Solar A/S
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Industrivej Vest 43 ■ DK-6600 Vejen ■ Denmark
Tel. +45 79 30 00 00 ■ CVR no. 15 90 84 16 ■ Web: www.solar.eu

Announcement no. 2 2021

11 February 2021

Annual Report 2020

In 2020, we achieved a strong EBITA, which exceeded our expectations. At the Annual General Meeting, the Board of Directors will propose a 2020 dividend distribution of DKK 28 per share.

CEO Jens Andersen says:
"In 2020, our three-year strategic period came to an end. During this period, we successfully managed to increase EBITA by DKK 145m to DKK 455m and exceeded our target of 4% EBITA margin for our core business.

We conclude the strategic period by proposing dividend payment of DKK 204m in total.

We are very pleased with the progress and results delivered in 2020, and with the launch of our new strategy - CORE+ - that will set new standards for the period from 2021 to 2023.

Finally, I want to thank our dedicated and skilled employees. Together, we succeeded in delivering strong results despite the challenges brought about by COVID-19.

We have become stronger as a company and as a group."

Financial highlights (DKK million)	Q4 2020	Q4 2019	2020	2019
Revenue	3,057	3,077	11,465	11,679
EBITDA	191	161	637	538
EBITA	145	115	455	360
Earnings before tax	-7	73	300	120
Cash flow from operating activities	432	305	813	300
Financial ratios (%)				
Organic growth adj. for number of working days	-2.1	2.6	-2.0	4.9
EBITDA margin	6.2	5.2	5.6	4.6
EBITA margin	4.7	3.7	4.0	3.1
Net working capital, period-end/revenue (LTM)	9.7	11.0	9.7	11.0
Gearing (NIBD / EBITDA), no. of times	0.2	1.7	0.2	1.7

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2020 revenue

- Adjusted organic growth amounted to -2.0% (4.9%), partly due to a declining demand caused by COVID-19 and partly due to our Better Business initiatives.

2020 EBITA

- The results for our core business exceeded our expectations with EBITA being up by DKK 56m to DKK 456m compared to the original guidance.
- Focus on strategic suppliers and concept sale, project Better Business and Operational excellence were stronger than expected. See the follow-up on page 8 in Annual Report 2020.

Dividend distribution

- At the Annual General Meeting, the Board of Directors will propose dividend distribution of DKK 28.00 per share, corresponding to a payout ratio of 92%.

2021 outlook

- We expect revenue of approx. DKK 11,550m equal to an organic growth of approx. 0%.
- Better Business initiatives are expected to reduce revenue by DKK 200m. The adjusted organic growth amounts to approx. 2%.
- We expect an EBITDA of approx. DKK 650m, corresponding to an EBITA of DKK 465m.

See the remaining assumptions on page 9 in Annual Report 2020.

Introduction of our new CORE+ strategy

With CORE+ we will be building on the solid foundation of our core. The new strategy focuses on four areas: Concepts, Climate & Energy, Industry and Trade. Areas in which we have a solid track record and see further opportunities for profitable growth in the years to come.

Our ambitions for the strategic period from 2021 to 2023 can be found on page 17 in Annual Report 2020.

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Audio webcast and teleconference today
The presentation of Annual Report 2020 will be made in English on 11 February 2021 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 teleconference.

Teleconference call-in numbers:

DK: tel. +45 823 331 94
UK: tel. +44 333 300 9264
US: tel. +1 833 526 8384

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IR Director, Dennis Callesen - tel. +45 29 92 18 11

Enclosure: Annual Report 2020, pages 1-155, including Q4 2020 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 11.5bn in 2020 and has approx. 2,900 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 2020

Solar A/S
CVR no. 15 90 84 16

CONTENTS

MANAGEMENT REVIEW

FINANCIAL STATEMENTS

solar

We are a leading European sourcing and services company mainly within electrical, heating & plumbing, ventilation, and climate & energy solutions.

A DIGITAL COMPANY

>60%
e-business share

OUR MARKETS

Denmark, Norway, Sweden, the Netherlands, Poland & the Faroe Islands

SOLAR IN BRIEF

10:46

Martin from SIF-Gruppen is permanently based at the newly opened hotel, VILLA Copenhagen. As a services engineer, it can be difficult for him to plan his work schedule. Solar Webshop allows him to place an order whenever the need arises.

ORDERS
Solar Group handles more than 2.7m digital orders every year.

LETTER FROM THE CEO

DELIVERING ON TARGETS

During the 2018-2020 strategy period, we increased EBITA by DKK 145m to DKK 455m and more than reached our target of 4% EBITA margin for core business. We conclude the strategic period by proposing a dividend payment of DKK 204m in total.

LETTER FROM THE CEO

FINANCIAL RESULTS

In 2020, we posted a strong EBITA, which exceeded our expectations at the beginning of the year.

For core business, EBITA increased by DKK 77m or more than 20% in 2020, corresponding to a return on invested capital (ROIC) after tax of 15%.

THE 2018-2020 STRATEGY RESULTED IN ~14% EBITA CAGR

The strategy launched in 2017 marked the beginning of our return to a strong focus on the core business.

Financially, the target was to reach an EBITA margin in the core business of a minimum of 4% by 2020, corresponding to a ROIC of 12% after tax.

Our starting point was to change a product-focused business into one with a more solution-focused approach. At the same time, the intention was to remain an attractive sourcing and services company for our customers.

By focusing on investments in further digitalisation, reallocation of cost to growth areas and maintaining strict management over the cost base, the aim was to achieve continuous growth in the EBITA result and to expand the core business EBITA margin above the targeted 4%. These remain the guiding rules for our success.

LAUNCH OF THE 2021-2023 STRATEGY – CORE+

With the launch of CORE+ we are building on the journey we began in 2018, with continued focus on the core business.

The cornerstone of CORE+ is to be the leading green, digital sourcing and services company in our industry. We wish to continue to develop Solar in a profitable way by enabling our key markets to focus on our four strategic focus areas and by building on the core capabilities embedded in a strong and agile operating model.

The four strategic areas – Concepts, Climate & Energy, Industry and Trade – are the key to our success. The aim is to grow the share of Concepts and Industry sales and introduce Trade and Climate & Energy to the remaining markets. This will be supported by maintaining rigorous cost management.

In the new strategic period, we change the guidance level from EBITA to EBITDA. By doing so, we are following the trend in other companies. Our target is to expand the EBITDA margin further compared to the current level of 5.6%.

EMPLOYEES

Our employees' well-being is of the utmost importance. The annual employee survey, Navigator, recorded an all-time high motivation score.

Thanks to Solar's dedicated and skilled workforce, we have succeeded in delivering strong results, even in a market affected by COVID-19.

We have become stronger as a company and as a group.

CONCLUDING REMARKS

We are very pleased with the progress and results delivered in 2020, and with the launch of CORE+ we have set new standards for the 2021-2023 period.

With CORE+ Solar will be well positioned to continue to create value for our customers.

Jens Andersen
CEO

HIGHLIGHTS 2020

EBITA IN DKKM

360 → **455** 26%

EBITA FROM CORE BUSINESS IN DKKM

379 → **456** 20%

EBITA MARGIN FROM CORE BUSINESS

3.4% → **4.2%** 24%

We reached 4.2% partly as a result of our Better Business project initiatives.

DIVESTMENT OF OUR SHAREHOLDING IN BIMOBJECT

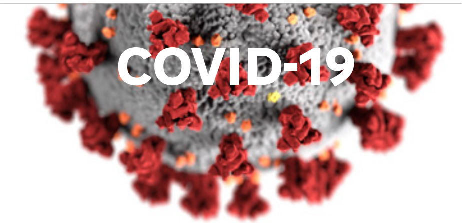
DKK 237m

In total cash consideration

COVID-19

Limited effect on our business from COVID-19.

YEAR AT A GLANCE



In early 2020, the world was impacted by COVID-19 - as was Solar. Our agile business model with strong supplier partnerships, a high and ever-increasing share of e-business and an enhanced group mindset, enabled us to manage the ensuing challenges. We took the necessary precautions and introduced a number of initiatives to limit the risk of infection.

BIMOBJECT SOLD

In early October, we divested our shareholding in BIMobject for a total cash consideration of DKK 237m.

The shares were acquired at DKK 172m in H1 2017.

EBITA GUIDANCE

The original 2020 guidance was for revenue of DKK 11.8bn and EBITA of DKK 400m.

In late October, we increased the EBITA guidance by DKK 35m to DKK 435m, which included one-off costs of DKK 25m relating to SAP eWM implementation. Revenue guidance was adjusted to DKK 11.3bn, a decline of DKK 100m compared to the previous guidance of DKK 11.4bn.

435
DKKm

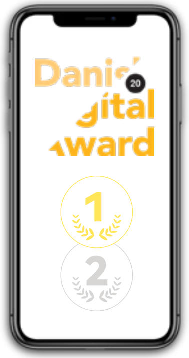
OPERATIONAL EXCELLENCE

As a digital sourcing and services company, our digital transformation continued throughout 2020. We successfully implemented AutoStore, an automated storage and retrieval system, at the central warehouse in Alkmaar, the Netherlands. We also implemented SAP eWM at our central warehouses in Denmark, Norway and Duiven, the Netherlands - the fifth successfully completed implementation. The final implementation took place at Alkmaar, the Netherlands and was finalised in late January 2021.

DIGITAL EXCELLENCE

At the Danish Digital Awards, our Solar Mobile app was rewarded with a GOLD and SILVER award for Commerce and Customer Experience respectively.

As our business is centred on digitalisation with strong customer focus, the award is testimony to the fact that we are pursuing the right concepts.



455
DKKm

REACHING OUR GOALS

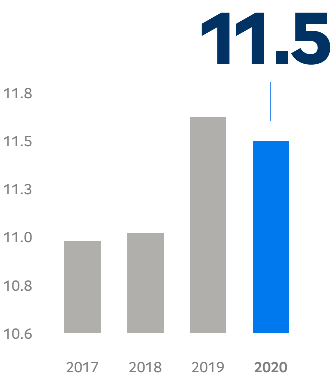
2020 was the final year of the strategy launched in 2018, and we reached an EBITA of DKK 455m. The aims were to work proactively with our customers to help them increase their efficiency and to meet their requirements. We succeeded in doing this through an open-minded partnership with our customers and the further development of our digital services.

We achieved the ambitions set out at the launch of our strategy and will introduce new ambitions through the new CORE+ strategy.

FINANCIAL HIGHLIGHTS 2020

REVENUE

DKKbn



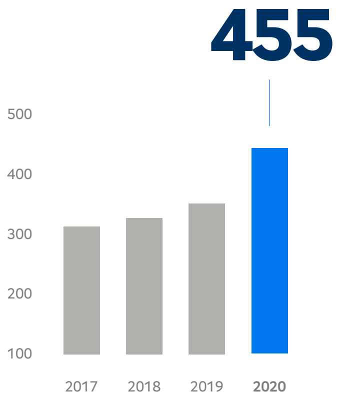
Organic growth of -2.0% was impacted by product pruning of low-margin business of approx. DKK 250m and decline in demand caused by COVID-19.

Within core business, we saw positive growth in Solar Danmark while other entities saw negative growth.

Organic growth for related business reached 2.7%.

EBITA

DKKm



In 2020, **EBITA was up by DKK 95m** due to increased gross profit margin and lower cost level.

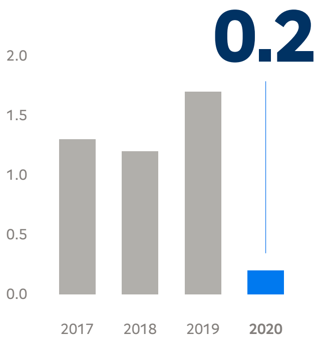
Non-recurring income of DKK 25m affected EBITA and was related to extraordinary price increases, additional discount from suppliers and settlement with the former shareholder of MAG45. However, costs related to the implementation of SAP eWM affected EBITA negatively by DKK 25m.

With EBITA of DKK 456m, core business posted the best financial results in more than a decade, and EBITA increased in almost all entities.

Related business improved its results by DKK 18m to DKK -1m.

GEARING

times EBITDA



At year-end, gearing was 0.2 times EBITDA. Calculated as an average, gearing was 1.1 times EBITDA in 2020.

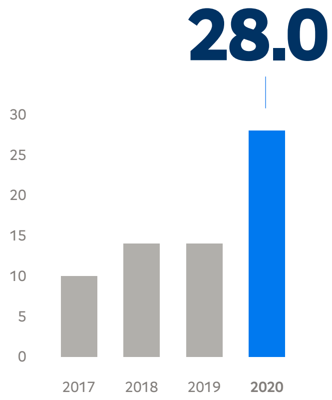
Gearing was impacted by high cash generation in operating activities and by the divestment of our shareholding in BIMobject for a total cash consideration of DKK 237m.

In 2020, we paid dividend of DKK 102m and invested DKK 83m in digital improvements and operations optimisation.

Net interest-bearing debt decreased by DKK 793m of which DKK 51m is due to COVID-19 financial support packages that will be reversed in 2021.

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 a dividend payout of DKK 28 per share, corresponding to a payout ratio of 92%.

In 2018 and 2019, the dividend payment amounted to DKK 14 per share.

GUIDANCE FOLLOW-UP 2020

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

STRONGER THAN EXPECTED

GROSS PROFIT MARGIN
Focus on strategic suppliers and concept sales continued to deliver growth opportunities and we saw revenue and margin from concept sales picking up in all markets.

Our Better Business project continued to deliver gross profit margin improvements by focusing on supplying the right products to the right customers and by product pruning. As a derived effect, revenue was reduced by approx. DKK 250m compared to the expected approx. DKK 200m.

Extraordinary price increases in combination with additional discount from suppliers, mainly in Norway, had a one-off impact of approx. DKK 18m.

COSTS
Other operating income of DKK 8m of which DKK 7m was the outcome of a settlement with the former shareholder of MAG45.

Operational excellence. Due to COVID-19, we launched several prudent cost-saving measures to protect short-term earnings and to deliver cash generation. The initiatives performed better than expected, delivering approx. DKK 40m of which we estimate DKK 20m to be temporary.

Non-recurring income of around DKK 25m in total consisted of the above-mentioned extraordinary price increases of DKK 18m and other operating income of DKK 7m.

AS EXPECTED

SAP eWM implementation at our central warehouse in Denmark, Norway, and in Duiven, the Netherlands, was performed successfully with hardly any disruptions experienced in the following weeks. Costs relating to the implementation amounted to approx. DKK 25m.

WEAKER THAN EXPECTED

Revenue from core business amounted to DKK 10,890m, corresponding to organic growth of -2%. Our initial guidance for core business was for revenue of DKK 11.200m including pruning of DKK 200m. When adjusted for FX impact, revenue was DKK 200m lower than our initial expectations.

In Industry, in particular, we saw variance within the sub segments. Our focus on infrastructure continued to deliver strong growth rates while Marine & Offshore saw strong headwind with negative organic growth of more than 20% in Q3. During Q4, we saw more stable development in Marine & Offshore.

REVENUE AND ADJ. ORGANIC GROWTH

DKKm

	Guidance	Updated[1]	Actual	
Core business	11,200	10,750	10,890	-2.2%
Related business	600	550	575	2.7%
Solar Group	11,800	11,300	11,465	-2.0%

EBITA AND EBITA MARGIN

DKKm

	Guidance	Updated[1]	Actual	
Core business	400	435	456	4.2%
Related business	0	0	-1	-0.2%
Solar Group	400	435	455	4.0%

1) The updated guidance was presented on 21 October, 2020. Prior to October Solar withdraw initial guidance March 27, 2020, as a consequence of COVID-19, and re-introduced a guidance of revenue DKK 11,400m and EBITA of DKK 400m again August 12, 2020.

GUIDANCE 2021

For the Solar Group, we expect revenue of DKK 11,550m equal to organic growth of 0%. We expect EBITDA of DKK 650m, corresponding to EBITA of DKK 465m.

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

GENERAL ASSUMPTIONS

Gross profit margin
The guidance for 2021 assumes that the resurgence of COVID-19 will not result in new significant lockdowns in our business segments or other COVID-19 related knock-on effects.

As stated on pages 11-17, we launch our Core+ strategy, including four strategic focus areas, which we expect to affect gross profit margin positively.

In addition, we expect to continue our cost containment measures. Despite these measures, we expect costs to partly normalise to pre-COVID-19 levels. The guidance does not include any significant restructuring costs.

Loss on trade receivables is assumed to be at the same level as in 2020. There is, however, a risk that we will see increased loss on debtors as government support is reversed.

MARKET OUTLOOK FOR SOLAR'S SEGMENTS

Overall, we expect the installation and industry markets to show modest growth rates in 2021.

Installation
We expect the installation market to show modest growth in 2021 compared to 2020, positively affected by electrification as one of the important megatrends.

Industry
The guidance is based on the assumption that sales to OEM, Marine & Offshore remain at least at Q4 2020 level. Infrastructure is expected to continue to deliver strong growth rates.

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

FINANCIAL OUTLOOK 2021

Revenue guidance
We expect revenue at DKK 11,550m, corresponding to organic growth of approx. 0%.

Our Better Business project is an integral part of the Core+ strategy and is expected to reduce revenue by DKK 200m compared to 2020. Adjusted for this, we expect organic growth of approx. 2%.

DKK 600m of the expected revenue can be accounted for by related business.

EBITDA guidance
In 2020, we saw non-recurring income of around DKK 25m and non-recurring costs of DKK 25m. In addition, prudent cost-saving initiatives delivered DKK 40m of which we estimate DKK 20m to be temporary. In total, the above had a net positive effect of DKK 20m. We expect the strategic focus areas to deliver continuous improvement in earnings, more than offsetting the above DKK 20m and delivering an EBITDA of DKK 650m.

Approx. DKK 10m of the expected EBITDA can be accounted for by related business.

Investments
We have initiated an expansion and upgrade of our central warehouse in Denmark. We will add a 10,000 sq.m warehouse. When completed, this will enable us to close down three external warehouses, which we are currently operating in the vicinity of Vejen. In addition, we plan to invest in AutoStore as we have done in Norway and the Netherlands.

After the completion, we will have more than 25% available capacity for future growth.

The total investment is expected to amount to approx. DKK 250m and will be finalised in 2022.

The expansion and upgrade will have a minor negative effect on earnings in 2021 of approx. DKK 5m.

REVENUE 2021

DKKm

11,550

EBITDA 2021

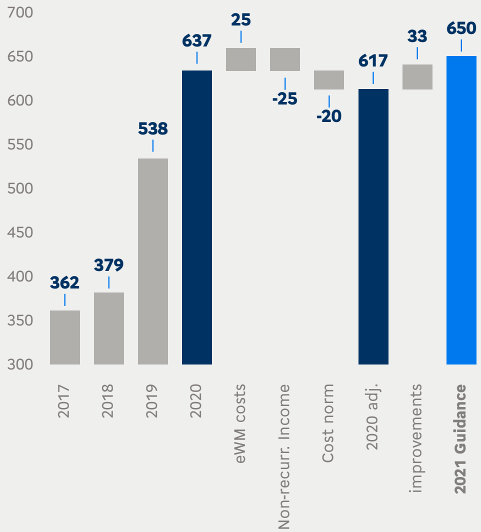
DKKm

650

corresponding to EBITA of DKK 465m

EBITDA

DKKm



STRATEGY

BIM OBJECTS
Solar has digitalised more than 4,600 of our products into BIM objects.

14:06

ØSTRE LANDSRET IN COPENHAGEN IS BUILDING A NEW COURT.
From the start of the construction phase, construction plans and buildings are virtualised using BIM technology. BIM enables the project manager to visualise the final result at any given place.

STRATEGY 2021-2023

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 the duty to challenge the customers, suppliers and each other in pursuit of innovative solutions.

TECHNOLOGICAL KNOW-HOW
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	SERVICE EXCELLENCE	OPERATIONAL EXCELLENCE	DIGITAL LEADERSHIP
We build on long-term cooperation with strategic suppliers, and by consolidating customers' sourcing needs, we aim to increase efficiency throughout the supply chain.	We work closely with the customers to offer tailored, value-adding services that optimise their business 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 60%, 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 the customers' needs we work with brand manufacturers while proactively seeking alternatives.	The 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 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 is suitable for both installation and industry customers.	We strive to keep costs low to protect the margins in a market with increasing price transparency. We exercise strict management over our cost base.	We leverage 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
Within Installation, Industry and Trade we drive customer productivity by helping the customers run their business more efficiently.

