed our training procedures and formed a Global Manager Onboarding programme based on e-learning, classroom training, workshops and networking. This is targeted at all new managers in Solar.

Our group recruitment policy ensures that HR and the hiring managers consider different backgrounds and qualifications, with a view to matching the markets and lines of business relevant to Solar now and in the future.

Our job advertisements point out that Solar seeks to achieve a diverse representation in our management group. We require that candidate shortlists for managerial positions include at least one member of the underrepresented gender.

Despite our efforts, the overall gender distribution in the two upper levels of management was 14% women and 86% men as at 31 December 2019 compared to 16% and 84% respectively last year.

Solar operates in a field historically dominated by men. This is also evident at entry-level positions for white-collar workers in the company, where 25% of new hires are women.

BOARD OF DIRECTORS

Our diversity policy also sets out our objective for the composition of our Board of Directors. Whenever the need to replace a board member arises, we scan the market widely to ensure a mix of skills and diversity.

The Board aims for equal gender representation whilst ensuring it comprises a broad portfolio of skills and experience. Our aim is to ensure that women are not underrepresented on the Board of Directors.

A new member of the Board of Directors was elected at the Annual General Meeting in 2019. However, as it proved impossible to recruit a female board member with the desired knowledge of the trade, the election did not change the gender distribution. Therefore, one in six board members elected by the Annual General Meeting are women, as was also the case last year.

The Board of Directors revised the deadline for achieving the objective for the underrepresented gender of board members and reached the conclusion that after Solar's Annual General

OUR PEOPLE

Meeting in 2023, women should constitute 40% of the Board of Directors.

NOMINATION COMMITTEE

The Board of Directors has established a Nomination Committee made up of major shareholders and one individual from the company's Board of Directors.

It is the committee's duty to assess the need for changes to the composition of the Board of Directors, including ensuring that the company's Board of Directors consists of individuals with the necessary professional qualifications, skills and experience.

The committee must ensure that at least half the board members are independent, and the committee must as far as possible point to candidates, who together ensure that the diversity policy adopted by the Board of Directors will be met in the long term.

However, the Nomination Committee is not a board committee like the other committees established by the Board of Directors. The committee does not prepare decisions that the Board of Directors is to make. The committee supplements the work of the Board of Directors as regards its composition.

Corporate matters

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 the risk management initiative is to support the running of a robust business that is able to react quickly and flexibly when conditions change.

Solar's risk management efforts cover all relevant Solar companies in Denmark, Norway, Sweden, the Netherlands, Poland and MAG45. The process supports national management teams in taking a structured approach towards risk management, with regular risk self-assessments anchored in the annual cycle. The 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 this mitigation to ensure that risks are at an 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 and accountabilities for risks, decision-making and control to achieve effective governance, risk management and assurance.

Board of Directors / Audit Committee

Approves and accepts risk policy including risk appetite and tolerance

Executive Board

Monitors the risk management framework and effectiveness

First line of defence	Second line of defence	Third line of defence
Business Management & Risk Owners	**Group Risk Management & Risk Managers**	**Internal Audit**
Own risks and risk management activities	Establish policies and frameworks, facilitate risk identification and monitoring	Tests, validates and assesses efficiency in risk management processes and activities

RISK MANAGEMENT

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 in current risk mitigation.

The net risk effect is defined as the risk level when considering current as well as planned mitigation activities regarding 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 five overarching categories: Governance, Strategy and Planning, Operations/Infrastructure, Compliance and Reporting.

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 a 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 with which the risk may occur, while the impact is divided into three dimensions:

1) Effect on earnings
2) Reputational damage
3) Compliance (licence to operate)

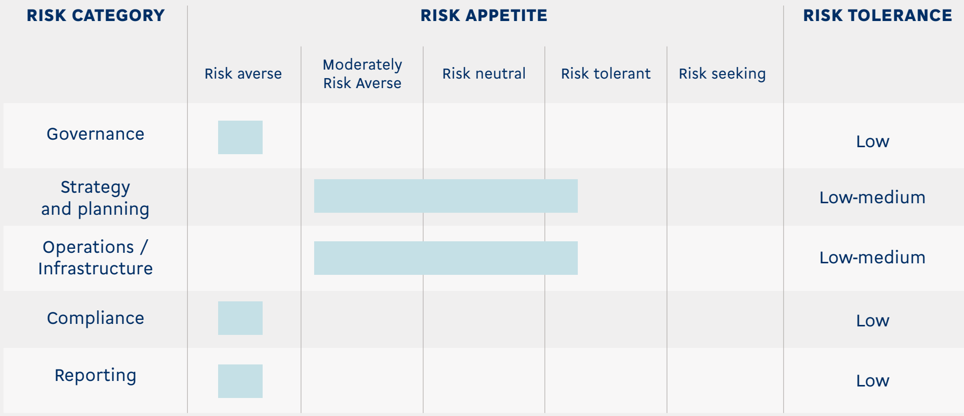
RISK HANDLING

The purpose of identifying and then handling risk is at all times to bring 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.

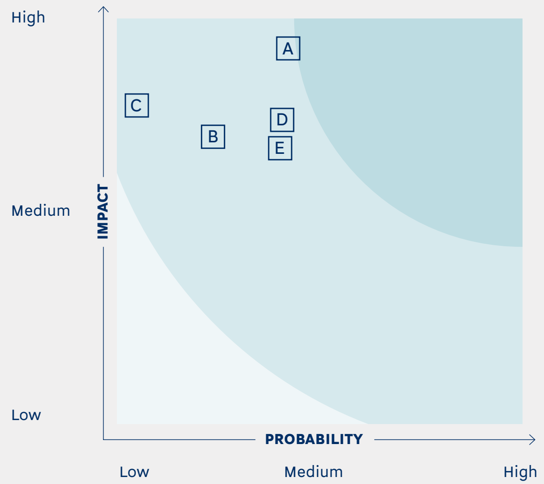
- Avoid – seeking to eliminate uncertainty by changing circumstances.
- Transfer – seeking to transfer ownership and/or liability of the risk to a third party.
- Accept – recognising residual risks and devising responses to monitor and control these.
- Mitigate – seeking to minimise risk exposure to below acceptable threshold.

The above strategies provide a number of formal responses to identified risks to help risk owners manage these.

RISK APPETITE AND TOLERANCE PER RISK CATEGORY



SOLAR RISK MAP 2020



Solar's top risks are mapped out in terms of probability and impact in the risk map. The overall risk picture is relatively stable compared to the previous year.

- A Cyberattack
- B IT interruption
- C Change of warehouse management system (DK, NO & NL)
- D Central warehouse breakdown
- E Customer migration to new webshop

RISK MANAGEMENT

EXPOSURE TO POTENTIAL TOP RISKS AND MITIGATION

Two risks, General Data Protection Regulation and Change management, are no longer included as top Group risks. Continuous efforts within Solar Group in relation to risk mitigation resulted in reducing these risks to a lower level.

Threats associated with implementation of General Data Protection Regulation were mitigated by setting adequate governance model, defining roles and responsibilities, as well as continuous trainings and communication to employees.

The risk connected with change management was successfully reduced thanks to a series of prioritised strategic initiatives, organisational changes responding to commercial needs and ensuring the right competences.

	A	B
RISK	**Cyberattack** Risk is increased	**IT interruptions** Risk is unchanged
SCENARIO	Risk of exposure to IT breakdown and/or data breach due to cyberattack.	Risk of business interruption due to unforeseen events affecting IT operations.
IMPACT	Business interruptions in the shape of data compromise, intellectual property theft and regulatory consequences are among the consequences of various cyber incidents, ultimately leading to financial losses and inability to run the daily business. Likelihood of the worst case scenario is medium, but the potential impact is assessed as high.	Potential IT interruptions may have a significant impact on earnings and reputation, depending on the nature and scale of the event. However, probability of the worst case scenario is between low and medium, but the potential impact is assessed as between medium and high.
MITIGATION	Monitoring policies and procedures are in place for the main networks and systems. By ensuring new security tools and upgrading the existing ones, Solar continues to reduce vulnerabilities and monitors the network in search of unusual behaviours. External studies are performed regularly to assess the maturity level of Solar's cyber-resilience and adequate, risk-based treatment. Group IT continues to communicate appropriate internal information about IT security to uphold organisational awareness.	IT area is continuously monitored and evaluated. Business-critical applications are mirrored at two central data centres in order to safeguard IT operations, meaning that the business can continue to run if one centre experiences down-time. Project teams improved through anchoring risk management in the project plans and defining relevant mitigating activities.

RISK MANAGEMENT

	C	D	E
RISK	**Change of warehouse management system** (DK, NO & NL) Risk is added to the list of top group risks this year	**Central warehouse breakdown** Risk is unchanged	**Customer migration to new webshop** Risk is unchanged and renamed from webshop transformation
SCENARIO	Risk of increased exposure to business interruptions and short-term efficiency challenges due to implementation of new warehouse management system in the Danish, Norwegian and Dutch subsidiaries.	Risk of business interruption within central warehouses due to system or equipment failure, or due to unforeseen but inherent events such as fire, power outage, flooding and other natural or manmade disasters.	Risk of customers' negative experience and failure to harvest expected benefits from implementation of new e-commerce platform.
IMPACT	Interruptions during the implementation phase and short-term instability of efficiency once the systems are in place can lead to decreased service delivery, resulting in customers' dissatisfaction, loss of revenue and increased costs. Given the experience of the roll-out team and the mitigation actions, the likelihood of the worst case scenario is low. The potential impact is assessed as between medium and high.	Unwanted events may potentially lead to partial or complete warehouse breakdown. Accordingly, materialisation of this risk can result in financial losses as well as loss of reputation. Probability of the worst case scenario is below medium and potential impact is assessed as between medium and high.	Failure to meet customer expectations, and/or failure to transfer customers from the current platform to the new one may affect the benefits assumed by Solar, and ultimately lead to the loss of competitiveness and decrease in profitability. The likelihood of the worst case scenario is below medium. The potential impact is assessed as between medium and high.
MITIGATION	Experiences gained during implementation in two central warehouses in Sweden are included in the next projects. That entails i.e. structured risk analysis, detailed performance monitoring as well as daily communication and support during the post go-live period.	Solar continues to invest in more advanced warehouse management systems and upgrade physical equipment. Several procedures are in place in case of a potential warehouse breakdown in order to ensure business continuity. Additionally, external audits are conducted, the warehouse equipment's state is monitored regularly, and Group IT controls the overall performance.	Most of the risk mitigation is anchored in the e-business community. Customers are invited to use the new platform on a regular basis. Enhanced reporting is distributed and promoted within the sales organisation as a tool for analysing trends and behaviour of customers who have migrated to the new platform. Keeping the old webshop running remains an alternative for unsatisfied or non-migrated customers.

CORPORATE SOCIAL RESPONSIBILITY

We conduct business in an ethical way

Solar is dedicated to turning energy efficiency into a profitable and responsible business for our customers. As such, we have established a green profile by working to promote sustainable, climate-friendly and energy-efficient solutions and have launched initiatives for the benefit of society and the environment.

We acknowledge the fact that, in a number of ways, our commercial success comes at a cost to the world around us and we continuously seek to minimise our footprint by the way we source, distribute and sell our products.

We have made a formal decision to conduct business in an ethical way. We want CSR to be an integral part of our external commercial projects and internal operational processes to make sure that CSR is not a standalone discipline, but a natural part of our business and our daily operations.

ESG DATA

As part of Nasdaq's commitment to more sustainable markets and to support its listed companies, Nasdaq has implemented an ESG Data Portal to provide a central database for listed companies and investors who wish to access ESG data and performance metrics.

The portal covers a number of environmental, social and governance metrics, which reflect best practice across these impact areas.

As a responsible and transparent company, Solar is committed to supporting the portal, and thereby its investors, by submitting all relevant ESG data. Furthermore, we make ESG data available in the table below. As we manage to improve our data, we aspire to report on the recommended 15 key figures.

Solar operates in a field historically dominated by men. This is also evident at entry-level positions for white-collar workers, where only 25% of new hires are women. At the same time, a part of our workforce is blue-collar and Shared Services Centre employees in Poland. This composition impacts the ESG key figures.

ESG key figures overview	Unit	2019	2018
Social data			
Full-Time Workforce	FTE	3,039	2,941
Gender diversity	%	27	27
Gender diversity, management	%	14	16
Gender pay ratio	Times	1.16	1.16
Employee turnover ratio	%	8.3	8.6
Sickness absence	Days per FTE	10.9	10.3
Governance data			
Gender diversity, Board	%	17	17
Board Meeting Attendance Rate	%	100	97
CEO pay ratio[1]	Times	20	15

1) If measured against Danish employees, the ratio was 16 in 2019 and 13 in 2018.

CORPORATE SOCIAL RESPONSIBILITY

CONTINUOUS IMPROVEMENTS

Recently, we have put renewed focus on our efforts within CSR. Group Operations has taken the CSR lead, as this is where we have the biggest potential for improving. The simple act of moving goods from A to B will never go out of fashion, and thus, we must be the drivers of continuous improvements as to how this can be done.
Solar Group Management plays a vital role as an overall committee, when it comes to strategic initiatives and overall priorities, whereas the CSR Community is responsible for continuously ensuring the implementation and communication of the initiatives.

GLOBAL COMPACT

Solar is a registered partner to the UN's Global Compact and is committed to honouring the Global Compact's 10 principles, which encompass human rights, labour, environment and anti-corruption.

As an active participant of the UN Global Compact, Solar Group communicates our CSR activities via an annual communication on progress (COP). Our COP report also represents Solar Group's compliance with sections 99a and 99b of the Danish Financial Statements Act.

In addition to expressing our continued support for the programme, the report outlines our efforts to reduce CO_2 emissions and our compliance with ethical standards.

Our 10th COP report is accessible at:
www.solar.eu/our-company/csr
and at the Global Compact's website
www.unglobalcompact.org/what-is-gc/participants/10987-Solar-A-S#cop

RESPONSIBLE SUPPLIER MANAGEMENT

Solar is committed to ethical business practices and requires the same high standards from our suppliers. It is a Solar Group policy to comply with all applicable laws and regulations of the countries and regions in which we operate and to conduct our business activities in an honest and ethical manner.

Therefore, we have initiated a partnership with our suppliers, calling on them to sign our updated Code of Conduct. It declares that the Solar Group expects its suppliers to uphold the policies of the Solar Group concerning compliance with all applicable laws, respect for human rights, environmental conservation and safety of products and services.

To support our efforts in relation to our Code of Conduct, we have implemented a new digital contract system in 2019 in Sweden and Denmark. Norway, The Netherlands and Poland will start using the system in 2020.

CARBON DISCLOSURE PROJECT (CDP)

Since 2010, Solar has reported data to the Carbon Disclosure Project. In addition to monitoring our emission, we focus on finding ways to reduce emissions in our daily business. Our CDP work is described in a CDP strategy, which is available to all employees on our intranet.

In 2019, we invested in and implemented a new system for collecting and qualifying data for our reporting for the CDP. In relation to the system, we have entered into a partnership with an external company providing expertise on the process of collecting the data and the reporting itself. These actions will improve the quality of our data across the Solar Group and provide a more solid foundation for taking further action as valid and consistent data is critical to setting the right baseline and targets for our emission of CO_2.

Our involvement in CDP covers Solar A/S and all subsidiaries except Solar Polaris A/S, which will be included in our upcoming reporting. Our next data submission for CDP will be on 31 July 2020.

As part of our focus on carbon emissions, we have a policy for company cars. Equally important, we expect that our distributors use lorries within the best Euro norm for transportation of our goods to ensure a reasonable limit to the contamination we cause.

COLLABORATION WITH SOS CHILDREN'S VILLAGES

Our collaboration with the SOS Children's Villages and Engineers without Borders is a five-year commitment. As the idea is to create sustainable children's villages, the projects are closely aligned to our core business. This means that we are able to support them with our technical knowledge, product expertise and to deliver quality products. Read about our partnership with SOS Children's Villages at https://www.solar.eu/our-company/csr/sos-childrens-villages-project

Photo credits: SOS Children's Villages

CORPORATE GOVERNANCE

Overall, Solar complies with the corporate governance recommendations

In general, Solar considers the 2017 recommendations of the Danish Committee on Corporate Governance a valuable tool for exercising sound management, good transparency for shareholders and other stakeholders, and efficient risk management. Overall, Solar therefore complies with the recommendations wherever they are relevant to the company.

A full description of Solar's opinion on the individual items of the corporate governance recommendations is available at: www.solar.eu/investor/corporate-governance

DEVIATIONS

Solar complies with 45 of 47 recommendations but deviates from:

Recommendation on the procedure for evaluating the board of directors
The Board of Directors undertakes an annual evaluation of the work of the board and the interaction between the Board of Directors and the Executive Board. This includes an evaluation of the chairman's leadership of the board's work.

The evaluation is based on a number of questions covering all subjects included in the board's work. The questions are the same every year in order to detect trends and are rarely changed. The Board of Directors finds that the repetitive format is preferable rather than occasional external assistance.

The chairman is in charge of the evaluation, which is discussed by the Board of Directors. If a need for skills development becomes apparent, members of the Board of Directors will participate in relevant courses and supplementary training as agreed.

Recommendation on preparation of a remuneration report
Solar does not prepare remuneration reports. The remunerations/fees of the individual members of the Executive Board and the Board of Directors are included in the annual report, just as the company has prepared and published a remuneration policy.

The annual report contains information on remuneration of the individual members of the Board of Directors and the Executive Board, including a description of the correlation with the remuneration policy. Furthermore, the annual report includes information on retention and resignation schemes for the Executive Board. The company does not have pension obligations towards the Executive Board. As EU's shareholder rights directive has now been implemented into Danish legislation, Solar will draw up a remuneration report for 2020, which will be presented at the annual general meeting in 2021.

