

Announcement no. 18 2020

4 November 2020

Quarterly Report Q3 2020

Solar delivered an EBITA increase of more than 25% in Q3, leading to an increased EBITA guidance of DKK 435m and supporting our target of minimum 4% core EBITA margin.

CEO Jens Andersen says:

“I want to thank our passionate and skilled employees, who continue to perform at a very high level even in times of uncertainty. They have helped to deliver 8 consecutive quarters of year over year growth in EBITA.

We confirm our 2020 EBITA guidance of DKK 435m and revenue guidance of DKK 11,300m. We owe this to our gross profit margin initiatives, efficiency gains and cost containment.”

Key financial messages

- Gross profit margin increased in 4 consecutive quarters.
- One-off income relating to an extraordinary price increase positively affected gross profit by approx. DKK 10m.
- 2020 guidance: Revenue of DKK 11,300m and EBITA of DKK 435m.

Financial highlights (DKK million)*	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019
Revenue	2,618	2,777	8,408	8,602
EBITA	132	105	310	245
Cash flow from operating activities	142	144	381	-5
Financial ratios (%)				
Organic growth adj. for number of working days	-4.8	6.3	-0.8	5.8
EBITA margin	5.0	3.8	3.7	2.8
Net working capital, period-end/revenue (LTM)	11.9	12.6	11.9	12.6
Gearing (NIBD/EBITDA), no. of times	1.2	2.2	1.2	2.2
* Due to the divestment of our Norwegian training business, STI, in Q1 2019, 2019 and 2020 figures in this announcement relate to our continuing operations.				

Q3 2020 Revenue

- Adjusted organic growth amounted to -4.8% (6.3%), partly due to a decline in demand caused by COVID-19 and partly due to product pruning.

Q3 2020 EBITA

- We succeeded in increasing EBITA by DKK 27m due to improved gross profit margin, efficiency gains and cost containment.
- EBITA from core business was up at DKK 135m (DKK 111m) corresponding to an EBITA margin of 5.4% (4.2%).
- As expected, Solar Nederland's financial performance was affected by roll-out costs for SAP eWM of approx. DKK 3m.

BIMobject divestment

We divested our shareholding in BIMobject on 8 October 2020 for a total cash consideration of DKK 237m. The profit from the transaction amounts to approx. DKK 23m, which will be recognised in the income statement as "Impairment on associates" in Solar's Q4 report. In H1 2017, the shares were acquired at DKK 172m.

2020 outlook

We confirm our guidance presented on 21 October 2020.

Guidance 2020 overview DKK million	Guidance
Core business, revenue	10,750
Core business, EBITA	435
Related business, revenue	550
Related business, EBITA	0
Solar Group, revenue	11,300
Solar Group, EBITA	435

See detailed information on guidance assumptions on pages 11-12 in Quarterly Report Q3 2020.

Audio webcast and teleconference today

The presentation of Quarterly Report Q3 2020 will be made in English on 4 November 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.

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Enclosure: Quarterly Report Q3 2020, pages 1-31.

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.

Q3 2020

Solar A/S
CVR no. 15 90 84 16



stronger together

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Financial highlights

Consolidated (DKK million)	Q3		Q1-Q3		Year
	2020	2019	2020	2019	2019
Revenue	2,618	2,777	8,408	8,602	11,679
Earnings before interest, tax, depreciation and amortisation (EBITDA)	177	152	446	377	538
Earnings before interest, tax and amortisation (EBITA)	132	105	310	245	360
Earnings before interest and tax (EBIT)	115	82	262	185	260
Earnings before tax (EBT)	109	-2	307	47	120
Net profit for the period	83	-22	254	6	64
Balance sheet total	4,922	5,151	4,922	5,151	4,990
Equity	1,688	1,512	1,688	1,512	1,592
Interest-bearing liabilities, net	726	1,089	726	1,089	921
Cash flow from operating activities, continuing operations	142	144	381	-5	300
Net investments in property, plant and equipment	1	-25	-16	-71	-110

Employees

Number of employees (FTE), end of period, continuing operations	2,891	3,070	2,891	3,070	3,041
Average number of employees (FTE), LTM, continuing operations	2,979	3,018	2,979	3,018	3,039

Financial ratios (% , unless otherwise stated)

Organic growth adjusted for number of working days	-4.8	6.3	-0.8	5.8	4.9
Gross profit margin	21.5	19.7	20.8	20.0	20.1
EBITDA margin	6.8	5.5	5.3	4.4	4.6
EBITA margin	5.0	3.8	3.7	2.8	3.1
Net working capital (NWC at end of period)/revenue (LTM)	11.9	12.6	11.9	12.6	11.0
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.2	2.2	1.2	2.2	1.7
Return on equity (ROE)	18.9	1.0	18.9	1.0	4.0
Equity ratio	34.3	29.4	34.3	29.4	31.9

Employees

Earnings per share outstanding (EPS)	11.37	-3.18	34.80	0.85	8.77
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In general, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Ratios 2019".

Q3 FINANCIAL MESSAGES

- On 21 October, we revised EBITA guidance 2020 upwards by DKK 35m to DKK 435m and we expect revenue to total DKK 11.3bn, down by DKK 0.1bn, see announcement no. 17 2020.
- Q3 EBITA was up by more than 25% to DKK 132m and exceeded our expectations.
- On 8 October, we divested our shareholding in BIMObject for a total cash consideration of SEK 333m (DKK 237m). Profits from the divestment amounted to DKK 23m, which will be recognised in the income statement of Solar's Q4 report.

BUSINESS UPDATE

Close to 65% of our orders are now fully digital

Being digital is more relevant than ever in the current extraordinary circumstances brought about by COVID-19. Our webshop and app have become a dominant part of our business. At the same time, we are steadily growing our share of concept sales.

STRATEGIC SUPPLIERS

During the second wave of the COVID-19 pandemic, we have succeeded in maintaining our delivery performance.

Our strong partnerships with suppliers mean that we have alternatives to both products and production sites and are assured of our ability to supply. The combination of well-known brands and Solar's concepts makes us a reliable and robust company.

We are committed to increasing our share of concept sales across markets and we are making good progress in this regard. At group level, our current share of concept sales is close to 21%.

We collaborate with our suppliers on exclusivity rights. As an example, during the strategic period (2018-2020), we have increased the exclusivity share of revenue from Solar Light from a limited level to around 70%.

INDUSTRY FOCUS

In times with growing uncertainty, we have seen increased customer focus on our Total Cost of Ownership (TCO) approach - a common understanding of process optimisation, supplier consolidation and strong logistics.