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

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

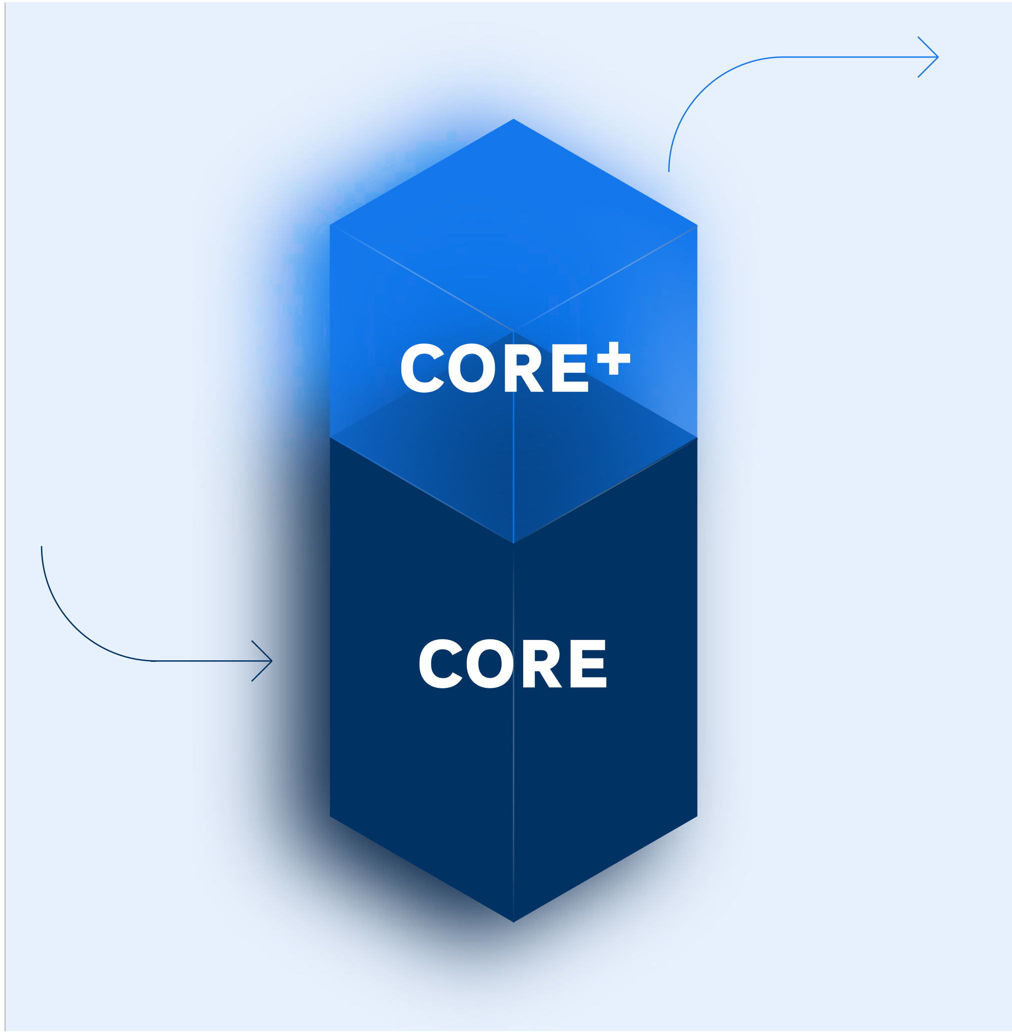
STRATEGY 2021-2023

CORE+: STRONGER EXECUTION OF BETTER BUSINESS

THE CORE: STRONGER TOGETHER

Solar has successfully completed a three-year strategic drive to improve the profitability of our core business while investing in the future.

At the core we are a Sourcing & Services company. We play an assertive role in the value chain, mindful of our value add. We are a partner for the customers as well as the strategic suppliers. This allows us to always source the right products and deliver on time, every time, in ways that make the customers more productive. We call it 'Stronger Together'.



CORE+: STRONGER EXECUTION OF BETTER BUSINESS

For the next strategy period, we are building on the solid foundation of CORE. So we remain stronger together, while adding further leverage from two megatrends impacting our business: DIGITAL and GREEN.

At Solar, we see market opportunities as well as operational efficiencies in digital and green. And the two often go hand in hand with customer productivity, efficiency and cost savings, e.g.:

- A new robotics solution based on AutoStore improves warehouse productivity, saves space, costs and energy.
- A Smart Supply kanban solution with digital inventory management and efficient replenishment boosts customer productivity.
- A green Fastbox service, where customers place a digital order through our mobile app, enables us to deliver within the hour by electric scooters, thus saving customers time.

Everyone wins, including the environment.

STRATEGY 2021-2023

DIGITAL TOGETHER

Our high digital order share is the perfect enabler of both automated and data driven operations and digital services for our customers.

We are developing our business, delivering personalised and productive digital customer experiences. We are automating operations for efficiency and integrate digitally with customers and strategic suppliers. In addition, we have a close network of technology partners with whom we are actively exploring the next wave of digital solutions. We are not afraid to challenge the status quo – where it adds more value. That is what true partners do. We call it 'Digital Together'.

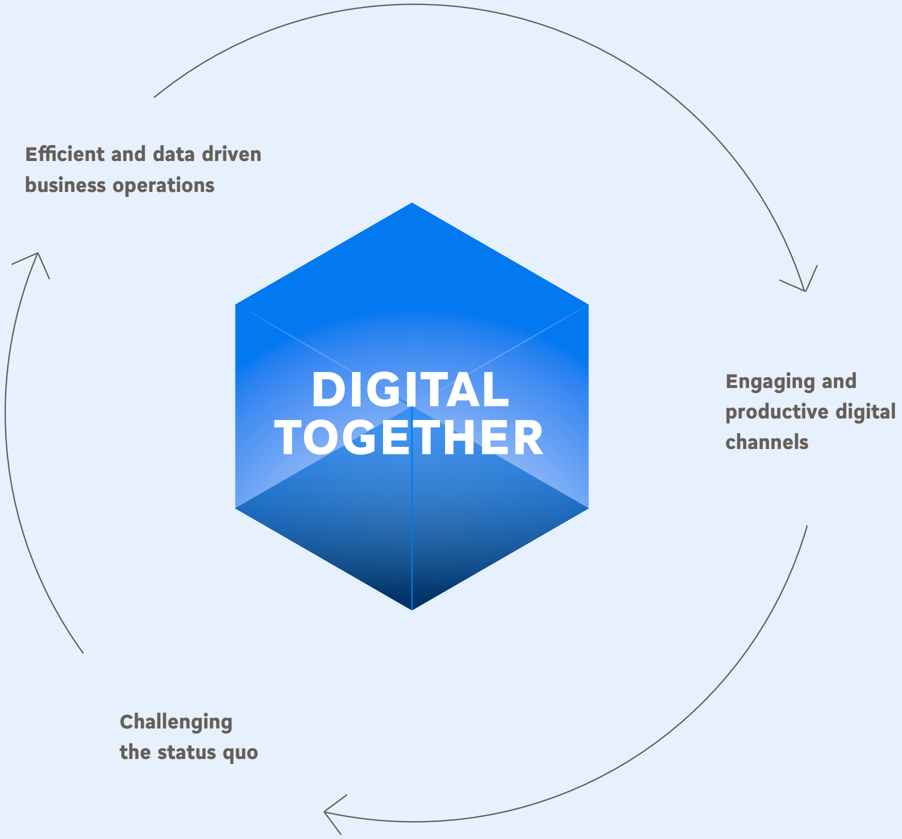
1. Efficient and data driven business operations
We operate our business with powerful, easy to use productivity tools, leveraging data insights and a high degree of automation.

2. Engaging and productive digital channels
We have a digital first approach and strive to provide the customers with a personalised and engaging digital experience, supporting their productivity through innovative digital services.

3. Challenging the status quo
We are driving our industry forward through digitalisation. We are setting new standards in e-business, automation and digital logistics services by working closely with first mover customers, suppliers and technology partners.

MEGATREND – DIGITAL TRANSFORMATION

We see a **digital transformation** happening all across our industry. App usage, digital integration and virtual design and construction are all on the rise. And with COVID-19, even the laggards are logging on. Solar already leads our peers in the **digital** area with the highest digital order share. We are essentially a digital company, uniquely wired to reap the benefits.



STRATEGY 2021-2023

GREEN TOGETHER

Global attention on sustainability presents Solar with both market opportunities and operational demands.

Customers and suppliers expect us to run a responsible business and rely on our expertise in bringing sustainable products and solutions to market. Therefore, we are measuring and monitoring our consumption and, together with employees and business partners, we constantly focus on how to reduce our CO_2 emissions. Jointly we are able to contribute to a more sustainable world. We call it 'Green Together'.

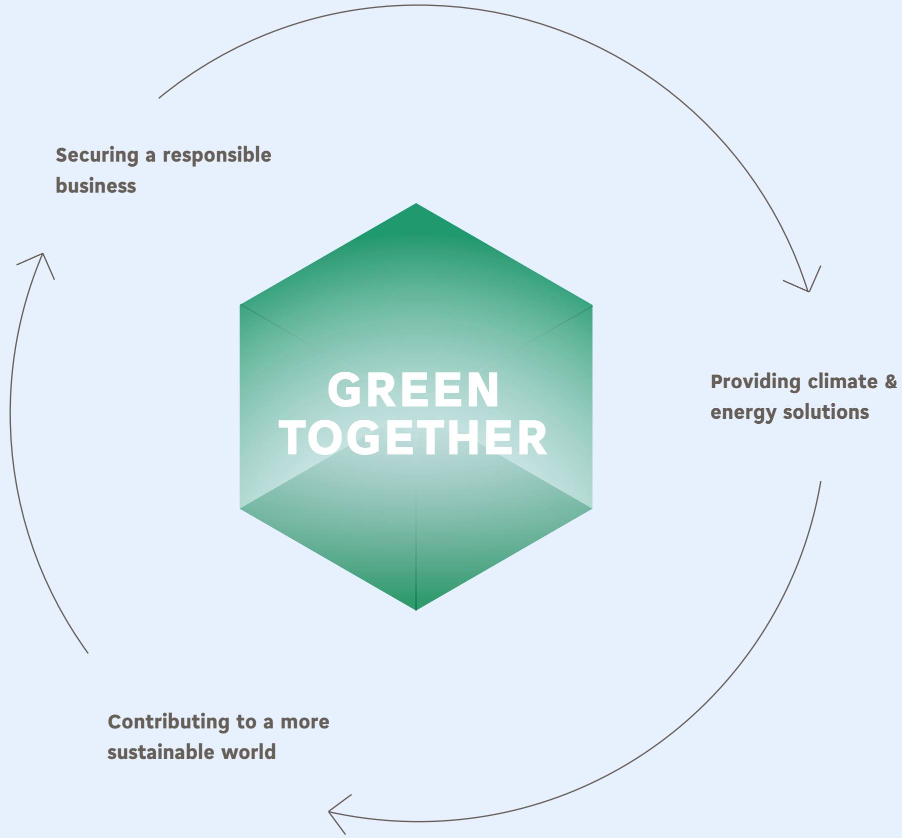
1. Ensuring a responsible business
Being a responsible business is at the very core of who we are. Today, this includes proactively reducing waste and energy consumption across our processes and operations.

2. Providing climate & energy solutions
As a sourcing and services company we have a unique opportunity to work together with customers and suppliers to capture the growing green potential. This involves exiting non-sustainable product areas, like oil and gas boilers, and shifting to green alternatives.

3. Contributing to a more sustainable world
By seeking sustainable solutions, placing demands on suppliers and supplying to our customers in more sustainable ways, we contribute to a more sustainable world.

MEGATREND – GREEN TRANSFORMATION

We see a growing demand for **green** solutions in all markets. Many are closely linked to the technical solution areas we already serve and have mastered. **Electrification of society and transportation** has the potential to supercharge Solar's business – as did the introduction of light bulbs into homes when Solar was founded over a century ago.



STRATEGY 2021-2023

STRATEGIC FOCUS AREAS FOR PROFITABLE GROWTH

With Core+, we will focus the Digital and Green trends on four strategic areas, where we have a solid track record and see further opportunities for profitable growth in the years to come.

Industry and **Trade** are distinct segments, while **Concepts** and **Climate & Energy** are strategic drivers in the Installation, Industry and Trade segments.

Digital and Green investments and initiatives shape the operating plans for each of the four strategic focus areas.

MEGA TRENDS

Digital

Green

STRATEGIC FOCUS AREAS

1. Concepts
Grow Concept share across all customer segments

2. Climate & Energy
Focus on Climate & Energy solutions in all segments

3. Industry
Become the preferred supplier to four selected Industry segments

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

STRATEGY 2021-2023

OUR FOUR STRATEGIC FOCUS AREAS

CONCEPTS

Our concepts embody our deepest insights into customer needs within Installation, Industry and Trade. Every segment in which we want to play a significant role is supported by a Solar concept. They power our sourcing as well as the service-led sales of products from strategic suppliers.

Where Core was about broadening and proving the concept portfolio, Core+ is about expanding concept share across all markets with an emphasis on digital and green, such as digital concept sales and sustainability documentation.

25%

share of revenue

Our target is to increase our share of revenue in Sweden, Norway and the Netherlands. Ultimately, targetting a concept share of 25% of revenue for the core business, up from 21%.

CLIMATE & ENERGY

Solar is already well established in sales of sustainability solutions, and we aim to grow substantially in the coming years, especially within the fields of heat pumps, EV charging, photovoltaic and energy storage.

Where Core was about product sales and building expertise in solution selling, Core+ is about establishing Solar as a value-added reseller and sourcing partner within selected sustainability solutions. In parallel, we invest in sustainable operations, energy efficiency, and reducing packaging and waste.

5%

CAGR for our strategic period

With a starting point of DKK 600m for 2020, we are targetting a CAGR of 5% for the strategic period.

INDUSTRY

We have long served selected sub-segments of Industry with an industry-deep approach. Industry customers appreciate the breadth and depth of our product assortment as well as our digital integrated services, which leads to long-term contract relationships.

With Core we took the first steps in a regional sales setup and a value proposition around total-cost of ownership. With Core+ we will drive the regional sales approach deeper into Infrastructure, MRO, OEM and Offshore & Marine, each with unique value propositions and an emphasis on digital and green.

30%

share of core revenue

We aim to increase our Industry share of revenue, particularly in Sweden and the Netherlands, which supports our ambition of an Industry share of 30% of core revenue, up from 27%.

TRADE

A large and growing customer segment, including DIY stores and e-tailers, no longer source their materials from installers or from traditional wholesalers. With our digital business model and broad and specialised assortments, particularly within energy efficiency and sustainability, we can attract these customers through a proactive sales approach.

Where Core was based on a local approach, Core+ will apply best practice across markets, with an emphasis on outreach sales, as well as digital and green.

5%

CAGR for our strategic period

Our ambition is to introduce Trade to more of our markets and aim for a CAGR of 5% over the coming three years with a starting point of DKK 874m for 2020.

STRATEGY 2021-2023

AMBITIONS FOR 2023

Our CORE+ strategy derives from the winning aspiration to be a leading green and digital sourcing and services company in our industry.

We want to develop Solar in a profitable way by focusing on key markets, building around our four strategic focus areas and deploying the core capabilities embedded in a strong and agile operating model.

GROUP: FINANCIAL TARGETS

- EBITDA margin above 6%, corresponding to a ROIC above 17% after tax
- Gearing (NIBD/EBITDA) 1.5-3.0x

GROUP: NON FINANCIAL TARGETS

- E-business share of 70%, corresponding to almost DKK 8bn
- Complete the training of 2,000 participants in renewable solutions at our Solar School

ESG

- Increase gender diversity at management level
- All electricity for Solar's own buildings will be from renewable sources
- Install PV equipment at all Solar-owned sites and EV chargers at all major Solar sites
- Further ESG targets will be launched during 2021

CONCEPT

- 25% share of core revenue

CLIMATE & ENERGY

- Revenue CAGR of 5% for the strategic period

INDUSTRY

- 30% share of core revenue

TRADE

- Revenue CAGR of 5% for the strategic period

DELIVERIES
We deliver more than 115,000 fastboxes a year.

OUR STRATEGIC FOCUS AREAS

14:32

A GREENER CHOICE
Solar Fastbox makes our customers more efficient and flexible in their daily work. Moreover, by using bicycles and electric vehicles wherever possible, we underpin our aim to make Solar Fastbox the more sustainable option.

OUR STRATEGIC FOCUS AREAS

CONCEPTS

Solar Concept is our product portfolio targeted at customers in the installation and industry segments. We offer a selected assortment of high-quality products. Solar Concept embodies five elements - price, quality, availability, coverage and delivery.

We have introduced seven different concepts: **Solar Plus, Solar Light, Solar Tools, Solar Netto, Solar Cable, Solar Heat and Solar Project.** Each concept comprises a simple and transparent product offering together with guidance from industry specialists.

1. **Solar Plus** offers access to products and components needed on a day-to-day basis. When it comes to top tier quality, but at lower prices, we do not compromise. And we understand the importance of profes-sional pride.

2. **Solar Light** offers a carefully chosen as-sortment of products and a group of Solar Light specialists who are ready to support you with solutions to projects of any size.

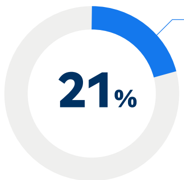
3. **Solar Tools** offers high quality products at competitive prices and makes ordering tools more accessible.

4. **Solar Netto** is our most cost-effective alternative. This means fixed low prices for materials that meet standard requirements.

5. **Solar Cable** entails collaboration with a number of suppliers across Europe, which means we can offer a wide range of cables to match individual requirements.

6. **Solar Heat** comprises a wide assortment of high-quality products within heating solutions, which are sold by piece or as full concepts.

7. **Solar Project** covers the full project scope – from Plus to Heat.

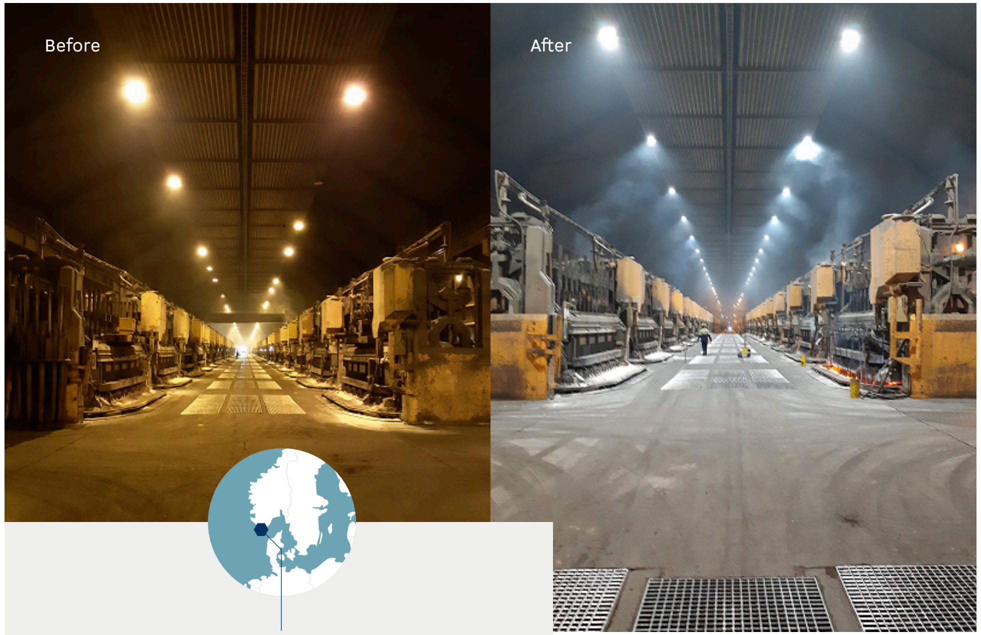


2020 SHARE OF CORE REVENUE

Our seven concepts are tailored to different customer demands

Aesthetics plays a major role at Hotel Villa in Copenhagen. Lighting is particularly important for creating a welcoming atmosphere.

OUR STRATEGIC FOCUS AREAS



Alcoa
LISTA, NORWAY

Alcoa is the second largest aluminum producer in the world, supplying industries across Europe. The production site is located in Lista in southern Norway.

We had constant problems with our lighting and the cables were too old to provide power. Our new LED solution means that these issues are consigned to the past.

CASE: CONCEPTS

NEW LIGHTING IMPROVES SAFETY

When the world's second largest aluminum producer, Alcoa, needed a new lighting solution, Solar Light was the ideal choice. The end result provides better and safer working conditions for all employees on site.

Obsolete light bulbs and fluorescent tubes were replaced with a customised LED solution that created a brighter workplace for almost 200 employees at Alcoa in Norway. As well as delivering greater energy efficiency, the new lighting system has also enhanced safety in the production area. "Our staff used to wear headlights, but after the new lighting system was installed, we were able to do without them. We also used to have a few vehicle collisions, but the improved vision will obviously help to prevent more accidents," says Ove Martin Kjølleberg from Alcoa.