EVALUATION

The chairman is in charge of the evaluation of the Board of Directors' work by means of a questionnaire survey. The purpose is to assess whether the overall skills of the Board of Directors match the company's current needs, the quality of material distributed to the board and the holding of the meetings themselves as well as the relevance of issues discussed as regards legal requirements, risk factors and the company's development potential. The 2019 evaluation is shared with the nomination committee and has not given rise to the introduction of additional measures.

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 find the statutory corporate governance statement 2019: www.solar.eu/investor/corporate-governance.

THE AUDIT COMMITTEE AND INTERNAL AUDIT

Descriptions about the roles and responsibilities for The Audit Committee and Internal Audit, respectively, are available at: www.solar.eu/investor/corporate-governance.

SHAREHOLDER INFORMATION

We aim to be transparent

Solar aims to be transparent by giving investors and analysts the best possible insight into relevant issues.

INVESTOR RELATIONS POLICY

The publication of information that may affect the share price must be issued in good time and in compliance with the stock exchange's rules of ethics. Everyone must have access to such information at the same time. We ensure this by publishing relevant information via Nasdaq Copenhagen and on www.solar.eu.

We hold meetings with investors and financial analysts. Investor meetings or similar events cannot be held during our IR quiet periods and no comments on financial results, expectations or market outlook will be issued by the company.

The IR quiet periods are listed in the financial calendar. These periods start on 4 January, 4 April, 4 July and 4 October and end with the publication of the next annual or quarterly report.

COMMUNICATING WITH INVESTORS

Solar wants to be visible and accessible to both existing and potential institutional and private shareholders. We need to know our target groups to have the best possible dialogue with them. This is why we recommend shareholders that they register by name and e-mail in the register of shareholders.

We communicate with shareholders at general meetings, through frequent announcements via Nasdaq Copenhagen and our website www.solar.eu as well as via web presentations.

Relevant investor relations material is published on www.solar.eu, where Solar's shareholders and other stakeholders can also sign up to receive company announcements by e-mail.

INVESTOR RELATIONS ACTIVITIES

We hold audio webcasts in connection with the publication of annual and quarterly reports. In addition, Solar is also available for individual meetings with investors and analysts in Denmark and abroad. In 2019, Solar took part in 47 investor and analyst meetings.

In 2019, Solar attended roadshows in Copenhagen, Amsterdam and London. We also took part in other events, including SEB Nordic Seminar and Danske Bank Markets Copenhagen Winter Seminar.

AUDIO WEBCAST

The presentation of Annual Report 2019 will be transmitted online on 6 February 2020 at 11:00 CET and will be available at www.solar.eu.

SOLAR'S CAPITAL AND SHARE STRUCTURE

The Board of Directors regularly assesses the company's capital and share structures to ensure that these are appropriate for both the shareholders and the company.

ANNUAL GENERAL MEETING

Solar will hold its annual general meeting on Friday 13 March 2020 at 11.00 at our premises: Solar A/S, Industrivej Vest 43, DK-6600 Vejen, Denmark.

Shareholders can register for the annual general meeting on the investor portal, accessible via www.solar.eu.

The Board of Directors will submit the following proposals for approval by the annual general meeting:

- Payment of DKK 14.00 in return per share outstanding of DKK 100.
- Authority to make the decision to distribute extraordinary dividends of up to DKK 15.00 per share.
- Authority to acquire treasury shares valued at up to 10% of share capital.
- Approval of changes to the articles of association mainly due to the implementation of the shareholder rights directive in Danish law.
- Approval of remuneration policy for the Board of Directors and the Executive Board.
- Approval of the Board of Directors' remuneration in 2020.

Please find a presentation of our Board of Directors on pages 39-41.

SHAREHOLDER INFORMATION

As a result the Board of Directors has decided to submit a proposal at the annual general meeting for distributing DKK 102m as dividend, corresponding to DKK 14.00 per share outstanding of DKK 100.

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.

To be entitled to vote, shares must be registered in Solar's register of shareholders no later than one week before the date of the annual general meeting.

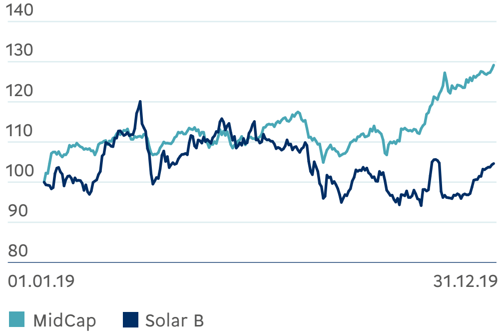
TOTAL SHAREHOLDER RETURN

The total shareholder return of the Solar B share during the holding period 1 January 2019 – 31 December 2019 was DKK 27.19 or equal to almost 10%, as DKK 14.00 was paid out in dividend and the share price increase amounted to DKK 13.19 in 2019.

SHARE PRICE DEVELOPMENT

On 31 December 2019, the price of Solar's B share was DKK 297, up from the 2019 starting price of DKK 284. This is an increase of approx. 5% in Solar's share price over the year. In comparison the Copenhagen Mid Cap price index increased approx. 29% in 2019. The chart below does not take dividends into account.

Share price development (index)



If dividends were taken into account, the increase in the return on Solar's share would have been approx. 10% compared to an increase of approx. 31% in the Copenhagen Mid Cap index.

DIVIDENDS AND RETURN PER SHARE

At the annual general meeting, the Board of Directors will propose unchanged dividends distribution of DKK 14.00 per share.

SHAREHOLDERS

As at 31 December 2019, registered share capital totalled 95.9%, distributed on 3,914 shareholders. Solar's portfolio of treasury shares totalled 61,708 B shares or 0.8% of share capital as at 31 December 2019.

DISTRIBUTION OF SHARE CAPITAL AND VOTES AS AT 31 DECEMBER 2019 IN %

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%

FINANCIAL CALENDAR 2020

13 March	Annual General Meeting
4 April - 6 May	IR quiet period
6 May	Quarterly Report Q1 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

ANALYSTS

The following financial institutions cover the Solar share:

- Carnegie Bank
- Danske Bank
- Nordea Bank
- SEB

INVESTOR CONTACT

Charlotte Risskov kræfting
Director, Stakeholder relations
Tel.: +45 79 300 257
E-mail: crk@solar.dk

BOARD OF DIRECTORS

About the Board of Directors

Jointly, the Board of Directors and the Executive Board, comprised of our CEO, CCO and CFO, are responsible for the overall and strategic management of the Solar Group.

THE BOARD OF DIRECTORS' AFFILIATION WITH SOLAR

Peter Bang, Morten Chrone, Louise Knauer and Jens Peter Toft are independent of the company pursuant to the definition in the recommendations on corporate governance in Denmark. Jens Borum has been member of the Board of Directors for more than 12 years. Jesper Dalsgaard is affiliated with the Fund of 20th December, which is the majority shareholder in Solar A/S.

In 2019, the Board of Directors elected Jens Peter Toft, Peter Bang and Louise Knauer as members of the Audit Committee. Peter Bang and Louise Knauer replaced Jens Borum and Jesper Dalsgaard. Jens Peter Toft chairs the Audit Committee. He and Peter Bang have special accounting qualifications.

The Board of Directors elected Jens Peter Toft and Louise Knauer as members of the Remuneration Committee together with the chairman of the Board of Directors Jens Borum. Jens Peter Toft and Louise Knauer replaced Ulf Gundemark and Jesper Dalsgaard. Jens Borum chairs the Remuneration Committee.

ELECTION OF EMPLOYEE REPRESENTATIVES

The most recent ordinary election of employee representatives took place electronically on 22 February – 1 March 2018. The participation rate in the election was 70.9%. 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 of the representatives elected by the annual general meeting at the time of calling for election of employee representatives.

ELECTION PERIOD

All board members elected at the annual general meeting are up for election each year, whereas employee representatives are elected by and among the company's employees for four-year terms.

ACTIVITIES

A minimum of six ordinary board meetings as well as one conference for the Board of Directors will be held each year. In 2019, we had six board meetings and one conference for the Board of Directors.

MEETING ATTENDANCE IN 2019

Board member	Board Meetings	Board Conference	Audit Committee	Remuneration Committee
Jens Borum	6	1	1	1
Jesper Dalsgaard	6	1	1	-
Lars Lange Andersen	6	1	-	-
Peter Bang	6	1	5	-
Morten Chrone (joined at AGM 2019)	5	1	-	-
Ulrik Damgaard	6	1	-	-
Bent Frisk	6	1	-	-
Louise Knauer	6	1	5	1
Jens Peter Toft	6	1	6	1
Ulf Gundemark (resigned at AGM 2019)	2	-	-	-

BOARD OF DIRECTORS

Members of the Board of Directors

Jens Borum

Born 1953, joined 1982
Chairman

- Associate Professor, University of Copenhagen
- M.Sc. 1980, PhD 1985.
- Has long-standing experience as chairman.
- Remuneration 2019: DKK 675,000
- Holds 118,520 Solar B shares. Sold 6,900 A shares to the Fund of 20th December in 2019.
- Holds 38,000 BIMobject shares.

Jesper Dalsgaard Jensen

Born 1968, joined 2017
Vice Chairman

- 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 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 and mergers & acquisitions.
- Remuneration 2019: DKK 378,125.
- Holds 500 Solar B shares. Acquired 250 Solar shares in 2019.

Lars Lange Andersen

Born 1968, joined 2010
Employee-elected member

- Head of F&B Scandinavia.
- Remuneration 2019: DKK 175,000.
- Holds 93 Solar B shares. Did not trade Solar shares in 2019.

Peter Bang

Born 1969, joined 2018

- Executive Director & CFO, VELUX.
- Cand.oecon. (1994) from Aarhus University, specialising in business economics and financing.
- Experience within construction, climate/energy, globalisation, digitalisation, organisational development, change management, communication as well as finance and performance management.
- Remuneration 2019: DKK 343,750.
- Holds 400 Solar B shares. Did not trade Solar shares in 2019.

Morten Chrone

Born 1966, joined 2019

- Group COO HusCompagniet A/S.
- MBA 2001 and B.Eng. in Civil and Constructional Engineering 1994.
- Member of the board of the parent company HusCompagniet A/S and six internal boards, SCH ApS, Steen Jørgensen El-Installation and Barslund A/S.
- 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 2019: DKK 218,750.
- Holds 410 Solar B shares. Did not trade Solar shares in 2019.

BOARD OF DIRECTORS

Members of the Board of Directors

Ulrik Damgaard

Born 1973, joined 2014
Employee-elected member

- Regional Director.
- Remuneration 2019: DKK 175,000.
- Holds 60 Solar B shares. Did not trade Solar shares in 2019.

Bent H. Frisk

Born 1961, joined 2006
Employee-elected member

- Central Warehouse Manager.
- Remuneration 2019: DKK 175,000.
- Holds 60 Solar B shares. Did not trade Solar shares in 2019.

Louise Knauer

Born 1983, joined 2017

- CED of Lady Invest 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 A/S, CC Fly Holding I ApS and CC Fly Holding II A/S.
- Possesses experience as CEO and member of executive committees with developing strategies and companies both nationally and internationally. Expertise within technologically-driven innovation, digitalisation, data/AI/ML and cyber security.
- Remuneration 2019: DKK 356,250.
- Holds 381 Solar B shares. Did not trade Solar shares in 2019.

Jens Peter Toft

Born 1954, joined 2009

- CED of Selskabet af 11. december 2008 ApS and one subsidiary hereof.
- Graduate Diploma in Business Administration (Financial and Management Accounting) 1983, the Executive Program, University of Michigan Business School.
- Chairman of the boards of directors of Mipsalus Holding ApS and one subsidiary hereof and of Fonden af 4. December 2001.
- Vice chairman of the board of directors of M. Goldschmidt Holding A/S.
- Member of the boards of directors of Bitten og Mads Clausens Fond, the unit trusts Danske Invest, Danske Invest Select, Profil Invest, Procapture and the capital units Danske Invest Institutional and AP Invest, Civilingeniør N.T. Rasmussens Fond, Enid Ingemanns Fond, Fondet for Dansk Norsk Samarbejde, three subsidiaries of M. Goldschmidt Holding A/S, Dansk Vækstkapital II, Dagrofa ApS and Mahia 17 ApS, and Selskabet af 11. December 2008 ApS.
- Member of the investment committee of GRO Capital I.
- Possesses experience of capital market transactions, financial matters, investments, organisation, general management and stock exchange matters.
- Remuneration 2019: DKK 456,250.
- Holds 1,250 Solar B shares. Did not trade Solar shares in 2019.

EXECUTIVE MANAGEMENT

Executive management and Solar group management

Jens E. Andersen

Born 1968
CEO and MD Denmark

- Chairman of the boards of directors of 10 Solar Group subsidiaries.
- Member of the boards of directors of VELTEK and Associated Danish Ports A/S.
- Holds 4,480 Solar B shares and 19,258 BIMobject shares.
- Holds 5,621 share options and 2,410 restricted share units. 1,413 restricted share units were granted in 2019. 2,967 share options expired in 2019.

- Remuneration: DKK 8.0m.

Hugo Dorph

Born 1965
CCO

- Member of the boards of directors of 5 Solar Group subsidiaries.
- Chairman of the board of directors of Flexya Innovations A/S and HomeBob A/S.
- Member of the boards of directors of Flexya A/S, Viva Labs AS and LetsBuild Holdig SA.
- Holds no Solar shares.
- Holds 5,631 share options and 1,397 restricted share units. 819 restricted share units were granted in 2018. 5,966 share options expired in 2019.

- Remuneration: DKK 4.6m.

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 1,894 Solar B shares of which 625 shares were acquired in 2019.
- Holds 4,618 share options and 1,165 restricted share units. 683 restricted share units were granted in 2019. 2,461 share options expired in 2019.

- Remuneration: DKK 4.2m.

SOLAR GROUP MANAGEMENT

Solar Group Management is made up of the Executive Board, our senior vice presidents and the MDs of the Solar Group subsidiaries.

Marco de Bos
Born 1971
Senior Vice President & MD Benelux

Jan Willy Fjellvær
Born 1961
Senior Vice President & MD Norway

Lars Goth
Born 1961
Senior Vice President, Group Operations

Anders Koppel
Born 1969
Senior Vice President & MD Sweden

Peter Pedersen
Born 1970
Senior Vice President, Commercial Market

Ole Sørensen
Born 1971
Senior Vice President, Industry Sales

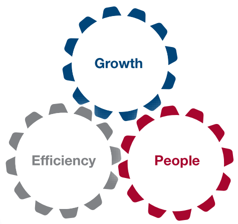
Dariusz Targosz
Born 1969
Senior Vice President & MD Poland

Bauke Zeinstra
Born 1966
Senior Vice President & MD MAG45

100 YEAR ANNIVERSARY

Solar turned 100 years in 2019

Read more stories from our 100 year history on www.solar.eu/100-years. We look forward to the next 100!



1919 2019

CHAPTER 10 – 2005 - 2014

CONSOLIDATION AND EFFICIENCY

After a range of acquisitions, Solar focuses on efficiency above all.

Back in 2006, after almost two decades of fast paced growth, both organically and via acquisitions, Solar intensifies its focus on business consolidation, with Flemming H. Tomdrup, newly appointed CEO in front. Solar has developed into a significant international wholesaler in the Northern European market.

sourcing and services company

CHAPTER 11 – 2014 - 2017

A TRANSFORMATION

Solar transforms into a digital sourcing and services company.

Appointing a new CEO in 2014 entails a significant change of strategy as well as a new identity for Solar. When Anders Wilhjelm is appointed as new CEO, Solar goes from being a product-oriented company to focusing much more on services.

CHAPTER 12 – 2017 - 2019

SOLAR FOCUSES ON THE CORE BUSINESS AND CONCEPT SALES

In 2017, the Managing Director of Solar Danmark is appointed CEO, which means an increased focus on the core business and concept sales.

When hiring Jens Andersen as new CEO in 2017, Solar increases its focus on the core business. Three strategic focus areas are singled out and they should support the financial targets going towards 2020. The focus areas are strategic suppliers, industry focus and operational excellence.