At the beginning of this year, our Scandinavian industry business extended its agreement with Copenhagen Airport. Our TCO approach enables us to support Copenhagen Airport by optimising value-adding processes and ensuring strategic management of sourcing, logistics and stock, which allows airport employees to focus on their core business.

Due to the COVID-19 pandemic, activity levels at the airport have decreased and we are using the current situation to collaborate on mutual optimisation with regard to products, services and solutions.

Also in close collaboration with Copenhagen Airport, we are working on activating a number of TCO initiatives to reduce total cost and implementing environmental initiatives. The green agenda includes alternative products to increase energy efficiency, fewer deliveries to optimise logistics and a number of resource-saving services to protect the environment.

OPERATIONAL EXCELLENCE

We expect to implement SAP eWM (Extended Warehouse Management system) in Solar Nederland in early 2021. This will finalise the implementation of SAP eWM throughout Solar - a journey that began in June 2018.

Concurrently, we are preparing a business case on optimising our total central warehouse setup in Denmark to analyse opportunities for further expansion.



COPENHAGEN AIRPORT

BUSINESS UPDATE

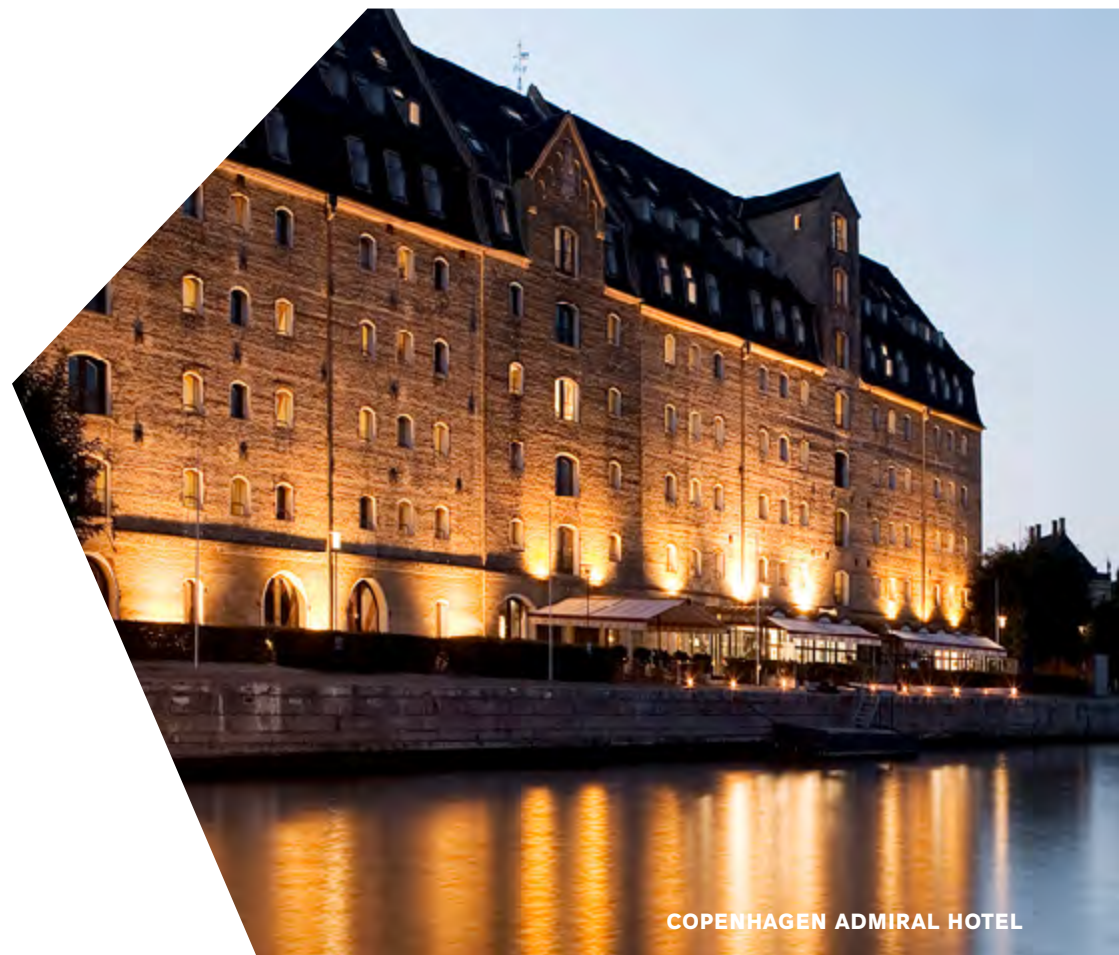
Solar Kitbox

Solar Kitbox is one of our many services that support our customers' businesses by increasing efficiency and reducing waste.

With Solar Kitbox, our customer receives a complete set of products for a specific task. The components are assigned one order number, which means quick ordering, fewer invoices and improved flow at the construction site. Everything the customer needs is delivered in one package, thereby saving time, increasing productivity and minimising waste.

The newly refurbished Copenhagen Admiral Hotel in the heart of Copenhagen is ready to welcome guests after two years of renovation work.

Enco A/S - EL, a Danish Solar customer, was responsible for the electrical work at the hotel, which includes an option for every guest to control the lighting, temperature, curtains and AV equipment in the 366 rooms. Our Solar Kitbox logistics service greatly facilitated this project.



COPENHAGEN ADMIRAL HOTEL

BUSINESS UPDATE

Sustainable business

We continue to focus on green business opportunities to drive energy transition, support sustainable business and replace fossil fuels.

We are focused on sustainable solutions for delivery, transport and packaging.

One key area is to reduce the amount of plastic used for packaging small goods. As an example, the packaging department at Warehouse Vejen in Denmark has reduced the amount of plastic from 3.8 tonnes in H1 2019 to 0.9 tonne in H1 2020 by optimising the use of air cushions. Air cushions are now only used in boxes containing fragile products to prevent damage.

This initiative has resulted in a number of gains: it benefits the environment, our customers are spared the need to dispose of the plastic, it makes packaging easier for our warehouse employees and it reduces the costs.



FASTBOX DELIVERED IN PAPER BAG

FINANCIAL REVIEW

Q3 EBITA increased by more than 25% to DKK 132m despite adjusted organic growth of -4.8%

(Figures in brackets are figures from the corresponding period in 2019)

In Q3, we continued our journey towards improved EBITA and Q3 EBITA exceeded our expectations. We delivered an EBITA increase of more than 25% despite an adjusted organic revenue growth of -4.8% (6.3%) partly due to a decline in demand caused by COVID-19. The EBITA increase of DKK 27m was driven by an improved gross profit margin, efficiency gains and cost containment.