He also points out two other benefits. Colour representation has improved, which means that cables are easier to distinguish. And with the furnaces emitting different gases, it is now easier to spot when extra precautions need to be taken. Electricians at Alcoa used to change light bulbs every three years, and some of the lighting was changed even more frequently than that. The time saved can now be spent more efficiently.

"We had constant problems with our lighting and the cables were too old to provide power. Our new LED solution means that these issues are consigned to the past", explains Ove Martin Kjølleberg.

Prior to the installation, Solar Light components were tested in an operational environment and exposed to the aluminum production temperature which is 30 degrees higher than the outside temperature.

As a result of the successful installation, another Solar Light solution will be installed inside two hangars at Alcoa's production site in Norway.

OUR STRATEGIC FOCUS AREAS

CLIMATE & ENERGY

Climate & Energy is experiencing increased focus on, and activity within, climate and energy-efficient solutions. This stems from a diverse customer base, including industrial enterprises, public buildings and private home installations.

The expanding base is the result of ever-increasing energy prices, stricter environmental requirements and government targets to reduce CO_2 emissions by 2030.

Solar Climate & Energy provides the right assortment of climate & energy solutions and supports customers with tailored construction designs, technical support and future energy consumption calculations, all of which ensure that customers receive products with minimum energy consumption.

The EU as well as governments have introduced a range of targets to reduce CO_2 emissions by 2030. Solar Climate & Energy will be an active player in this endavour.

2020 REVENUE
We are experiencing an increasing demand for sustainable solutions.

In 2020, we sold more than 2,700 charging stations - over 60% more than the year before.

OUR STRATEGIC FOCUS AREAS

Boligbeton
LØSNING, DENMARK

Boligbeton delivers innovative concrete solutions to the Danish construction industry - covering residential, industrial and office construction.

CASE: CLIMATE & ENERGY

INSTALLING HEAT PUMPS REDUCES CO_2 EMISSIONS

Danish concrete producer Boligbeton's ambition is to reduce CO_2 emissions significantly. Therefore, they have decided to replace all oil and gas heating with greener alternatives. Alongside Solar, they have found the right solution, which will ensure sustainable energy, a comfortable indoor climate and better business.

It takes a lot of water, heat and electricity to produce concrete panels round-the-clock. Boligbeton produces concrete panels for all types of constructions, and the largescale production means a high level of CO_2 emissions. The company has resolved to reduce its emissions and improve the environmental labelling of its products.

"It is important that we take action both as an industry and as a company," says Tom Kristensen, Boligbeton's Managing Director.

One initiative is to replace the old heating systems with new heat pumps.

"For the sake of the environment, it makes sense to replace oil and gas with greener solutions such as heat pumps – and there are financial benefits", explains Tom Kristensen.

"Compared to the old system, Boligbeton is set to reduce energy consumption by approximately 70 percent. The heat pumps will also result in improved circulation and a more comfortable indoor climate", says Tom Nielsen, Sales Engineer at Solar Climate & Energy.

Solar is assisting Boligbeton with project design and product selection in its green transition.
So far, the company has installed five new heat pump systems. They are also working on an idea for a solar cell park that will provide green energy for lighting and machinery.

OUR STRATEGIC FOCUS AREAS

INDUSTRY

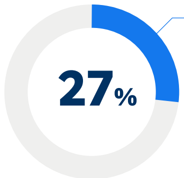
Industry constitutes a significant part of our business. The prime focus is on long-term contracts with industrial customers, both with a local and cross-border presence.

Our main industrial business focus areas are: Infrastructure, MRO (Maintenance, Repair & Operation), OEM (Original Equipment Manufacturer) and Marine & Offshore.

Our assortment offers everything from lighting and tools to vital spare parts that safeguard against production downtime.

One of our key focus areas is to help customers reduce costs by cutting back on suppliers, orders and administration – a process known as Total Cost of Ownership (TCO). This allows the customers to eliminate heavy and inefficient processes, which results in significant financial savings.

Having the right stock is important in almost every industry. Our Smart Supply service, for instance, offers a transparent stock solution with greater overview. Moreover, the system ensures that the right items are available at all times and helps customers to avoid expensive production downtime. Increased productivity and efficiency are the result.



2020 SHARE OF CORE REVENUE

Industry is the most profitable segment in the majority of our markets.

More than 100 industrial customers are already using our smart supply kanban storage solution which reduces their stock by 30%.

OUR STRATEGIC FOCUS AREAS

Flensted, Denmark

Flensted Food Group is a Danish manufacturer of convenience food. It was founded in 1966 and employs 200 people. The group's head office and production facilities are based in Western Jutland.

CASE: INDUSTRY

WHEN ONE SUPPLIER IS ENOUGH

The Danish food manufacturer, Flensted, has optimised its sourcing setup in partnership with Solar. Making Total Cost of Ownership (TCO) visible has led to more transparency and tighter control.

It all began with a phone call
Jes Christensen, Purchasing Manager at Flensted, was looking for a supplier for a new project. The technical support department needed to simplify procurement.

"As an example, we used to buy components from four different suppliers, but I was convinced that we could optimise that."

In close collaboration with Flensted, Solar undertook a transparency analysis of the purchasing pattern for technical components. This provided Flensted with the opportunity to optimise its sourcing and handling setup, such as consolidating suppliers, improving master data and standardising products and brands.

"The benefits are clear. We have cut back on suppliers, orders, deliveries and administration, which of course means significant financial savings", says Jes Christensen.

The next step was to implement a Smart Supply system to enable the 15 technicians to locate items and components in stock more easily.

"We had too many items in stock and bought products whenever we needed them – even though we probably had them already. We needed an overview," the Purchasing Manager explains.

With a constant backup, the Smart Supply system ensures that Flensted never runs out of important products. The system is based on two bins containing the same items. When the first bin becomes empty, a new delivery will be on its way. Meanwhile, the technicians use the second bin.

The benefits are clear. We have cut back on suppliers, orders, deliveries and administration, which of course means significant financial savings.

"We now have transparency, which makes it easier for our employees", he says.

Minimising downtime
An additional benefit is that the factory has kept downtime to a minimum. According to the Purchasing Manager, a breakdown can be very expensive; machines come to a standstill, goods for customers may be delayed, and products may go to waste because of their short shelf-life.

"Availability and a clear stock overview are essential to run a cost-optimised business with maximum efficiency and minimum cost. Flensted has a clear future strategy deeply rooted in a TCO mindset that ensures continued transparency and a structure for phasing in and phasing out products. Being in control in this way increases competitiveness in a competitive market", explains Lars Lange, Head of Food and Beverage at Solar.

OUR STRATEGIC FOCUS AREAS

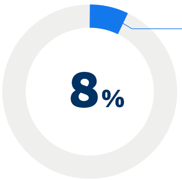
TRADE

Trade focuses on a growing customer group with different buying patterns from the Installation and Industry customer segments. They are typically DIY/retailers, webshops or smaller independent B2B-customers.

The main criteria for these customers are a wide assortment, a convenient webshop and flexible logistics solutions – requirements that are combined into a solution that puts them in the best possible position to leverage their 'go to market' strategy.

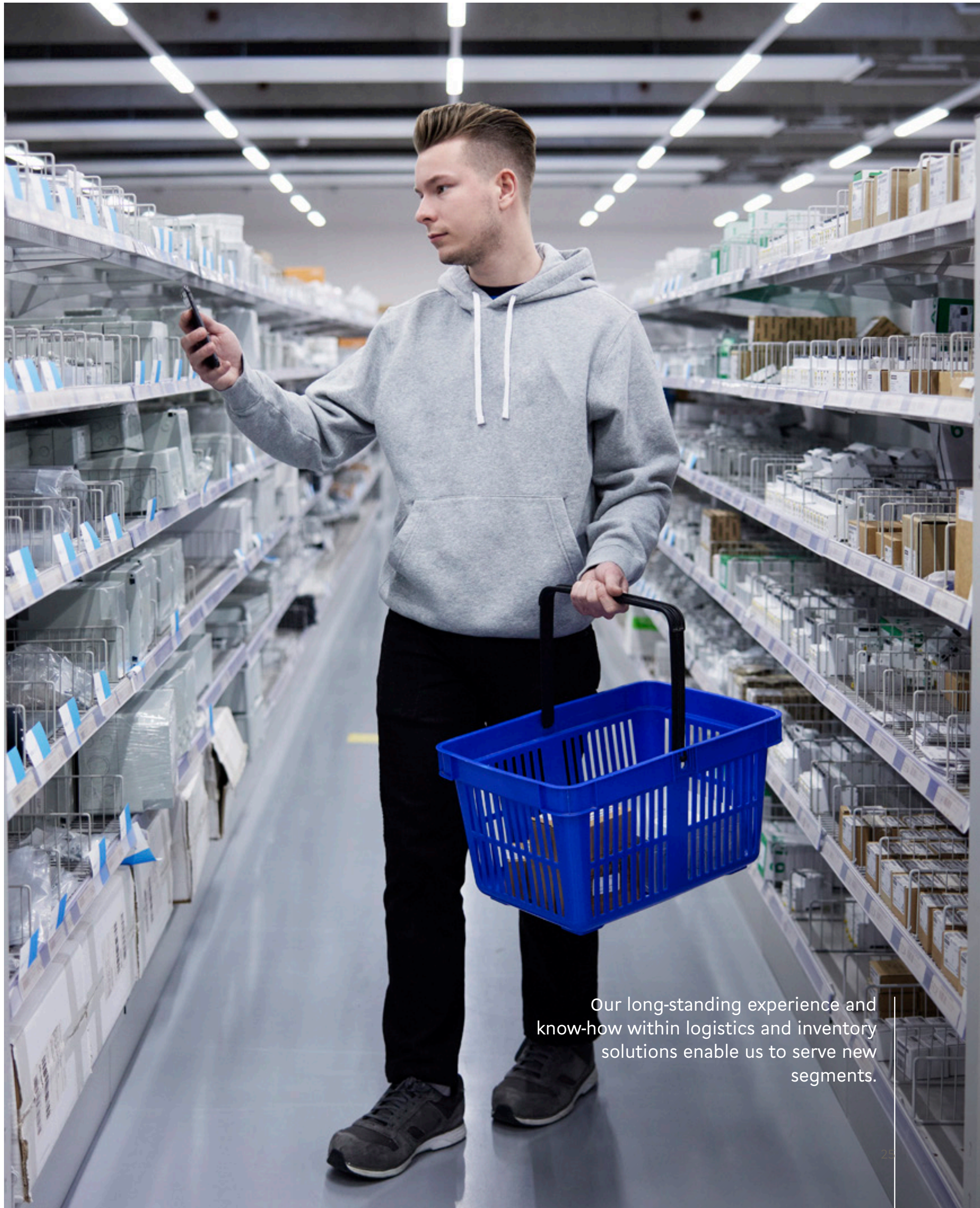
Contracts typically contain agreements on storage facilitation, inventory management and logistics solutions for either customer or end-user deliveries.

We can offer all that, which makes us the preferred partner for a large group of such customers.



2020 SHARE OF CORE REVENUE

Trade is currently centred in Denmark and the Netherlands.



OUR STRATEGIC FOCUS AREAS

CASE: TRADE

WHEN ONLY ONE SUPPLIER IS NEEDED

CARSTEN ANTONISEN
Senior Vice President, Sales

Buying behaviour has changed. Many companies demand one-stop shopping. As a sourcing and services company, we constantly adopt new ways to make our customers more efficient - which is why we have a strategic focus on Trade.

Instead of buying batteries at a hardware store and light bulbs from a webshop, our customers use Solar as a one-stop shop to purchase whatever consumables they need from our wide assortment.

This makes good business sense for the customers and for Solar. Customers can cut back on suppliers, deliveries and administration, which saves them time and money. We see this as a self-service concept, where customers typically do not require technical support or visits from our sales team. Instead, they need a great webshop with a wide assortment, where they can quickly find what they are looking for and have everything delivered through our flexible logistics solutions.

Trade is a business area that will contribute to our financial growth. The next step is to take best practice from Denmark and implement it in Sweden, Norway, Poland and the Netherlands.

REVIEW

15:38

THE END OF A WORKDAY IS APPROACHING
Even after the end of our customers' working day, we are still busy making sure that their products are delivered and ready for tomorrow's work

OUR CUSTOMERS
Solar services the 200,000-plus fitters based at our customers.

FIVE-YEAR SUMMARY

Consolidated (DKK million)	2020	2019	2018	2017	2016
Revenue	11,465	11,679	11,098	11,061	10,420
Earnings before interest, tax, depreciation and amortisation (EBITDA)	637	538	379	362	368
Earnings before interest, tax and amortisation (EBITA)	455	360	327	310	312
Earnings before interest and tax (EBIT)	248	260	224	176	256
Earnings before tax (EBT)	300	120	237	176	223
Net profit for the year	222	64	133	19	125
Balance sheet total	4,607	4,990	4,633	4,717	4,506
Equity	1,696	1,592	1,638	1,591	1,683
Interest-bearing liabilities, net	128	921	461	489	43
Cash flow from operating activities, continuing operations	813	300	224	7	203
Net investments in property, plant and equipment	-25	-110	-59	-14	51

Employees					
Average number of employees (FTEs), continuing operations	2,935	3,039	2,941	2,870	2,814

Financial ratios (% unless otherwise stated)	2020	2019	2018	2017	2016
Organic growth adjusted for number of working days	-2.0	4.9	2.2	7.0	2.3
Gross profit margin	21.0	20.1	20.2	20.7	21.1
EBITDA margin	5.6	4.6	3.4	3.3	3.5
EBITA margin	4.0	3.1	2.9	2.8	3.0
Effective tax rate	26.0	45.2	23.3	17.0	28.3
Net working capital (year-end NWC)/revenue (LTM)	9.7	11.0	9.8	9.7	8.4
Gearing (net interest-bearing liabilities/EBITDA), no. of times	0.2	1.7	1.2	1.3	0.1
Return on equity (ROE)	13.5	4.0	8.2	1.2	7.1
Return on invested capital (ROIC)	13.8	8.3	8.1	6.3	10.0
Equity ratio	36.8	31.9	35.4	33.7	37.4

Share ratios (DKK unless otherwise stated)	2020	2019	2018	2017	2016
Earnings per share outstanding (EPS)	30.42	8.77	18.22	2.60	16.50
Dividend per share	28.00	14.00	14.00	10.00	12.00
Dividend in % of net profit for the year (payout ratio)	91.9	159.4	76.7	385.6	70.2

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 discontinued operations regarding STI for 2017 and 2018, and Claessen ELGB N.V. and GFI GmbH for 2016 and 2017. In accordance with IFRS, the balance sheet has not been restated.

FINANCIAL REVIEW

EBITA INCREASED BY MORE THAN 25% TO DKK 455M

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

We succeeded in our journey towards improved EBITA, which reached DKK 455m and thereby exceeded guidance. We delivered an EBITA increase of more than 25% despite an adjusted organic revenue growth of -2.0% (4.9%) partly due to a decline in demand caused by COVID-19. The EBITA increase of DKK 95m was driven by an improved gross profit margin, efficiency gains and cost containment.

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.

REVENUE

Solar's overall adjusted organic growth for Installation amounted to around -3% and for Industry to around -1%. Solar Danmark saw positive growth in both Installation and Industry while other entities saw negative growth.

With regard to Installation, the Better Business project focused on supplying the right products to the right customers. Part of this project involved product pruning of low-margin business, which is one of the drivers of negative growth. In total, this had a negative impact on revenue of approx. DKK 250m.

With regard to Industry, Infrastructure saw positive organic growth, while Marine & Offshore and OEM experienced substantial headwind.

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

Adjusted organic growth at group level amounted to -2.0% (4.9%). Revenue totalled DKK 11.5bn (DKK 11.7bn).

Core business delivered adjusted organic growth of -2.2% (5.2%). Solar Danmark saw positive adjusted organic growth.

GROSS PROFIT MARGIN

Despite lower revenue in 2020, gross profit increased by DKK 52m. We saw continuous improvement in the gross profit margin, which increased to 21.0% (20.1%).

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 18m, corresponding to 0.2% at group level.

OTHER INCOME

Other income amounted to DKK 8m (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 2019, the DKK 9m primarily related 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

RELATED BUSINESS

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

We continue to see a positive effect from the substantial reorganisation of MAG45 - which led to an ongoing improvement in profitabili-ty, with an increase in EBITA of DKK 18m in 2020. Due to the COVID-19 situation, the strategic review of MAG45 initiated in Q3 2019 is on hold.

Related business showed adjusted organic growth of 2.7% (-0.3%) while EBITA was up at DKK -1m (DKK -19m) in 2020.

*Besides MAG45, our related business includes Solar Polaris.

FINANCIAL REVIEW

earnings and to deliver cash generation. We implemented a freeze on recruitment, reduced the use of temporary staff and introduced general cost containment. Some of the cost savings were temporary savings and, as expected, costs were gradually normalised in H2 as COVID-19 restrictions were partly lifted.

External operating costs and staff costs were down by DKK 53m compared to 2019. Of this, foreign exchange translation adjustments accounted for DKK 23m, cost savings for DKK 40m, and furlough schemes for DKK 15m. In addition, the cost of the SAP eWM rollout amounted to approx. DKK 25m.

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 2020 amounting to unchanged 0.2% of revenue.

EBITA

EBITA increased by DKK 95m to DKK 455m, corresponding to an EBITA margin of 4.0% (3.1%) of revenue.

Non-recurring income of DKK 25m affected EBITA and was related to extraordinary price increases, additional discount from suppliers and settlement with the former shareholder of MAG45.

EBITA from core business was up at DKK 456m (DKK 379m) corresponding to an EBITA margin of 4.2% (3.4%). 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. Rollout costs also impacted Solar Norge by DKK 9m and Solar Nederland by DKK 6m.

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

The results of the individual countries are disclosed on page 64.

AMORTISATION AND IMPAIRMENT

Amortisation totalled DKK 207m (DKK 100m). Review of intangible assets resulted in an impairment loss of DKK 139m in total. Of this, DKK 129m related to goodwill obtained when Solar Sverige acquired Alvesta V.V.S-Material AB in 2007. In addition, a DKK 10m impairment of software was made which mainly related to Axapta software acquired in 2015 and deployed at Solar Polska.

In 2019, a 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.

DKK million	2020	2019
Core business, amortisation	67	71
Core business, impairment loss	139	0
Related business, amortisation	1	4
Related business, impairment loss	0	25
Amortisation and impairment of intangible assets	207	100

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction and services associates amounted to DKK -12m (DKK -19m) related mainly to BIMobject. In 2019, DKK -15m related to BIMobject and DKK -4m to HomeBob including write-down of the HomeBob app.

IMPAIRMENT ON ASSOCIATES

Impairment on associates amounted to DKK 104m (DKK -86m).

In Q4, we divested our shareholding in BIMobject for a total cash consideration of SEK 333m (DKK 237m). Profits from the divestment amounted to DKK 23m based on a book value of DKK 214m as at 30 September 2020. Furthermore, previously performed BIMobject write-down of DKK 86m was reversed.

In addition, we divested 60% of our investment in Viva Labs. The write-down and loss related to this divestment amounted to DKK 4m. Other investments resulted in a loss of DKK 1m.

In 2019, Solar identified a need for write-down of DKK 86m related to BIMobject.

FINANCIALS

Net financials amounted to DKK -40m (DKK -35m) negatively affected by DKK 10m due to a partly redemption of an interest swap. A similar positive amount is reported under Other comprehensive income.

Adjusted for this item, net financials totalled DKK -30m (DKK -35m).

EARNINGS BEFORE TAX

Earnings before tax increased to DKK 300m (DKK 120m). Earnings before tax were affected by impairment losses etc., see table below. When adjusted for these items, earnings before tax were up at DKK 335m (DKK 231m).

DKK million	2020	2019
Earnings before tax	**300**	**120**
Impairment on associates	-104	86
Earnings before tax, adjusted for impact from associates	**196**	**206**
Impairment loss, other intangible assets	10	21
Impairment loss, goodwill and customer lists	129	4
Adjusted earnings before tax	**335**	**231**

INCOME TAX

Income tax totalled DKK 78m (DKK 54m) which corresponds to an effective tax rate of 26.0% (45.2%). Adjusted for impairment on associates and non-deductible items, the effective tax rate was 23.5% (27.8%).

FINANCIAL REVIEW

NET PROFIT
Net profit for the Solar Group totalled DKK 222m (DKK 64m).

CASH FLOWS
Net working capital calculated as an average of the previous four quarters amounted to 11.5% (11.9%) of revenue. Net working capital at the end of 2020 amounted to 9.7% (11.0%).

Cash flow from operating activities totalled DKK 813m (DKK 300m) impacted by inventory changes of DKK 126m (DKK -92m) and changes to receivables of DKK 173m (DKK 21m). We succeeded in reducing our inventory level which was one of our focus areas in 2020, while receivables were impacted by negative revenue growth.