Financial statements

Consolidated financial statements

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Summary for the Solar Group

2015-2019

Income statement (DKK million)	2019	2018	2017	2016	2015
Revenue	11,679	11,098	11,061	10,420	10,587
Earnings before interest, tax, depreciation and amortisation (EBITDA)	538	379	362	368	362
Earnings before interest, tax and amortisation (EBITA)	360	327	310	312	296
Earnings before interest and tax (EBIT)	260	224	176	256	249
Financials, net	-35	-35	70	-33	-48
Earnings before tax (EBT)	120	237	176	223	201
Net profit for the year	64	133	19	125	167

Balance sheet (DKK million)	2019	2018	2017	2016	2015
Non-current assets	1,756	1,516	1,522	1,397	1,250
Current assets	3,234	3,117	3,195	3,109	3,421
Balance sheet total	4,990	4,633	4,717	4,506	4,671
Equity	1,592	1,638	1,591	1,683	1,831
Non-current liabilities	503	543	557	375	592
Current liabilities	2,895	2,452	2,569	2,448	2,248
Interest-bearing liabilities, net	921	461	489	43	-184
Invested capital	2,297	1,797	1,790	1,744	1,662
Net working capital, year-end	1,280	1,090	1,081	998	989
Net working capital, average	1,386	1,182	1,133	1,187	1,252

Cash flow (DKK million)	2019	2018	2017	2016	2015
Cash flow from operating activities, continuing operations	300	224	7	203	331
Cash flow from investing activities, continuing operations	-194	-112	-342	-152	-24
Cash flow from financing activities, continuing operations	-110	-108	99	-388	-125
Net investments in intangible assets	-35	-88	-106	-88	-36
Net investments in property, plant and equipment	-110	-59	-14	51	-25
Acquisition and divestment of subsidiaries and operations, net	-35	50	-16	-97	37

Financial ratios (% unless otherwise stated)	2019	2018	2017	2016	2015
Revenue growth	5.2	0.3	6.4	5.2	3.3
Organic growth	4.8	1.8	6.4	3.2	5.2
Organic growth adjusted for number of working days	4.9	2.2	7.0	2.3	5.2
Gross profit margin	20.1	20.2	20.7	21.1	20.8
EBITDA margin	4.6	3.4	3.3	3.5	3.4
EBITA margin	3.1	2.9	2.8	3.0	2.8
EBIT margin	2.2	2.0	1.6	2.5	2.4
Effective tax rate	45.2	23.3	17.0	28.3	33.2
Net working capital (year-end NWC)/revenue (LTM)	11.0	9.8	9.7	8.4	9.3
Net working capital (average NWC)/revenue (LTM)	11.9	10.6	10.2	10.1	11.8
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.7	1.2	1.3	0.1	-0.5
Return on equity (ROE)	4.0	8.2	1.2	7.1	9.4
Return on invested capital (ROIC)	8.3	8.1	6.3	10.0	8.5
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	7.9	6.8	10.4	8.8	10.6
Equity ratio	31.9	35.4	33.7	37.4	39.2

Summary for the Solar Group

2015-2019 – continued

Share ratios (DKK unless otherwise stated)	2019	2018	2017	2016	2015
Earnings per share outstanding (EPS)	8.77	18.22	2.60	16.50	21.26
Intrinsic value per share outstanding	218.13	224.44	218.00	230.60	234.43
Cash flow from operating activities per share outstanding	41.11	30.67	0.96	26.77	42.05
Share price	297.31	284.12	414.52	361.80	431.69
Share price/intrinsic value	1.36	1.27	1.90	1.57	1.84
Dividends per share	14.00	14.00	10.00	12.00	10.00
Dividend in % of net profit for the year (payout ratio)	159.4	76.7	385.6	70.2	46.8
Price Earnings (P/E)	33.9	15.6	159.2	21.9	20.3

Employees					
Average number of employees (FTEs), continuing operations	3,039	2,941	2,870	2,814	2,871

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 2017 and 2018, and Claessen ELGB N.V. and GFI GmbH for 2016 and 2017, whereas these are not adjusted for previous years. In accordance with IFRS, the balance sheet has not been restated.

Statement of comprehensive income

Income statement

Notes	DKK million	2019	2018
4	Revenue	11,679	11,098
	Cost of sales	-9,326	-8,851
	Gross profit	**2,353**	**2,247**
	Other operating income and costs	9	0
28	External operating costs	-329	-448
5	Staff costs	-1,477	-1,406
6	Loss on trade receivables	-18	-14
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**538**	**379**
7	Depreciation and write-down on property, plant and equipment	-178	-52
	Earnings before interest, tax and amortisation (EBITA)	**360**	**327**
7	Amortisation and impairment of intangible assets	-100	-103
	Earnings before interest and tax (EBIT)	**260**	**224**
13	Share of net profit from associates	-19	-11
13	Impairment on associates	-86	59
23	Financial income	18	28
24	Financial expenses	-53	-63
	Earnings before tax (EBT)	**120**	**237**
8	Income tax	-54	-55
	Profit or loss of continuing operations	**66**	**182**
19	Loss of discontinued operations	-2	-49
9	**Net profit for the year**	**64**	**133**
21	Earnings in DKK per share outstanding (EPS) for the year	8.77	18.22
21	Diluted earnings in DKK per share outstanding (EPS-D) for the year	8.77	18.21
21	Earnings in DKK per share outstanding (EPS) of continuing operations for the year	9.04	24.94
21	Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations for the year	9.04	24.92

Please see note 19 on discontinued operations for earnings per share outstanding (EPS) from discontinued operations.

Other comprehensive income

DKK million	2019	2018
Net profit for the year	**64**	**133**
Other income and costs recognised:		
Items that can be reclassified for the income statement		
Foreign currency translation adjustments of foreign subsidiaries	0	-16
Fair value adjustments of hedging instruments before tax	-10	4
Tax on fair value adjustments of hedging instruments	2	-1
Other income and costs recognised after tax	**-8**	**-13**
Total comprehensive income for the year	**56**	**120**

Balance sheet

as at 31 December

Notes	DKK million	2019	2018
	ASSETS		
10	Intangible assets	315	382
11	Property, plant and equipment	865	812
12	Right-of-use assets	341	-
8	Deferred tax asset	10	10
13	Investments in associates	146	251
	Other non-current assets	79	61
	Non-current assets	**1,756**	**1,516**
14	Inventories	1,666	1,521
15	Trade receivables	1,428	1,452
	Income tax receivable	14	7
	Other receivables	8	12
	Prepayments	62	45
	Cash at bank and in hand	56	65
19	Assets held for sale	0	15
	Current assets	**3,234**	**3,117**
	Total assets	**4,990**	**4,633**

Notes	DKK million	2019	2018
	EQUITY AND LIABILITIES		
20	Share capital	736	775
	Reserves	-179	-171
	Retained earnings	933	932
	Proposed dividends for the financial year	102	102
	Equity	**1,592**	**1,638**
22	Interest-bearing liabilities	156	409
12, 22	Lease liabilities	231	-
	Provision for pension obligations	0	2
8	Provision for deferred tax	103	113
16	Other provisions	13	19
	Non-current liabilities	**503**	**543**
22	Interest-bearing liabilities	477	117
22	Lease liabilities	113	-
	Trade payables	1,814	1,883
	Income tax payable	10	3
17	Other payables	464	428
	Prepayments	4	5
16	Other provisions	13	2
19	Liabilities held for sale	0	14
	Current liabilities	**2,895**	**2,452**
	Liabilities	**3,398**	**2,995**
	Total equity and liabilities	**4,990**	**4,633**

Cash flow statement

Notes	DKK million	2019	2018
	Net profit or loss of continuing operations for the year	66	182
	Write-down negative goodwill	-18	0
7	Depreciation, write-down and amortisation	278	155
	Impairment on associates	86	-59
	Changes to provisions and other adjustments	-6	0
	Share of net profit from associates	19	11
23,24	Financials, net	35	35
	Income tax	54	55
23	Financial income, received	8	8
24	Financial expenses, settled	-41	-29
	Income tax, settled	-62	-52
	Cash flow before working capital changes	**419**	**306**
	Working capital changes		
	Inventory changes	-92	-97
	Receivables changes	21	-24
	Non-interest-bearing liabilities changes	-48	39
	Cash flow from operating activities, continuing operations	**300**	**224**
	Cash flow from operating activities, discontinued operations	-2	-11
	Cash flow from operating activities	**298**	**213**

Notes	DKK million	2019	2018
	Investing activities		
10	Purchase of intangible assets	-35	-88
	Purchase of property, plant and equipment	-110	-59
18	Acquisition of subsidaries and activities	-40	-10
	Divestment of subsidiaries and activities	5	60
	Other financial investments	-14	-15
	Cash flow from investing activities, continuing operations	**-194**	**-112**
	Cash flow from investing activities, discontinued operations	0	0
	Cash flow from investing activities	**-194**	**-112**
	Financing activities		
	Repayment of non-current interest-bearing debt	-9	-20
	Change in current interest-bearing debt	118	-15
12	Instalment on lease liabilities	-117	-
	Dividends distributed	-102	-73
	Cash flow from financing activities, continuing operations	**-110**	**-108**
	Cash flow from financing activities, discontinued operations	0	0
	Cash flow from financing activities	**-110**	**-108**
	Total cash flow	**-6**	**-7**
	Cash at bank and in hand at the beginning of the year	65	77
19	Assumed on disposal of subsidaries	-3	-5
	Foreign currency translation adjustments	0	0
	Cash at bank and in hand at the end of the year	**56**	**65**
	Cash at bank and in hand at the end of the year		
	Cash at bank and in hand	56	65
	Cash at bank and in hand at the end of the year	**56**	**65**

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
2019						
Equity as at 1 January	**775**	**-58**	**-113**	**932**	**102**	**1,638**
Foreign currency translation adjustments of foreign subsidiaries						0
Fair value adjustments of hedging instruments before tax		-10				-10
Tax on fair value adjustments		2				2
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-8	0	0	0	-8
Net profit for the year				-38	102	64
Comprehensive income	**0**	**-8**	**0**	**-38**	**102**	**56**
Distribution of dividends (DKK 14,00 per share)					-102	-102
Reduction in share capital	-39			39		0
Transactions with the owners	**-39**	**0**	**0**	**39**	**-102**	**-102**
Equity as at 31 December	**736**	**-66**	**-113**	**933**	**102**	**1,592**

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
2018						
Equity as at 1 January	**775**	**-61**	**-97**	**901**	**73**	**1,591**
Foreign currency translation adjustments of foreign subsidiaries			-16			-16
Fair value adjustments of hedging instruments before tax		4				4
Tax on fair value adjustments		-1				-1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	3	-16	0	0	-13
Net profit for the year				31	102	133
Comprehensive income	**0**	**3**	**-16**	**31**	**102**	**120**
Distribution of dividends (DKK 10.00 per share)					-73	-73
Transactions with the owners	**0**	**0**	**0**	**0**	**-73**	**-73**
Equity as at 31 December	**775**	**-58**	**-113**	**932**	**102**	**1,638**

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

1

General accounting policies

The consolidated financial statements of Solar A/S for 2019 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 cf. Nasdaq Copenhagen's 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 except otherwise stated.

Implementation of new financial reporting standards

On 1 January 2019, Solar implemented IFRS 16, Leases by applying the modified retrospective approach. The cumulative effect is recognised at the date of initial application, 1 January 2019, and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures are not restated.

DKK million	
Operating lease commitments disclosed as at 31 December 2018	**298**
Discounted using the group's incremental borrowing rate of 0.6-3.66%	-8
Part of contracts reassessed as service agreements	-19
Adjustments as a result of a different treatment of extension and termination options	18
Lease liability recognised as at 1 January 2019	**289**

All leases have been recognised in the balance sheet with a corresponding lease liability except for short-term leases and leases for low value assets. Lease contracts with remaining life of less than 1 year as at 1 January 2019 are not included. Hindsight has been applied when determining the lease terms. Leased assets are depreciated over the lease term, and payments are allocated between instalments on the lease liability and interest expense, classified as financial expenses. The lease term used for the lease contracts is the non-cancellable 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. The impact of IFRS 16 is shown in the table on the right.

	Q4 2019			FY 2019		
DKK million	Previous practice	IFRS 16 Impact	New practice	Previous practice	IFRS 16 Impact	New practice
Income statement						
Revenue	**3,077**	-	3,077	11,679	-	11,679
Cost of sales	-2,445	-	-2,445	-9,326	-	-9,326
Gross profit	632	-	632	2,353	-	-2,353
Other income	0	-	0	9	-	9
External operating costs	-111	31	-80	-451	122	-329
Staff costs	-390	-	-390	-1,477	-	-1,477
Loss on trade receivables	-1	-	-1	-18	-	-18
EBITDA	130	31	161	416	122	538
Depreciation and write-down on property, plant and equipment	-15	-31	-46	-58	-120	-178
EBITA	115	0	115	358	2	360
Amortisation and impairment of intangible assets	-40	-	-40	-100	-	-100
EBIT	75	0	75	258	2	260
Share of net profit of associates	-4	-	-4	-19	-	-19
Impairment on associates	12	-	12	-86	-	-86
Financial income	5	-	5	18	-	18
Financial expenses	-14	-1	-15	-48	-5	-53
EBT	74	-1	73	123	-3	120
Balance sheet						
Right-of-use assets	-	341	341	-	341	341
Non-current lease liabilities	-	231	231	-	231	231
Current lease liabilities	-	113	113	-	113	113
Cash flow statement						
Cash flow from operating activities, continuing operations	275	30	305	183	117	300
Cash flow from financing activities, continuing operations	-234	-30	-264	7	-117	-110

1

General accounting policies – continued

Also, we have implemented new amendments and interpretations on existing IFRS standards, including IFRIC 23, Uncertainty over income tax treatments. These changes have no impact on Solar.

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% 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, actuarial gains and losses, adjustments of investments in associates and hedging transactions.

1

General accounting policies – continued

Presentation of discontinued operations
Discontinued operations consists of geographical areas where activities and cash flow can be clearly separated in an operational and accounting sense from the other parts of the entity and when the entity has either been divested or separated as held for sale.

Earnings after tax of discontinued operations as well as write-down to fair value less costs to sell and gains/losses from any sale are presented in a separate line in the income statement with adjustment of the comparative figures. Notes include information on revenue, costs, value adjustments, financials and tax for any discontinued operations. Assets and related liabilities of discontinued operations are presented separately in the balance sheet without adjustments to comparative figures.

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 discontinued operations is presented separately under operating, investing and financing activities.

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
Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33. In general, financial ratios are calculated in accordance with the "Recommendations and Ratios 2019" of the Danish Finance Society.

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 4	Segment information
Note 8	Income tax
Note 9	Net profit for the year
Note 10	Intangible assets
Note 11	Property, plant and equipment
Note 12	Leases
Note 13	Associates
Note 14	Inventories
Note 15	Trade receivables
Note 16	Other provisions
Note 18	Acquisitions of subsidiaries
Note 19	Assets and liabilities held for sale
Note 20	Share capital
Note 22	Interest-bearing liabilities and maturity statement
Note 25	Share-based payment

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

These estimates and assessments are described in the following notes:
Note 8 Income tax
Note 10 Intangible assets
Note 14 Inventories
Note 15 Trade receivables

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. Financial instruments are solely used for hedging of financial risks.

The financial risks are described in the following notes:

Note 15 Trade receivables
Note 22 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 30-32.

4

Segment information

Solar's business segments are Installation, Industry and 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. Other 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	Other	Total
2019				
Revenue	7,234	3,628	817	11,679
Cost of sales	-5,896	-2,800	-630	-9,326
Gross profit	**1,338**	**828**	**187**	**2,353**
Direct costs	-254	-108	-20	-382
Earnings before indirect costs	**1,084**	**720**	**167**	**1,971**
Indirect costs	-562	-167	-45	-774
Segment profit	**522**	**553**	**122**	**1,197**
Non-allocated costs				-659
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**538**
Depreciation and amortisation				-278
Earnings before interest and tax (EBIT)				**260**
Financials, net				-140
Earnings before tax (EBT)				**120**

No single customer makes up more than 10% of the total revenue.

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 and Other markets. The geographical distribution is based on the business units operating in these geographical areas.

Related business includes MAG45 and Solar Polaris. MAG45 is included in the operating segment Industry, while Solar Polaris is included in the operating segment Other.

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.

4

Segment information – continued

DKK million	Installation	Industry	Other	Total
2018				
Revenue	6,742	3,443	913	11,098
Cost of sales	-5,431	-2,655	-765	-8,851
Gross profit	**1,311**	**788**	**148**	**2,247**
Direct costs	-254	-103	-28	-385
Earnings before indirect costs	**1,057**	**685**	**120**	**1,862**
Indirect costs	-520	-179	-54	-753
Segment profit	**537**	**506**	**66**	**1,109**
Non-allocated costs				-730
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**379**
Depreciation and amortisation				-155
Earnings before interest and tax (EBIT)				**224**
Financials, net				13
Earnings before tax (EBT)				**237**

4

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 132. 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	Revenue	Adjusted organic growth[2]	EBITA	EBITA margin	Non-current assets
2019					
Denmark	3,490	3.4	227	6.5	2,053
Sweden	2,515	1.5	26	1.0	346
Norway	1,941	10.1	53	2.7	198
The Nederlands	2,965	7.6	65	2.2	360
Poland[1]	393	1.8	6	1.5	33
Other markets	33	22.4	2	6.1	5
Eliminations	-221	-	0	0.0	-1,315
Core business	**11,116**	**5.2**	**379**	**3.4**	**1,680**
Several markets (MAG45)[1]	544	1.1	-18	-3.3	75
Other markets	19	-31.1	-1	-5.3	1
Related business	**563**	**-0.3**	**-19**	**-3.4**	**76**
Solar Group	**11,679**	**4.9**	**360**	**3.1**	**1,756**

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
2018					
Denmark	3,356	2.3	218	6.5	2,085
Sweden	2,354	-2.5	52	2.2	242
Norway	1,809	-1.3	35	1.9	145
The Nederlands	2,728	3.8	41	1.5	282
Poland[1]	355	9.5	0	0.0	25
Other markets	27	1.3	2	7.4	4
Eliminations	-91	-	0	0.0	-1,303
Core business	**10,538**	**1.1**	**348**	**3.3**	**1,480**
Several markets (MAG45)[1]	535	28.8	-18	-3.4	35
Other markets	25	31.3	-3	-12.0	1
Related business	**560**	**28.9**	**-21**	**-3.8**	**36**
Solar Group	**11,098**	**2.2**	**327**	**2.9**	**1,516**

1) Previously part of other markets
2) Adjustment for intercompany revenue has been made

5

Staff costs

DKK million	2019	2018
Salaries and wages etc.	1,226	1,171
Pensions, defined contribution	94	92
Costs related to social security	156	147
Share-based payment	1	-4
Total	**1,477**	**1,406**
Average number of employees (FTEs)	3,039	2,941
Number of employees at year-end (FTEs)	3,041	2,955
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Remuneration and bonus	16	13
Share-based payment[1]	1	-1
Total	**17**	**12**

1) See note 25 share-based payment

We have prepared a remuneration policy that describes guidelines for determining and approving remuneration of the Board of Directors and Executive Board. The annual general meeting adopts the Board of Directors' remuneration for one year ahead at a time. The Executive Board's remuneration is assessed every two years. The Board of Directors jointly approve the elements that make up the Executive Board's salary package as well as all major adjustments to this package following previous discussions and recommendations of the chairman and vice-chairman of the Board of Directors. Under section 139 of the Danish Companies Act, a complete remuneration policy for the Board of Directors and Executive Board is presented for adoption at the annual general meeting.