Q3 2020 REVENUE

Solar's overall adjusted organic growth for Installation amounted to around -5%. Solar Danmark and Solar Norge saw positive growth while Solar Sverige and Solar Nederland saw negative growth. The Better Business project focuses on supplying the right products to the right customers. Part of this project involves product pruning of low-margin business, which is one of the drivers of negative growth.

In the industry segment, Solar Danmark was stagnant, while the other entities saw negative growth. Despite Infrastructure's organic growth, the overall adjusted organic growth for Industry was around -5%, with Marine, Offshore and OEM experiencing substantial headwind.

The trade segment delivered solid positive organic growth driven by Special Sales.

In Q3, adjusted organic growth at group level amounted to -4.8% (6.3%). Revenue totalled DKK 2.6bn (DKK 2.8bn).

Core business delivered adjusted organic growth of -5.1% (6.8%). Solar Danmark saw positive adjusted organic growth.

GROSS PROFIT

Despite lower revenue in Q3, gross profit increased by DKK 15m. We saw continuous improvement in the gross profit margin, which increased to 21.5% (19.7%).

Gross profit margin was positively affected by the Better Business project initiatives, such as product pruning, and by the increased sale of Solar's concepts.

In addition, extraordinary price increases - mainly in Solar Norge - led to one-off income of approx. DKK 10m, corresponding to 0.4% on group level.

EXTERNAL OPERATING COSTS AND STAFF COSTS

As expected, costs in general were gradually normalised during Q3 as COVID-19 restrictions were partly lifted.

External operating costs and staff costs were down by DKK 13m compared to last year. Of this, foreign exchange translation adjustments accounted for DKK 7m and cost savings for DKK 11m. In addition, SAP eWM rollout cost amounted to approx. DKK 5m.

RELATED BUSINESS*

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

MAG45 delivered EBITA of DKK -2m in Q3 and EBITA of DKK -1m in Q1-Q3. Restructuring initiatives had a negative impact of approx. DKK 2m in Q1-Q3.

We continue to see a positive effect from the substantial reorganisation of MAG45 - leading to an ongoing improvement in profitability with an increase in EBITA of DKK 11m in Q1-Q3. The strategic review of MAG45 is still on hold.

Related business showed adjusted organic growth of 1.0% (-2.9%) for Q3 and -0.2% (3.3%) for Q1-Q3. EBITA increased to DKK -3m (DKK -6m) for Q3 and to DKK -2m (DKK -13m) for Q1-Q3.

*Besides MAG45, our related business includes Solar Polaris.

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

FINANCIAL REVIEW

EBITA

EBITA increased to DKK 132m (DKK 105m) and exceeded our expectations. The EBITA margin increased to 5.0% (3.8%).

We succeeded in increasing EBITA by DKK 27m due to an improved gross profit margin, efficiency gains and cost containment despite a revenue decrease of DKK 159m.

EBITA from core business was up at DKK 135m (DKK 111m) corresponding to an EBITA margin of 5.4% (4.2%). In addition to a significant improvement in Solar Norge, we also saw improvements in Solar Danmark, Solar Sverige and Solar Nederland.

As expected, Solar Nederland's financial performance was negatively affected by roll-out costs for SAP eWM of approx. DKK 3m.

The results from the individual countries are given on pages 22-23.

IMPAIRMENT ON ASSOCIATES

Impairment on associates amounted to DKK 7m (DKK -70m).

This mainly relates to reversal of a previously performed BIMobject write-down of DKK 12m while in Q3 2019, write-down amounted to DKK 70m. The write-down reversal was based on the share price on 30 September 2020. The BIMobject book value increased to DKK 214m. See page 9 regarding events occurring after the reporting period.

EARNINGS BEFORE TAX

Earnings before tax were up at DKK 109m (DKK -2m) and when adjusted - as illustrated in the following table - earnings before tax were up at DKK 102m (DKK 72m).

DKK million	Q3 2020	Q3 2019	Year 2019
Earnings before tax	109	-2	120
Impairment on associates	-7	70	86
Earnings before tax, adjusted for impact from associates	102	68	206
Impairment loss, other intangible assets	0	0	21
Impairment loss, goodwill and customers list	0	4	4
Adjusted earnings before tax	102	72	231

NET PROFIT

Profit from continuing operations came to DKK 83m (DKK -22m).

Q1-Q3 2020 REVENUE

Solar's overall adjusted organic growth amounted to around -1% for Installation and around -2% for Industry. Growth has been adjusted for the estimated impact of the acquired business activities in Sweden in 2019.

In Q1-Q3, adjusted organic growth at group level amounted to -0.8% (5.8%). Revenue was down to DKK 8.4bn (DKK 8.6bn).

Core business delivered adjusted organic growth of -0.9% (5.9%), and we saw positive adjusted organic growth in Solar Danmark.

GROSS PROFIT

Despite a revenue decrease of DKK 194m, gross profit increased by DKK 27m due to continuous improvement in the gross profit margin, which increased to 20.8% (20.0%).

OTHER INCOME

Other income amounted to DKK 10m (DKK 9m). Of this, DKK 7m is the outcome of a settlement

with the former shareholder of MAG45, see Annual Report 2019 and the note on litigation.

In Q1-Q3 2019, the DKK 9m primarily relates to the impact of Solar Polska winning a court case regarding a VAT refund and to the net impact of the acquisition of the Swedish business activities.

EXTERNAL OPERATING COSTS AND STAFF COSTS

Due to COVID-19, we launched several prudent cost-saving measures to protect short-term earnings and to deliver cash generation. We implemented a freeze on recruitment, reduced the use of temporary staff and introduced general cost containment.

Part of the cost savings were temporary savings and, as expected, costs were gradually normalised in Q3 as COVID-19 restrictions were partly lifted.

In Q1-Q3 2020, furlough schemes of DKK 13m affected cost development.

LOSS ON TRADE RECEIVABLES

Solar conducts efficient credit management at all times. In March, we tightened our credit policy due to the COVID-19 pandemic. Furthermore, we have taken out insurance to hedge against potential losses on trade receivables.

Impacts from COVID-19 have increased risks on trade receivables but loss on trade receivables remained at a normal level in Q1-Q3 2020.

EBITA

EBITA increased to DKK 310m (DKK 245m) corresponding to an EBITA margin of 3.7% (2.8%) of revenue.

EBITA from core business was up at DKK 312m (DKK 258m) corresponding to an EBITA margin of 3.9% (3.2%). The increase was driven by improvements in Solar Danmark, Solar Sverige and Solar Norge.