Total cash flow from investing activities amounted to DKK 162m (DKK -194m) where divestment of BIMobject and Viva Labs impacted by DKK 237m and DKK 3m respectively. In 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 portfolio impacted negatively by DKK 14m. Purchase of property, plant and equipment amounted to DKK 33m (DKK 110m) affected in both 2019 and 2020 mainly by the AutoStore investments in Solar Norge and Solar Nederland.

Cash flow from financing activities was affected by dividend distribution of DKK 102m (DKK 102m) and instalments on lease liabilities of DKK 121m (DKK 117m). Raising or repayment of non-current interest-bearing debt amounted to DKK -199m (DKK -9m). Change in current interest-bearing debt is presented as part of the financing activities and amounted to DKK -205m (DKK 118m). Cash flow from financing activities thus totalled DKK -627m (DKK -110m).

Cash flow from discontinued operations amounted to DKK 0m (DKK -2m). Consequently, total cash flow amounted to DKK 348m (DKK -6m).

Net interest-bearing liabilities amounted to DKK 128m (DKK 921m) positively affected by DKK 51m due to COVID-19 financial support packages.

Over the past 12 months, we have
- invested DKK 50m in digital improvements;
- invested DKK 33m in optimising our operations e.g. AutoStore;
- paid dividend of DKK 102m.

As at 31 December 2020, gearing was 0.2 (1.7) times EBITDA. Calculated as an average, our gearing was 1.1 (2.0) times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 31 December 2020, Solar had undrawn credit facilities of DKK 474m (DKK 383m).

Invested capital for the Solar Group totalled DKK 1,760m (DKK 2,297m). ROIC amounted to 13.8% (8.3%). ROIC for core business amounted to 15.1%.

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 2020.

Overall, the granting of shares is covered by the same terms as the previous grants of share options. 7,664 restricted shares were granted, amounting to a fair value of DKK 2.4m at the time of granting. The restricted shares vest three years after the time of granting, i.e. this grant of shares vests in 2023. In February 2020, 28,398 share options from the grant in 2016 expired. For more information, please see this report's note 25 on share-based payment.

In 2019, new incentive schemes focusing on increased return on invested capital were 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. 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.

ORDER LINES
Solar Group has more than 14 million order lines every year

CORPORATE MATTERS

22:06

FULL SPEED AHEAD AT NIGHT
Staff at Solar warehouses do their utmost to ensure that all orders are ready for collection the next day

OUR PEOPLE

People lie at the very heart of our organisation. Since our foundation in 1919, Solar has been the link between suppliers and customers, always with increased efficiency and productivity as the guiding star.

Through our values SmartFun, Glow and Courage, our many employees have continually developed the means by which we service the customers. We have evolved from a pure sales organisation to a sourcing and services organisation that not only provides products, but also solutions and guidance for the end-users. We believe in service as a way of changing the way we do business – it makes us stronger together.

DEVELOPING OUR PEOPLE

Creating opportunities and developing employees has always been among Solar's main priorities. Our online learning and development platform, Solar Compass, encourages and supports employees' ongoing career development. At Solar, we promote internal recruitment and thus benefit from inter-departmental knowledge and the continued development of the employees.

DIVERSITY

The Solar Group's approach is to ensure that all employees at the individual companies are treated equally, irrespective of gender, age,

OUR PEOPLE

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 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% by 2025.

Our employee performance appraisals focus on skills development, performance and career plans.

Solar encourages the career development of managers, project workers and specialists and enables an 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 management development.

Our Global Manager Onboarding programme is targeted at all Solar's new managers - whether recruited externally or internally. In 2020, we conducted the training online.

Our group recruitment policy ensures that when hiring managers, HR takes different backgrounds and qualifications into consideration. The aim is to ensure that our business develops with the right human resources - always with the best person for the role and for the company.

Our recruitment advertising emphasises that Solar seeks to achieve a diverse representation throughout our management group. We require that candidates shortlisted for managerial positions include at least one member of the underrepresented gender. The overall gender distribution in the two upper levels of management was 17% women and 83% men as at 31 December 2020 with a low staff turnover in 2020. This should be compared with 14% and 86% respectively last year.

BOARD OF DIRECTORS

The diversity policy also sets out our objective for the composition of the Board of Directors. When board members are replaced, we conduct a broad sweep of the market to ensure a mix of skills and diversity.

The Board of Directors strives for equal gender representation, while ensuring that it has a broad portfolio of skills and experience. Our aim is to ensure that women are not underrepresented. Our objective is that after Solar's Annual General Meeting in 2023, women will constitute 40% of the Board of Directors.

No new board members were elected in 2020 and the gender distribution is thus unchanged. One in six members elected by the Annual General Meeting is, therefore, female.

NOMINATION COMMITTEE

The Board of Directors has established a Nomination Committee with participation from major shareholders and one representative from the Board of Directors. The company wishes to enable major shareholders to have an influence over the composition of the Board of Directors.

It is the committee's duty to assess the need for change to the composition of the Board of Directors, including making sure that the company's Board of Directors comprises individuals with the necessary professional qualifications, expertise and experience.

The committee ensures that at least half the members of the Board of Directors are independent. Moreover, the committee should, as far as possible, nominate candidates who will ensure that the diversity policy adopted by the Board of Directors will be met over the long term.

In this connection, the committee is responsible for presenting the Board of Directors with an action plan for the future composition of the Board of Directors, including specific amendments.

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

We always hire the most qualified candidate for the job, regardless of political, religious or personal orientation.

For further information please see our Sustainability Report 2020

WWW.SOLAR.EU/OUR-COMPANY/CSR

and the Global Compact website.

WWW.UNGLOBALCOMPACT.ORG

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.

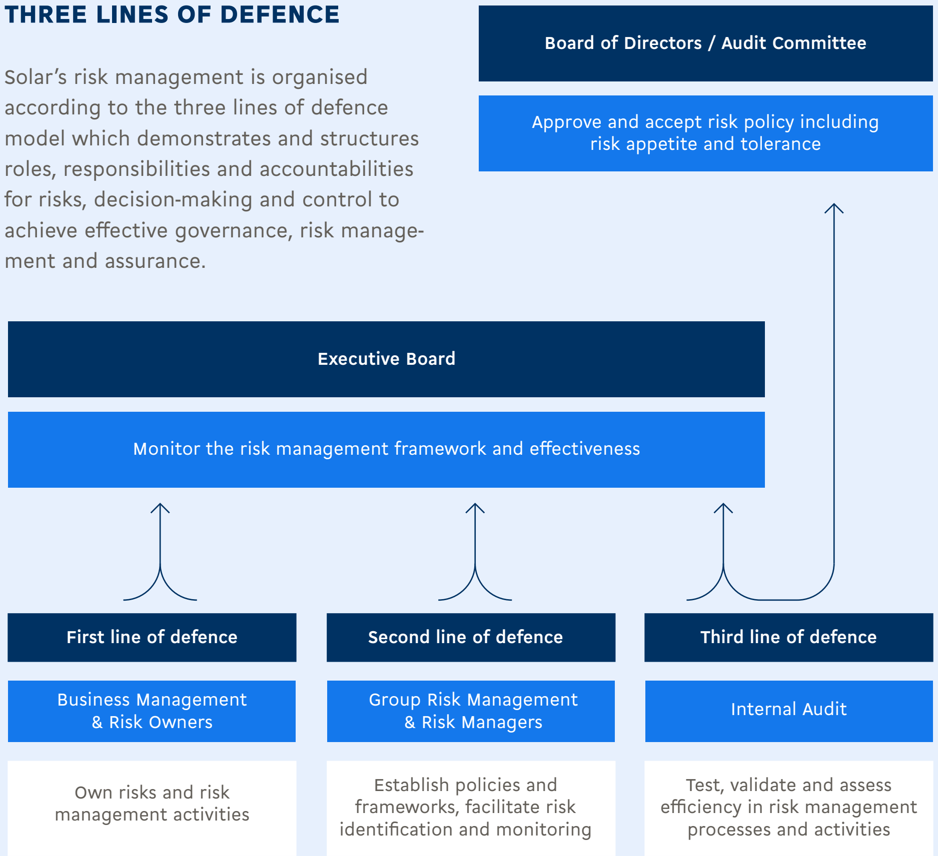
The Executive Board is responsible for ensuring that the necessary policies and procedures are in place, that efficient risk management systems have been established for all relevant areas and are improved continuously. The overall purpose of the risk management initiative is to support the running of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

Solar's risk management work covers 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 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 such mitigation to ensure that risks are at the acceptable level.

THREE LINES OF DEFENCE

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



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 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 three overarching categories: Governance and Compliance, Strategy and Planning, Operations and Infrastructure.

Accordingly, 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 four dimensions:

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

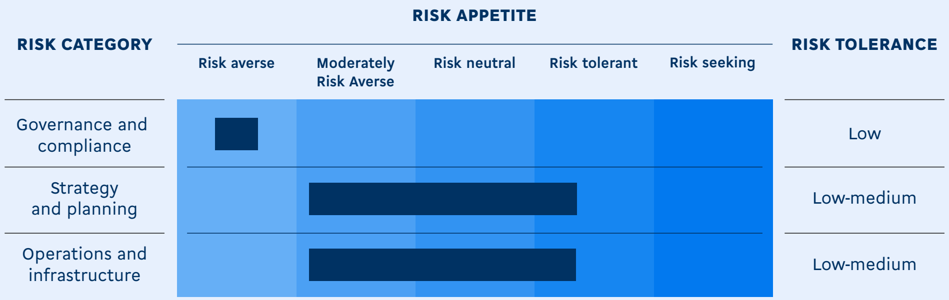
RISK HANDLING

The purpose of identifying and then handling risk is, at all times, to bring it to an acceptable level, which is in line with risk appetite and tolerance. Solar works with four different risk treatment strategies when handling risks.

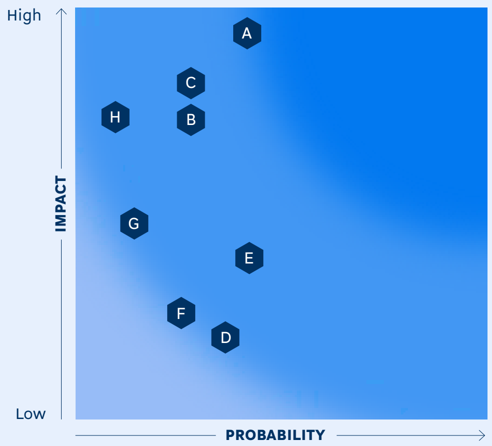
- Avoid – seeks to eliminate uncertainty by changing circumstances.
- Transfer – seeks to transfer ownership and/or liability of the risk to a third party.
- Accept – recognises net risks and monitors risk exposure.
- Mitigate – seeks to minimise risk exposure to below an acceptable threshold.

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

RISK APPETITE AND TOLERANCE PER RISK CATEGORY



SOLAR RISK MAP 2021



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

- A Cyberattack
- B IT interruptions
- C Market volatility
- D Warehouse operations
- E Credit management
- F Customer migration to new webshop
- G New entrants in the market
- H Central warehouse breakdown

RISK MANAGEMENT

EXPOSURE TO POTENTIAL TOP RISKS AND MITIGATION

One of the risks reported last year - change of warehouse management system (DK, NO, NL) - is no longer a risk as the SAP eWM system was successfully implemented in Solar Danmark, Solar Norge and Solar Nederland.

Risk	A CYBERATTACK	B IT INTERRUPTIONS
	The risk is unchanged.	The risk is unchanged.
Scenario	Risk of IT breakdown and/or data breach due to cyberattack.	Risk of business interruption due to unforeseen but inherent events affecting IT operations such as fire, power outage, network or system failure, and other natural or unintentional man-made adversities.
Impact	Business interruptions in the shape of data compromise, denial of service, intellectual property theft and regulatory consequences are among the repercussions of various cyber incidents, ultimately leading to financial losses and an inability to run daily operations. The probability 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, the probability of the worst-case scenario is between low and medium, but the potential impact is assessed as between medium and high.
Mitigation	Mitigation efforts concentrate on strengthening cyber resilience. This includes monitoring the network for unusual behaviour as well as providing new security tools or upgrading existing ones. Ongoing activities related to network safety aim to minimise the damage from a potential attack. During 2020, Solar's "crown jewels" (the most critical systems) were identified to facilitate proactive protection by implementing controls to safeguard them. Additional efforts focus on the impact analysis of business activities, which supports developing better business continuity and disaster recovery planning – these activities will secure readiness and clarity of priorities within IT and business during a potential interruption. Group IT continues to communicate appropriate internal information about IT security to maintain organisational awareness.	The IT area is continuously monitored and evaluated. Business-critical applications are mirrored at two central data centres in order to safeguard IT operations, so that the business can continue to run if one centre experiences downtime. Mitigation efforts planned to reduce the risk of cyberattacks – such as increasing network security and developing better business continuity plans – will simultaneously reduce the risk of losing the stability of digital operations.

RISK MANAGEMENT

Risk	C MARKET VOLATILITY	D WAREHOUSE OPERATIONS	E CREDIT MANAGEMENT
	This risk has been added to the list of top group risks this year.	This risk has been added to the list of top group risks this year.	This risk has been added to the list of top group risks this year.
Scenario	Risk of adverse market conditions and multiple unwanted events due to the pandemic.	Risk of business interruption in one or more central warehouses due to strict safety regulations and/or increased staff absence caused by COVID-19.	Risk of negative financial consequences due to extending credit to customers.
Impact	Rapid changes caused by the pandemic, the authorities' interference in the business sector as well as the dynamics of the regulatory environment may influence the digital transformation and challenge the flexibility of our business model. The probability of the worst-case scenario is assessed as between low and medium, but its impact is assessed as high.	The risk relates to a very dynamic spread of the pandemic leading to inevitable consequences, such as strict safety regulations during lockdown and/or increased staff absence. When absence in the warehouse grows visibly or when Solar companies need to reduce staff attendance in warehouses because of new regulations, it may have a visible impact on customer deliveries. The probability as well as the potential impact of the worst-case scenario is assessed as between low and medium.	Extending credit to customers is regarded as a natural and important element in Solar's business operations. If a negative market cycle occurs, then the credit risk will increase - the pandemic fallout may raise the likelihood of the risk, in particular when government support packages are withdrawn. The probability as well as the potential impact of the worst-case scenario is assessed as close to medium.
Mitigation	In the first two quarters of 2020, Solar Group and its subsidiaries established a governance model supplemented by scenario analyses and high-level recommendations on how to act in certain circumstances. With the appointed response teams at corporate, local and business area levels, Solar adopted a number of preventative activities focused on the safety of employees, customers and suppliers. Detailed mitigation plans aligned with probable scenarios were implemented and regularly updated. The way Solar handled the pandemic fallout in Q1 and Q2 2020 by adopting quickly to market conditions gives confidence that the company can react quickly and appropriately if the situation recurs.	Solar regularly monitors the impact of the pandemic on local markets and follows recommendations of health organisations or local authorities in order to protect all employees and those of third parties. An extensive contingency plan for warehouse staff was created in March and is regularly upgraded to support the management of the consequences of the pandemic and to secure business continuity. It includes i.e. zoning procedures and equipment, strict hygiene rules, detailed capacity planning, protection of key employees as well as guidelines on how to act if any disease has been detected. The flexible remediation plan and a wide range of preventative actions continue to keep the risk within the appetite for risk.	Solar conducts efficient credit management at all times and monitors the development of credit risk. In March, the credit policy was tightened due to the COVID-19 pandemic. Furthermore, we have taken out insurance to hedge against potential losses on trade receivables. In addition, uninsured trade receivables are generally spread across a large number of small customers. Impacts from COVID-19 have increased risks on trade receivables.

RISK MANAGEMENT

Risk	**F CUSTOMER MIGRATION TO NEW WEBSHOP** The risk is reduced.	**G NEW ENTRANTS IN THE MARKET** This risk has been added to the list of top group risks this year.	**H CENTRAL WAREHOUSE BREAKDOWN** The risk is reduced.
Scenario	Risk of customers' negative experience and failure to harvest expected benefits from new e-commerce platform	Risk of new market players entering the market leading to increased competition and/or price pressure with a negative impact on Solar's business.	Risk of business interruption within central warehouse due to unforeseen but inherent events such as fire, power outage, flooding, and other natural or man-made adversities.
Impact	Failure to transfer customers successfully from the current platforms (webshop and mobile app) to the new ones as well as failure to meet customers' expectations concerning the company's digital solutions may affect the benefits assumed by Solar and lead to loss of competitiveness. The probability as well as the potential impact of the worst-case scenario is assessed as between low and medium.	The current commercial risk of strong new entrants in the market, which may result in reduced competitiveness, lost revenue and decreased earnings. However, the probability of the worst-case scenario is assessed as between low and medium with a potential impact assessed to be medium.	Unwanted events may potentially lead to partial or complete warehouse breakdown. Materialisation of this risk can result in financial losses as well as loss of reputation. Thanks to continuous progress in removing equipment failure from significant risk factors, the likelihood of a warehouse breakdown decreased compared to last year. The probability of the worst-case scenario is now assessed as remote, but potential impact is assessed as between medium and high.
Mitigation	Customers are invited to use the new platform on a regular basis. Ensuring the right market research model helps Solar to understand the needs and behaviour of customers who have migrated to the new platform. Enhanced reporting is distributed and promoted within the sales and commercial market organisations as a tool for analysing trends on a regular basis. Keeping the old webshop running remains an alternative for dissatisfied or non-migrated customers.	A dedicated cross-functional team is in place to monitor potential new players' strategies and/or recent market developments, as well as to understand customers' present and future buying criteria. Commercial market and sales organisations monitor this for early indicators. In accordance with observations and feedback, Solar continues to invest in digital tools and value adding services, which adapt to new trends.	Business contingency plan (BCP) is developed collaboratively in all central warehouse communities. It clarifies roles and responsibilities and describes actions required from staff in case of possible force majeure events. Additionally, Solar ensures regular audits of warehouses in order to verify the level of preventative and detectable security measures undertaken to protect the facilities.

ENVIRONMENTAL, SOCIAL & GOVERNANCE

Solar is committed to turning energy efficiency into a profitable and responsible business for our customers.

Through several initiatives we have reduced our impact on the environment and will continue to focus on opportunities that benefit the surroundings, the customers and Solar.

We have also reduced energy consumption by installing AutoStore, made a substantial reduction in the use of plastic in our operations, installed solar panels at the MAG45 site in the Netherlands, withdrawn fossil fuel driven equipment from our assortment in Denmark and introduced sustainable courses at Solar School.

We will continue to focus on our environmental footprint for the benefit of customers, shareholders and Solar itself.

For further information please see our Sustainability Report 2020

WWW.SOLAR.EU/OUR-COMPANY/CSR

and the Global Compact website

WWW.UNGLOBALCOMPACT.ORG

LEADING WITH TRANSPARENCY

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

17%
Gender diversity board

98%
Board meeting attendance rate

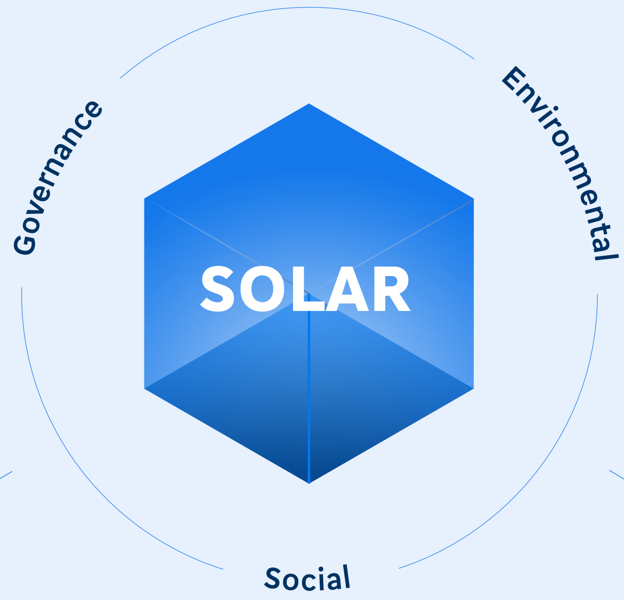
24 times
CEO pay ratio[1]

RESPONSIBLE USE OF RESOURCES

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

4,115 tons
CO_2e, scope 1

5,191 tons[3]
CO_2e, scope 2



BECAUSE WE CARE

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

27%
Gender diversity

5.2%
Employee turnover rate[2]

17%
Gender diversity management

1.14 times
Gender pay ratio

2,935 FTEs
Full-time workforce

9.2
days/FTE Sickness absence

1) If measured against Danish employees, the CEO pay ratio amounts to 20 times.
2) Voluntary employee turnover
3) After disclosing CO2e, scope 2, Metric tons 4,841 to CDP, additional 350 Metric tons were identified summing up to a total of 5,191 Metric tons in 2019.