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

6

Loss on trade receivables

DKK million	2019	2018
Recognised losses	17	24
Received on trade receivables previously written off	-2	-3
	15	**21**
Change in write-down for bad and doubtful debts	3	-7
Total	**18**	**14**

Relevant accounting policies are described in note 15, trade receivables.

7

Depreciation, write-down, amortisation and impairment

DKK million	2019	2018
Buildings	27	26
Plant, operating equipment, tools and equipment	29	23
Leasehold improvements	2	3
Tenancy, lease	83	-
Cars, lease	28	-
IT equipment, lease	6	-
Technical equipment, lease	2	-
Other lease	1	-
Total depreciation and write-down on property, plant and equipment	**178**	**52**
Customer-related assets	2	5
Software	73	81
Impairment on intangible assets	25	17
Total amortisation and impairment of intangible assets	**100**	**103**

Relevant accounting policies are described in note 10, intangible assets, and note 11, property, plant and equipment, and note 12, Leases.

8

Income tax

DKK million	2019	2018
Current tax	62	43
Deferred tax	-8	14
Tax on profit for the year	**54**	**57**
Tax on taxable profit previous year	0	-1
Adjustment of deferred tax for previous years	0	-1
Total	**54**	**55**
Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Tax base change for non-capitalised loss in subsidiaries	1.8%	3.0%
Change to tax rates in Sweden	-0.6%	0.0%
Impairment on associates	15.7%	-5.5%
Non-taxable/deductible items in parent company	4.5%	2.4%
Non-taxable/deductible items and differing tax rates compared to Danish tax rate in foreign subsidiaries	1.7%	1.7%
Tax for previous years	0.1%	-0.3%
Effective tax rate	**45.2%**	**23.3%**

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.

8

Income tax – continued

DKK million	2019	2018
Provision for deferred tax		
Total 1/1	103	89
Foreign currency translation adjustments	0	-1
Acquired or divested enterprises	0	2
Recognised in other comprehensive income	-2	1
Ordinary tax recognised in income statement	-8	13
Other items, including reduction of Norwegian income tax rates	0	-1
Total 31/12	**93**	**103**
Specified as follows:		
Deferred tax liabilities	103	113
Deferred tax assets	-10	-10
Total deferred tax, net	**93**	**103**
Further specified as follows:		
Expected use within 1 year	-10	-12
Expected use after 1 year	103	115
Total, net	**93**	**103**
Not recognised in balance sheet:		
Deferred tax assets	42	39

Deferred tax assets not recognised in the balance sheet are mainly the part of tax losses where it is not considered sufficiently certain that the tax losses can be realised within a short time frame based on the same assumptions as described in note 10, intangible assets. 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 until 2028 (2027).

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 the retaxation of losses in former foreign subsidiaries participating in joint taxation assessed as becoming current.

Accounting estimates and assesments

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.

8

Income tax – continued

DKK million	1/1	Foreign currency translation adjustments	Change in tax rate	Other adjustments	2019	2018
Specification by balance sheet items						
Property, plant and equipment	42	0	0	2	44	42
Inventories	-3	0	0	0	-3	-3
Provisions for loss on receivables	-4	0	0	0	-4	-4
Pension obligations	-1	0	0	0	-1	-1
Other items[1]	69	0	-1	-11	57	69
Total, net	**103**	**0**	**-1**	**-9**	**93**	**103**

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

9

Net profit for the year

DKK million	2019	2018
Proposed distribution of net profit for the year:		
Proposed dividends, parent	102	102
Retained earnings	-38	31
Net profit for the year	**64**	**133**
Dividends in DKK per share of DKK 100[1]	14.00	14.00

1) Calculations are based on proposed dividends.

Accounting policies

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

10

Intangible assets

DKK million	Goodwill	Customer-related assets	Software	Total
2019				
Cost 1/1	270	570	608	1,448
Foreign currency translation adjustment	-1	-2	-1	-4
Additions during the year	0	0	35	35
Disposals during the year	0	-291	0	-291
Cost 31/12	**269**	**277**	**642**	**1,188**
Amortisation and impairment 1/1	140	559	367	1,066
Foreign currency translation adjustment	0	-2	0	-2
Amortisation during the year	0	2	73	75
Impairments during the year	0	4	21	25
Amortisation of abandoned assets	0	-291	0	-291
Amortisation and impairment 31/12	**140**	**272**	**461**	**873**
Carrying amount 31/12	**129**	**5**	**181**	**315**
Remaining amortisation period in number of years	**-**	**1-6**	**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.

Goodwill
Goodwill is initially recognised in the balance sheet as the positive balance between the acquisition consideration of an enterprise on one side and the fair value of the assets, liabilities and contingent liabilities acquired on the other side. In cases of measurement uncertainty, the goodwill amount can be adjusted until 12 months after the date of the acquisition. Goodwill is not amortised but an impairment test is done annually. The first impairment test is done by the end of the year of acquisition. Subsequently, goodwill is measured at this value less accumulated impairment losses. On acquisition, goodwill is assigned to the cashgenerating units that form the basis of the impairment test subsequently. The determination of cashgenerating units follows the managerial structure and management control.

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.

10

Intangible assets – continued

DKK million	Goodwill	Customer-related assets	Software	Total
2018				
Cost 1/1	342	853	550	1,745
Foreign currency translation adjustment	-7	-7	0	-14
Additions during the year	0	0	88	88
Acquired enterprises	0	5	0	5
Reclassified to assets held for sale	-50	0	-10	-60
Additions during the year related to discontinuing operations	0	0	2	2
Disposals during the year	-15	-281	-22	-318
Cost 31/12	**270**	**570**	**608**	**1,448**
Amortisation and impairment 1/1	174	842	302	1,318
Foreign currency translation adjustment	0	-7	0	-7
Amortisation during the year	0	5	81	86
Reversed amortisation and impairments related to assets held for sale	-49	0	-7	-56
Amortisation and impairments during the year related to assets held for sale	17	0	4	21
Impairments during the year	8	0	9	17
Amortisation of abandoned assets	-10	-281	-22	-313
Amortisation and impairment 31/12	**140**	**559**	**367**	**1,066**
Carrying amount 31/12	**130**	**11**	**241**	**382**
Remaining amortisation period in number of years	**-**	**1-7**	**1-8**	**-**

Accounting policies

Impairment of intangible assets
Goodwill is tested yearly for impairment and at first before the end of the year of acquisition.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which goodwill is allocated, and is written down to the recoverable amount via the income statement, provided that the carrying amount is larger. Generally, the recoverable amount is determined as the present value of the expected future net cash flow from the company or activity (cash-generating unit) that the goodwill is affiliated to. Write-down of goodwill is recognised in the income statement as part of amortisation 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 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.

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.

10

Intangible assets – continued

Goodwill, customer-related assets and other intangible assets
(Comparative figures for 2018 in brackets)
Management has completed the impairment test of the carrying amount of goodwill, customer-related assets, and other intangible assets. The impairment test was based on the estimates and expectations as well as other assumptions approved by the Executive Board and Board of Directors with the necessary adjustments under IAS 36.

When performing an impairment test of cash-generating units, the recoverable amount (value in use), determined as the discounted value of expected future cash flow, is compared to the carrying amounts of the individual cash-generating units. Non-allocated costs are proportionately distributed between the individual segments and thus affect the individual impairment tests by the estimated total costs.

Overall, impairment tests made are based on the strategy approved by the Executive Board and Board of Directors. A budget period of 6 years (6 years) has been applied to ensure that the entire impact from strategic initiatives is included. This reduces the dependency of the terminal value and thereby also the volatility. Budgets and expectations for the budget for the next 6 years (6 years) are based on Solar's current, ongoing, and contract investments, in which risks of the material parameters have been assessed and recognised in future expected cash flow. In general, expected growth for the core business is based on a conservative outlook for market growth in the coming years.

Management's final assessment of the impairment tests made is based on an assessment of probable changes to the basic assumptions and that these will not result in the carrying amount of goodwill and Software exceeding the recoverable amount.

Accounting estimates and assessments

Impairment test for goodwill
In connection with the annual impairment test of goodwill, or when there is an indication of impairment, an estimate is made of how the parts of the business (cash-generating units), that goodwill is linked to, will be able to generate sufficient positive cash flow in future to support the value of goodwill and other net assets in the relevant part of the business.

Due to the nature of the business, estimates must be made of expected cash flow for many years ahead which, naturally, results in a certain level of uncertainty. This uncertainty is reflected in the discount rate determined. The impairment test and the very sensitive related aspects are described in more detail in the comments section.

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.

10

Intangible assets – continued

Alvesta V.V.S.-Material AB

The carrying amount of goodwill of DKK 129m result from the acquisition of the Swedish enterprise Alvesta V.V.S.-Material AB in 2007 by Solar Sverige AB. The impairment test is based on the installation segment in Sweden, which we estimate to be the lowest level of cash-generating units to which we can allocate.

The growth rate used in the impairment test for 2020 is 6% (4%), while the growth rate used in impairment tests for the years succeeding 2020 is 2.5% (2-2.5%). Expected growth for 2020 is mainly the full year effect of the acquisition of the heating & pluming activities from Onninen. Adjusted for the acquisition we expect slightly above 1% growth in 2020 The trends until the terminal period should be regarded as a normalisation of growth expectations

Terminal value after 6 years is determined while taking general expectations for growth into consideration. Expected growth is by considerations of realistic assumptions determined at 2% (2%).

The discount rate (WACC) used to calculate the recoverable amount is 8.5%. Cash flow used includes any effect of related future risks, and therefore, such risks have not been added to the applied discount rates.

Based on the above and other impairment tests completed there is no need for impairment relating to the carrying amount of goodwill related to Alvesta V.V.S.-Material AB.

MAG45 B.V.

DKK 21m of the carrying amount of Software in MAG45 resulting from investment made in the period 2016 to 2019 in webshop, Bigdata and other software used by MAG45.

The growth rate used in the impairment test for 2020 is 3% (18%) with simulations covering the range 10-2% (30-18%). The growth rate used in impairment tests for the years succeeding 2020 is 10-2% (30-5%). Growth for 2020 is mainly based on contracts with existing customers, however experience shows that there is uncertainty relating to not only the actual start-up but also the ramp-up pace of these contracts. Consequently we have carried out simulations. The trends until the terminal period should be regarded as a normalisation of growth expectations.

Net working capital is expected to remain stable at approx. 16.5% (11%).

Terminal value after 10 years is determined while taking general expectations for growth into consideration. Expected growth is by considerations of realistic assumptions determined at 2% (2%).

The discount rate (WACC) used to calculate the recoverable amount is 9.5% (8.5%) in order to compensate for the risk given the operational area of MAG45. Cash flow used includes any effect of related future risks, and therefore, such risks have not been added to the applied discount rates.

Based on the above and other impairment tests completed there is indication of a definite need for write-down. It has, therefore, been decided to write down the entire carrying amount of Software, amounting to DKK 21m in total. MAG45 is included is the Industry segment but impairment loss is not allocated on segments.

11

Property, plant and equipment

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2019					
Cost 1/1	1,156	519	68	31	1,774
Foreign currency translation adjustments	1	-1	0	0	0
Additions during the year	7	76	10	56	149
Disposals during the year	0	-36	-4	-39	-79
Cost 31/12	**1,164**	**558**	**74**	**48**	**1,844**
Write-down and depreciation 1/1	427	478	57	0	962
Foreign currency translation adjustments	0	-1	0	0	-1
Write-down and depreciation during the year	27	29	2	0	58
Write-down and depreciation of abandoned assets	0	-36	-4	0	-40
Write-down and depreciation 31/12	**454**	**470**	**55**	**0**	**979**
Carrying amount 31/12	**710**	**88**	**19**	**48**	**865**

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.

11

Property, plant and equipment – continued

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2018					
Cost 1/1	1,169	509	66	4	1,748
Foreign currency translation adjustments	-7	-5	0	0	-12
Reclassified to assets held for sale	0	-2	0	0	-2
Additions during the year	7	22	3	34	66
Disposals during the year	-13	-5	-1	-7	-26
Cost 31/12	**1,156**	**519**	**68**	**31**	**1,774**
Write-down and depreciation 1/1	414	466	54	0	934
Foreign currency translation adjustments	-1	-5	0	0	-6
Reversed write-down and depreciation related to assets held for sale	0	-1	0	0	-1
Write-down and depreciation during the year	26	23	3	0	52
Write-down and depreciation of abandoned assets	-12	-5	0	0	-17
Write-down and depreciation 31/12	**427**	**478**	**57**	**0**	**962**
Carrying amount 31/12	**729**	**41**	**11**	**31**	**812**

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.

12

Leases

Right-of-use assets

DKK million	Tenancy	Cars	IT equipment	Technical equipment	Other equipment	Total
2019						
Cost 1/1	221	46	16	5	1	289
Foreign currency translation adjustments	0	0	0	0	0	0
Additions during the year	142	43	0	3	1	189
Disposals during the year	-10	-13	0	0	0	-23
Cost 31/12	**353**	**76**	**16**	**8**	**2**	**455**
Write-down and depreciation 1/1	0	0	0	0	0	0
Foreign currency translation adjustments	1	0	0	0	0	1
Write-down and depreciation during the year	83	28	6	2	1	120
Write-down and depreciation of abandoned assets	-3	-4	0	0	0	-7
Write-down and depreciation 31/12	**81**	**24**	**6**	**2**	**1**	**114**
Carrying amount 31/12	**272**	**52**	**10**	**6**	**1**	**341**

Accounting policies

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:

- Rental of premises
- IT equipment
- Cars
- Technical equipment
- Other

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.

12

Leases – continued

Long-term lease liabilities

DKK million	2019
Maturity > 1 year < 5 years, undiscounted	178
Maturity > 5 years, undiscounted	64
Long-term lease liabilities 31/12, undiscounted	242
Discounting on lease liabilities > 1 year < 5 years	-7
Discounting on lease liabilities > 5 years	-4
Long-term lease liabilities 31/12	**231**
Amounts recognized in the Profit & Loss statement	
Depreciation of right-of-use assets	120
Interest expense on lease liabilities	5
Expense relating to short-term leases	1
Expense relating to leases of low-value items	1
Expense relating to variable lease payments not included in the measurement of lease liabilities	11
Total	**138**
Cash outflows for leases	
Instalment on lease liabilities	-117
Interest payments	-5
Total cash outflows for leases	**-122**

Future cash outflows not recognised as lease liabilities in the balance sheet amount to DKK 14m 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 14m.

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 based on Solar’s incremental borrowing rate has been used. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on January 1 2019 are between 0.6% and 3.66% depending among other things on the term and the currency in which the contracts are denominated.

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.

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Associates[1]

Investments in associates, DKK million	2019	2018
Cost 1/1	273	273
Foreign currency translation adjustment	0	0
Transferred from other investments	0	0
Additions during the year	0	0
Disposals during the year	0	0
Cost 31/12	**273**	**273**
Adjustments 1/1	-22	-70
Foreign currency translation adjustment	0	0
Profit from associates	-19	-11
Impairment/reversal of impairment[2]	-86	59
Value adjustment 31/12	**-127**	**-22**
Carrying amount 31/12	**146**	**251**

1) Associates include the following investments:
- BIMobject (Building Information Modelling within digital construction) of which Solar owns 17.2% of the share capital is included. As Solar is the largest shareholder and represented on the Board of Directors, we therefore assess our influence as significant.
- Monterra (purchasing association) of which Solar owns 30.0%
- HomeBob (service company) of which Solar owns 44.5%
- VivaLabs (smart home platform) of which Solar owns 20.0%.

2) As of 31 December 2017, the traded price for the BIMobject share on the First North Exchange was significantly lower than the carrying amount determined under the equity method. Management considers this as an indicator of impairment and has assessed that the best estimate of value in use of the investment is fair value as of 31 December 2017 determined based on the traded price of the BIMobject share. However, during 2018 the traded price for the BIMobject share increased and was significantly higher than the carrying amount. For that reason the fair value adjustment performed in 2017 was reversed in 2018. During 2019 the traded price for the BIMobject share decreased and impairment has been made based on the traded price of the BIMobject share.

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.

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Associates – continued

Below is a specification on Solar's ownership in BIMobject AB, which is 17.20% (17.20%). Key figures according to 9 months' interim financial statement of 30 September 2019 (30 September 2018) for BIMobject AB.

DKK million	2019	2018
BIMobject AB		
Current assets	159	261
Non-current assets	36	12
Current and non-current liabilities	57	45
Revenue	74	57
Net loss for the period	-61	-44
Other comprehensive income	-2	0
Total comprehensive income for the period	-63	-43
Equity	**138**	**228**
Solar's share of net profit from associates regarding the 12 months' period **1 October 2018 - 30 September 2019** **(1 October 2017 - 30 September 2018)** as to reporting from BIMobject AB	**-15**	**-8**

DKK million	2019	2018
Investments in associates		
Solar A/S ownershare of equity in BIMobject AB	24	40
Goodwill	**115**	199
Booked value, investment BIMobject AB	**139**	**239**
Other associates	7	12
Total	**146**	**251**
Fair value according to First North Exchange (level 1) 31/12, investment BIMobject AB	**139**	**259**

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Inventories

DKK million	2019	2018
End products	**1,666**	**1,521**
Recognised write-down	6	-9

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 assesments

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.