As expected, SAP eWM roll-out costs affected Solar Danmark's financial performance by DKK 10m. Roll-out costs also impacted Solar Norge by DKK 8m and Solar Nederland by DKK 3m.

Solar Nederland's performance was also affected by restructuring costs and costs relating to the implementation of AutoStore, an automated storage and retrieval system, of approx. DKK 6m.

The results of the individual countries are given on pages 22-23.

IMPAIRMENT ON ASSOCIATES

Impairment on associates amounted to DKK 80m (DKK -98m).

This mainly relates to reversal of a previously performed BIMobject write-down of DKK 85m while in Q1-Q3 2019, write-down amounted to DKK 98m. The write-down reversal was based on the share price on 30 September 2020. The BIMobject book value increased to DKK 214m. See page 9 regarding events occurring after the reporting period.

EARNINGS BEFORE TAX

Earnings before tax were up at DKK 307m (DKK 47m) and when adjusted - as illustrated in the table below - earnings before tax were up at DKK 227m (DKK 149m).

FINANCIAL REVIEW

DKK million	Q1-Q3 2020	Q1-Q3 2019	Year 2019
Earnings before tax	307	47	120
Impairment on associates	-80	98	86
Earnings before tax, adjusted for impact from associates	227	145	206
Impairment loss, other intangible assets	0	0	21
Impairment loss, goodwill and customers list	0	4	4
Adjusted earnings before tax	227	149	231

NET PROFIT

Profit from continuing operations came to DKK 254m (DKK 8m). Losses from discontinued operations amounted to DKK 0m (DKK -2m). Net profit for the Solar Group thus increased to DKK 254m (DKK 6m).

CASH FLOW

Net working capital calculated as an average of the previous four quarters amounted to 11.9% (11.5%) of revenue. Net working capital decreased to 11.9% (12.6%) at the end of Q3 2020.

In Q1-Q3, cash flow from operating activities totalled DKK 381m (DKK -5m) affected by changes to receivables of DKK -62m (DKK -248m). Receivables were affected by negative organic growth in September 2020 and by normal seasonal fluctuations. The cash flow from non-interest-bearing debt was positively affected by DKK 73m due to COVID-19 financial support packages.

Total cash flow from investing activities amounted to DKK -51m (DKK -146m). Purchase of property, plant and equipment amounted to DKK -24m (DKK -71m) and was impacted by the implementation of AutoStore in Solar Nederland in H1 2020 and in Solar Norge in H1 2019. In Q1-Q3 2019, 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 investments impacted negatively at DKK 14m.

Cash flow from financing activities was affected by dividend distributions of DKK 102m (DKK 102m), by the change in current interest-bearing debt of DKK -84m (DKK 350m), and by raising of non-current interest-bearing liabilities of DKK 53m (DKK 0m) due to new legislation regarding holiday allowance in Denmark. Cash flow from financing activities totalled DKK -230m (DKK 154m).

Cash flow from discontinued operations amounted to DKK 0m (DKK -2m). Consequently, total cash flow amounted to DKK 100m (DKK 1m).

Net interest-bearing liabilities were down at DKK 726m (DKK 1,089m).

As at 30 September 2020, gearing was 1.2 (2.2) times EBITDA. Calculated as an average, gearing amounted to 1.5 (2.1) times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 30 September 2020, Solar had undrawn credit facilities of DKK 520m.

Invested capital for the Solar Group totalled DKK 2,132m (DKK 2,395m).

ROIC amounted to 11.7% (8.3%). ROIC for core business amounted to 13.4% (10.6%).

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

KEY RISKS AND MITIGATION

Like other international companies, Solar is affected by both global trends and local conditions in the markets where we operate.

The COVID-19 pandemic has impacted the entire world and Solar is also affected by the challenges this has brought about.

Recent developments in the spread of COVID-19 have led to the adoption of a number of new initiatives to limit the risk of infection, safeguard the health of employees, preserve business continuity and protect earnings.

Besides COVID-19, other commercial and financial risks relating to our activities are detailed in Solar's Annual Report 2019.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 8 October, we divested our shareholding in BIMObject for a total cash consideration of SEK 333m (DKK 237m).

Profits from the divestment amounted to DKK 23m, which will be recognised as "Impairment on associates" in the income statement of Solar's Q4 report.

Profits are based on a book value of DKK 214m as at 30 September 2020. In H1 2017, the shares were acquired at DKK 172m.

DIVESTMENTS AND ACQUISITIONS

Acquisition of Swedish business activities

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

Divestment of Norwegian training business

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

Guidance follow-up 2020

The results for core business were above our expectations, while our results for related business were on par with our expectations.

STRONGER THAN EXPECTED

Strategic suppliers and concept sales (gross profit margin)
We continued to pursue growth opportunities in concept sales and we can see revenue and margin from concept sales picking up in all markets. In addition, gross profit was positively impacted by extraordinary price increases, mainly in Norway, which had a one-off impact of approx. DKK 10m.

Better Business Project (gross profit margin)
Our Better Business project continues to deliver gross profit margin improvements by focusing on supplying the right products to the right customers and by pruning products.

Operational excellence (costs)
Due to COVID-19, we launched several prudent cost-saving measures to protect short-term earnings and to deliver cash generation. This was primarily by implementing a freeze on new recruitment, reducing the use of temporary staff and general cost containment. These initiatives performed better than expected.

AS EXPECTED

Industry
Our focus on infrastructure continues to deliver strong growth rates as expected.

WEAKER THAN EXPECTED

Marine & offshore
Compared to both our expectations and the level we saw in Q2, we experienced a further setback within the Marine Offshore segment with negative organic growth of more than 20% in Q3.

Updated guidance October 2020

REVENUE DKK m	11,300
EBITA DKK m	435

New guidance August 2020

REVENUE DKK m	11,400
EBITA DKK m	400

Original guidance 2020, withdrawn March 2020

REVENUE DKK m	11,800
EBITA DKK m	400

GUIDANCE 2020

EBITA at DKK 435m and revenue to total DKK 11.3bn

On 21 October, Solar revised EBITA guidance 2020 upwards by DKK 35m to DKK 435m including one-off costs of DKK 25m relating to SAP eWM implementation. 2020 revenue to total DKK 11.3bn down by DKK 0.1bn corresponding to an organic growth of approx. -2%, see announcement no. 17 2020.

Due to the resurgence of the COVID-19 pandemic, our market outlook reflects increased risk. Our guidance is based on several assumptions.

GENERAL ASSUMPTIONS

The guidance for 2020 assumes that the resurgence of COVID-19 will not result in new significant lockdowns in our markets.