CORPORATE GOVERNANCE

SOLAR COMPLIES WITH 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.

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

DEVIATION

Solar complies with 46 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 aspects of the Board's work. The questions are the same every year in order to identify trends and are rarely changed. The Board of Directors finds that the repetitive format is preferable to occasional external assistance.

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

EVALUATION

The Chairman is responsible for the evaluation of the Board of Directors' work by means of a questionnaire. The purpose is to assess whether the overall skills of the Board of Directors match the company's current needs. The evaluation also considers the quality of the material distributed to the Board, the holding of Board meetings and the relevance of issues discussed in terms of legal requirements, risk factors and the company's development potential. The 2020 evaluation has been shared with the Nomination Committee and has not given rise to any 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 view the statutory corporate governance statement 2020:

SOLAR.EU/INVESTOR/CORPORATE-GOVERNANCE

THE AUDIT COMMITTEE AND INTERNAL AUDIT

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

SOLAR.EU/INVESTOR/CORPORATE-GOVERNANCE

SHAREHOLDER INFORMATION

Investor Relations is responsible for communication with the capital markets. We make information accessible on our website and maintain an open dialogue with investors.

INVESTOR RELATIONS POLICY

We strive to maintain an open dialogue with its investors and to provide them with correct and adequate information for making reasoned investment decisions concerning Solar's shares. We ensure all investors are given fair and equal access to information by publishing relevant information via Nasdaq Copenhagen.

We participate in conferences, arrange roadshows and conduct meetings with investors and financial analysts following the publication of quarterly and annual reports.

Investor meetings and similar events cannot be held during our quiet periods, which start on 4 January, 4 April, 4 July and 4 October and end with the publication of a quarterly or annual report.

SOLAR'S SHARES

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

The A shares are not listed. The B shares are listed on Nasdaq Copenhagen under the ID code DK0010274844, are designated SOLAR B, and are 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.

SHAREHOLDERS

As at 31 December 2020, registered share capital totalled 92.8%, distributed among 4,807 shareholders. Three shareholders have notified Solar of holdings of 5% or more of the share capital or votes:

DISTRIBUTION OF SHARE CAPITAL AND VOTES AS AT 31 DECEMBER 2020 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[1]	14.7%	7.0%
Nordea Funds Ltd., Helsinki, Finland	10.4%	5.0%
Investeringsforeningen Nordea Invest, Copenhagen, Denmark	5.0%	2.4%

1) As of 14 January 2021, RWC Asset Management LLP holds 733,779 shares in Solar or 9.969% of share capital, corresponding to less than 5% of voting rights.

ANNUAL GENERAL MEETING

Solar's Annual General Meeting will be held on Friday 19 March 2021 at 11.00.

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

WWW.SOLAR.EU/INVESTOR/

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

- Payment of DKK 28.00 in return per share outstanding of DKK 100.
- Authority to decide 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 remuneration report 2020
- Approval of the Board of Directors' remuneration of unchanged DKK 200,000 in 2021.
- Approval of Deloitte as new auditors

A presentation of our Board of Directors can be found on pages 45-46.

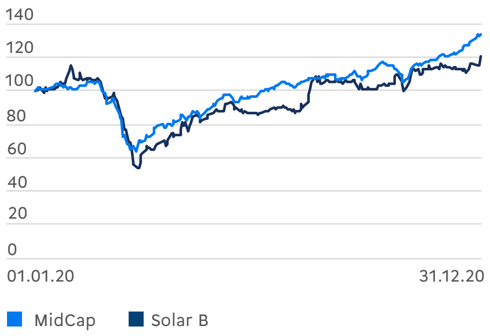
SHAREHOLDER INFORMATION

DIVIDENDS
Solar's ambition is to pay an attractive return to shareholders. At the Annual General Meeting, the Board of Directors will propose distributing DKK 204m as dividend, corresponding to DKK 28.00 per share outstanding of DKK 100.

TOTAL SHAREHOLDER RETURN
Total shareholder return on the Solar B share during the holding period from 1 January 2020 to 31 December 2020 was DKK 75 equal to 25% as DKK 14.00 was paid out in dividend and the share price increase amounted to DKK 61 in 2020.

SHARE PRICE DEVELOPMENT
On 31 December 2020, the price of Solar's B share was DKK 360, up from the 2020 starting price of DKK 299. This is an increase of approx. 20% in Solar's share price over the year. By way of comparison, the MidCap index increased 33% in 2020.

Share price development (index)



FINANCIAL CALENDAR 2021

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

WINNER OF THE ANNUAL REPORT AWARD FOR SMALL AND MID-CAP COMPANIES
The highlights in Solar's annual report are the good description of the business model and risks, a good ESG overview and a good description of accounting policies that fits well with the size of the company. We are pleased to contribute to best practice in relation to future annual reporting and thus support the Danish accounting culture.

ANALYSTS

The following financial institutions cover the Solar share:

- Carnegie Bank
- Danske Bank
- Nordea Bank
- SEB

INVESTOR CONTACT

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

BOARD OF DIRECTORS

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

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, Solar's majority shareholder.

In 2020, the Board of Directors elected Jens Peter Toft, Peter Bang and Louise Knauer as members of the Audit Committee. 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 Borum chairs the Remuneration Committee.

EMPLOYEE REPRESENTATIVES

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

ELECTION PERIOD

All board members elected at the Annual General Meeting stand for election each year, whereas employee representatives are elected by 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 are held each year. In 2020, we had nine board meetings and one conference for the Board of Directors.

MEETING ATTENDANCE IN 2020

Board member	Board Meetings	Board Conference	Audit Committee	Remuneration Committee
Jens Borum	8	1	1	1
Jesper Dalsgaard	9	1	-	-
Lars Lange Andersen	9	1	-	-
Peter Bang	9	1	9	-
Morten Chrone	9	1	-	-
Ulrik Damgaard	9	1	-	-
Bent Frisk	9	1	-	-
Louise Knauer	9	1	8	1
Jens Peter Toft	8	1	9	1

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 2020: DKK 712,500
- Holds 118,520 Solar B shares. Did not trade Solar shares in 2020.

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 2020: DKK 418,750.
- Holds 1,100 Solar B shares. Acquired 600 Solar shares in 2020.

Lars Lange Andersen

Born 1968, joined 2010
Employee-elected member

- Head of F&B Scandinavia.
- Remuneration 2020: DKK 200,000.
- Holds 93 Solar B shares. Did not trade Solar shares in 2020.

Peter Bang

Born 1969, joined 2018

- Executive Director & CFO, VELUX.
- Cand.oecon. 1994 from Aarhus University, specialising in business economics and financing.
- Seat on seven internal boards of the VELUX group. CEO and member of the board of O.B. Holding Aabenraa ApS and member of the board of directors of BIMobject.
- Experience within construction, climate/energy, globalisation, digitalisation, organisational development, change management, communication as well as finance and performance management.
- Remuneration 2020: DKK 400,000.
- Holds 1,200 Solar B shares. Acquired 800 Solar shares in 2020.

Morten Chrone

Born 1966, joined 2019

- Group CEO, Unisport Saltex Oy
- MBA 2001 and B.Eng. in Civil and Constructional Engineering 1994.
- Chairman of the board of Unisport Scandinavia ApS and CEO of Mads ApS.
- Has held management positions within the construction industry/wholesale business in Denmark and abroad for the past 25 years and has significant knowledge of Solar's core business and the markets we operate in.
- Remuneration 2020: DKK 312,500.
- Holds 712 Solar B shares. Acquired 302 Solar shares in 2020.

BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS

Ulrik Damgaard

Born 1973, joined 2014
Employee-elected member

- Regional Director.
- Remuneration 2020: DKK 200,000.
- Holds 60 Solar B shares. Did not trade Solar shares in 2020.

Bent H. Frisk

Born 1961, joined 2006
Employee-elected member

- Central Warehouse Manager.
- Remuneration 2020: DKK 200,000.
- Holds 60 Solar B shares. Did not trade Solar shares in 2020.

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, CC Fly Holding II A/S, CC Globe Holding I ApS, CC Globe Holding II A/S, Skako A/S and two subsidiaries hereof.
- Possesses experience as CEO and member of executive committees with developing strategies and companies both nationally and internationally. Expertise within technologically-driven innovation, digitalization, data/AI/ML and cyber security.
- Remuneration 2020: DKK 393,750.
- Holds 381 Solar B shares. Did not trade Solar shares in 2020.

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, Danske Invest Index 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 2020: DKK 500,000.
- Holds 1,250 Solar B shares. Did not trade Solar shares in 2020.

EXECUTIVE MANAGEMENT

EXECUTIVE BOARD AND SOLAR GROUP MANAGEMENT

Jens E. Andersen

Born 1968
CEO and MD Denmark

- Chairman of the boards of directors of 8 Solar Group subsidiaries.
- Member of the boards of directors of VELTEK, Associated Danish Ports A/S and HF Christiansen Holding A/S and two subsidiaries hereof.
- Holds 5,520 Solar B shares of which 1,040 were purchased in 2020.
- Holds 2,709 share options and 5,076 restricted share units. 2,666 restricted share units were granted in 2020. 2,912 share options expired in 2020.

- Remuneration: DKK 9.3m.

Hugo Dorph

Born 1965
CCO

- Member of the boards of directors of 5 Solar Group subsidiaries.
- Chairman of the board of directors of Flexya A/S, Flexya Innovations A/S and HomeBob A/S.
- Member of the boards of directors of LetsBuild Denmark ApS.
- Holds no Solar shares.
- Holds 2,703 share options and 2,738 restricted share units. 1,341 restricted share units were granted in 2020. 2,928 share options expired in 2020.

- Remuneration: DKK 5.3m.

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.
- Holds 2,186 share options and 2,496 restricted share units. 1,331 restricted share units were granted in 2020. 2,432 share options expired in 2020.

- Remuneration: DKK 4.9m.

SOLAR GROUP MANAGEMENT

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

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

Michiel Rohrman
Born 1967
Senior Vice President & MD the Netherlands

Frank Simonsen
Born 1978
Senior Vice President, Finance

Ole Sørensen
Born 1971
Senior Vice President, Industry Sales

Dariusz Targosz
Born 1969
Senior Vice President & MD Poland

Bauke Zeinstra
Born 1966
Senior Vice President & MD MAG45

FINANCIAL STATEMENTS

SHIPMENTS
Solar's drop shipments totalled 2.5 million in 2020

00:19

EFFICIENT LOGISTICS
As time is of the essence, we use night deliveries. Our customers can place their orders until 6pm and receive their materials before starting work the next day.

CONSOLIDATED FINANCIAL STATEMENTS 2020

CONTENTS

SUMMARY FOR THE SOLAR GROUP

2016-2020

Income statement (DKK million)	2020	2019	2018	2017	2016
Revenue	11,465	11,679	11,098	11,061	10,420
Earnings before interest, tax, depreciation and amortisation (EBITDA)	637	538	379	362	368
Earnings before interest, tax and amortisation (EBITA)	455	360	327	310	312
Earnings before interest and tax (EBIT)	248	260	224	176	256
Financials, net	-40	-35	-35	70	-33
Earnings before tax (EBT)	300	120	237	176	223
Net profit for the year	222	64	133	19	125

Balance sheet (DKK million)	2020	2019	2018	2017	2016
Non-current assets	1,339	1,756	1,516	1,522	1,397
Current assets	3,268	3,234	3,117	3,195	3,109
Balance sheet total	4,607	4,990	4,633	4,717	4,506
Equity	1,696	1,592	1,638	1,591	1,683
Non-current liabilities	498	503	543	557	375
Current liabilities	2,413	2,895	2,452	2,569	2,448
Interest-bearing liabilities, net	128	921	461	489	43
Invested capital	1,760	2,297	1,797	1,790	1,744
Net working capital, year-end	1,109	1,280	1,090	1,081	998
Net working capital, average	1,322	1,386	1,182	1,133	1,187

Cash flow (DKK million)	2020	2019	2018	2017	2016
Cash flow from operating activities, continuing operations	813	300	224	7	203
Cash flow from investing activities, continuing operations	162	-194	-112	-342	-152
Cash flow from financing activities, continuing operations	-627	-110	-108	99	-388
Net investments in intangible assets	-50	-35	-88	-106	-88
Net investments in property, plant and equipment	-25	-110	-59	-14	51
Acquisition and divestment of subsidiaries and operations, net	0	-35	50	-16	-97

Financial ratios (% unless otherwise stated)	2020	2019	2018	2017	2016
Revenue growth	-1.8	5.2	0.3	6.4	5.2
Organic growth	-1.2	4.8	1.8	6.4	3.2
Organic growth adjusted for number of working days	-2.0	4.9	2.2	7.0	2.3
Gross profit margin	21.0	20.1	20.2	20.7	21.1
EBITDA margin	5.6	4.6	3.4	3.3	3.5
EBITA margin	4.0	3.1	2.9	2.8	3.0
EBIT margin	2.2	2.2	2.0	1.6	2.5
Effective tax rate	26.0	45.2	23.3	17.0	28.3
Net working capital (year-end NWC)/revenue (LTM)	9.7	11.0	9.8	9.7	8.4
Net working capital (average NWC)/revenue (LTM)	11.5	11.9	10.6	10.2	10.1
Gearing (net interest-bearing liabilities/EBITDA), no. of times	0.2	1.7	1.2	1.3	0.1
Return on equity (ROE)	13.5	4.0	8.2	1.2	7.1
Return on invested capital (ROIC)	13.8	8.3	8.1	6.3	10.0
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	5.8	7.9	6.8	10.4	8.8
Equity ratio	36.8	31.9	35.4	33.7	37.4

SUMMARY FOR THE SOLAR GROUP

2016-2020 – continued

Share ratios (DKK unless otherwise stated)	2020	2019	2018	2017	2016
Earnings per share outstanding (EPS)	30.42	8.77	18.22	2.60	16.50
Intrinsic value per share outstanding	232.38	218.13	224.44	218.00	230.60
Cash flow from operating activities per share outstanding	111.40	41.11	30.67	0.96	26.77
Share price	353.70	297.31	284.12	414.52	361.80
Share price/intrinsic value	1.52	1.36	1.27	1.90	1.57
Dividends per share	28.00	14.00	14.00	10.00	12.00
Dividend in % of net profit for the year (payout ratio)	91.9	159.4	76.7	385.6	70.2
Price Earnings (P/E)	11.6	33.9	15.6	159.2	21.9

Employees					
Average number of employees (FTEs), continuing operations	2,935	3,039	2,941	2,870	2,814

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

In general, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial 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 regarding STI for 2017 and 2018, and Claessen ELGB N.V. and GFI GmbH for 2016 and 2017. In accordance with IFRS, the balance sheet has not been restated.

STATEMENT OF COMPREHENSIVE INCOME

Income statement

Note	DKK million	2020	2019
4	Revenue	11,465	11,679
	Cost of sales	-9,060	-9,326
	Gross profit	**2,405**	**2,353**
	Other operating income and costs	8	9
28	External operating costs	-288	-329
5	Staff costs	-1,465	-1,477
6	Loss on trade receivables	-23	-18
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**637**	**538**
7	Depreciation and write-down on property, plant and equipment	-182	-178
	Earnings before interest, tax and amortisation (EBITA)	**455**	**360**
7	Amortisation and impairment of intangible assets	-207	-100
	Earnings before interest and tax (EBIT)	**248**	**260**
13	Share of net profit from associates	-12	-19
13	Impairment and gain from divestment of associates	104	-86
23	Financial income	24	18
24	Financial expenses	-64	-53
	Earnings before tax (EBT)	**300**	**120**
8	Income tax	-78	-54
	Profit of continuing operations	**222**	**66**
19	Loss of discontinued operations	0	-2
9	**Net profit for the year**	**222**	**64**
21	Earnings in DKK per share outstanding (EPS) for the year	30.42	8.77
21	Diluted earnings in DKK per share outstanding (EPS-D) for the year	30.38	8.77
21	Earnings in DKK per share outstanding (EPS) of continuing operations for the year	30.42	9.04
21	Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations for the year	30.38	9.04

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

Other comprehensive income

DKK million	2020	2019
Net profit for the year	**222**	**64**
Other income and costs recognised:		
Items that can be reclassified for the income statement		
Foreign currency translation adjustments of foreign subsidiaries	-22	0
Fair value adjustments of hedging instruments before tax	7	-10
Tax on fair value adjustments of hedging instruments	-1	2
Other income and costs recognised after tax	**-16**	**-8**
Total comprehensive income for the year	**206**	**56**

BALANCE SHEET

as at 31 December

Notes	DKK million	2020	2019
	Assets		
10	Intangible assets	157	315
11	Property, plant and equipment	818	865
12	Right-of-use assets	288	341
8	Deferred tax assets	3	10
13	Investments in associates	2	146
	Other non-current assets	71	79
	Non-current assets	**1,339**	**1,756**
14	Inventories	1,531	1,666
15	Trade receivables	1,271	1,428
	Income tax receivable	13	14
	Other receivables	8	8
	Prepayments	41	62
	Cash at bank and in hand	404	56
	Current assets	**3,268**	**3,234**
	Total assets	**4,607**	**4,990**

Notes	DKK million	2020	2019
	Equity and liabilities		
20	Share capital	736	736
	Reserves	-195	-179
	Retained earnings	951	933
	Proposed dividends for the financial year	204	102
	Equity	**1,696**	**1,592**
22	Interest-bearing liabilities	199	156
12, 22	Lease liabilities	189	231
8	Provision for deferred tax	98	103
16	Other provisions	12	13
	Non-current liabilities	**498**	**503**
22	Interest-bearing liabilities	41	477
22	Lease liabilities	103	113
	Trade payables	1,693	1,814
	Income tax payable	21	10
17	Other payables	544	464
	Prepayments	2	4
16	Other provisions	9	13
	Current liabilities	**2,413**	**2,895**
	Liabilities	**2,911**	**3,398**
	Total equity and liabilities	**4,607**	**4,990**

CASH FLOW STATEMENT

Notes	DKK million	2020	2019
	Net profit or loss of continuing operations for the year	222	66
	Write-down negative goodwill	0	-18
7	Depreciation, write-down and amortisation	389	278
	Impairment and gain from divestment of associates	-104	86
	Changes to provisions and other adjustments	-3	-6
	Share of net profit from associates	12	19
23,24	Financials, net	40	35
	Income tax	78	54
23	Financial income, received	7	8
24	Financial expenses, settled	-47	-41
	Income tax, settled	-65	-62
	Cash flow before working capital changes	**529**	**419**
	Working capital changes		
	Inventory changes	126	-92
	Receivables changes	173	21
	Non-interest-bearing liabilities changes	-15	-48
	Cash flow from operating activities, continuing operations	**813**	**300**
	Cash flow from operating activities, discontinued operations	0	-2
	Cash flow from operating activities	**813**	**298**

Notes	DKK million	2020	2019
	Investing activities		
10	Purchase of intangible assets	-50	-35
	Purchase of property, plant and equipment	-33	-110
	Disposal of property, plant and equipment	8	0
18	Acquisition of subsidaries and activities	0	-40
	Acquisition of associates	-2	0
	Divestment of subsidiaries and activities	0	5
	Divestment of associates[1]	240	0
	Other financial investments	-1	-14
	Cash flow from investing activities, continuing operations	**162**	**-194**
	Cash flow from investing activities, discontinued operations	0	0
	Cash flow from investing activities	**162**	**-194**
	Financing activities		
	Repayment of non-current interest-bearing debt	-252	-9
	Raising of non-current interest-bearing liabilities	53	0
	Change in current interest-bearing debt	-205	118
12	Instalment on lease liabilities	-121	-117
	Dividends distributed	-102	-102
	Cash flow from financing activities, continuing operations	**-627**	**-110**
	Cash flow from financing activities, discontinued operations	0	0
	Cash flow from financing activities	**-627**	**-110**
	Total cash flow	**348**	**-6**
	Cash at bank and in hand at the beginning of the year	56	65
19	Assumed on disposal of subsidaries	0	-3
	Foreign currency translation adjustments	0	0
	Cash at bank and in hand at the end of the year	**404**	**56**
	Cash at bank and in hand at the end of the year		
	Cash at bank and in hand	404	56
	Cash at bank and in hand at the end of the year	**404**	**56**

1) DKK 237m relates to the divestment of our shareholding in BIMobject.

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			-22			-22
Fair value adjustments of hedging instruments before tax		7				7
Tax on fair value adjustments		-1				-1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	6	-22	0	0	-16
Net profit for the year				18	204	222
Comprehensive income	**0**	**6**	**-22**	**18**	**204**	**206**
Distribution of dividends (DKK 14,00 per share)					-102	-102
Reduction in share capital						0
Transactions with the owners	**0**	**0**	**0**	**0**	**-102**	**-102**
Equity as at 31 December	**736**	**-60**	**-135**	**951**	**204**	**1,696**

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						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.