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Trade receivables

DKK million	2019	2018
Maturity statement, trade receivables		
Not due	1,133	1,212
Past due for 1-30 day(s)	244	220
Past due for 31-90 days	55	25
Past due for 91+ days	20	16
	1,452	1,473
Write-down	-24	-21
Total	**1,428**	**1,452**
Write-down based on:		
Age distribution	4	5
Individual assessment	20	16
Total	**24**	**21**
Write-down 1/1	21	28
Foreign currency translation adjustment	0	1
Discontinued operations	0	-1
Write-down for the year	9	13
Losses realised during the year	-4	-12
Reversed for the year	-2	-8
Write-down 31/12	**24**	**21**

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, write-down to amortised cost less expected credit losses is made, if this is lower.

Accounting estimates and assesments

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 companies generally takes out insurance to hedge against loss to the extent possible, the write-down based on age distribution amounts to less than 0.5% (0.5%) 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 less than 2% (2%) 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 (31) 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. Solar A/S' main banker is Nordea Bank Danmark A/S.

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 companies generally takes out insurance to hedge against loss to the extent possible. As a result, 76% of trade receivables is covered by insurance against 81% at year-end 2018.

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

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Other provisions

DKK million	2019	2018
Non-current		
Other provisions	13	19
Total 31/12	**13**	**19**
Specification, non-current		
1/1	19	24
Discontinued operations	0	-7
Reversed during the year	-9	-1
Provisions of the year	3	3
Total 31/12	**13**	**19**
Current		
Other provisions	13	2
Total 31/12	**13**	**2**
Specification, current		
1/1	2	7
Reversed during the year	-2	-7
Provisions of the year	13	2
Total 31/12	**13**	**2**

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.

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Other payables

DKK million	2019	2018
Staff costs	215	212
Taxes and charges	111	70
Interest rate swaps	84	75
Other payables and amounts payable	54	71
Total	**464**	**428**

Relevant accounting policies for derivative financial instruments are described in note 22 on interest-bearing liabilities and maturity statement.

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Acquisitions of subsidiaries and activities

2018
Acquisition in 2018 consists of the business activities of KC Light A/S in Denmark.
Total purchase price of the acquisition amounts to DKK 10m and has had no significant impact on revenue or EBITA in 2018.

2019
On 15 May 2019, Solar A/S acquired selected parts of Onninen AB's Swedish business activities from the Finnish Kesko Corporation. Solar acquired the heating, plumbing and air conditioning business segment, which serves mostly small and medium-sized contractors in Sweden.

The acquisition price for net assets is DKK 45m. The assets mainly consist of inventories and employee-related liabilities. The acquisition is financed via withdrawals from the Solar Group's cash resources.

Transaction costs related to the acquisition totalled DKK 2m.

Negative goodwill has been identified with DKK 18m and is attributable to asssumed restructuring costs related to staff and rent. The amount is recognised in the income statement under other income minus the assumed restructuring costs of DKK 16m, leading to a net profit of DKK 2m.

The acquired business activities had an estimated effect on our 2019 revenue of approx. DKK 175m and a negative EBITA impact of estimated DKK -10m including the above mentioned.

The 2019 full year effect is estimated to approx. DKK 300m on revenue and approx. DKK -5 to -10m on EBITA. As the acquired activities are fully integrated, the estimated full year effect is subject to significant uncertainty.

Accounting policies

Newly acquired or newly founded subsidiaries are recognised in the consolidated financial statements from the date of acquisition.

For acquisitions of subsidiaries, cost is stated as the fair value of the assets transferred, obligations undertaken and shares issued. Cost includes the fair value of any earn outs. Acquisition-related costs are recognised in the period in which they are incurred. Identifiable assets, liabilities and contingent liabilities (net assets) relating to the enterprise acquired are recognised at fair value at the date of acquisition calculated in accordance with group accounting policies. Intangible assets are recognised if they are separately recognisable or originate in a contractual right. Deferred tax related to all temporary differentials except taxable temporary differentials on goodwill is recognised.

For business combinations, positive balances (goodwill) between the acquisition consideration of the enterprise on one side and the fair value of the assets, liabilities and contingent liabilities acquired on the other side, are recognised as goodwill under intangible assets. In cases of measurement uncertainty, goodwill can be adjusted until 12 months after the acquisition. Goodwill is not amortised but an impairment test is done annually. The first impairment test is done by the end of the year of acquisition. On acquisition, goodwill is assigned to the cashgenerating units that form the basis of the impairment test subsequently.

Comparative figures are not restated for newly acquired enterprises.

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Acquisitions of subsidiaries and activities – continued

Fair value at the date of acquisition: (DKK million)	
Property, plant and equipment	1
Inventories	55
Prepayments	3
Other payables	-6
Other provisions	-6
Net assets acquired	**47**
Negative goodwill	-18
Final acquisition price	**29**
Cash paid at closing	40
Withheld acquisition price	4
Acquisition price	44
Adjustment acquisition price[1]	-15
Net purchase price	**29**

1) At closing, inventory was lower than estimated which triggers a similar adjustment of the acquisition price.

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Assets and liabilities held for sale

2018

Discontinued operations

On 20 December 2018, Solar A/S initiated the process of a management buyout of our Norwegian training business Scandinavian Technology Institute (STI), a part of our related business. Expected accounting loss of DKK 17m was included in the financial statement for 2018. The transaction was completed on 25 March 2019.

The discontinued operations impacted the income statement as follows:

DKK million	2019	2018
Revenue	12	197
Cost of sales	-1	-132
Gross profit	**11**	**65**
Costs	-13	-97
Earnings before interest and tax (EBIT)	**-2**	**-32**
Financials	0	-2
Earnings before tax (EBT)	**-2**	**-34**
Tax on net loss for the period	0	2
Net loss for the period	**-2**	**-32**
Write-down to fair value less cost to sell	0	-17
Net loss of discontinued operations	**-2**	**-49**
Earnings from discontinued operations in DKK per share outstanding (EPS)	-0.27	-6.71
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	-0.27	-6.71

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Assets and liabilities held for sale – continued

DKK million	2019	2018
Property, plant and equipment	0	1
Other non-current assets	0	5
Non-current assets	**0**	**6**
Inventories	0	0
Trade receivables	0	7
Other current assets	0	2
Current assets	**0**	**9**
Assets held for sale	**0**	**15**
Other non-current liabilities	0	7
Non-current liabilities	**0**	**7**
Interest-bearing liabilities	0	0
Trade payables	0	1
Other current liabilities	0	6
Current liabilities	**0**	**7**
Liabilities held for sale	**0**	**14**

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 109m (DKK 96m) at the end of the period.

Accounting policies

Assets held for sale are saleable assets with expected sale within 1 year. Write-down to a reduced fair value less sales costs is made.

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Share capital

DKK million	2019	2018
Share capital 1/1	775	775
Reduction of share capital	-39	0
Share capital 31/12	**736**	**775**
Share capital is fully paid in and divided into the following classes:		
A shares, 40 shares at DKK 10,000	0	0
A shares, 2,240 shares at DKK 40,000	90	90
A shares total	90	90
B shares 6,460,000 (6,845,625) at DKK 100	646	685
Total	**736**	**775**

Share capital remained unchanged from 2015 to 2016. In 2017 the share capital was reduced by 174.982 B shares and in 2019 by 385,625 B shares.

	Number of shares		Nominal value (DKK million)	
	2019	2018	2019	2018
A shares outstanding 31/12[1]	**900,000**	**900,000**	**90**	**90**
B shares outstanding				
Outstanding 1/1	6,398,292	6,398,292	640	640
Purchase of treasury shares	0	0	0	0
B shares outstanding 31/12	**6,398,292**	**6,398,292**	**640**	**640**
Total shares outstanding 31/12	**7,298,292**	**7,298,292**	**730**	**730**

1) A shares have been included in the calculation in units of DKK 100.

Accounting policies

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

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Share capital – continued

Treasury shares (B shares)

	Number of shares		Nominal value (DKK million)		Cost (DKK million)		Percentage of share capital	
	2019	2018	2019	2018	2019	2018	2019	2018
Holding 1/1	447,333	447,333	45	45	176	176	5.8%	5.8%
Cancellation	-385,625	0	-39	0	-152	0	-5.0%	0.0%
Holding 31/12	**61,708**	**447,333**	**6**	**45**	**24**	**176**	**0.8%**	**5.8%**

Solar A/S's annual general meeting passed a resolution on 15 March 2019 to reduce the company's B share capital by nominally DKK 38,562,500 by cancelling treasury B shares. This corresponds to a reduction of the B share capital of 385,625 B shares of DKK 100.

All treasury shares are held by the parent company.

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Earnings per share in DKK per share outstanding for the year

DKK million	2019	2018
Net profit for the year in DKK million	64	133
Average number of shares	7,485,724	7,745,625
Average number of treasury shares	-187,432	-447,333
Average number of shares outstanding	7,298,292	7,298,292
Dilution effect of share options and restricted share units	22	6,349
Diluted number of shares outstanding	**7,298,314**	**7,304,641**
Earnings per share in DKK per share outstanding for the year	8.77	18.22
Diluted earnings per share in DKK per share outstanding for the year	8.77	18.21
Earnings per share from continuing operations in DKK per share outstanding for the year	9.04	24.94
Diluted earnings per share from continuing activities in DKK per share outstanding for the year	9.04	24.92

A shares have been included in the calculation in units of DKK 100.

22

Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2019	2018
Debt to mortgage credit institutions	Fixed[1]	165	174
Debt to credit institutions	Fixed	135	0
Debt to credit institutions	Floating	107	244
Lease liabilities	Calculated	344	-
Bank loans and overdrafts	Floating	226	108
Interest-bearing liabilities		**977**	**526**
Trade payables		1,814	1,883
Other payables etc.		491	438
Financial liabilities		**3,282**	**2,847**
Cash at bank and in hand		56	65
Trade receivables		1,428	1,452
Other receivables etc.		84	64
Financial assets		**1,568**	**1,581**
Total, net		**1,714**	**1,266**

1) Interest swaps have been used to hedge floating-rate loans, converting these loans to fixed-rate loans.

Reconciliation of development in interest-bearing debt to mortgage and credit institutions and lease liabilities to financing activities in the cash flow statement:

	2019	2018
Debt to mortgage and credit institutions 1/1	418	443
Raising of debt to mortgage and credit instutions	0	0
Lease liability recognised as at 1 January 2019 on implementation of IFRS 16	289	-
Lease liability raised during the year	173	-
Repayment of debt to mortgage and credit institutions	-9	-20
Instalment on lease liabilities	-117	-
Foreign currency translation adjustment	-2	-5
Debt to mortgage and credit institutions and lease liabilities 31/12	**752**	**418**

Accounting policies

Financial liabilities
Debt to credit institutions is recognised initially at 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.

Financial risks

Interest rate risk
Solar monitors and adjusts interest-bearing liabilities on an ongoing basis. Loans are only raised in the 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 fixed 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.

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Interest-bearing liabilities and maturity statement – continued

DKK million	2019	2018
Maturity < 1 year		
Debt to mortgage credit institutions	9	9
Debt to credit institutions	242	0
Lease liabilities	113	-
Bank loans and overdrafts	226	108
Current interest-bearing liabilities	**590**	**117**
Other financial liabilities	2,305	2,321
Financial liabilities	**2,895**	**2,438**
Financial assets	**1,568**	**1,581**
Total, net	**1,327**	**857**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	36	36
Debt to credit institutions	0	244
Lease liabilities	171	-
Total	**207**	**280**
Maturity > 5 years		
Debt to mortgage credit institutions	120	129
Lease liabilities	60	-
Total	**180**	**129**
Total non-current liabilities	**387**	**409**
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 revenue derives from foreign subsidiaries which apply other currencies than Danish kroner. The currencies used are euro, Danish kroner, Swedish kroner, Norwegian kroner and, to a lesser extent, Polish zloty, Swiss Franc, US dollar and British pound.

Effect on recognition of subsidiaries of any change in foreign exchange rates of 10%

	Profit of the year		Equity	
DKK million	2019	2018	2019	2018
NOK	4.0	3.0	35.7	33.7
SEK	3.7	5.2	38.0	37.4
PLN	0.8	-0.4	6.4	5.8
Total	8.5	7.8	80.1	76.9

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

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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Interest-bearing liabilities and maturity statement – continued

DKK million	2019	2018
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	15	12
1-5 year(s)	36	33
> 5 years	46	48
Total	**97**	**93**
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	192	204
Interest rate in % for outstanding interest swaps	5.2	5.2
Fair value recognised as other payables under current liabilities	-84	-74

Maturity for interest swaps follows the maturity for debt to mortgage credit institutions as stated on the previous page.

Amounts recognised in other comprehensive income		
Adjustment to fair value for the year	-18	-5
Realised during the year, recognised as financial income/expenses	8	9
Total	**-10**	**4**
Effect of a 1% interest rate increase		
Effect on equity	**22**	**15**
Of this, earnings impact is	**-3**	**-3**
Undrawn credit facilities 31/12	**383**	**502**

Accounting policies

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

Derivatives are initially recognised at cost and at fair value subsequently. 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.

As hedged transactions are realised, gains or losses are recognised in the hedging instrument from other comprehensive income in the same item as the hedged items. 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).

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Interest-bearing liabilities and maturity statement – continued

Distribution on currencies

	Current liabilities		Non-current liabilities	
DKK million	2019	2018	2019	2018
EUR	33	23	156	165
DKK	333	80	0	135
NOK	0	0	0	0
PLN	4	13	0	0
SEK	107	1	0	109
Total	**477**	**117**	**156**	**409**
Interest rate in %	**1.1-5.2**	**1.1-5.2**	**1.1-5.2**	**1.1-5.2**

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 derivative financial instruments (interest rate instruments) is fixed 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.

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Financial income

DKK million	2019	2018
Interest income	8	8
Foreign exchange gains	10	9
Fair value adjustments investments	0	11
Total	**18**	**28**
Financial income, received	**8**	**8**

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Financial expenses

DKK million	2019	2018
Interest expenses	32	29
Foreign exchange losses	12	10
Interest on lease liabilities	5	-
Other financial expenses[1]	4	24
Total	**53**	**63**
Financial expenses, settled[1]	**41**	**29**

1) Adjustment of earn-out DKK 22m regarding MAG45 in 2018.

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Share-based payment

Share option plans

DKK million	Executive Board	Others	Total
No. of share options at year-end 2019			
Outstanding at the beginning of 2019	27,264	46,036	73,300
Expired	-11,394	-9,103	-20,497
Outstanding at year-end 2019	**15,870**	**36,933**	**52,803**
No. of share options at year-end 2018			
Outstanding at the beginning of 2018	31,816	78,458	110,274
Granted in 2018	0	2,322	2,322
Forfeited on resignation of management employees	0	-1,635	-1,635
Exercised[1]	-4,552	-33,109	-37,661
Outstanding at year-end 2018	**27,264**	**46,036**	**73,300**

DKK million	2019	2018
Market value estimated using the Black-Scholes model, recognised under other liabilities	0	0
Conditions applying to the statement of market value using the Black-Scholes model:		
Expected volatility	26%	26%
Expected dividends in proportion to market value	5%	4%
Risk-free interest rate	0%	0%

1) In Q1 2018,37,661 share options were exercised. The share price at the exercise date was DKK 399.19.

Accounting policies

Share options and 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 options and/or 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 share options is estimated using the Black-Scholes model. Allowance is made for the conditions and terms related to the granted share options when performing the calculation.

The fair value of the granted restricted share units is estimated using the market price at closing date.

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Share-based payment – continued

Specification of share option plans

No. of shares	Year of granting 2018	2017	2016	2015
Executive Board				
Granted	0	9,261	7,297	7,383
Transferred on change to the Executive Board	0	-1,663	975	4,011
Expired	0	0	0	-11,394
Total	**0**	**7,598**	**8,272**	**0**
Others				
Granted	2,322	14,457	21,101	30,989
Transferred on change to the Executive Board	0	1,663	-975	-4,011
Forfeited on resignation of management employees	0	-1,635	0	0
Exercised	0	0	0	-17,875
Expired	0	0	0	-9,103
Total	**2,322**	**14,485**	**20,126**	**0**
Exercise price[1]	**391.80**	**373.84**	**335.21**	**320.87**
Exercise period				
10 banking days following the publication of the annual report in	2021/2022	2020/2021	2019/2020	2018/2019

1) Exercise price was adjusted by DKK -7.00 in 2015 and by DKK -7.39 in 2018 as dividends distributed in 2015 and in 2018 exceeded years' results.

Restricted share units

No. of restricted share units at year-end 2019	Executive Board	Others	Total
Outstanding at the beginning of 2019	2,057	1,097	3,154
Granted in 2019	2,690	4,380	7,070
Adjustment due to dividend distribution	225	262	487
Outstanding at year-end 2019	**4,972**	**5,739**	**10,711**
No. of restricted share units at year-end 2018			
Outstanding at the beginning of 2018	0	0	0
Granted in 2018	2,006	1,333	3,339
Forfeited on resignation of management employees	0	-269	-269
Adjustment due to dividend distribution	51	33	84
Outstanding at year-end 2018	**2,057**	**1,097**	**3,154**

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 2019 and 2018. Overall, the grant of restricted 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 share price at the time of granting is fixed at DKK 297.7 (399.19) based on the average share price on Nasdaq Copenhagen the first 10 business days after publication of Annual Report 2018 (2017).
Total fair value at time of granting was DKK 2m (DKK 1m). The restricted shares vest three years after the time of granting, meaning that this grant of shares vests in 2022 (2021). At this point, the holder may exercise the restricted share granting.