As stated on page 8, we have launched several initiatives to strengthen our gross profit margin alongside cost containment measures. In recent quarters, we saw steady improvements in our gross profit margin and the guidance assumes that we will continue to see such improvements in Q4 2020.

Part of the cost savings seen in Q2 2020 were temporary savings, and we assume that the partial normalisation of costs seen in Q3 will continue in Q4 2020. However, we continue to expect costs to be at a lower level than Q4 2019.

In addition, the guidance does not include any significant restructuring costs.

Loss on trade receivables is assumed to be at the same level as year to date in 2020.

MARKET OUTLOOK FOR SOLAR'S BUSINESS AREAS

Even prior to COVID-19, our main risk was the general development in the Swedish market, with the knock-on effects of COVID-19 elevating this risk. Our assessment is that our other markets carry a lower risk level.

Overall, we expect the installation and industry markets to be at a lower level in 2020 than in 2019.

Installation

During Q2, service sales declined slightly and as expected, we saw a trend shift during Q3. We expect this trend to continue, gradually normalising to pre-COVID-19 levels. Project sales are expected to remain at the current level, which is in line with our initial expectations.

Industry

The guidance is based on the assumption that sales to OEM, Marine and Offshore will remain at least at the current level. Infrastructure is expected to continue to deliver strong growth rates in Q4.

Trade

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

FINANCIAL OUTLOOK 2020

Core business, revenue guidance

For core business, we expect revenue at DKK 10,750m, corresponding to organic growth of approx. -2%. Product pruning is part of our Better Business project, and this is expected to reduce revenue by DKK 200m compared to 2019. Adjusted for this, we expect underlying organic growth of approx. 0%.

Core business, EBITA guidance

We expect EBITA of DKK 435m, including total one-off costs of DKK 25m relating to our SAP eWM implementation in Denmark, Norway and the Netherlands.

Consequently, we expect core business to deliver an EBITA margin of 4.0%, which is in line with our target.

Related business, guidance

For related business, we expect revenue at around DKK 550m, organic growth in the region of -2% and an EBITA of DKK 0m.

MAG45 saw decreasing growth during the latter part of Q2 but Q3 appears to be a turning point. The order backlog remained close to an all-time high by the end of September. We expect MAG45

GUIDANCE 2020

to make a gradual return to growth. Regarding the strategic review of MAG45, see page 7.

Solar Group, guidance

We expect revenue to total DKK 11,300m corresponding to organic growth of approx. -2%. We expect EBITA of DKK 435m, including one-off costs of DKK 25m relating to the SAP eWM implementation.

This means that our guidance for Q4 2020 EBITA exceeds our Q4 2019 EBITA despite the fact that we expect lower revenue of DKK 185m in Q4 2020 compared to Q4 2019. This will be achieved by initiatives to strengthen gross profit margin in combination with efficiency gains and cost containment.

DKK million	October guidance 2020	August guidance 2020	Actual 2019
Core business			
Revenue	10,750	10,850	11,116
EBITA	435	400	379
Related business			
Revenue	550	550	563
EBITA	0	0	-19
Solar Group			
Revenue	11,300	11,400	11,679
EBITA	435	400	360



SHAREHOLDER INFORMATION

Share and webcast information

SOLAR'S SHARES

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

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

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

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

TOTAL SHAREHOLDER RETURN

The total shareholder return of the Solar B share during the holding period 1 January 2020 - 30 September 2020 was 6.1% including the DKK 14.00 dividend that was paid out in March 2020.

AUDIO WEBCAST

The presentation of the Quarterly Report Q3 2020 will be conducted in English on 4 November 2020 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu.

FINANCIAL CALENDAR 2021

4 January - 11 February	IR quiet period
11 February	Annual Report 2020
19 March	Annual General meeting
4 April - 6 May	IR quiet period
6 May	Quarterly Report Q1 2021
4 July - 12 August	IR quiet period
12 August	Quarterly Report Q2 2021
4 October - 4 November	IR quiet period
4 November	Quarterly Report Q3 2021

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

Holdings of 5% or more of share capital	Share capital in %	Votes in %
The Fund of 20th December, Vejen, Denmark	16.9%	60.0%
RWC Asset Management LLP, London, England	14.7%	7.0%
Nordea Funds Ltd., Helsinki, Finland	10.4%	5.0%
Investeringsforeningen Nordea Invest, Copenhagen, Denmark	5.0%	2.4%

Consolidated financial statements

Statement of comprehensive income

Income statement

	Q3		Q1-Q3		Year
DKK million	2020	2019	2020	2019	2019
Revenue	2,618	2,777	8,408	8,602	11,679
Cost of sales	-2,055	-2,229	-6,660	-6,881	-9,326
Gross profit	563	548	1,748	1,721	2,353
Other operating income and costs	0	4	10	9	9
External operating costs	-60	-68	-213	-249	-329
Staff costs	-321	-326	-1,084	-1,087	-1,477
Loss on trade receivables	-5	-6	-15	-17	-18
Earnings before interest, tax, depreciation and amortisation (EBITDA)	177	152	446	377	538
Depreciation and write-down on property, plant and equipment	-45	-47	-136	-132	-178
Earnings before interest, tax and amortisation (EBITA)	132	105	310	245	360
Amortisation and impairment of intangible assets	-17	-23	-48	-60	-100
Earnings before interest and tax (EBIT)	115	82	262	185	260
Share of net profit from associates	-3	-5	-11	-15	-19
Impairment on associates	7	-70	80	-98	-86
Financial income	4	5	19	13	18
Financial expenses	-14	-14	-43	-38	-53
Earnings before tax (EBT)	109	-2	307	47	120
Income tax	-26	-20	-53	-39	-54
Profit or loss of continuing operations	83	-22	254	8	66
Loss of discontinued operations	0	0	0	-2	-2
Net profit for the period	83	-22	254	6	64
Earnings in DKK per share outstanding (EPS)	11.37	-3.18	34.80	0.85	8.77
Diluted earnings in DKK per share outstanding (EPS-D)	11.36	-3.18	34.78	0.85	8.77
Earnings in DKK per share outstanding (EPS) of continuing operations	11.37	-3.18	34.80	1.13	9.04
Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations	11.36	-3.18	34.78	1.13	9.04

Other comprehensive income

	Q3		Q1-Q3		Year
DKK million	2020	2019	2020	2019	2019
Net profit for the period	83	-22	254	6	64
Other income and costs recognised:					
Items that can be reclassified for the income statement					
Foreign currency translation adjustments of foreign subsidiaries	-10	-13	-52	-14	0
Fair value adjustments of hedging instruments before tax	2	-7	-5	-21	-10
Tax on fair value adjustments of hedging instruments	-1	2	1	5	2
Other income and costs recognised after tax	-9	-18	-56	-30	-8
Total comprehensive income for the period	74	-40	198	-24	56