1

General accounting policies

The consolidated financial statements of Solar A/S for 2020 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
No additional standards have been implemented in 2020. We have implemented new amendments and interpretations on existing IFRS standards, including Amendment to IFRS 16 Leases: COVID 19-Related Rent Concessions. These changes have only insignificant 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.

1

General accounting policies – continued

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.

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.

1

General accounting policies – continued

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

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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 35-37.

4

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 special sales and 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
2020				
Revenue	7,045	3,546	874	11,465
Cost of sales	-5,645	-2,716	-699	-9,060
Gross profit	**1,400**	**830**	**175**	**2,405**
Direct costs	-234	-99	-22	-355
Earnings before indirect costs	**1,166**	**731**	**153**	**2,050**
Indirect costs	-542	-170	-50	-762
Segment profit	**624**	**561**	**103**	**1,288**
Non-allocated costs				-651
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**637**
Depreciation and amortisation				-389
Earnings before interest and tax (EBIT)				**248**
Financials, net incl. share of net profit from associates and impairment on associates				52
Earnings before tax (EBT)				**300**

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 Trade.

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

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

4

Segment information – continued

DKK million	Installation	Industry	Trade	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, including share of net profit from associates and impairment on associates				-140
Earnings before tax (EBT)				**120**

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

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
2020					
Denmark	3,642	3.2	251	6.9	1,757
Sweden	2,455	-8.7	53	2.2	198
Norway	1,807	-1.9	95	5.3	171
The Netherlands	2,893	-2.4	47	1.6	350
Poland	359	-12.0	5	1.4	27
Other markets	41	21.3	5	12.2	5
Eliminations	-307	-	0	0.0	-1,220
Core business	**10,890**	**-2.2**	**456**	**4.2**	**1,288**
Several markets (MAG45)	560	3.1	0	0.0	51
Other markets	15	-10.9	-1	-6.7	0
Related business	**575**	**2.7**	**-1**	**-0.2**	**51**
Solar Group	**11,465**	**-2.0**	**455**	**4.0**	**1,339**

DKK million	Revenue	Adjusted organic growth	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 Netherlands	2,965	7.6	65	2.2	360
Poland	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)	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**

5

Staff costs

DKK million	2020	2019
Salaries and wages etc.[1]	1,216	1,226
Pensions, defined contribution	99	94
Costs related to social security	148	156
Share-based payment	2	1
Total	**1,465**	**1,477**
Average number of employees (FTEs)	2,935	3,039
Number of employees at year-end (FTEs)	2,864	3,041
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Remuneration and bonus	18	16
Share-based payment[2]	1	1
Total	**19**	**17**

1) In 2020, Solar received DKK 15m from furlough schemes due to COVID-19 which is included in salaries and wages
2) See note 25 share-based payment

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	2020	2019
Recognised losses	22	17
Received on trade receivables previously written off	-4	-2
	18	15
Change in write-down for bad and doubtful debts	5	3
Total	**23**	**18**

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

7

Depreciation, write-down, amortisation and impairment

DKK million	2020	2019
Buildings	24	27
Plant, operating equipment, tools and equipment	34	29
Leasehold improvements	4	2
Tenancy, lease	85	83
Cars, lease	26	28
IT equipment, lease	6	6
Technical equipment, lease	2	2
Other lease	1	1
Total depreciation and write-down on property, plant and equipment	**182**	**178**
Customer-related assets	1	2
Software	67	73
Impairment on intangible assets	139	25
Total amortisation and impairment of intangible assets	**207**	**100**

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	2020	2019
Current tax	78	62
Deferred tax	3	-8
Tax on profit for the year	**81**	**54**
Tax on taxable profit previous year	1	0
Adjustment of deferred tax for previous years	-4	0
Total	**78**	**54**
Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Tax base change for non-capitalised loss in subsidiaries	1.8%	1.8%
Change to tax rates in Sweden	0.0%	-0.6%
Impairment on / gain from sale of / reversal of impairment on associates	-7.7%	15.7%
Non-taxable/deductible items in parent company	0.8%	4.5%
Non-taxable/deductible items and differing tax rates compared to Danish tax rate in foreign subsidiaries	10.2%	1.7%
Tax for previous years	-1.1%	0.1%
Effective tax rate	**26.0%**	**45.2%**

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	2020	2019
Provision for deferred tax		
1/1	93	103
Foreign currency translation adjustments	1	0
Acquired or divested enterprises	0	0
Recognised in other comprehensive income	1	-2
Ordinary tax recognised in income statement	-1	-8
Other items	1	0
Total 31/12	**95**	**93**
Specified as follows:		
Deferred tax liabilities	98	103
Deferred tax assets	-3	-10
Total deferred tax, net	**95**	**93**
Further specified as follows:		
Expected use within 1 year	-9	-10
Expected use after 1 year	104	103
Total, net	**95**	**93**
Not recognised in balance sheet:		
Deferred tax assets	58	42

Deferred tax assets not recognised in the balance sheet are the part of tax losses where it is not considered sufficiently certain that the tax losses can be realised within a short time frame 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 2029 (2028).

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	2020	2019
Specification by balance sheet items						
Property, plant and equipment	44	0	0	-4	40	44
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]	57	1	0	5	63	57
Total, net	**93**	**1**	**0**	**1**	**95**	**93**

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

9

Net profit for the year

DKK million	2020	2019
Proposed distribution of net profit for the year:		
Proposed dividends, parent	204	102
Retained earnings	18	-38
Net profit for the year	**222**	**64**
Dividends in DKK per share of DKK 100[1]	28.00	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
2020				
Cost 1/1	269	277	642	1,188
Foreign currency translation adjustment	0	1	-1	0
Additions during the year	0	0	50	50
Disposals during the year[1]	-269	0	-1	-270
Cost 31/12	**0**	**278**	**690**	**968**
Amortisation 1/1	140	272	461	873
Foreign currency translation adjustment	0	1	0	1
Amortisation during the year	0	1	67	68
Impairments during the year	129	0	10	139
Amortisation of abandoned assets	-269	0	-1	-270
Amortisation and impairment 31/12	**0**	**274**	**537**	**811**
Carrying amount 31/12	**0**	**4**	**153**	**157**
Remaining amortisation period in number of years	**-**	**1-5**	**1-8**	**-**

1) Due to impairment of goodwill, see pages 73-74.

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
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 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

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 2019 in brackets)
Management has completed the impairment test of the carrying amount of goodwill and software. The impairment test was based on our new Core+ strategy, estimates and expectations as well as other assumptions approved by the Executive Board and the 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 the 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, the impairment tests made are based on the new strategy for 2021-2023 approved by the Executive Board and the Board of Directors in December 2020. A budget period of 5 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 5 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 the future expected cash flow. In general, expected growth for 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 result in that the carrying amount of goodwill is 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 the group's goodwill arises from the acquisition of the Swedish enterprise Alvesta V.V.S.-Material AB (wholesale of heating & plumbing materials).

The impairment test as of 31 December 2020 shows that the carrying amount of goodwill exceeds its recoverable amount with the full carrying amount, DKK 129m, and consequently, goodwill has been written down to DKK 0m.

The recoverable amount has been determined at a maximum of DKK 280m, whereas the carrying amount including goodwill amounts to DKK 415m.

The impairment test is based on the Swedish part of the installation segment. The installation segment comprises two divisions: the electrical division and the heating & plumbing division. The electrical division is delivering the majority of both revenue and earnings.

Compared to the assumptions used in 2019, the actual segment growth and result for 2020 were substantially below the assumptions used.

Value in use is based on the Swedish part of the installation segment and on the following main assumptions:

- The growth rate for 2021 is 2% (6%)
- Growth rate for 2022-2025 is 3.0-3.4% (2.5%)
- Gross margin increase of approx. 1% (0%) over the budget period
- Expected growth rate in the terminal period: 2% (2%)

The discount rate (WACC) used to calculate the recoverable amount is 9.5% (8.5%) in order to compensate for the risk. Historically it has proven very difficult to prepare accurate long-term estimates in Solar Sverige. Therefore, a 20% estimated discount has been applied to the estimated cash flow.

11

Property, plant and equipment

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2020					
Cost 1/1	1,164	558	74	48	1,844
Foreign currency translation adjustments	-10	-4	-1	0	-15
Additions during the year	1	67	5	13	86
Disposals during the year	0	-16	-2	-53	-71
Cost 31/12	**1,155**	**605**	**76**	**8**	**1,844**
Write-down and depreciation 1/1	454	470	55	0	979
Foreign currency translation adjustments	-3	-1	-1	0	-5
Write-down and depreciation during the year	24	34	4	0	62
Write-down and depreciation of abandoned assets	0	-8	-2	0	-10
Write-down and depreciation 31/12	**475**	**495**	**56**	**0**	**1,026**
Carrying amount 31/12	**680**	**110**	**20**	**8**	**818**

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
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 – 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
2020						
Cost 1/1	353	76	16	8	2	455
Foreign currency translation adjustments	-1	0	0	0	0	-1
Additions during the year	163	23	14	2	0	202
Disposals during the year[1]	-171	-13	-9	-1	0	-194
Cost 31/12	**344**	**86**	**21**	**9**	**2**	**462**
Write-down and depreciation 1/1	81	24	6	2	1	114
Foreign currency translation adjustments	0	0	0	0	0	0
Write-down and depreciation during the year	85	26	6	2	1	120
Write-down and depreciation of abandoned assets	-42	-11	-7	0	0	-60
Write-down and depreciation 31/12	**124**	**39**	**5**	**4**	**2**	**174**
Carrying amount 31/12	**220**	**47**	**16**	**5**	**0**	**288**

1) Disposals relate to expiration and renewal of contracts.

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:

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

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

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

12

Leases – continued

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**

12

Leases – continued

Long-term lease liabilities

DKK million	2020	2019
Maturity > 1 year < 5 years, undiscounted	166	178
Maturity > 5 years, undiscounted	29	64
Long-term lease liabilities 31/12, undiscounted	195	242
Discounting on lease liabilities > 1 year < 5 years	-5	-7
Discounting on lease liabilities > 5 years	-1	-4
Long-term lease liabilities 31/12	**189**	**231**

Amounts recognized in the income statement		
Depreciation of right-of-use assets	120	120
Interest expense on lease liabilities	5	5
Expense relating to short-term leases	0	1
Expense relating to leases of low-value items	1	1
Expense relating to variable lease payments not included in the measurement of lease liabilities	10	11
Total	**136**	**138**

Cash outflows for leases		
Instalment on lease liabilities	-121	-117
Interest payments	-5	-5
Total cash outflows for leases	**-126**	**-122**

Future cash outflows not recognised as lease liabilities in the balance sheet amount to DKK 0m (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 24m (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 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 2020 are between 1.3% (0.6%) and 4.0% (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	2020	2019
Cost 1/1	273	273
Foreign currency translation adjustment	0	0
Additions during the year	2	0
Transferred to other investments	-3	0
Disposals during the year	-256	0
Cost 31/12	**16**	**273**
Adjustments 1/1	-127	-22
Foreign currency translation adjustment	0	0
Profit from associates	-12	-19
Impairment/reversal of impairment[2]	81	-86
Transferred to other investments	2	0
Disposals during the year	42	0
Value adjustment 31/12	**-14**	**-127**
Carrying amount 31/12	**2**	**146**

Impairment and realised gain from sale of associates, DKK million	2020	2019
Impairment/reversal of impairment	81	-86
Realised gain from sale of associates	23	0
Impairment on associates, total	**104**	**-86**

1) Associates include the following investments:
- BIMobject where Solar owns 0% compared to 17.2% last year. In 2020, Solar divested its shareholding in BIMobject with a gain of DKK 23m
- Monterra where Solar owns 30.0%
- HomeBob where Solar owns 44.5%
- Zolw where Solar owns 24.4%
- The investment in VivaLabs was transferred to Other investments due to Solar's ownership was reduced after divestment of shares. Solar owns 7.89% compared to 20.0% last year.

2) Impairment/reversal of impairment primarily relates to fair value adjustments based on the share price of BIMobject shares which are traded on the First North Exchange. All shares were divested in 2020 cf. announcement no. 16 of 8th October 2020.

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 0% (17,20%) as all shares were divested in 2020 cf. announcement no. 16 of 8th October 2020. Key figures according to 9 months' interim financial statement of 30 September 2020 (30 September 2019) for BIMobject AB.

DKK million	2020	2019
BIMobject AB		
Current assets	-	159
Non-current assets	-	36
Current and non-current liabilities	-	57
Revenue	-	74
Net loss for the period	-	-61
Other comprehensive income	-	-2
Total comprehensive income for the period	-	-63
Equity	**-**	**138**
Solar's share of net profit from associates regarding the 12 months' period **1 October 2019 - 30 September 2020 (1 October 2018 - 30 September 2019)** as to reporting from BIMobject AB	**-12**	**-15**

DKK million	2020	2019
Investments in associates		
Solar A/S ownershare of equity in BIMobject AB	-	24
Goodwill	**-**	**115**
Booked value, investment BIMobject AB		**139**
Other associates	-	7
Total	**-**	**146**
Fair value according to First North Exchange (level 1) 31/12, investment BIMobject AB	**-**	**139**

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Inventories

DKK million	2020	2019
End products	**1,531**	**1,666**
Recognised write-down	-2	6

The main reasons for the recognised write-downs are sales and scrapping of previously written-down products.

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	2020	2019
Maturity statement, trade receivables		
Not due	1,215	1,133
Past due for 1-30 day(s)	66	244
Past due for 31-90 days	6	55
Past due for 91+ days	13	20
	1,300	1,452
Write-down	-29	-24
Total	**1,271**	**1,428**
Write-down based on:		
Age distribution	6	4
Individual assessment	23	20
Total	**29**	**24**
Write-down 1/1	24	21
Foreign currency translation adjustment	0	0
Write-down for the year	11	9
Losses realised during the year	-4	-4
Reversed for the year	-2	-2
Write-down 31/12	**29**	**24**

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% (0.3%) 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 1.8% (1.4%) of gross trade receivables. As the total write-down on trade receivables amounts to less than 3% (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, 70% of trade receivables is covered by insurance against 76% at year-end 2019.

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

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Other provisions

DKK million	2020	2019
Non-current		
Other provisions	12	13
Total 31/12	**12**	**13**
Specification, non-current		
1/1	13	19
Reversed during the year	-2	-9
Provisions of the year	1	3
Total 31/12	**12**	**13**
Current		
Other provisions	9	13
Total 31/12	**9**	**13**
Specification, current		
1/1	13	2
Reversed during the year	-13	-2
Provisions of the year	9	13
Total 31/12	**9**	**13**

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	2020	2019
Staff costs	232	215
Taxes and charges	164	111
Interest rate swaps	77	84
Other payables and amounts payable	71	54
Total	**544**	**464**

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

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. -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)	2020	2019
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 triggered a similar adjustment of the acquisition price.

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Assets and liabilities held for sale

Discontinued operations
On 20 December 2018, Solar A/S has 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 has been 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	2020	2019
Revenue	-	12
Cost of sales	-	-1
Gross profit	**-**	**11**
Costs	-	-13
Earnings before interest and tax (EBIT)	**-**	**-2**
Financials	-	0
Earnings before tax (EBT)	**-**	**-2**
Tax on net loss for the period	-	0
Net loss for the period	**-**	**-2**
Write-down to fair value less cost to sell	-	0
Net loss of discontinued operations	**-**	**-2**
Earnings from discontinued operations in DKK per share outstanding (EPS)	-	-0.27
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	-	-0.27

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 113m (DKK 109m) 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	2020	2019
Share capital 1/1	736	775
Reduction of share capital	0	-39
Share capital 31/12	**736**	**736**

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 (6,460,000) at DKK 100	646	646
Total	**736**	**736**

In 2019, the share capital was reduced by 385,625 B shares.

	Number of shares		Nominal value (DKK million)	
	2020	2019	2020	2019
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	
	2020	2019	2020	2019	2020	2019	2020	2019
Holding 1/1	61,708	447,333	6	45	24	176	0.8%	5.8%
Cancellation	0	-385,625	0	-39	0	-152	0.0%	-5.0%
Holding 31/12	**61,708**	**61,708**	**6**	**6**	**24**	**24**	**0.8%**	**0.8%**

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	2020	2019
Net profit for the year in DKK million	222	64
Average number of shares	7,360,000	7,485,724
Average number of treasury shares	-61,708	-187,432
Average number of shares outstanding	7,298,292	7,298,292
Dilution effect of share options and restricted shares	9,091	22
Diluted number of shares outstanding	**7,307,383**	**7,298,314**
Earnings per share in DKK per share outstanding for the year	30.42	8.77
Diluted earnings per share in DKK per share outstanding for the year	30.38	8.77
Earnings per share from continuing operations in DKK per share outstanding for the year	30.42	9.04
Diluted earnings per share from continuing activities in DKK per share outstanding for the year	30.38	9.04

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

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Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2020	2019
Debt to mortgage credit institutions	Fixed[1]	155	165
Debt to credit institutions	Fixed	0	135
Debt to credit institutions	Floating	53	107
Lease liabilities	Calculated	292	344
Bank loans and overdrafts	Floating	31	226
Interest-bearing liabilities		**531**	**977**
Trade payables		1,693	1,814
Other payables		576	491
Financial liabilities		**2,800**	**3,282**
Cash at bank and in hand		404	56
Trade receivables		1,271	1,428
Other receivables		62	84
Financial assets		**1,737**	**1,568**
Total, net		**1,063**	**1,714**

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:

	2020	2019
Debt to mortgage and credit institutions and lease liabilities 1/1	752	418
Raising of debt to mortgage and credit instutions	53	0
Lease liability recognised as at 1 January 2019 on implementation of IFRS 16	-	289
Lease liability raised during the year	68	173
Repayment of debt to mortgage and credit institutions	-252	-9
Instalment on lease liabilities	-121	-117
Foreign currency translation adjustment	0	-2
Debt to mortgage and credit institutions and lease liabilities 31/12	**500**	**752**

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	2020	2019
Maturity < 1 year		
Debt to mortgage credit institutions	9	9
Debt to credit institutions	0	242
Lease liabilities	103	113
Bank loans and overdrafts	32	226
Current interest-bearing liabilities	**144**	**590**
Other financial liabilities	2,269	2,305
Financial liabilities	**2,413**	**2,895**
Financial assets	**1,737**	**1,568**
Total, net	**676**	**1,327**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	36	36
Debt to credit institutions	53	0
Lease liabilities	161	171
Total	**250**	**207**
Maturity > 5 years		
Debt to mortgage credit institutions	110	120
Lease liabilities	28	60
Total	**138**	**180**
Total non-current liabilities	**388**	**387**
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	2020	2019	2020	2019
NOK	8.2	4.0	39.4	35.7
SEK	-7.0	3.7	29.3	38.0
PLN	1.3	0.8	6.7	6.4
Total	2.4	8.5	75.4	80.1

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	2020	2019
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	12	15
1-5 year(s)	32	36
> 5 years	37	46
Total	**81**	**97**
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	164	192
Interest rate in % for outstanding interest swaps	5.2	5.2
Fair value recognised as other payables under current liabilities	-77	-84

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

Amounts recognised in other comprehensive income		
Adjustment to fair value for the year	-10	-18
Realised during the year, recognised as financial income/expenses	17	8
Total	**7**	**-10**
Effect of a 1% interest rate increase		
Effect on equity	**15**	**22**
Of this, earnings impact is	**0**	**-3**
Undrawn credit facilities 31/12	**474**	**383**

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	2020	2019	2020	2019
EUR	9	33	146	156
DKK	0	333	53	0
NOK	0	0	0	0
PLN	0	4	0	0
SEK	32	107	0	0
Total	**41**	**477**	**199**	**156**
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 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 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	2020	2019
Interest income	7	8
Foreign exchange gains	17	10
Total	**24**	**18**
Financial income, received	**7**	**8**

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Financial expenses

DKK million	2020	2019
Interest expenses	28	32
Foreign exchange losses	17	12
Interest on lease liabilities	5	5
Other financial expenses	14	4
Total	**64**	**53**
Financial expenses, settled	**47**	**41**

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Share-based payment

Share option plans

DKK million	Executive Board	Others	Total
No. of share options at year-end 2020			
Outstanding at the beginning of 2020	15,870	36,933	52,803
Expired	-8,272	-20,126	-28,398
Outstanding at year-end 2020	**7,598**	**16,807**	**24,405**
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**

DKK million	2020	2019
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	37%	26%
Expected dividends in proportion to market value	4%	5%
Risk-free interest rate	0%	0%

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
Executive Board			
Granted	0	9,261	7,297
Transferred on change to the Executive Board	0	-1,663	975
Expired	0	0	-8,272
Total	**0**	**7,598**	**0**
Others			
Granted	2,322	14,457	21,101
Transferred on change to the Executive Board	0	1,663	-975
Forfeited on resignation of management employees	0	-1,635	0
Expired	0	0	-20,126
Total	**2,322**	**14,485**	**0**
Exercise price[1]	**391.80**	**373.84**	**335.21**
Exercise period			
10 banking days following the publication of the annual report in	2021/2022	2020/2021	2019/2020

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

Restricted share units

In accordance with Solar's remuneration policy and general guidelines for incentive-based remuneration, the Board of Directors decided to grant restricted shares to the Executive Board and management team in 2020 and 2019. Overall, the grant of shares is covered by the same terms as the previous grants of share options.