The number of granted restricted shares was adjusted by +487 (+84) shares in 2019 due to dividend distribution. General information on Solar's incentive scheme is available on our website: https://www.solar.eu/investor/policies.

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Contingent liabilities and other financial liabilities

DKK million	2019	2018
Operational leases and rent contracts		
Non-cancellable minimum lease payments are to be made within the following periods from the balance sheet date:		
< 1 year	-	98
> 1 year < 5 years	-	182
> 5 years	-	18
Total	**-**	**298**
Operational leases and rent recognised in the income statement:		
Total	**-**	**123**
The typical lease period for company cars and equipment leased under operating leases:		
No. of years	**-**	**1-5**
Rent obligations with non-cancellation periods:		
No. of years up to:	**-**	**10**
Collateral		
Assets have been pledged as collateral for bank arrangements at a carrying amount of:		
Land and buildings	471	479
Current assets	78	413
Total	**549**	**892**

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.

Litigation

In our Annual Report 2018, page 90, we stated that in July 2018, Solar received a writ of summons from the main former shareholder of MAG45 B.V. (the company that Solar acquired in February 2016) claiming payment of the maximum amount of the earn-out agreed in the share purchase agreement with the sellers totalling DKK 120m.

Prior to the initiation of the proceedings, Solar notified the sellers that it had a claim under the same earn-out provisions as well as a warranty claim jointly totalling DKK 26m.

The 5th of September 2019, the court of Amsterdam ruled in favour of Solar cf. announcement no. 17 2019. After the balance sheet date, the parties have reached a settlement.

The settlement has no material effect on Solar's financial position or future earnings.

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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 16.9% of the shares and holds 60.0% 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 5 and note 25.

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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Auditors' fees

DKK million	2019	2018
PricewaterhouseCoopers		
Statutory audit	3	3
Other assurance engagements	0	0
Tax consulting	0	0
Other services[1]	1	1
Total	**4**	**4**
Other auditors		
Statutory audit	1	1
Other services	0	0
Total	**1**	**1**

1) Other services mainly consists of IT-related services.

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New financial reporting standards

IASB has issued the following new or amended standards which are not yet effective and which are relevant for Solar:

- Amendments to IAS 1 and IAS 8: Definition of Material (EU endorsed)
- Amendments to IFRS 3 Business Combinations – definition of a business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments are effective for accounting periods beginning on or after 1 January 2020. They are not expected to have significant impact on Solar's accounting policies.

Separate financial statements

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Statement of comprehensive income

Income statement

Notes	DKK million	2019	2018
	Revenue	3,489	3,356
	Cost of sales	-2,679	-2,574
	Gross profit	**810**	**782**
	Other operating income and costs	35	46
22	External operating costs	-29	-70
3	Staff costs	-504	-474
4	Loss on trade receivables	-5	-6
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**307**	**278**
5	Depreciation and write-down on property, plant and equipment	-45	-19
	Earnings before interest, tax and amortisation (EBITA)	**262**	**259**
5	Amortisation and impairment of intangible assets	-69	-90
	Earnings before interest and tax (EBIT)	**193**	**169**
	Profit from subsidiaries	33	-6
	Write-down of subsidiaries held for sale	0	-17
	Share of net profit from associates	-19	-11
	Impairment on associates	-86	59
18	Financial income	13	29
19	Financial expenses	-30	-55
	Earnings before tax (EBT)	**104**	**168**
6	Income tax	-40	-35
7	**Net profit for the year**	**64**	**133**

Other comprehensive income

DKK million	2019	2018
Net profit for the year	**64**	**133**
Other income and costs recognised:		
Items that can be reclassified for the income statement		
Foreign currency translation adjustments of foreign subsidiaries	0	-16
Fair value adjustments of hedging instruments before tax, parent company	-10	4
Tax on fair value adjustments of hedging instruments, parent company	2	-1
Other income and costs recognised after tax	**-8**	**-13**
Total comprehensive income for the year	**56**	**120**

Balance sheet

as at 31 December

Notes	DKK million	2019	2018
	ASSETS		
8	Intangible assets	181	220
9	Property, plant and equipment	253	247
10	Right-of-use assets	74	-
11	Investments measured at equity value	1,457	1,539
11	Other non-current assets	78	60
	Non-current assets	**2,043**	**2,066**
12	Inventories	506	532
13	Trade receivables	373	396
	Receivables from subsidiaries	379	236
	Income tax receivable	3	4
	Other receivables	4	4
	Prepayments	27	25
	Cash at bank and in hand	0	0
	Assets held for sale	0	7
	Current assets	**1,292**	**1,204**
	Total assets	**3,335**	**3,270**

Notes	DKK million	2019	2018
	EQUITY AND LIABILITIES		
16	Share capital	736	775
	Reserves	-51	-30
	Retained earnings	805	791
	Proposed dividends for the financial year	102	102
	Equity	**1,592**	**1,638**
17	Interest-bearing liabilities	156	300
10, 17	Lease liabilities	51	-
6	Provision for deferred tax	79	88
14	Other provisions	2	2
	Non-current liabilities	**288**	**390**
17	Interest-bearing liabilities	342	80
10	Lease liabilities	23	-
	Trade payables	699	812
	Amounts owed to subsidiaries	157	147
15	Other payables	233	203
	Prepayments	1	0
	Current liabilities	**1,455**	**1,242**
	Liabilities	**1,743**	**1,632**
	Total equity and liabilities	**3,335**	**3,270**

Cash flow statement

Notes	DKK million	2019	2018
	Net profit for the year	64	133
5	Depreciation, write-down and amortisation	114	109
	Impairment on associates	86	-59
	Changes to provisions and other adjustments	-2	-15
	Profit from subsidiaries	-33	6
	Write-down of subsidiaries to fair value	0	17
	Share of net profit from associates	19	11
17.18	Financials, net	17	26
	Income tax	40	35
17	Financial income, received	10	12
18	Financial expenses, settled	-26	-27
	Income tax, settled	-46	-35
	Cash flow before working capital changes	**243**	**213**
	Working capital changes		
	Inventory changes	26	-4
	Receivables changes	18	8
	Non-interest-bearing liabilities changes	-91	3
	Cash flow from operating activities	**196**	**220**
	Investing activities		
8	Purchase of intangible assets	-30	-76
9	Purchase of property, plant and equipment	-24	-12
	Acquistion of subsidiaries and activities	0	-10
11	Purchase/capital increase subsidiaries	-15	-94
	Divestment of subsidiary	5	47
11	Other financial investments	-14	-15
	Cash flow from investing activities	**-78**	**-160**

Notes	DKK million	2019	2018
	Financing activities		
	Repayment of non-current interest-bearing debt	-9	-20
	Change in current interest-bearing liabilities	127	-41
	Instalment on lease liabilities	-27	-
	Changes to loans to subsidaries	-132	73
	Dividends from subsidiaries	25	1
	Dividends distributed	-102	-73
	Cash flow from financing activities, continuing operations	**-118**	**-60**
	Total cash flow	**0**	**0**
	Cash at bank and in hand at the beginning of the year	0	0
	Cash at bank and in hand at the end of the year	**0**	**0**
	Cash at bank and in hand at the end of the year		
	Cash at bank and in hand	0	0
	Cash at bank and in hand at the end of the year	**0**	**0**

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
2019							
Equity as at 1 January	**775**	**-58**	**-113**	**141**	**791**	**102**	**1,638**
Foreign currency translation adjustments of foreign subsidiaries							0
Fair value adjustments of hedging instruments before tax		-10					-10
Tax on fair value adjustments		2					2
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-8	0	0	0	0	-8
Net profit for the year				-13	-25	102	64
Comprehensive income	**0**	**-8**	**0**	**-13**	**-25**	**102**	**56**
Distribution of dividends (DKK 14.00 per share)						-102	-102
Reduction in share capital	-39				39		0
Transactions with the owners	**-39**	**0**	**0**	**0**	**39**	**-102**	**-102**
Equity as at 31 December	**736**	**-66**	**-113**	**128**	**805**	**102**	**1,592**

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
2018							
Equity as at 1 January	**775**	**-61**	**-97**	**119**	**782**	**73**	**1,591**
Foreign currency translation adjustments of foreign subsidiaries			-16				-16
Fair value adjustments of hedging instruments before tax		4					4
Tax on fair value adjustments		-1					-1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	3	-16	0	0	0	-13
Net profit for the year				22	9	102	133
Comprehensive income	**0**	**3**	**-16**	**22**	**9**	**102**	**120**
Distribution of dividends (DKK 10.00 per share)						-73	-73
Transactions with the owners	**0**	**0**	**0**	**0**	**0**	**-73**	**-73**
Equity as at 31 December	**775**	**-58**	**-113**	**141**	**791**	**102**	**1,638**

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.

1

General accounting policies

A general description of accounting policies can be found in the consolidated financial statements on pages 53-55, note 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 6	Income tax
Note 7	Net profit for the year
Note 8	Intangible assets
Note 9	Property, plant and equipment
Note 10	Leases
Note 11	Investments measured at equity value and other non-current assets
Note 12	Inventories
Note 13	Trade receivables
Note 14	Other provisions
Note 16	Share capital
Note 17	Interest-bearing liabilities
Note 20	Contingent liabilities and other financial liabilities

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

These estimates and assessments are described in the following notes:
Note 8 Intangible assets
Note 12 Inventories
Note 13 Trade receivables

3

Staff costs

DKK million	2019	2018
Salaries and wages etc.	462	439
Pensions, defined contribution	30	30
Costs related to social security	11	10
Share-based payment	1	-5
Total	**504**	**474**
Average number of employees (FTEs)	765	770
Number of employees at year-end (FTEs)	775	759
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Remuneration and bonus	16	13
Share-based payment	1	-1
Total	**17**	**12**

We have a remuneration policy that describes guidelines for determining and approving remuneration of the Board of Directors and Executive Board. The annual general meeting adopts the Board of Directors' remuneration for one year ahead at a time. The Executive Board's remuneration is assessed every two years. The Board of Directors jointly approve the elements that make up the Executive Board's salary package as well as all major adjustments to this package following previous discussions and recommendations of the chairman and vice-chairman of the Board of Directors. Under section 139 of the Danish Companies Act, a complete remuneration policy for the Board of Directors and Executive Board is presented for adoption at the annual general meeting.

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

4

Loss on trade receivables

DKK million	2019	2018
Recognised losses	5	7
Received on trade receivables previously written off	0	-1
	5	**6**
Change in write-down for bad and doubtful debts	0	0
Total	**5**	**6**

Relevant accounting policies are described in note 13, trade receivables.

5

Depreciation, write-down and amortisation

DKK million	2019	2018
Buildings	10	10
Plant, operating equipment, tools and equipment	8	9
Leasehold improvements	0	0
Tenancy, lease	11	-
Cars, lease	10	-
IT equipment, lease	6	-
Total depreciation and write-down on property, plant and equipment	**45**	**19**
Customer-related assets	1	4
Software	68	77
Impairment of intangible assets	0	9
Total amortisation and impairment of intangible assets	**69**	**90**

Relevant accounting policies are described in note 8, intangible assets, and note 9, property, plant and equipment and note 10, leases.

6

Income tax

DKK million	2019	2018
Current tax	47	28
Deferred tax	-7	7
Tax on profit or loss for the year	**40**	**35**
Tax on taxable profit previous year	0	0
Total	**40**	**35**
Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Profit from subsidiaries	-6.9%	1.1%
Write-down subsidiaries	0.0%	2.2%
Impairment on associates	18.1%	-7.8%
Non-taxable/deductible items in parent	5.1%	3.4%
Tax regarding prevoius year	0.2%	-0.1%
Effective tax rate	**38.5%**	**20.8%**

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.

6

Income tax – continued

DKK million	2019	2018
Provision for deferred tax		
1/1	88	80
Recognised in other comprehensive income	-2	1
Ordinary tax recognised in income statement	-7	7
Total 31/12	**79**	**88**
Specified as follows:		
Deferred tax	79	88
Deferred tax assets	0	0
Total deferred tax, net	**79**	**88**
Further specified as follows:		
Expected use within 1 year	0	0
Expected use after 1 year	79	88
Total, net	**79**	**88**

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.

6

Income tax – continued

Specification by balance sheet items

DKK million	1/1	Other adjustments	2019	2018
Property, plant and equipment	19	1	20	19
Inventories	0	0	0	0
Provisions for loss on receivables	0	0	0	0
Other items[1]	69	-10	59	69
Total, net	**88**	**-9**	**79**	**88**

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

7

Net profit for the year

DKK million	2019	2018
Proposed distribution of net profit for the year:		
Proposed dividends, parent	102	102
Reserves for development costs	-13	22
Retained earnings	-25	9
Net profit for the year	**64**	**133**
Dividends in DKK per share of DKK 100[1]	14.00	14.00

1) Calculations are based on proposed dividends.

Accounting policies

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

8

Intangible assets

DKK million	Goodwill	Customer-related assets	Software	Total
2019				
Cost 1/1	9	46	576	631
Additions during the year	0	0	30	30
Disposals during the year	0	0	0	0
Cost 31/12	**9**	**46**	**606**	**661**
Amortisation and impairment 1/1	9	41	361	411
Amortisation during the year	0	1	68	69
Impairment during the year	0	0	0	0
Amortisation and impairment 31/12	**9**	**42**	**429**	**480**
Carrying amount 31/12	**0**	**4**	**177**	**181**
Remaining amortisation period in number of years	**-**	**6**	**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.

Goodwill
Goodwill is initially recognised in the balance sheet as the positive balance between the acquisition consideration of an enterprise on one side and the fair value of the assets, liabilities and contingent liabilities acquired on the other side. In cases of measurement uncertainty, the goodwill amount can be adjusted until 12 months after the date of the acquisition. Goodwill is not amortised but an impairment test is done annually. The first impairment test is done by the end of the year of acquisition. Subsequently, goodwill is measured at this value less accumulated impairment losses. On acquisition, goodwill is assigned to the cashgenerating units that form the basis of the impairment test subsequently. The determination of cashgenerating units follows the managerial structure and management control.

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.

8

Intangible assets – continued

DKK million	Goodwill	Customer-related assets	Software	Total
2018				
Cost 1/1	9	41	522	572
Additions during the year	0	0	76	76
Acquired during the year	0	5	0	5
Disposals during the year	0	0	-22	-22
Cost 31/12	**9**	**46**	**576**	**631**
Amortisation and impairment 1/1	9	37	297	343
Amortisation during the year	0	4	77	81
Impairment during the year	0	0	9	9
Amortisation of abandoned assets	0	0	-22	-22
Amortisation and impairment 31/12	**9**	**41**	**361**	**411**
Carrying amount 31/12	**0**	**5**	**215**	**220**
Remaining amortisation period in number of years	**-**	**7**	**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 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.

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 assesments

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

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.

9

Property, plant and equipment

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Total
2019				
Cost 1/1	404	256	7	667
Additions during the year	5	13	6	24
Disposals during the year	0	-24	-1	-25
Cost 31/12	**409**	**245**	**12**	**666**
Write-down and depreciation 1/1	173	240	7	420
Write-down and depreciation during the year	10	8	0	18
Write-down and depreciation of abandoned assets	0	-24	-1	-25
Write-down and depreciation 31/12	**183**	**224**	**6**	**413**
Carrying amount 31/12	**226**	**21**	**6**	**253**

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.

9

Property, plant and equipment – continued

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Total
2018				
Cost 1/1	401	248	7	656
Additions during the year	3	9	0	12
Disposals during the year	0	-1	0	-1
Cost 31/12	**404**	**256**	**7**	**667**
Write-down and depreciation 1/1	163	232	7	402
Write-down and depreciation during the year	10	9	0	19
Write-down and depreciation of abandoned assets	0	-1	0	-1
Write-down and depreciation 31/12	**173**	**240**	**7**	**420**
Carrying amount 31/12	**231**	**16**	**0**	**247**

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.

10

Leases

Right-of-use assets

DKK million	Tenancy	Cars	IT equipment	Total
2019				
Cost 1/1	30	15	16	61
Foreign currency translation adjustments	0	0	0	0
Additions during the year	29	11	0	40
Disposals during the year	0	-1	0	-1
Cost 31/12	**59**	**25**	**16**	**100**
Write-down and depreciation 1/1	0	0	0	0
Foreign currency translation adjustments	0	0	0	0
Write-down and depreciation during the year	11	10	6	27
Write-down and depreciation of abandoned assets	0	-1	0	-1
Write-down and depreciation 31/12	**11**	**9**	**6**	**26**
Carrying amount 31/12	**48**	**16**	**10**	**74**

Accounting policies

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:
- Rental of premises
- IT equipment
- Cars

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.

10

Leases – continued

Long-term lease liabilities

DKK million	2019
Maturity > 1 year < 5 years, undiscounted	35
Maturity > 5 years, undiscounted	18
Long-term lease liabilities 31/12, undiscounted	53
Discounting on lease liabilities > 1 year < 5 years	-1
Discounting on lease liabilities > 5 years	-1
Long-term lease liabilities 31/12	**51**
Amounts recognized in the Profit & Loss statement	
Depreciation of Right-of-use assets	27
Interest expense on lease liabilities	1
Expense relating to short-term leases	0
Expense relating to leases of low-value items	0
Expense relating to variable lease payments not included in the measurement of lease liabilities	2
Total	**30**
Cash outflows for leases	
Instalment on lease liabilities	-27
Interest payments	-1
Total cash outflow for leases	**-28**

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 weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1 2019 are between 0.6% and 3.66% depending among other things on the term and the currency in which the contracts are denominated.