Balance sheet

	30.09		31.12
DKK million	2020	2019	2019
ASSETS			
Intangible assets	300	342	315
Property, plant and equipment	816	838	865
Right-of-use assets	276	284	341
Deferred tax asset	10	10	10
Investments in associates	217	143	146
Other non-current assets	76	74	79
Non-current assets	1,695	1,691	1,756
Inventories	1,537	1,634	1,666
Trade receivables	1,474	1,684	1,428
Income tax receivable	11	19	14
Other receivables	11	15	8
Prepayments	39	47	62
Cash at bank and in hand	155	61	56
Current assets	3,227	3,460	3,234
Total assets	4,922	5,151	4,990

	30.09		31.12
DKK million	2020	2019	2019
EQUITY AND LIABILITIES			
Share capital	736	736	736
Reserves	-235	-201	-179
Retained earnings	1,187	977	933
Proposed dividends for the financial year	0	0	102
Equity	1,688	1,512	1,592
Interest-bearing liabilities	201	398	156
Lease liabilities	184	180	231
Provision for pension obligations	1	2	0
Provision for deferred tax	99	108	103
Other provisions	12	19	13
Non-current liabilities	497	707	503
Interest-bearing liabilities	401	466	477
Lease liabilities	95	106	113
Trade payables	1,648	1,851	1,814
Income tax payable	48	29	10
Other payables	537	464	464
Prepayments	2	4	4
Other provisions	6	12	13
Current liabilities	2,737	2,932	2,895
Liabilities	3,234	3,639	3,398
Total equity and liabilities	4,922	5,151	4,990

Cash flow statement

DKK million	Q3		Q1-Q3		Year
	2020	2019	2020	2019	2019
Net profit or loss of continuing operations for the period	83	-22	254	8	66
Write-down negative goodwill	0	0	0	-18	-18
Depreciation, write-down and amortisation	62	70	184	192	278
Impairment on associates	-7	70	-80	98	86
Changes to provisions and other adjustments	-4	-1	-13	10	-6
Share of net profit from associates	3	5	11	15	19
Financials, net	11	9	25	25	35
Income tax	26	20	53	39	54
Financial income, received	2	2	5	6	8
Financial expenses, settled	-12	-10	-30	-28	-41
Income tax, settled	1	-4	-16	-31	-62
Cash flow before working capital changes	165	139	393	316	419
Working capital changes					
Inventory changes	6	-8	91	-59	-92
Receivables changes	29	-2	-62	-248	21
Non-interest-bearing liabilities changes	-58	15	-41	-14	-48
Cash flow from operating activities, continuing operations	142	144	381	-5	300
Cash flow from operating activities, discontinued operations	0	0	0	-2	-2
Cash flow from operating activities	142	144	381	-7	298

DKK million	Q3		Q1-Q3		Year
	2020	2019	2020	2019	2019
Investing activities					
Purchase of intangible assets	-12	-8	-36	-26	-35
Purchase of property, plant and equipment	-6	-25	-24	-71	-110
Disposal of property, plant and equipment	7	0	8	0	0
Acquisition of subsidiaries and activities	0	0	0	-40	-40
Acquisition of associates	0	0	-2	0	0
Divestment of subsidiaries and activities	0	0	0	5	5
Divestment of associates	3	0	3	0	0
Other financial investments	0	-7	0	-14	-14
Cash flow from investing activities, continuing operations	-8	-40	-51	-146	-194
Cash flow from investing activities, discontinued operations	0	0	0	0	0
Cash flow from investing activities	-8	-40	-51	-146	-194
Financing activities					
Repayment of non-current interest-bearing debt	-2	-2	-7	-7	-9
Raising of non-current interest-bearing liabilities	53	0	53	0	0
Change in current interest-bearing debt	-138	-55	-84	350	118
Instalment on lease liabilities	-29	-31	-90	-87	-117
Dividends distributed	0	0	-102	-102	-102
Cash flow from financing activities, continuing operations	-116	-88	-230	154	-110
Cash flow from financing activities, discontinued operations	0	0	0	0	0
Cash flow from financing activities	-116	-88	-230	154	-110
Total cash flow	18	16	100	1	-6
Cash at bank and in hand at the beginning of the period	138	47	56	65	65
Assumed on disposal of subsidiaries	0	0	0	-3	-3
Foreign currency translation adjustments	-1	-2	-1	-2	0
Cash at bank and in hand at the end of the period	155	61	155	61	56
Cash at bank and in hand at the end of the period					
Cash at bank and in hand	155	61	155	61	56
Cash at bank and in hand at the end of the period	155	61	155	61	56

Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions ¹	Reserves for foreign currency translation adjustments ¹	Retained earnings	Proposed dividends	Total
2020						
Equity as at 1 January	736	-66	-113	933	102	1,592
Foreign currency translation adjustments of foreign subsidiaries			-52			-52
Fair value adjustments of hedging instruments before tax		-5				-5
Tax on fair value adjustments		1				1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-4	-52	0	0	-56
Net profit for the period				254		254
Comprehensive income	0	-4	-52	254	0	198
Distribution of dividends (DKK 14.00 per share)					-102	-102
Transactions with the owners	0	0	0	0	-102	-102
Equity as at 30 September	736	-70	-165	1,187	0	1,688

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

Statement of changes in equity

– continued

DKK million	Share capital	Reserves for hedging transactions ¹	Reserves for foreign currency translation adjustments ¹	Retained earnings	Proposed dividends	Total
2019						
Equity as at 1 January	775	-58	-113	932	102	1,638
Foreign currency translation adjustments of foreign subsidiaries			-14			-14
Fair value adjustments of hedging instruments before tax		-21				-21
Tax on fair value adjustments		5				5
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-16	-14	0	0	-30
Net profit for the period				6		6
Comprehensive income	0	-16	-14	6	0	-24
Distribution of dividends (DKK 14.00 per share)					-102	-102
Deduction in share capital	-39			39		0
Transactions with the owners	-39	0	0	39	-102	-102
Equity as at 30 September	736	-74	-127	977	0	1,512