Restricted shares are granted for no consideration and provide the holder with a right and an obligation to receive B shares at a nominal value of DKK 100. The price at the time of granting is fixed at DKK 319.39 (297.7) based on the average price on Nasdaq Copenhagen the first 10 business days after publication of Annual Report 2019 (2018). The restricted shares vest three years after the time of granting, meaning that this grant of shares vests in 2023 (2022). At this point, the holder may exercise the restricted share granting.

The number of granted shares was adjusted by +810 (+487) shares in 2020 (2019) due to dividend distribution. General information on Solar's incentive scheme is available on our website: https://www.solar.eu/investor/policies.

Restricted share units

No. of restricted share units at year-end 2020	Executive Board	Others	Total
Outstanding at the beginning of 2020	4,972	5,739	10,711
Granted in 2020	4,904	2,760	7,664
Adjustment due to dividend distribution	434	376	810
Outstanding at year-end 2020	**10,310**	**8,875**	**19,185**
No. of restricted share units at year-end 2019			
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**

Specification of restricted share units, no. of shares	Year of granting 2020	2019	2018
Executive Board			
Granted	4,904	2,690	2,006
Adjustment due to dividend distribution	216	256	238
Total	**5,120**	**2,946**	**2,244**
Others			
Granted	2,760	4,380	1,333
Forefeited on resignation of management employees	0	0	-269
Exercised	0	0	0
Adjustment due to dividend distribution	121	415	135
Total	**2,881**	**4,795**	**1,199**
Price at time of granting	**319.39**	**297.70**	**399.19**
Vesting year	**2023**	**2022**	**2021**

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Contingent liabilities and other financial liabilities

DKK million	2020	2019
Collateral		
Assets have been pledged as collateral for bank arrangements at a carrying amount of:		
Land and buildings	402	471
Current assets	0	78
Total	**402**	**549**

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, 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.

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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	2020	2019
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 Presentation of Financial Statements: Classification of Liabilities as Current or Noncurrent, effective 1 January 2023.
- 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.

The amendments are effective for accounting periods beginning on or after 1 January 2021.
They are not expected to have significant impact on Solar's accounting policies.

SEPARATE FINANCIAL STATEMENTS

CONTENTS

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

Income statement

Note	DKK million	2020	2019
	Revenue	3,642	3,489
	Cost of sales	-2,785	-2,679
	Gross profit	**857**	**810**
	Other operating income and costs	37	35
21	External operating costs	-31	-29
3	Staff costs	-527	-504
4	Loss on trade receivables	-8	-5
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**328**	**307**
5	Depreciation and write-down on property, plant and equipment	-46	-45
	Earnings before interest, tax and amortisation (EBITA)	**282**	**262**
5	Amortisation and impairment of intangible assets	-75	-69
	Earnings before interest and tax (EBIT)	**207**	**193**
	Profit from subsidiaries	-12	33
	Write-down of subsidiaries held for sale	0	0
	Share of net profit from associates	-12	-19
	Impairment and gain from divestment of associates	104	-86
18	Financial income	16	13
19	Financial expenses	-41	-30
	Earnings before tax (EBT)	**262**	**104**
6	Income tax	-40	-40
7	**Net profit for the year**	**222**	**64**

Other comprehensive income

DKK million	2020	2019
Net profit for the year	**222**	**64**
Other income and costs recognised:		
Items that can be reclassified for the income statement		
Foreign currency translation adjustments of foreign subsidiaries	-22	0
Fair value adjustments of hedging instruments before tax, parent company	7	-10
Tax on fair value adjustments of hedging instruments, parent company	-1	2
Other income and costs recognised after tax	**-16**	**-8**
Total comprehensive income for the year	**206**	**56**

BALANCE SHEET

as at 31 December

Notes	DKK million	2020	2019
	Assets		
8	Intangible assets	154	181
9	Property, plant and equipment	242	253
10	Right-of-use assets	72	74
11	Investments measured at equity value	1,219	1,457
11	Other non-current assets	69	78
	Non-current assets	**1,756**	**2,043**
12	Inventories	533	506
13	Trade receivables	345	373
	Receivables from subsidiaries	386	379
	Income tax receivable	3	3
	Other receivables	3	4
	Prepayments	16	27
	Cash at bank and in hand	323	0
	Current assets	**1,609**	**1,292**
	Total assets	**3,365**	**3,335**

Notes	DKK million	2020	2019
	Equity and liabilities		
16	Share capital	736	736
	Reserves	-80	-51
	Retained earnings	836	805
	Proposed dividends for the financial year	204	102
	Equity	**1,696**	**1,592**
17	Interest-bearing liabilities	199	156
10	Lease liabilities	51	51
6	Provision for deferred tax	72	79
14	Other provisions	1	2
	Non-current liabilities	**323**	**288**
17	Interest-bearing liabilities	41	342
10	Lease liabilities	22	23
	Trade payables	738	699
	Amounts owed to subsidiaries	282	157
15	Other payables	261	233
	Prepayments	1	1
14	Other provisions	1	0
	Current liabilities	**1,346**	**1,455**
	Liabilities	**1,669**	**1,743**
	Total equity and liabilities	**3,365**	**3,335**

CASH FLOW STATEMENT

Notes	DKK million	2020	2019
	Net profit for the year	222	64
5	Depreciation, write-down and amortisation	121	114
	Impairment and gain from divestment of associates	-104	86
	Changes to provisions and other adjustments	1	-2
	Profit from subsidiaries	12	-33
	Share of net profit from associates	12	19
17, 18	Financials, net	25	17
	Income tax	40	40
17	Financial income, received	9	10
18	Financial expenses, settled	-35	-26
	Income tax, settled	-49	-46
	Cash flow before working capital changes	**254**	**243**
	Working capital changes		
	Inventory changes	-27	26
	Receivables changes	48	18
	Non-interest-bearing liabilities changes	73	-91
	Cash flow from operating activities	**348**	**196**
	Investing activities		
8	Purchase of intangible assets	-47	-30
	Purchase of property, plant and equipment	-9	-24
	Purchase/capital increase subsidiaries	0	-15
	Divestment of subsidiary	0	5
	Divestment of associates[1]	240	0
	Other financial investments	-1	-14
	Cash flow from investing activities	**183**	**-78**

1) DKK 237m relates to the divestment of our shareholding in BIMobject.

Notes	DKK million	2020	2019
	Financing activities		
	Repayment of non-current interest-bearing debt	-145	-9
	Raising of non-current interest-bearing liabilities	53	0
	Change in current interest-bearing liabilities	-167	127
	Instalment on lease liabilities	-26	-27
	Changes to loans to subsidaries	119	-132
	Dividends from subsidiaries	60	25
	Dividends distributed	-102	-102
	Cash flow from financing activities, continuing operations	**-208**	**-118**
	Total cash flow	**323**	**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	**323**	**0**
	Cash at bank and in hand at the end of the year		
	Cash at bank and in hand	323	0
	Cash at bank and in hand at the end of the year	**323**	**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
2020							
Equity as at 1 January	**736**	**-66**	**-113**	**128**	**805**	**102**	**1,592**
Foreign currency translation adjustments of foreign subsidiaries			-22				-22
Fair value adjustments of hedging instruments before tax		7					7
Tax on fair value adjustments		-1					-1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	6	-22	0	0	0	-16
Net profit for the year				-13	31	204	222
Comprehensive income	**0**	**6**	**-22**	**-13**	**31**	**204**	**206**
Distribution of dividends (DKK 14.00 per share)						-102	-102
Transactions with the owners	**0**	**0**	**0**	**0**	**0**	**-102**	**-102**
Equity as at 31 December	**736**	**-60**	**-135**	**115**	**836**	**204**	**1,696**

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
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.

1

General accounting policies

A general description of accounting policies can be found in the consolidated financial statements on pages 58-60, 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

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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 for 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	2020	2019
Salaries and wages etc.[1]	480	462
Pensions, defined contribution	34	30
Costs related to social security	11	11
Share-based payment	2	1
Total	**527**	**504**
Average number of employees (FTEs)	760	765
Number of employees at year-end (FTEs)	766	775
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Remuneration and bonus	18	16
Share-based payment	1	1
Total	**19**	**17**

1) In 2020, Solar received DKK 5m from furlough schemes due to COVID-19 which is included in salaries and wages.

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	2020	2019
Recognised losses	5	5
Received on trade receivables previously written off	0	0
	5	**5**
Change in write-down for bad and doubtful debts	3	0
Total	**8**	**5**

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

5

Depreciation, write-down and amortisation

DKK million	2020	2019
Buildings	11	10
Plant, operating equipment, tools and equipment	8	8
Leasehold improvements	1	0
Tenancy, lease	11	11
Cars, lease	9	10
IT equipment, lease	6	6
Total depreciation and write-down on property, plant and equipment	**46**	**45**
Customer-related assets	1	1
Software	64	68
Impairment of intangible assets	10	0
Total amortisation and impairment of intangible assets	**75**	**69**

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	2020	2019
Current tax	49	47
Deferred tax	-9	-7
Tax on profit or loss for the year	**40**	**40**
Tax on taxable profit previous year	0	0
Total	**40**	**40**

Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Profit from subsidiaries	1.2%	-6.9%
Impairment on / gain from sale of / reversal of impairment on associates	-8.9%	18.1%
Non-taxable/deductible items in parent	1.0%	5.1%
Tax regarding prevoius year	0.0%	0.2%
Effective tax rate	**15.3%**	**38.5%**

Accounting policies

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

6

Income tax – continued

DKK million	2020	2019
1/1	79	88
Recognised in other comprehensive income	1	-2
Ordinary tax recognised in income statement	-9	-7
Other items	1	-
Total 31/12	**72**	**79**
Specified as follows:		
Deferred tax	72	79
Deferred tax assets	0	0
Total deferred tax, net	**72**	**79**
Further specified as follows:		
Expected use within 1 year	0	0
Expected use after 1 year	72	79
Total, net	**72**	**79**

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	2020	2019
Property, plant and equipment	20	0	20	20
Inventories	0	0	0	0
Provisions for loss on receivables	0	0	0	0
Other items[1]	59	-7	52	59
Total, net	**79**	**-7**	**72**	**79**

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

7

Net profit for the year

DKK million	2020	2019
Proposed distribution of net profit for the year:		
Proposed dividends, parent	204	102
Reserves for development costs	-13	-13
Retained earnings	31	-25
Net profit for the year	**222**	**64**
Dividends in DKK per share of DKK 100[1]	28.00	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
2020				
Cost 1/1	9	46	606	661
Additions during the year	0	0	48	48
Disposals during the year	-9	0	-1	-10
Cost 31/12	**0**	**46**	**653**	**699**
Amortisation and impairment 1/1	9	42	429	480
Amortisation during the year	0	1	64	65
Impairment during the year	0	0	10	10
Amortisation of abandoned assets	-9	0	-1	-10
Amortisation and impairment 31/12	**0**	**43**	**502**	**545**
Carrying amount 31/12	**0**	**3**	**151**	**154**
Remaining amortisation period in number of years	**-**	**5**	**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
2019				
Cost 1/1	9	46	576	631
Additions during the year	0	0	30	30
Acquired during the year	0	0	0	0
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 of abandoned assets	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 – 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
2020				
Cost 1/1	409	245	12	666
Additions during the year	1	13	0	14
Disposals during the year	0	-9	-2	-11
Cost 31/12	**410**	**249**	**10**	**669**
Write-down and depreciation 1/1	183	224	6	413
Write-down and depreciation during the year	11	8	1	20
Write-down and depreciation of abandoned assets	0	-4	-2	-6
Write-down and depreciation 31/12	**194**	**228**	**5**	**427**
Carrying amount 31/12	**216**	**21**	**5**	**242**

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
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 – 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
2020				
Cost 1/1	59	25	16	100
Additions during the year	5	7	14	26
Disposals during the year[1]	0	-4	-9	-13
Cost 31/12	**64**	**28**	**21**	**113**
Write-down and depreciation 1/1	11	9	6	26
Write-down and depreciation during the year	11	9	6	26
Write-down and depreciation of abandoned assets	0	-4	-7	-11
Write-down and depreciation 31/12	**22**	**14**	**5**	**41**
Carrying amount 31/12	**42**	**14**	**16**	**72**

1) Disposals relate to expiration and renewal of contracts.

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:
- Tenancy
- Cars
- IT equipment

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

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

10

Leases – continued

Right-of-use assets

DKK million	Tenancy	Cars	IT equipment	Total
2019				
Cost 1/1	30	15	16	61
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
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**

10

Leases – continued

Long-term lease liabilities

DKK Million	2020	2019
Maturity > 1 year < 5 years, undiscounted	40	35
Maturity > 5 years, undiscounted	13	18
Long-term lease liabilities 31/12, undiscounted	**53**	53
Discounting on lease liabilities > 1 year < 5 years	**-1**	-1
Discounting on lease liabilities > 5 years	-1	-1
Long-term lease liabilities 31/12	**51**	**51**
Amounts recognized in the Profit & Loss statement		
Depreciation of right-of-use assets	26	27
Interest expense on lease liabilities	1	1
Expense relating to short-term leases	0	0
Expense relating to leases of low-value items	0	0
Expense relating to variable lease payments not included in the measurement of lease liabilities	2	2
Total	**29**	**30**
Cash outflows for leases		
Instalment on lease liabilities	-26	-27
Interest payments	-1	-1
Total cash outflows for leases	**-27**	**-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 2020 are between 1.3% (0.6%) and 4.0% (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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Investments measured at equity value an other non-current assets

DKK million	Equity investments	Investments in associates	Other investments	Other receivables	Total
2020					
Cost 1/1	2,624	273	53	49	2,999
Foreign currency translation adjustments	0	0	-1	0	-1
Additions during the year	0	0	0	1	1
Fair value adjustment recognised under financial income	0	0	0	0	0
Transferred from associates to other investments	0	-3	3	0	0
Disposals during the year	0	-256	0	-30	-286
Cost 31/12	**2,624**	**14**	**55**	**20**	**2,713**
Value adjustment 1/1	-1,313	-127	-2	-22	-1,464
Foreign currency translation adjustments	-22	0	0	0	-22
Dividends from subsidiaries	-60	0	0	0	-60
Profit from subsidiaries	-12	-12	0	0	-24
Fair value adjustment recognised under impairment on associates	0	81	0	0	81
Fair value adjustment recognised under financial expenses	0	0	0	-2	-2
Transferred from associates to other investments	0	2	-2	0	0
Other adjustments	2	42	0	22	66
Value adjustment 31/12	**-1,405**	**-14**	**-4**	**-2**	**-1,425**
Carrying amount 31/12	**1,219**	**0**	**51**	**18**	**1,288**

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.

Other investments are measured at fair value.

11

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

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
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**

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Inventories

DKK million	2020	2019
End products	**533**	**506**
Recognised write-down	3	-1

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	2020	2019
Maturity statement, trade receivables		
Not due	344	320
Past due for 1-30 day(s)	4	39
Past due for 31-90 days	3	15
Past due for 91+ days	1	3
	352	377
Write-down	-7	-4
Total	**345**	**373**

Write-down based on:		
Age distribution	1	3
Individual assessment	6	1
Total	**7**	**4**

Write-down 1/1	4	4
Write-down for the year	5	1
Losses realised during the year	0	0
Reversed for the year	-2	-1
Write-down 31/12	**7**	**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 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 0.3% (0.8%) of gross trade receivables.

Individual assessment of write-down is performed by management specifically analysing trade receivables, including the customers' credit rating and current economic trends to ensure that write-down is sufficient. Write-down based on individual assessment amounts to 1.7% (0.3%) of gross trade receivables. As the total write-down on trade receivables amounts to 2% (1%) of gross trade receivables, no maturity statement of the write-down is included. However, the majority of the provision relates to receivables overdue by more than 31 days (31 days).

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Other provisions

DKK million	2020	2019
Non-current		
Others	1	2
Total 31/12	**1**	**2**
Specification, non-current		
1/1	2	2
Reversed during the year	-1	0
Provisions of the year	0	0
Total 31/12	**1**	**2**
Current		
Restructuring costs	1	0
Total 31/12	**1**	**0**
Specification, current		
1/1	0	0
Reversed during the year	0	0
Provisions of the year	1	0
Total 31/12	**1**	**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.

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Other payables

DKK million	2020	2019
Staff costs	105	115
Taxes and charges	48	14
Hedging instruments	77	84
Other payables and amounts payable	31	20
Total	**261**	**233**

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

16

Share capital

DKK million	2020	2019
Share capital 1/1	736	775
Reduction in share capital	0	-39
Share capital 31/12	**736**	**736**
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 at DKK 100	646	646
Total	**736**	**736**

In 2019 the share capital was reduced by 385,625 B shares.

	Number of shares		Nominal value	
	2020	2019	2020	2019
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	
	2020	2019	2020	2019	2020	2019	2020	2019
Holding 1/1	61,708	447,333	6	45	24	176	0.8%	5.8%
Cancellation	0	-385,625	0	-39	0	-152	0.0%	-5.0%
Holding 31/12	**61,708**	**61,708**	**6**	**6**	**24**	**24**	**0.8%**	**0.8%**

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	2020	2019
Debt to mortgage credit institutions[1]	Fixed	155	165
Debt to credit institutions	Floating/Fixed[1]	53	135
Lease liabilities	Calculated	73	74
Bank loans and overdrafts	Floating	31	198
Interest-bearing liabilities		**312**	**572**
Trade payables		738	699
Other payables		545	391
Financial liabilities		**1,595**	**1,662**
Cash at bank and in hand		323	0
Trade receivables		345	373
Other receivables		408	413
Financial assets		**1,076**	**786**
Total, net		**519**	**876**

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 to financing acitivites in the cash flow statement:

DKK million	2020	2019
Debt to mortgage and credit institutions and lease liabilities 1/1	374	309
Raising of non-current interest-bearing liabilities	53	0
Lease liability recognised as at 1 January 2019 on implementation of IFRS 16	-	61
Lease liability raised during the year	25	40
Repayment of debt to mortgage and credit institutions	-145	-9
Instalment on lease liabilities	-26	-27
Debt to mortgage and credit institutions and lease liabilities 31/12	**281**	**374**

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	2020	2019
Current interest-bearing liabilities		
Maturity < 1 year		
Debt to mortgage credit institutions	9	9
Debt to credit institutions	0	135
Lease liabilities	22	23
Bank loans and overdrafts	31	198
Current interest-bearing liabilities	**62**	**365**
Other financial liabilities	1,283	1,090
Financial liabilities	**1,345**	**1,455**
Financial assets	**1,076**	**786**
Total, net	**269**	**669**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	36	36
Debt to credit institutions	53	0
Lease liabilities	39	34
Total	**128**	**70**
Maturity > 5 years		
Debt to mortgage credit institutions	110	120
Lease liabilities	12	17
Total	**122**	**137**
Total non-current liabilities	**250**	**207**
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	2020	2019
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	9	11
1-5 year(s)	29	31
> 5 years	36	42
Total	**74**	**84**
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	164	192
Interest rate in % for outstanding swaps	5.2	5.2
Fair value	-77	-84

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

Amounts recognised in other comprehensive income		
Adjustment to fair value for the year	-10	-18
Realised during the year, recognised as financial income/expenses	17	8
Total	**7**	**-10**
Effect of a 1% interest rate increase		
Effect on equity	**15**	**23**
Of this, earnings impact is	**0**	**-2**
Undrawn credit facilities 31/12	**380**	**309**

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

DKK million	Current liabilities 2020	Current liabilities 2019	Non-current liabilities 2020	Non-current liabilities 2019
EUR	9	18	146	156
DKK	0	324	53	0
SEK	32	0	0	0
Total	**41**	**342**	**199**	**156**
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 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	2020	2019
Interest revenue	4	5
Foreign exchange gains	7	3
Other financial income[1]	5	5
Total	**16**	**13**
Financial income, received	**9**	**10**

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Financial expenses

DKK million	2020	2019
Interest expenses	20	23
Foreign exchange losses	6	4
Interest on lease liabilities	1	1
Other financial expenses	14	2
Total	**41**	**30**
Financial expenses, settled	**35**	**26**

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Contingent liabilities and other financial liabilities

DKK million	2020	2019
Collateral		
Assets have been pledged as collateral for bank arrangements at a carrying amount of:		
Land and buildings	218	227
Current assets	0	0
Total	**218**	**227**
Mortgaging and guarantees		
As security of subsidiaires' bank arrangements, guarantees have been issued for:		
Total	**95**	**333**
As security of subsidiaires' liabilities, guarantees have been issued for:		
Total	**433**	**482**

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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% 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	2020	2019
Sale of services to subsidiaries	**148**	**157**
Sale of goods to subsidiaries	**99**	**83**
Interest income from subsidiaries	**5**	**5**
Interest expense from subsidiaries	**1**	**1**

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

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

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Auditors' fees

DKK million	2020	2019
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 (IT-related services and services related to business combinations).