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.

11

Investments measured at equity value and other non-current assets

DKK million	Equity investments	Investments in associates	Other investments	Other receivables	Total
2019					
Cost 1/1	2,609	273	48	36	2,966
Additions during the year	15	0	5	9	29
Transferred from investments held for sale	0	0	0	4	4
Disposals during the year	0	0	0	0	0
Cost 31/12	**2,624**	**273**	**53**	**49**	**2,999**
Value adjustment 1/1	-1,321	-22	-2	-22	-1,367
Foreign currency translation adjustments	0	0	0	0	0
Dividends from subsidiaries	-25	0	0	0	-25
Profit from subsidiaries	33	-19	0	0	14
Fair value adjustment recognised under impairment on associates	0	-86	0	0	-86
Other adjustments	0	0	0	0	0
Value adjustment 31/12	**-1,313**	**-127**	**-2**	**-22**	**-1,464**
Carrying amount 31/12	**1,311**	**146**	**51**	**27**	**1,535**

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 subsdiary 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.

11

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

DKK million	Equity investments	Investments in associates	Other investments	Other receivables	Total
2018					
Cost 1/1	2,575	273	33	25	2,906
Additions during the year	94	0	4	11	109
Fair value adjustment recognised under financial income	0	0	11	0	11
Equity investments held for sale	-60	0	0	0	-60
Disposals during the year	0	0	0	0	0
Cost 31/12	**2,609**	**273**	**48**	**36**	**2,966**
Value adjustment 1/1	-1,349	-70	0	0	-1,419
Foreign currency translation adjustments	-16	0	0	0	-16
Dividends from subsidiaries	-1	0	0	0	-1
Profit from subsidiaries	-6	-11	0	0	-17
Fair value adjustment recognised under impairment on associates	0	59	0	0	59
Fair value adjustment recognised under financial expenses	0	0	-2	-22	-24
Value adjustments related to investments held for sale	46	0	0	0	46
Other adjustments	5	0	0	0	5
Value adjustment 31/12	**-1,321**	**-22**	**-2**	**-22**	**-1,367**
Carrying amount 31/12	**1,288**	**251**	**46**	**14**	**1,599**

12

Inventories

DKK million	2019	2018
End products	**506**	**532**
Recognised write-down	-1	5

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 assesments

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.

13

Trade receivables

DKK million	2019	2018
Maturity statement, trade receivables		
Not due	320	355
Past due for 1-30 day(s)	39	40
Past due for 31-90 days	15	2
Past due for 91+ days	3	3
	377	400
Write-down	-4	-4
Total	**373**	**396**
Write-down based on:		
Age distribution	3	3
Individual assessment	1	1
Total	**4**	**4**
Write-down 1/1	4	4
Write-down for the year	1	3
Losses realised during the year	0	-1
Reversed for the year	-1	-2
Write-down 31/12	**4**	**4**

We refer to the consolidated accounts, note 15, 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, 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 companies generally takes out insurance to hedge against loss to the extent possible, the write-down based on age distribution amounts to less than 0.8% (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 0.3% (0.3%) 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 (31) days.

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Other provisions

DKK million	2019	2018
Non-current		
Others	2	2
Total 31/12	**2**	**2**
Specification, non-current		
1/1	2	0
Reversed during the year	0	0
Provisions of the year	0	2
Total 31/12	**2**	**2**
Current		
Other provisions	0	0
Total 31/12	**0**	**0**
Specification, current		
1/1	0	1
Reversed during the year	0	-1
Provisions of the year	0	0
Total 31/12	**0**	**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.

15

Other payables

DKK million	2019	2018
Staff costs	115	108
Taxes and charges	14	0
Hedging instruments	84	74
Other payables and amounts payable	20	21
Total	**233**	**203**

Accounting policies for hedging instruments are described in note 17 on interest-bearing liabilities and maturity statement.

16

Share capital

DKK million	2019	2018
Share capital 1/1	775	775
Reduction in share capital	-39	0
Share capital 31/12	**736**	**775**
Share capital is fully paid in and divided into the following classes:		
A shares, 40 shares at DKK 10,000	0	0
A shares, 2,240 shares at DKK 40,000	90	90
A shares total	90	90
B shares 6,460,000 (6,845,625) at DKK 100	646	685
Total	**736**	**775**

Share capital remained unchanged from 2015 to 2016. In 2017 the share capital was reduced by 174,982 B shares and in 2019 by 385,625 B shares.

	Number of shares		Nominal value	
	2019	2018	2019	2018
A shares outstanding 31/12[1]	**900,000**	**900,000**	**90**	**90**
B shares outstanding				
Outstanding 1/1	6,398,292	6,398,292	640	640
Purchase of treasury shares	0	0	0	0
B shares outstanding 31/12	**6,398,292**	**6,398,292**	**640**	**640**
Total shares outstanding 31/12	**7,298,292**	**7,298,292**	**730**	**730**

1) A shares have been included in the calculation in units of DKK 100.

Accounting policies

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

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Share capital – continued

Treasury shares (B shares)

	Number of shares		Nominal value (DKK million)		Cost (DKK million)		Percentage of share capital	
	2019	2018	2019	2018	2019	2018	2019	2018
Holding 1/1	447,333	447,333	45	45	176	176	5.8%	5.8%
Cancellation	-385,625	0	-39	0	-152	0	-5.0%	0.0%
Holding 31/12	**61,708**	**447,333**	**6**	**45**	**24**	**176**	**0.8%**	**5.8%**

Solar A/S's annual general meeting passed a resolution on 15 March 2019 to reduce the company's B share capital by nominally DKK 38,562,500 by cancelling treasury B shares. This corresponds to a reduction of the B share capital of 385,625 B shares of DKK 100.

All treasury shares are held by the parent company.

17

Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2019	2018
Debt to mortgage credit institutions	Fixed[1]	165	174
Debt to credit institutions	Fixed	135	0
Debt to credit institutions	Floating	0	135
Lease liabilities	Calculated	74	-
Bank loans and overdrafts	Floating	198	71
Interest-bearing liabilities		**572**	**380**
Trade payables		699	812
Other payables		391	350
Financial liabilities		**1,662**	**1,542**
Cash at bank and in hand		0	0
Trade receivables		373	396
Other receivables		413	269
Financial assets		**786**	**665**
Total, net		**876**	**877**

1) Interest swaps have been used to hedge floating-rate loans, converting these loans to fixed-rate loans.

Reconciliation of development in interest-bearing debt to mortgage and credit institutions and lease liabilities to financing acitivites in the cash flow statement:

DKK million	2019	2018
Debt to mortgage and credit institutions 1/1	309	329
Lease liability recognised as at 1 January 2019 on implementation of IFRS 16	61	-
Lease liability raised during the year	40	-
Repayment of debt to mortgage and credit institutions	-9	-20
Instalment on lease liabilities	-27	-
Debt to mortgage and credit institutions 31/12	**374**	**309**

Accounting policies

Financial liabilities
Debt to credit institutions is recognised initially at 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.

17

Interest-bearing liabilities and maturity statement – continued

DKK million	2019	2018
Current interest-bearing liabilities		
Maturity < 1 year		
Debt to mortgage credit institutions	9	9
Debt to credit institutions	135	0
Lease liabilities	23	-
Bank loans and overdrafts	198	71
Current interest-bearing liabilities	**365**	**80**
Other financial liabilities	1,090	1,162
Financial liabilities	**1,455**	**1,242**
Financial assets	**786**	**665**
Total, net	**669**	**577**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	36	36
Debt to credit institutions	0	135
Lease liabilities	34	-
Total	**70**	**171**
Maturity > 5 years		
Debt to mortgage credit institutions	120	129
Lease liabilities	17	-
Total	**137**	**129**
Total non-current liabilities	**207**	**300**
Maturity, until year	**2037**	**2037**

The carrying amount of financial liabilities corresponds to fair value.

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Interest-bearing liabilities and maturity statement – continued

DKK million	2019	2018
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	11	11
1-5 year(s)	31	32
> 5 years	42	48
Total	**84**	**91**
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	192	204
Interest rate in % for outstanding swaps	5.2	5.2
Fair value	-84	-74
Amounts recognised in other comprehensive income		
Adjustment to fair value for the year	-18	-5
Realised during the year, recognised as financial income/expenses	8	9
Total	**-10**	**4**
Effect of a 1% interest rate increase		
Effect on equity	**23**	**16**
Of this, earnings impact is	**-2**	**-2**
Undrawn credit facilities 31/12	**309**	**396**

Accounting policies

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

Derivatives are initially recognised at cost and at fair value subsequently. 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. As hedged transactions are realised, gains or losses are recognised in the hedging instrument from other comprehensive income in the same item as the hedged items. 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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Interest-bearing liabilities and maturity statement – continued

Distribution on currencies

	Current liabilities		Non-current liabilities	
DKK million	2019	2018	2019	2018
EUR	18	9	156	165
DKK	324	71	0	135
Total	**342**	**80**	**156**	**300**
Interest rate in %	**1.1-5.2**	**1.1-5.2**	**1.1-5.2**	**1.1-5.2**

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. Nonobservable market data is primarily made up of credit risks, which are seen as insignificant in Solar’s case.

The fair value of Solar’s derived financial instruments (interest rate instruments) is fixed 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 parent company has raised loans in Danish kroner and euro. We refer to the consolidated accounts, note 22, interest-bearing liabilities and maturity statement, for more information on liquidity risk, interest rate and currency risk management.

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Financial income

DKK million	2019	2018
Interest revenue	5	5
Foreign exchange gains	3	6
Fair value adjustments on investments	0	11
Other financial income	5	7
Total	**13**	**29**
Financial income, received	**10**	**12**

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Financial expenses

DKK million	2019	2018
Interest expenses	23	22
Foreign exchange losses	4	6
Interest on lease liabilities	1	-
Other financial expenses[1]	2	27
Total	**30**	**55**
Financial expenses, settled	**26**	**27**

1) Adjustment of earn-out DKK 22m regarding MAG45 in 2018.

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Contingent liabilities and other financial liabilities

DKK million	2019	2018
Operational leases and rent contracts		
Non-cancellable minimum lease payments are to be made within the following periods from the balance sheet date:		
< 1 year	-	27
> 1 year < 5 years	-	33
> 5 years	-	0
Total	**-**	**60**
Operational leases and rent recognised in the income statement:		
Total	**-**	**24**
Company cars and office furniture and equipment are leased under operating leases The typical lease period is:		
No. of years	**-**	**2-4**
Rent obligations with non-cancellation periods:		
No. of years up to:	**-**	**10**
Collateral		
Assets have been pledged as collateral for bank arrangements at a carrying amount of:		
Land and buildings	227	232
Current assets	0	0
Total	**227**	**232**

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Contingent liabilities and other financial liabilities – continued

DKK million	2019	2018
Mortgaging and guarantees		
As security of subsidiairies' bank arrangements, guarantees have been issued for:		
Total	**333**	**334**
As security of subsidiairies' liabilities, guarantees have been issued for:		
Total	**482**	**430**

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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 16.9% of the shares and holds 60.0% 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 3.

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

DKK million	2019	2018
Sale of services to subsidiaries	**157**	**161**
Sale of goods to subsidiaries	**83**	**59**
Interest income from subsidiaries	**5**	**7**
Interest expense from subsidiaries	**1**	**2**

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.

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Auditors' fees

DKK million	2019	2018
PricewaterhouseCoopers		
Statutory audit	1	1
Other services[1]	1	1
Total	**2**	**2**
Other auditors		
Other services	0	0
Total	**0**	**0**

1) Other services mainly consists of IT-related services.

Group companies overview

Group companies overview

Companies fully owned by Solar A/S

Name	Reg. no.	Currency	Share capital	Country
Solar A/S	**15908416**	**DKK**	**792,060,700**	**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.	CHE-265,557,148	CHF	20,000	CH
MAG45 INC	123858292	$	1,500	USA
MAG45 NV	0476603857	€	330,000	BE
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
Solar Polska Sp.z.oo	**0000003924**	**PLN**	**65,050,000**	**PL**
Claessen Holding N.V	**0437.191.965**	**€**	**65,094**	**BE**
Claessen ELGB NV	0436.564.831	€	5,697,100	BE

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**
Fyrfyret IVS	**38560166**	**DKK**	**1**	**DK**

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

Name, equity interest	Reg. no.	Currency	Share capital	Country
LetsBuild Holding SA, 8.07%	**0656.613.388**	**EUR**	**20,769,243**	**BE**
Minuba ApS, 19.98%	**33259336**	**DKK**	**100,275**	**DK**
Viva Labs AS, 20.00%	**898 444 392**	**NOK**	**104,174**	**NO**
BIMobject AB, 17.20%	**556856-7696**	**SEK**	**1,323,517**	**SE**
HomeBob A/S, 44.46%	**38832840**	**DKK**	**4,512,636**	**DK**
Monterra AB, 30.00%	**559103-4847**	**SEK**	**50,000**	**SE**

Statements and reports

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 2019.

The consolidated financial statements and financial statements have been presented in accordance with International Financial Reporting Standards as approved by the EU. Moreover, the consolidated financial statements and 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 financial statements give a fair presentation of the group and parent company's assets, liabilities and equity, and financial position as at 31 December 2019 as well as the results of the group and parent company's activities and cash flow for the financial year 1 January – 31 December 2019.

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.

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

Vejen, 6 February 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 Chrone

Ulrik Damgaard

Bent H. Frisk

Louise Knauer

Jens Peter Toft

Independent auditors' report

To the shareholders of Solar A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements and Parent Company Financial Statements of Solar A/S for the financial year 1 January to 31 December 2019 comprise statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

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 Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
We were first appointed auditors of Solar A/S before 1995 and are therefore required to resign as auditors of the Company at the General Meeting in 2021 at the latest. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of more than 25 years including the financial year 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Implementation of IFRS 16 Leases

The Group has applied IFRS 16 Leases as of the financial year beginning on 1 January 2019 using the modified retrospective approach, whereby the cumulative effect is recognized at the date of initial application, 1 January 2019, and the right-of-use assets are recognized at the same value as the lease liabilities.

Under IFRS 16, leases previously treated as off balance items are generally recognized as right-of-use assets and the related lease obligations as liabilities in the balance sheet.

The Group has recognized right-of-use assets totaling DKK 341 million at December 31, 2019, where tenancy amounts to DKK 272 million.

The Group's implementation of IFRS 16 comprises a number of significant judgements and estimates such as discount rates and subjective judgements by Management.

We focused on this area because implementation of a new accounting standard increases risk of error in recognition, completeness and presentation.

Refer to note 12 and 22 in the consolidated financial statement for detailed information of right-of-use asset and lease liabilities.

How our audit addressed the key audit matter

We evaluated the process for the Group's implementing of IFRS 16 Leases.

We assessed whether the accounting handbook applied by Management comply with the requirements of IFRS 16.

We discussed with Management appropriateness of the discount rates applied and underlying assumptions on group level.

We performed substantive procedures to address completeness and accuracy of the initial recognition of source data. We evaluated the assumptions applied in the accounting estimates such as determination of terms and discount rate. Furthermore, substantive procedures also addressed presentation of both right-of-use assets and lease liabilities.

We assessed whether the models applied by Management to calculate the value of right-of-use assets comply with the requirements of IFRS 16. We recalculated the model to ensure mathematical accuracy.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and 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 Financial Statements.