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

Notes

Segment information

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

DKK million	Installation	Industry	Trade	Total
Q3 2020				
Revenue	1,595	836	187	2,618
Cost of sales	-1,272	-636	-147	-2,055
Gross profit	323	200	40	563
Direct costs	-52	-22	-6	-80
Earnings before indirect costs	271	178	34	483
Indirect costs	-114	-38	-11	-163
Segment profit	157	140	23	320
Non-allocated costs				-143
Earnings before interest, tax, depreciation and amortisation (EBITDA)				177
Depreciation and amortisation				-62
Earnings before interest and tax (EBIT)				115
Financials, net, and impact from associates				-6
Earnings before tax (EBT)				109

DKK million	Installation	Industry	Trade	Total
Q3 2019				
Revenue ¹	1,712	915	150	2,777
Cost of sales	-1,404	-711	-114	-2,229
Gross profit	308	204	36	548
Direct costs	-57	-24	-5	-86
Earnings before indirect costs	251	180	31	462
Indirect costs	-117	-37	-10	-164
Segment profit	134	143	21	298
Non-allocated costs				-146
Earnings before interest, tax, depreciation and amortisation (EBITDA)				152
Depreciation and amortisation				-70
Earnings before interest and tax (EBIT)				82
Financials, net, and impact from associates				-84
Earnings before tax (EBT)				-2

1) In Q3, we reclassified customers with revenue of approx. DKK 10m from Trade to Industry.

Notes

Segment information - continued

DKK million	Installation	Industry	Trade	Total
Q1-Q3 2020				
Revenue	5,151	2,609	648	8,408
Cost of sales	-4,136	-2,002	-522	-6,660
Gross profit	1,015	607	126	1,748
Direct costs	-176	-73	-17	-266
Earnings before indirect costs	839	534	109	1,482
Indirect costs	-397	-125	-36	-558
Segment profit	442	409	73	924
Non-allocated costs				-478
Earnings before interest, tax, depreciation and amortisation (EBITDA)				446
Depreciation and amortisation				-184
Earnings before interest and tax (EBIT)				262
Financials, net, and impact from associates				45
Earnings before tax (EBT)				307

DKK million	Installation	Industry	Trade	Total
Q1-Q3 2019				
Revenue ¹	5,303	2,733	566	8,602
Cost of sales	-4,330	-2,114	-437	-6,881
Gross profit	973	619	129	1,721
Direct costs	-187	-79	-15	-281
Earnings before indirect costs	786	540	114	1,440
Indirect costs	-417	-125	-33	-575
Segment profit	369	415	81	865
Non-allocated costs				-488
Earnings before interest, tax, depreciation and amortisation (EBITDA)				377
Depreciation and amortisation				-192
Earnings before interest and tax (EBIT)				185
Financials, net				-138
Earnings before tax (EBT)				47

1) In Q3, we reclassified customers with revenue of approx. DKK 10m from Trade to Industry.

Notes

Segment information – continued

Geographical information

Solar A/S primarily operates on the Danish, Swedish, Norwegian and Dutch markets. In the below table, Other markets covers the remaining markets, which can be seen in the companies overview available on page 133 of Annual Report 2019. The below allocation has been made based on the products' place of sale. Geographical information as well as information on core business and related business should be regarded as supplementary information.

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
Q3 2020					
Denmark	872	2.1	78	8.9	2,087
Sweden	537	-13.5	12	2.2	316
Norway	419	-5.5	32	7.6	163
The Netherlands	624	-5.1	10	1.6	358
Poland	90	-15.9	2	2.2	29
Other markets	9	23.8	1	11.1	5
Eliminations	-69	-	0	0.0	-1,315
Core business	2,482	-5.1	135	5.4	1,643
Several markets (MAG45)	133	1.5	-2	-1.5	52
Other markets	3	-14.0	-1	-33.3	0
Related business	136	1.0	-3	-2.2	52
Solar Group	2,618	-4.8	132	5.0	1,695

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
Q3 2019					
Denmark	852	3.6	74	8.7	2,032
Sweden	602	4.6	8	1.3	318
Norway	474	12.5	17	3.6	202
The Netherlands	661	8.5	8	1.2	325
Poland	104	7.7	4	3.8	33
Other markets	8	22.0	0	0.0	5
Eliminations	-59	-	0	0.0	-1,289
Core business	2,642	6.8	111	4.2	1,626
Several markets (MAG45)	132	-1.6	-6	-4.5	64
Other markets	3	-31.9	0	0.0	1
Related business	135	-2.9	-6	-4.4	65
Solar Group	2,777	6.3	105	3.8	1,691

Notes

Segment information – continued

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
Q1-Q3 2020					
Denmark	2,683	2.7	189	7.0	2,087
Sweden	1,786	-3.3	29	1.6	316
Norway	1,324	-4.1	58	4.4	163
The Netherlands	2,130	0.0	31	1.5	358
Poland	263	-11.7	2	0.8	29
Other markets	28	22.3	3	10.7	5
Eliminations	-230	-	0	0.0	-1,315
Core business	7,984	-0.9	312	3.9	1,643
Several markets (MAG45)	412	-0.2	-1	-0.2	52
Other markets	12	-0.1	-1	-8.3	0
Related business	424	-0.2	-2	-0.5	52
Solar Group	8,408	-0.8	310	3.7	1,695

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
Q1-Q3 2019					
Denmark	2,588	4.2	160	6.2	2,032
Sweden	1,835	2.4	13	0.7	318
Norway	1,460	13.1	37	2.5	202
The Netherlands	2,141	6.6	43	2.0	325
Poland	286	3.2	4	1.4	33
Other markets	23	14.2	1	4.3	5
Eliminations	-161	-	0	0.0	-1,289
Core business	8,172	5.9	258	3.2	1,626
Several markets (MAG45)	416	4.2	-12	-2.9	64
Other markets	14	-19.6	-1	-7.1	1
Related business	430	3.3	-13	-3.0	65
Solar Group	8,602	5.8	245	2.8	1,691

Notes

Discontinued operation

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

The discontinued operation impacted the income statement as follows:

DKK million	Q3		Q1-Q3		Year
	2020	2019	2020	2019	2019
Revenue	0	0	0	12	12
Cost of sales	0	0	0	-1	-1
Gross profit	0	0	0	11	11
Costs	0	0	0	-13	-13
Earnings before interest and tax (EBIT)	0	0	0	-2	-2
Financials	0	0	0	0	0
Earnings before tax (EBT)	0	0	0	-2	-2
Tax on net profit or loss for the period	0	0	0	0	0
Net profit or loss for the period	0	0	0	-2	-2
Write-down to fair value less costs to sell	0	0	0	0	0
Net profit or loss for discontinued operations	0	0	0	-2	-2
Earnings from discontinued operations in DKK per share outstanding (EPS)	0.00	0.00	0.00	-0.27	-0.27
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	0.00	0.00	0.00	-0.27	-0.27

Notes

Acquisition of business activities

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 included 12 branches.