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**	**736,000,000**	**DK**
Solar Sverige AB	**5562410406**	**SEK**	**100,000,000**	**SE**
Solar Norge AS	**980672891**	**NOK**	**70,000,000**	**NO**
Solar Nederland B.V.	**09013687**	**€**	**67,000,500**	**NL**
Eltechna B.V.	KvK 23066336	€	18,151	NL
MAG45 Holding B.V.	**17213145**	**€**	**28,544**	**NL**
MAG45 B.V.	17168649	€	18,000	NL
MAG45 Sp.z.oo	277409	PLN	50,000	PL
MAG45 GmbH	18354	€	25,000	DE
MAG45 Ltd	311859	€	152	IE
MAG45 (UK) Ltd	4092664	£	301	UK
MAG45 S.a.r.l.	CHE-265,557,148	CHF	20,000	CH
MAG45 INC	123858292	$	1,500	USA
MAG45 S.R.O	27697690	CZK	200,000	CZ
MAG45 Iss Co. Ltd	91320594693364287L	$	80,000	CN
MAG45 Ltd	39740334	$	1	HK
MAG45 Pte Ltd.	201709959H	SG$	100,000	SG
MAG45 Kft	01-09-300892	HUF	3,000,000	HU
MAG45 Srl	10053890967	€	20,000	IT
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**

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**
Viva Labs AS, 7.89%	**898 444 392**	**NOK**	**105,534**	**NO**
Minuba ApS, 19.98%	**33259336**	**DKK**	**100,542**	**DK**
Zolw AS, 24.40%	**925 003 328**	**NOK**	**41,280**	**NO**
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 2020.

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

In our opinion, the consolidated financial statements and the separate financial statements give a fair presentation of the group and parent company's assets, liabilities and equity, and financial position as at 31 December 2020 as well as the results of the group and parent company's activities and cash flow for the financial year 1 January – 31 December 2020.

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

In our opinion, the annual report of Solar A/S for the financial year 1 January to 31 December 2020 with the file name SOLA-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Vejen, 11 February 2021

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

Report on the audit of the Financial Statements

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 2020 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 2020 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 2020 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. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of more than 25 years including the financial year 2020.

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 2020. 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

Goodwill

Goodwill is tested for impairment annually. The Group has written off the entire carrying amount of Goodwill in 2020, amounting to DKK 129 million. Goodwill amounts to DKK 0 at December 31, 2020.

The assessment of the carrying values of goodwill is dependent on future cash flows and if these are below initial expectations, there is a risk that goodwill will be impaired. The reviews of carrying values performed by the Group contain a number of significant assumptions and estimates such as revenue growth, profit margins, cash-generating units and discount rates.

We focused on this area because the impairment assessments of goodwill are dependent on complex and subjective judgements by Management.

Refer to note 10 for detailed information of intangible assets and specification of the year-end impairment charge.

How our audit addressed the key audit matter

We discussed with Management and evaluated the process for preparing the budget supporting the impairment test. In particular:

- We assessed whether the models applied by Management to calculate the value in use of the individual cash-generating unit comply with the requirements of IFRS. We recalculated the model to ensure mathematical accuracy;
- We assessed the appropriateness of the discount rates applied and underlying significant assumptions and challenged Management judgement, as relevant. We used PwC valuation specialist to assess the discount rates used by Management;
- We performed our own sensitivity analysis around the significant assumptions to ascertain the extent of change in those assumptions that either individually or collectively would be required for goodwill not to be impaired.

As a result of our procedures we did not propose any adjustments to the amount of impairment recognized in 2020. For goodwill where management determined that impairment was required, we found that the assessments made by management were based upon reasonable assumptions, consistently applied.

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.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Solar A/S for the financial year 1 January to 31 December 2020 with the filename SOLA-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

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

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;

- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

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

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Solar A/S for the financial year 1 January to 31 December 2020 with the file name SOLA-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Trekantområdet, 11 February 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Lars Almskou Ohmeyer
State Authorised Public Accountant
mne24817

Henrik Forthoft Lind
State Authorised Public Accountant
mne34169

Q4 2020

Quarterly information

The quarterly information has neither been audited nor reviewed

QUARTERLY FIGURES

Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2020	2019	2020	2019	2020	2019	2020	2019
Revenue	3,045	2,957	2,745	2,868	2,618	2,777	3,057	3,077
Earnings before interest, tax, depreciation and amortisation (EBITDA)	142	121	127	104	177	152	191	161
Earnings before interest, tax and amortisation (EBITA)	97	80	81	60	132	105	145	115
Earnings before interest and tax (EBIT)	82	62	65	41	115	82	-14	75
Financials, net	-8	-7	-6	-9	-10	-9	-16	-10
Earnings before tax (EBT)	45	-7	153	56	109	-2	-7	73
Net profit or loss for the quarter	30	-20	141	48	83	-22	-32	58

Balance sheet (DKK million)								
Non-current assets	1,636	1,739	1,735	1,792	1,695	1,691	1,339	1,756
Current assets	3,349	3,425	3,267	3,451	3,227	3,460	3,268	3,234
Balance sheet total	4,985	5,164	5,002	5,243	4,922	5,151	4,607	4,990
Equity	1,441	1,515	1,614	1,552	1,688	1,512	1,696	1,592
Non-current liabilities	455	713	457	713	497	707	498	503
Current liabilities	3,089	2,936	2,931	2,978	2,737	2,932	2,413	2,895
Interest-bearing liabilities, net	1,077	1,032	845	1,182	726	1,089	128	921
Invested capital	2,332	2,302	2,178	2,461	2,132	2,395	1,760	2,297
Net working capital, end of period	1,432	1,331	1,383	1,466	1,363	1,467	1,109	1,280
Net working capital, average	1,411	1,230	1,391	1,299	1,365	1,339	1,322	1,386

QUARTERLY FIGURES

Consolidated – continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	2020	2019	2020	2019	2020	2019	2020	2019
Cash flow from operating activities, continuing operations	-43	-132	282	-17	142	144	432	305
Cash flow from investing activities, continuing operations	-25	-28	-18	-78	-8	-40	213	-48
Cash flow from financing activities, continuing operations	84	160	-198	82	-116	-88	-397	-264
Net investments in intangible assets	-12	-10	-12	-8	-12	-8	-14	-9
Net investments in property, plant and equipment	-13	-21	-4	-25	1	-25	-9	-39
Acquisition and disposal of subsidiaries, net	0	5	0	-40	0	0	0	0

Financial ratios (% unless otherwise stated)								
Revenue growth	3.0	5.0	-4.3	4.9	-5.7	9.4	-0.6	2.3
Organic growth	2.6	6.0	-1.7	4.2	-4.8	7.9	0.0	1.6
Organic growth adjusted for number of working days	1.4	5.8	-1.6	5.6	-4.8	6.3	-2.1	2.6
Gross profit margin	20.5	20.1	20.5	20.2	21.5	19.7	21.5	20.5
EBITDA margin	4.7	4.1	4.6	3.6	6.8	5.5	6.2	5.2
EBITA margin	3.2	2.7	3.0	2.1	5.0	3.8	4.7	3.7
EBIT margin	2.7	2.1	2.4	1.4	4.4	3.0	-0.5	2.4
Net working capital (NWC end of period)/revenue (LTM)	12.2	11.8	11.9	12.9	11.9	12.6	9.7	11.0
Net working capital (NWC average)/revenue (LTM)	12.0	10.9	11.9	11.4	11.9	11.5	11.5	11.9
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	1.9	2.5	1.5	2.6	1.2	2.2	0.2	1.7
Return on equity (ROE)	7.5	2.0	13.6	5.7	18.9	1.0	13.1	4.1
Return on invested capital (ROIC)	9.0	8.1	10.2	7.9	11.7	8.3	13.8	8.3
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	6.3	8.5	6.0	8.9	6.2	8.1	5.8	7.9
Equity ratio	28.9	29.3	32.3	29.6	34.3	29.4	36.8	31.9

QUARTERLY FIGURES

Consolidated – continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK unless otherwise stated)	2020	2019	2020	2019	2020	2019	2020	2019
Earnings per share outstanding (EPS)	4.11	-2.74	19.32	6.82	11.37	-3.18	-4.38	7.95
Intrinsic value per share outstanding	197.44	207.58	221.15	224.52	231.29	218.73	232.38	218.13
Share price	204.50	286.68	255.05	312.60	301.43	289.41	353.70	297.31
Share price/intrinsic value	1.04	1.38	1.15	1.39	1.30	1.32	1.52	1.36

Employees								
Average number of employees (FTE's) continuing operations	3,057	2,951	3,024	2,984	2,979	3,018	2,935	3,039

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

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

Financial review

Q4 EBITA INCREASED BY MORE THAN 25% TO DKK 145M

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

Q4 EBITA exceeded our expectations. We delivered an EBITA increase of more than 25% despite an adjusted organic revenue growth of -2.1% (2.6%). The EBITA increase of DKK 30m was driven by an improved gross profit margin, efficiency gains and cost containment.

Q4 2020

REVENUE

Solar's overall adjusted organic growth for Installation amounted to around -4%. 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.

Solar Danmark and Solar Norge also saw positive growth in the industry segment, while the other entities saw negative growth. Overall, organic growth within the Industry segment amounted to around 3%.

The trade segment delivered negative organic growth in Q4.

In Q4, adjusted organic growth at group level amounted to -2.1% (2.6%). Revenue was unchanged at DKK 3.1bn.

Core business delivered adjusted organic growth of -2.7% (3.3%). Solar Danmark and Solar Norge saw positive adjusted organic growth.

GROSS PROFIT

Revenue was almost unchanged in Q4 while gross profit increased by DKK 25m. We saw continuous improvement in the gross profit margin, which increased to 21.5% (20.5%).

The 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 8m, corresponding to 0.3% on group level.

EXTERNAL OPERATING COSTS AND STAFF COSTS

As expected, costs in general were gradually normalised during Q4 as COVID-19 restrictions were partly lifted.

External operating costs and staff costs were down by DKK 14m compared to last year. Of this, foreign exchange translation adjustments accounted for DKK 1m, cost savings for DKK 15m and furlough for DKK 2m. In addition, SAP eWM rollout costs amounted to approx. DKK 4m.

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.

However, impacts from COVID-19 have increased risks on trade receivables. Thus, provisions for loss on trade receivables increased slightly to 0.3% (0.0%) in Q4.

EBITA

EBITA increased to DKK 145m (DKK 115m) and exceeded our expectations.

The EBITA margin increased to 4.7% (3.7%). We succeeded in increasing EBITA by DKK 30m due to an improved gross profit margin, efficiency gains and cost containment despite a revenue decrease of DKK 20m.

EBITA from core business was up at DKK 144m (DKK 121m) corresponding to an EBITA margin of 5.0% (4.1%).

As expected, Solar Nederland's financial performance was negatively affected by roll-out costs for SAP eWM of approx. DKK 4m.

FINANCIAL REVIEW

The results from the individual countries are given on page 154.

AMORTISATION AND IMPAIRMENT

Amortisation totalled DKK 159m (DKK 40m). Review of intangible assets resulted in an impairment loss of DKK 139m in total. Of this, DKK 129m related to goodwill obtained when Solar Sverige acquired Alvesta V.V.S-Material AB in 2007. In addition is a DKK 10m software impairment which mainly relates to Axapta software acquired in 2015 and deployed in Solar Polska.

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

IMPAIRMENT ON ASSOCIATES

Impairment on associates amounted to DKK 24m (DKK 12m).

This mainly relates to the divestment of our shareholding in BIMobject for a total cash consideration of SEK 333m (DKK 237m). Profits from the divestment amounted to DKK 23m based on a book value of DKK 214m as at 30 September 2020.

In Q4 2019, write-down of DKK 12m relating to BIMobject was reversed.

EARNINGS BEFORE TAX

Earnings before tax amounted to DKK -7m (DKK 73m) and when adjusted, earnings before tax were up at DKK 108m (DKK 82m), as illustrated in the following table.

DKK million	Q4 2020	Q4 2019
Earnings before tax	**-7**	**73**
Impairment on associates	-24	-12
Earnings before tax, adjusted for impact from associates	**-31**	**61**
Impairment loss, other intangible assets	10	21
Impairment loss, goodwill and customer lists	129	0
Adjusted earnings before tax	**108**	**82**

NET PROFIT

Profit from continuing operations came to DKK -32m (DKK 58m).

CASH FLOWS

Net working capital calculated as an average of the previous four quarters amounted to 11.5% (11.9%) of revenue. Net working capital at the end of 2020 amounted to 9.7% (11.0%).

Cash flow from operating activities totalled DKK 432m (DKK 305m). Changes in inventories and changes in receivables had a DKK 35m (DKK -33m) and a DKK 235m (DKK 269m) impact on cash flow respectively, while changes in non-interest-bearing liabilities had an impact of DKK 26m (DKK -34m).

Total cash flow from investing activities amounted to DKK 213m (DKK -48m) mainly impacted by the divestment of our shareholding in BIMobject for DKK 237m.

Cash flow from financing activities amounted to DKK -397m (DKK -264m), mainly due to repayment of non-current interest-bearing debt and change in current interest-bearing liabilities.

Consequently, total cash flow amounted to DKK 248m (DKK -7m).

Net interest-bearing liabilities amounted to DKK 128m (DKK 921m).

As at 31 December 2020, gearing was 0.2 (1.7) times EBITDA. Calculated as an average, our gearing was 1.1 (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 474m (DKK 383m).

Invested capital for the Solar Group totalled DKK 1,760m (DKK 2,297). ROIC amounted to 13.8% (8.3%). ROIC for core business amounted to 15.1%.

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

	Q4	
DKK million	2020	2019
Revenue	3,057	3,077
Cost of sales	-2,400	-2,445
Gross profit	**657**	**632**
Other operating income and costs	-2	0
External operating costs	-75	-80
Staff costs	-381	-390
Loss on trade receivables	-8	-1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**191**	**161**
Depreciation and write-down on property, plant and equipment	-46	-46
Earnings before interest, tax and amortisation (EBITA)	**145**	**115**
Amortisation and impairment of intangible assets	-159	-40
Earnings before interest and tax (EBIT)	**-14**	**75**
Share of net profit from associates	-1	-4
Impairment and gain from divestment of associates	24	12
Financial income	5	5
Financial expenses	-21	-15
Earnings before tax (EBT)	**-7**	**73**
Income tax	-25	-15
Profit of continuing operations	**-32**	**58**
Profit of discontinued operations	0	0
Net profit for the period	**-32**	**58**
Earnings in DKK per share outstanding (EPS)	-4.38	7.95
Diluted earnings in DKK per share outstanding (EPS-D)	-4.38	7.95
Earnings in DKK per share outstanding (EPS) from continuing operations	-4.38	7.95
Diluted earnings in DKK per share outstanding (EPS-D) from continuing operations	-4.38	7.95

Other comprehensive income

	Q4	
DKK million	2020	2019
Net profit for the period	**-32**	**58**
Other income and costs recognised:		
Items that can be reclassified for the income statement		
Foreign currency translation adjustment of foreign subsidiaries	30	14
Fair value adjustment of hedging instruments before tax	12	11
Tax on fair value adjustments of hedging instruments	-2	-3
Other income and costs recognised after tax	**40**	**22**
Total comprehensive income for the period	**8**	**80**

BALANCE SHEET

Consolidated

DKK million	31.12 2020	2019
ASSETS		
Intangible assets	157	315
Property, plant and equipment	818	865
Right-of-use assets	288	341
Deferred tax assets	3	10
Investments in associates	2	146
Other non-current assets	71	79
Non-current assets	**1,339**	**1,756**
Inventories	1,531	1,666
Trade receivables	1,271	1,428
Income tax receivable	13	14
Other receivables	8	8
Prepayments	41	62
Cash at bank and in hand	404	56
Current assets	**3,268**	**3,234**
Total assets	**4,607**	**4,990**

DKK million	31.12 2020	2019
EQUITY AND LIABILITIES		
Share capital	736	736
Reserves	-195	-179
Retained earnings	951	933
Proposed dividend for the financial year	204	102
Equity	**1,696**	**1,592**
Interest-bearing liabilities	199	156
Lease liabilities	189	231
Provision for deferred tax	98	103
Other provisions	12	13
Non-current liabilities	**498**	**503**
Interest-bearing liabilities	41	477
Lease liabilities	103	113
Trade payables	1,693	1,814
Income tax payable	21	10
Other payables	544	464
Prepayments	2	4
Other provisions	9	13
Current liabilities	**2,413**	**2,895**
Liabilities	**2,911**	**3,398**
Total equity and liabilities	**4,607**	**4,990**

CASH FLOW STATEMENT

Consolidated

DKK million	Q4 2020	Q4 2019
Net profit for the period from continuing operations	**-32**	**58**
Depreciation, write-down and amortisation	205	86
Impairment and gain from divestment of associates	-24	-12
Changes to provisions and other adjustments	9	-16
Share of net profit from associates	1	4
Financials, net	16	10
Income tax	25	15
Financial income, received	2	2
Financial expenses, settled	-17	-13
Income tax, settled	-49	-31
Cash flow before working capital changes	**136**	**103**
Working capital changes		
Inventory changes	35	-33
Receivables changes	235	269
Non-interest-bearing liabilities changes	26	-34
Cash flow from operating activities, continuing operations	**432**	**305**
Cash flow from operating activities, discontinued operations	**0**	**0**
Cash flow from operating activities	**432**	**305**
Investing activities		
Purchase of intangible assets	-14	-9
Purchase of property, plant and equipment	-9	-39
Disposal of property, plant and equipment	0	0
Acquisition of subsidaries and activities	0	0
Divestment of associates	237	0
Other financial investments	-1	0
Cash flow from investing activities, continuing operations	**213**	**-48**
Cash flow from investing activities, discontinued operations	**0**	**0**
Cash flow from investing activities	**213**	**-48**

DKK million	Q4 2020	Q4 2019
Financing activities		
Repayment of non-current, interest-bearing debt	-245	-2
Raising non-current interest-bearing liabilities	0	0
Change in current interest-bearing debt	-121	-232
Instalment on lease liabilities	-31	-30
Cash flow from financing activities, continuing operations	**-397**	**-264**
Cash flow from financing activities, discontinued operations	**0**	0
Cash flow from financing activities	**-397**	**-264**
Total cash flow	**248**	**-7**
Cash at bank and in hand at the beginning of period	155	61
Assumed on acquisition of subsidaries	0	0
Foreign currency translation adjustments	**1**	2
Cash at bank and in hand at the end of period	**404**	**56**
Cash at bank and in hand	404	56
Cash at bank and in hand at the end of period	**404**	**56**

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 special sales and 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
Q4 2020				
Revenue	1,894	937	226	3,057
Cost of sales	-1,509	-714	-177	-2,400
Gross profit	**385**	**223**	**49**	**657**
Direct costs	-58	-26	-5	-89
Earnings before indirect costs	**327**	**197**	**44**	**568**
Indirect costs	-145	-45	-14	-204
Segment profit	**182**	**152**	**30**	**364**
Non-allocated costs				-173
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**191**
Depreciation and amortisation				-205
Earnings before interst and tax (EBIT)				**-14**
Financials, net including share of net profit from associates and impairment on associates				7
Earnings before tax (EBT)				**-7**

DKK million	Installation	Industry	Trade	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 including share of net profit from associates and impairment on associates				-2
Earnings before tax (EBT)				**73**

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 137. 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	EBITA	EBITA margin	Non-current assets
2020					
Denmark	959	4.6	62	6.5	1,757
Sweden	669	-8.9	24	3.6	198
Norway	483	4.5	37	7.7	171
The Netherlands	763	-8.8	16	2.1	350
Poland	96	-12.8	3	3.1	27
Other markets	13	18.8	2	15.4	5
Eliminations	-77	-	0	0.0	-1,220
Core business	**2,906**	**-2.7**	**144**	**5.0**	**1,288**
Several markets (MAG45)	148	13.6	1	0.7	51
Other markets	3	-38.3	0	0.0	0
Related business	**151**	**11.7**	**1**	**0.7**	**51**
Solar Group	**3,057**	**-2.1**	**145**	**4.7**	**1,339**

			Q4		
DKK million	Revenue	Adjusted organic growth	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	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)	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**

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