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Trekantområdet, 6 February 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Lars Almskou Ohmeyer
State Authorised Public Accountant
mne24817

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Q4 2019

Quarterly information

The quarterly information has neither been audited nor reviewed

Quarterly figures

Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2019	2018	2019	2018	2019	2018	2019	2018
Revenue	2,957	2,817	2,868	2,733	2,777	2,539	3,077	3,009
Earnings before interest, tax, depreciation and amortisation (EBITDA)	121	82	104	70	152	106	161	121
Earnings before interest, tax and amortisation (EBITA)	80	69	60	56	105	93	115	109
Earnings before interest and tax (EBIT)	62	50	41	36	82	64	75	74
Financials, net	-7	-5	-9	-7	-9	-7	-10	-16
Earnings before tax (EBT)	-7	103	56	10	-2	70	73	54
Net profit or loss for the quarter	-20	81	48	-7	-22	49	58	10

Balance sheet (DKK million)								
Non-current assets	1,739	1,580	1,792	1,561	1,691	1,572	1,756	1,516
Current assets	3,425	3,254	3,451	3,027	3,460	3,121	3,234	3,117
Balance sheet total	5,164	4,834	5,243	4,588	5,151	4,693	4,990	4,633
Equity	1,515	1,594	1,552	1,584	1,512	1,645	1,592	1,638
Non-current liabilities	713	546	713	540	707	536	503	543
Current liabilities	2,936	2,694	2,978	2,464	2,932	2,512	2,895	2,452
Interest-bearing liabilities, net	1,032	632	1,182	662	1,089	712	921	461
Invested capital	2,302	1,895	2,461	1,972	2,395	2,055	2,297	1,797
Net working capital, end of period	1,331	1,145	1,466	1,196	1,467	1,312	1,280	1,090
Net working capital, average	1,230	1,168	1,299	1,173	1,339	1,184	1,386	1,182

Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	2019	2018	2019	2018	2019	2018	2019	2018
Cash flow from operating activities, continuing operations	-132	-39	-17	-41	144	-23	305	327
Cash flow from investing activities, continuing operations	-28	-40	-78	26	-40	-30	-48	-68
Cash flow from financing activities, continuing operations	160	21	82	35	-88	35	-264	-199
Net investments in intangible assets	-10	-24	-8	-27	-8	-20	-9	-17
Net investments in property, plant and equipment	-21	-16	-25	-7	-25	-10	-39	-26
Acquisition and disposal of subsidiaries, net	5	0	-40	60	0	0	0	-10

Financial ratios (% unless otherwise stated)								
Revenue growth	5.0	-0.3	4.9	2.2	9.4	-2.2	2.3	1.4
Organic growth	6.0	1.4	4.2	3.6	7.9	-0.3	1.6	2.3
Organic growth adjusted for number of working days	5.8	4.5	5.6	1.6	6.3	-0.3	2.6	2.5
Gross profit margin	20.1	20.4	20.2	20.4	19.7	20.2	20.5	20.0
EBITDA margin	4.1	2.9	3.6	2.6	5.5	4.2	5.2	4.0
EBITA margin	2.7	2.4	2.1	2.0	3.8	3.7	3.7	3.6
EBIT margin	2.1	1.8	1.4	1.3	3.0	2.5	2.4	2.5
Net working capital (NWC end of period)/revenue (LTM)	11.8	10.3	12.9	10.7	12.6	11.8	11.0	9.8
Net working capital (NWC average)/revenue (LTM)	10.9	10.5	11.4	10.5	11.5	10.7	11.9	10.6
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	2.5	1.7	2.6	1.8	2.2	2.0	1.7	1.2
Return on equity (ROE)	2.0	-1.4	5.7	-1.1	1.0	-0.7	4.1	8.1
Return on invested capital (ROIC)	8.1	6.4	7.9	6.2	8.3	5.6	8.3	8.1
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	8.5	10.3	8.9	10.4	8.1	10.7	7.9	6.8
Equity ratio	29.3	33.0	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)	2019	2018	2019	2018	2019	2018	2019	2018
Earnings per share outstanding (EPS)	-2.74	11.10	6.82	-0.96	-3.18	6.71	7.95	1.37
Intrinsic value per share outstanding	207.58	218.41	224.52	217.04	218.73	225.40	218.13	224.44
Share price	286.68	398.53	312.60	398.72	289.41	401.55	297.31	284.12
Share price/intrinsic value	1.38	1.82	1.39	1.84	1.32	1.78	1.36	1.27

Employees								
Average number of employees (FTE's) continuing operations	2,951	2,894	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 2017 and 2018, and Claessen ELGB N.V. and GFI GmbH for 2016 and 2017, whereas these are not adjusted for previous years. In accordance with IFRS, the balance sheet has not been restated.

Financial review

In Q4, group EBITA was up by DKK 6m to DKK 115m

(Figures in brackets are corresponding figures from Q4 2018)

Group revenue and EBITA were on par with expectations in Q4. Core business saw adjusted organic growth of 3.3% in Q4 and reached revenue of DKK 2.9bn (DKK 2.9bn). EBITA for core business increased by DKK 8m to DKK 121m, corresponding to an EBITA margin of 4.1% (4.0%) in Q4 2019.

Our comments on core and related business and disclosures under segment information are to be considered as supplementary information. Information on the segments installation, industry and other is included under segment information.

REVENUE

The Industry segment continued to see growth in all our markets in Q4.

Solar's overall adjusted organic growth for both Installation and Industry was around 5%. The growth has been adjusted for the estimated impact of the acquired business activities in Sweden.

In Q4 2019, adjusted organic growth at group level amounted to 2.6% (2.5%). Revenue totalled DKK 3.1bn (DKK 3.0bn).

Core business delivered adjusted organic growth of 3.3% (1.6%), and we saw positive adjusted organic growth in Solar Danmark, Solar Norge and Solar Nederland.

GROSS PROFIT MARGIN

Gross profit margin increased to 20.5% (20.0%) in Q4 2019.

Increased gross profit margin in Solar Danmark, Solar Sverige, Solar Norge and Solar Polska more than compensated for the development in Solar Nederland.

Solar Nederland saw two-digit adjusted organic growth in Q4. However, a significant part of the growth related to low margin products and customers. This change in product and customer mix affected the gross profit margin at group level negatively by approx. 0.2 percentage points.

EXTERNAL OPERATING COSTS AND DEPRECIATION

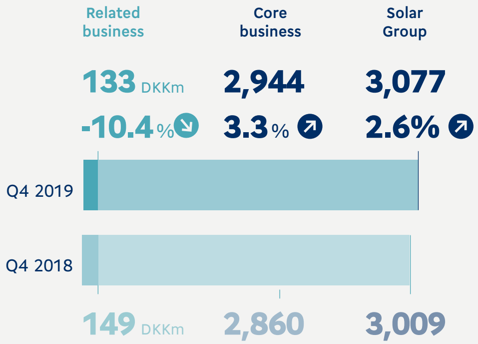
Due to the implementation of IFRS 16, Leases, external operating costs were down by DKK 31m. Depreciation was also up by DKK 31m and net financials were up by DKK 1m. If this change were reversed, external operating costs would amount to DKK 111m (DKK 111m) and depreciation would amount to DKK 15m (DKK 12m). In general, costs have been affected by the acquisition of Swedish business activities in May 2019.

EBITA

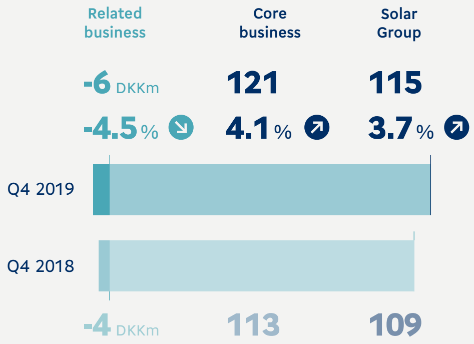
EBITA increased to DKK 115m (DKK 109m) corresponding to an EBITA margin of 3.7% (3.6%) of revenue.

EBITA from core business was up at DKK 121m (DKK 113m) corresponding to an EBITA margin of 4.1% (4.0%). This was driven by improvements in

Revenue and adj. organic growth



EBITA and EBITA margin



Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, and P/F Solar Føroyar.

Related business includes MAG45 and Solar Polaris.

Financial review

Solar Nederland. Solar Sverige's performance was at the level of Q4 2018 as expected. The results of the individual countries are disclosed on page 59.

AMORTISATION

Amortisation totalled DKK 40m (DKK 35m).

In Q4 2019, review of goodwill, customer lists and other intangible assets resulted in an impairment loss in MAG45 regarding software of DKK 21m, cf. note 10, page 69.

In Q4 2018, the review resulted in an impairment loss of DKK 10m mainly related to goodwill in Solar Polska and MAG45.

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction and services associates was unchanged at DKK -4m, of which DKK -3m relate to BIMobject.

IMPAIRMENT ON ASSOCIATES

Based on the share price on 31 December 2019, the value of BIMobject amounted to DKK 139m. Solar thus identified a need for reversing a write-down of DKK 12m (DKK 0m) in Q4 2019.

FINANCIALS

Net financials totalled DKK -10m (DKK -16m) affected by the implementation of IFRS 16, Leases, of DKK -1m. In Q4 2018, adjustment of an earn-out of DKK 11m was included as financial costs.

EARNINGS BEFORE TAX

Earnings before tax was up at DKK 73m (DKK 54m).

However, when adjusted as illustrated in the table below, earnings before tax were up at DKK 82m (DKK 75m).

DKK million	Q4 2019	Q4 2018
Earnings before tax	**73**	**54**
Fair value adjustment, recognised under financials	0	0
Impact due to market value changes in BIMobject:		
Impairment on associates	-12	0
Earnings before tax, adjusted for impact from associates	**61**	**54**
Impairment loss, other intangible assets	21	2
Impairment loss, goodwill and customer lists	0	8
Earn-out receivable reversed	0	11
Adjusted earnings before tax	**82**	**75**

NET PROFIT

Profit from continuing operations came to DKK 58m (DKK 32m). Losses from discontinued operations amounted to DKK 0m (DKK -22m). Net profit for the Solar Group thus totalled DKK 58m (DKK 10m).

CASH FLOWS

Net working capital calculated as an average of the previous four quarters amounted to 11.9% (10.6%) of revenue. Net working capital at the end of 2019 amounted to 11.0% (9.8%).

Cash flow from operating activities totalled DKK 305m (DKK 319m). Changes in inventories and non-interest bearing liabilities had a DKK -33m (DKK -86m) and a DKK -34m (DKK 170m) impact on cash flow, respectively, while changes to receivables had an impact of DKK 269m (DKK 142m). One of our focus areas in 2020 is to reduce the inventory level.

Total cash flow from investing activities amounted to DKK -48m (DKK -68m) mainly impacted by Solar Nederland's initial investment in AutoStore.

Cash flow from financing activities amounted to DKK -264m (DKK -199m), mainly due to a change in current interest-bearing liabilities.

Cash flow from discontinued operations amounted to DKK 0m (DKK -6m). Consequently, total cash flow amounted to DKK -7m (DKK 54m).

Net interest-bearing liabilities amounted to DKK 921m (DKK 461m). The implementation of IFRS 16, Leases, increased interest-bearing liabilities by DKK 344m.

As at 31 December 2019, gearing was 1.7 (1.2) times EBITDA. However, a 0.3 increase was seen from implementing IFRS 16, Leases, as at 1 January 2019. Calculated as an average, our gearing was 2.0 times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 31 December 2019, Solar had undrawn credit facilities of DKK 383m.

Invested capital for the Solar Group totalled DKK 2,297m (DKK 1,797m) affected by the implementation of IFRS 16, Leases, of DKK 341m.

ROIC amounted to 8.3% (8.1%). However, a -1.2% impact was seen from implementing IFRS 16, Leases, as at 1 January 2019. ROIC for core business amounted to 10.7%.

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.

Statement of comprehensive income

Income statement

DKK million	Q4 2019	Q4 2018
Revenue	3,077	3,009
Cost of sales	-2,445	-2,407
Gross profit	**632**	**602**
Other operating income and costs	0	0
External operating costs	-80	-111
Staff costs	-390	-366
Loss on trade receivables	-1	-4
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**161**	**121**
Depreciation and write-down on property, plant and equipment	-46	-12
Earnings before interest, tax and amortisation (EBITA)	**115**	**109**
Amortisation and impairment of intangible assets	-40	-35
Earnings before interest and tax (EBIT)	**75**	**74**
Share of net profit from associates	-4	-4
Impairment on associates	12	0
Financial income	5	3
Financial expenses	-15	-19
Earnings before tax (EBT)	**73**	**54**
Income tax	-15	-22
Profit of continuing operations	**58**	**32**
Loss of discontinued operations	0	-22
Net profit for the period	**58**	**10**
Earnings in DKK per share outstanding (EPS)	7.95	1.37
Diluted earnings in DKK per share outstanding (EPS-D)	7.95	1.37
Earnings in DKK per share outstanding (EPS) from continuing operations	7.95	4.38
Diluted earnings in DKK per share outstanding (EPS-D) from continuing operations	7.95	4.38

Other comprehensive income

DKK million	Q4 2019	Q4 2018
Net profit for the period	**58**	**10**
Other income and costs recognised:		
Items that can be reclassified for the income statement		
Foreign currency translation adjustment of foreign subsidiaries	14	-15
Fair value adjustment of hedging instruments before tax	11	-2
Tax on fair value adjustments of hedging instruments	-3	0
Other income and costs recognised after tax	**22**	**-17**
Total comprehensive income for the period	**80**	**-7**

Balance sheet

Consolidated

DKK million	31.12 2019	2018
ASSETS		
Intangible assets	315	382
Property, plant and equipment	865	812
Right-of-use assets	341	-
Deferred tax asset	10	10
Investments in associates	146	251
Other non-current assets	79	61
Non-current assets	**1,756**	**1,516**
Inventories	1,666	1,521
Trade receivables	1,428	1,452
Income tax receivable	14	7
Other receivables	8	12
Prepayments	62	45
Cash at bank and in hand	56	65
Assets held for sale	0	15
Current assets	**3,234**	**3,117**
Total assets	**4,990**	**4,633**

DKK million	31.12 2019	2018
EQUITY AND LIABILITIES		
Share capital	736	775
Reserves	-179	-171
Retained earnings	933	932
Proposed dividend for the financial year	102	102
Equity	**1,592**	**1,638**
Interest-bearing liabilities	156	409
Lease liabilities	231	-
Provision for pension obligations	0	2
Provision for deferred tax	103	113
Other provisions	13	19
Non-current liabilities	**503**	**543**
Interest-bearing liabilities	477	117
Lease liabilities	113	-
Trade payables	1,814	1,883
Income tax payable	10	3
Other payables	464	428
Prepayments	4	5
Other provisions	13	2
Liabilities held for sale	0	14
Current liabilities	**2,895**	**2,452**
Liabilities	**3,398**	**2,995**
Total equity and liabilities	**4,990**	**4,633**

Cash flow statement

Consolidated

	Q4	
DKK million	2019	2018
Net profit for the period from continuing operations	**58**	**32**
Depreciation, write-down and amortisation	86	47
Impairment on associates	-12	0
Changes to provisions and other adjustments	-16	0
Share of net profit from associates	4	4
Financials, net	10	16
Income tax	15	22
Financial income, received	2	2
Financial expenses, settled	-13	-5
Income tax, settled	-31	-17
Cash flow before working capital changes	**103**	**101**
Working capital changes		
Inventory changes	-33	-86
Receivables changes	269	142
Non-interest-bearing liabilities changes	-34	170
Cash flow from operating activities, continuing operations	**305**	**327**
Cash flow from operating activities, discontinued operations	**0**	**-8**
Cash flow from operating activities	**305**	**319**
Investing activities		
Purchase of intangible assets	-9	-17
Purchase of property, plant and equipment	-39	-26
Disposal of property, plant and equipment	0	0
Acquisition of subsidaries and activities	0	-10
Other financial investments	0	-15
Cash flow from investing activities, continuing operations	**-48**	**-68**
Cash flow from investing activities, discontinued operations	**0**	**2**
Cash flow from investing activities	**-48**	**-66**

	Q4	
DKK million	2019	2018
Financing activities		
Repayment of non-current, interest-bearing debt	-2	-13
Change in current interest-bearing debt	-232	-186
Instalment on lease liabilities	-30	-
Cash flow from financing activities, continuing operations	**-264**	**-199**
Cash flow from financing activities, discontinued operations	**0**	0
Cash flow from financing activities	**-264**	**-199**
Total cash flow	**-7**	**54**
Cash at bank and in hand at the beginning of period	61	13
Foreign currency translation adjustments	**2**	-2
Cash at bank and in hand at the end of period	**56**	**65**
Cash at bank and in hand	56	65
Cash at bank and in hand at the end of period	**56**	**65**

Segment information

Solar's business segments are Installation, Industry and 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. Other 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	Other	Total
Q4 2019				
Revenue	1,931	895	251	3,077
Cost of sales	-1,566	-686	-193	-2,445
Gross profit	**365**	**209**	**58**	**632**
Direct costs	-67	-29	-5	-101
Earnings before indirect costs	**298**	**180**	**53**	**531**
Indirect costs	-145	-42	-12	-199
Segment profit	**153**	**138**	**41**	**332**
Non-allocated costs				-171
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**161**
Depreciation and amortisation				-86
Earnings before interst and tax (EBIT)				**75**
Financials, net				-2
Earnings before tax (EBT)				**73**

DKK million	Installation	Industry	Other	Total
Q4 2018				
Revenue	1,830	887	292	3,009
Cost of sales	-1,482	-682	-243	-2,407
Gross profit	**348**	**205**	**49**	**602**
Direct costs	-66	-27	-7	-100
Earnings before indirect costs	**282**	**178**	**42**	**502**
Indirect costs	-141	-47	-14	-202
Segment profit	**141**	**131**	**28**	**300**
Non-allocated costs				-179
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**121**
Depreciation and amortisation				-47
Earnings before interst and tax (EBIT)				**74**
Financials, net				-20
Earnings before tax (EBT)				**54**

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

			Q4		
DKK million	Revenue	Adjusted organic growth[2]	EBITA	EBITA margin	Non-current assets
2019					
Denmark	902	0.9	67	7.4	2,053
Sweden	680	-0.8	13	1.9	346
Norway	481	2.3	16	3.3	198
The Netherlands	824	10.5	22	2.7	360
Poland[1]	107	-1.6	2	1.9	33
Other markets	10	45.9	1	10.0	5
Eliminations	-60	-	0	0.0	-1,315
Core business	**2,944**	**3.3**	**121**	**4.1**	**1,680**
Several markets (MAG45)[1]	128	-7.7	-6	-4.7	75
Other markets	5	-49.7	0	0.0	1
Related business	**133**	**-10.4**	**-6**	**-4.5**	**76**
Solar Group	**3,077**	**2.6**	**115**	**3.7**	**1,756**

			Q4		
DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
2018					
Denmark	889	2.5	72	8.1	2,085
Sweden	645	1.0	13	2.0	242
Norway	505	2.5	15	3.0	145
The Netherlands	742	-0.1	12	1.6	282
Poland[1]	100	9.4	1	1.0	25
Other markets	7	-5.0	0	0.0	4
Eliminations	-28	-	0	0.0	-1,303
Core business	**2,860**	**1.6**	**113**	**4.0**	**1,480**
Several markets (MAG45)[1]	139	21.6	-4	-2.9	35
Other markets	10	71.3	0	0.0	1
Related business	**149**	**24.1**	**-4**	**-2.7**	**36**
Solar Group	**3,009**	**2.5**	**109**	**3.6**	**1,516**

1) Previously part of other markets
2) Adjustment for intercompany revenue has been made

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