The acquisition was financed via withdrawals from the Solar Group's cash resources.

In 2019, we saw a full-year revenue of approx. DKK 300m. As the acquired activities are fully integrated into Solar Sverige, we estimated the 2019 EBITA impact to be approx. DKK -10m due to integration and restructuring costs.

Transaction costs related to the acquisition totalled DKK 2m.

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

The key rationale behind the acquisition is to strengthen our market position within heating and plumbing, and climate and energy in Sweden.

Fair value at the date of the 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 purchase price	4
Acquisition price	44
Adjustment acquisition price ¹	-15
Final acquisition price	29

1) At closing, the actual inventory was lower than estimated which triggers a similar adjustment of the acquisition price. The amount is recognised under other receivables.

Notes

Accounting policies

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

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

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

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

New accounting standards implemented during the period

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

New accounting standards to be implemented in coming accounting periods

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective 1 January 2022.
- Amendment to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts, Cost of fulfilling a contract, effective 1 January 2022.
- Annual improvements 2018-2020 comprising minor amendments to existing standards, effective 1 January 2022.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2, effective 1 January 2021.

Solar has not yet assessed the potential impact of these amendments.

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

- Amendment to IFRS 16 Leases: COVID 19-Related Rent Concessions, effective 1 June 2020.

Solar has assessed the potential impact of this amendment as insignificant.

On audit

This quarterly report has not been audited or reviewed.

Quarterly figures

Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2020	2019	2020	2019	2020	2019	2019	2018
Revenue	3,045	2,957	2,745	2,868	2,618	2,777	3,077	3,009
Earnings before interest, tax, depreciation and amortisation (EBITDA)	142	121	127	104	177	152	161	121
Earnings before interest, tax and amortisation (EBITA)	97	80	81	60	132	105	115	109
Earnings before interest and tax (EBIT)	82	62	65	41	115	82	75	74
Financials, net	-8	-7	-6	-9	-10	-9	-10	-16
Earnings before tax (EBT)	45	-7	153	56	109	-2	73	54
Net profit or loss for the quarter	30	-20	141	48	83	-22	58	10

Balance sheet (DKK million)								
Non-current assets	1,636	1,739	1,735	1,792	1,695	1,691	1,756	1,516
Current assets	3,349	3,425	3,267	3,451	3,227	3,460	3,234	3,117
Balance sheet total	4,985	5,164	5,002	5,243	4,922	5,151	4,990	4,633
Equity	1,441	1,515	1,614	1,552	1,688	1,512	1,592	1,638
Non-current liabilities	455	713	457	713	497	707	503	543
Current liabilities	3,089	2,936	2,931	2,978	2,737	2,932	2,895	2,452
Interest-bearing liabilities, net	1,077	1,032	845	1,182	726	1,089	921	461
Invested capital	2,332	2,302	2,178	2,461	2,132	2,395	2,297	1,797
Net working capital, end of period	1,432	1,331	1,383	1,466	1,363	1,467	1,280	1,090
Net working capital, average	1,411	1,230	1,391	1,299	1,365	1,339	1,386	1,182

Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	2020	2019	2020	2019	2020	2019	2019	2018
Cash flow from operating activities	-43	-132	282	-17	142	144	305	327
Cash flow from investing activities	-25	-28	-18	-78	-8	-40	-48	-68
Cash flow from financing activities	84	160	-198	82	-116	-88	-264	-199
Net investments in intangible assets	-12	-10	-12	-8	-12	-8	-9	-17
Net investments in property, plant and equipment	-13	-21	-4	-25	1	-25	-39	-26
Acquisition and disposal of subsidiaries, net	0	5	0	-40	0	0	0	-10

Financial ratios (% unless otherwise stated)

Revenue growth	3.0	5.0	-4.3	4.9	-5.7	9.4	2.3	1.4
Organic growth	2.6	6.0	-1.7	4.2	-4.8	7.9	1.6	2.3
Organic growth adjusted for number of working days	1.4	5.8	-1.6	5.6	-4.8	6.3	2.6	2.5
Gross profit margin	20.5	20.1	20.5	20.2	21.5	19.7	20.5	20.0
EBITDA margin	4.7	4.1	4.6	3.6	6.8	5.5	5.2	4.0
EBITA margin	3.2	2.7	3.0	2.1	5.0	3.8	3.7	3.6
EBIT margin	2.7	2.1	2.4	1.4	4.4	3.0	2.4	2.5
Net working capital (NWC end of period)/revenue (LTM)	12.2	11.8	11.9	12.9	11.9	12.6	11.0	9.8
Net working capital (NWC average)/revenue (LTM)	12.0	10.9	11.9	11.4	11.9	11.5	11.9	10.6
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	1.9	2.5	1.5	2.6	1.2	2.2	1.7	1.2
Return on equity (ROE)	7.5	2.0	13.6	5.7	18.9	1.0	4.1	8.1
Return on invested capital (ROIC)	9.0	8.1	10.2	7.9	11.7	8.3	8.3	8.1
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	6.3	8.5	6.0	8.9	6.2	8.1	7.9	6.8
Equity ratio	28.9	29.3	32.3	29.6	34.3	29.4	31.9	35.4

Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK unless otherwise stated)	2020	2019	2020	2019	2020	2019	2019	2018
Earnings per share outstanding (EPS)	4.11	-2.74	19.32	6.82	11.37	-3.18	7.95	1.37
Intrinsic value per share outstanding	197.44	207.58	221.15	224.52	231.29	218.73	218.13	224.44
Share price	204.50	286.68	255.05	312.60	301.43	289.41	297.31	284.12
Share price/intrinsic value	1.04	1.38	1.15	1.39	1.30	1.32	1.36	1.27

Employees

Number of employees (FTE), end of period	3,052	2,982	2,934	3,079	2,891	3,070	3,041	2,955
Average number of employees (FTE), LTM	3,057	2,951	3,024	2,984	2,979	3,018	3,039	2,941

Definitions

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

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

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

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

Statement by the Executive Board and the Board of Directors

Today, the group's Board of Directors and Executive Board have discussed and approved the Q3 2020 quarterly report of Solar A/S.

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

In our opinion, the quarterly report gives a fair presentation of the group's assets, equity and liabilities, and financial position as at 30 September 2020 as well as of the results of the group's activities and cash flow for Q3 2020.

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

Vejen, 4 November 2020

EXECUTIVE BOARD

Jens E. Andersen
CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

BOARD OF DIRECTORS

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