

Announcement no. 14 2020

12 August 2020

## Quarterly Report Q2 2020

*Solar performed well in Q2 despite the challenges brought about by the COVID-19 pandemic. We reiterate our original EBITA guidance for 2020.*

### CEO Jens Andersen says:

"Solar's agile and digital business model has proved itself during the COVID-19 pandemic. We have been able to serve our customers and maintain our delivery performance, and we will continue to invest in our digital transformation.

We continue our journey towards improved profitability, delivering a 35% EBITA increase in Q2 despite a lower revenue compared to Q2 2019.

We are pleased to reiterate our original EBITA guidance despite the fact that we expect a quarter of a billion Danish kroner lower revenue in H2 2020 compared to H2 2019. We owe this to our gross profit margin initiatives, efficiency gains and cost containment."

### Key financial messages

- Due to improved gross profit margin, efficiency gains and cost containment we achieved a 35% EBITA increase despite a revenue decrease of DKK 123m.
- New 2020 guidance: revenue of DKK 11.4bn and reiteration of EBITA of DKK 400m.

<b>Financial highlights (DKK million)*</b>	<b>Q2 2020</b>	<b>Q2 2019</b>	<b>H1 2020</b>	<b>H1 2019</b>
Revenue	2,745	2,868	5,790	5,825
EBITA	81	60	178	140
Cash flow from operating activities	282	-17	239	-149
<b>Financial ratios (%)</b>				
Organic growth adj. for number of working days	-1.6	5.6	0.0	5.6
EBITA margin	3.0	2.1	3.1	2.4
Net working capital, period-end/revenue (LTM)	11.9	12.9	11.9	12.9
Gearing (NIBD/EBITDA), no. of times	1.5	2.6	1.5	2.6

\* Due to the divestment of our Norwegian training business, STI, in Q1 2019, 2019 and 2020 figures in this announcement relate to our continuing operations.

## Q2 2020 Revenue

- Adjusted organic growth amounted to -1.6% (5.6%).

## Q2 2020 EBITA

- We succeeded in increasing EBITA by DKK 21m due to improved gross profit margin, efficiency gains and cost containment despite a revenue decrease of DKK 123m.
- EBITA from core business was up at DKK 80m (DKK 66m) corresponding to an EBITA margin of 3.1% (2.4%).
- As expected, Solar Danmark's and Solar Norge's financial performances were negatively affected by roll-out costs for SAP eWM of approx. DKK 2m and approx. DKK 5m respectively.

## BIMobject valuation

- Based on the share price on 30 June 2020, the value of BIMobject increased to DKK 204m. Hence, the reversal of a previously performed write-down amounted to DKK 97m (DKK 29m).

## 2020 outlook

Due to the COVID-19 pandemic, we see an increased risk in the market outlook for 2020 compared to 2019. The new guidance for 2020 in the table below is based on the main assumption that no new significant resurgence of COVID-19 resulting in new lockdowns will take place in our markets.

See detailed information on page 11-12 in Quarterly Report Q2 2020.

<b>Guidance 2020 overview DKK million</b>	<b>New guidance</b>	<b>Withdrawn guidance</b>
Core business, revenue	10,850	11,200
Core business, EBITA	400	400
Related business, revenue	550	600
Related business, EBITA	0	0
<b>Solar Group, revenue</b>	<b>11,400</b>	11,800
<b>Solar Group, EBITA</b>	<b>400</b>	400

### **Audio webcast and teleconference today**

The presentation of Quarterly Report Q2 2020 will be made in English on 12 August 2020 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at [www.solar.eu](http://www.solar.eu). Participation will be possible via a teleconference.

Teleconference call-in numbers:

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Yours faithfully,

Solar A/S

Jens Andersen

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Enclosure: Quarterly Report Q2 2020, pages 1-31.

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### **Facts about Solar**

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

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

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

# Q2 2020

Solar A/S  
CVR no. 15 90 84 16



*stronger together*

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# Financial highlights

Consolidated (DKK million)	Q2		H1		Year
	2020	2019	2020	2019	2019
Revenue	2,745	2,868	5,790	5,825	11,679
Earnings before interest, tax, depreciation and amortisation (EBITDA)	127	104	269	225	538
Earnings before interest, tax and amortisation (EBITA)	81	60	178	140	360
Earnings before interest and tax (EBIT)	65	41	147	103	260
Earnings before tax (EBT)	153	56	198	49	120
Net profit for the period	141	48	171	28	64
Balance sheet total	5,002	5,243	5,002	5,243	4,990
Equity	1,614	1,552	1,614	1,552	1,592
Interest-bearing liabilities, net	845	1,182	845	1,182	921
Cash flow from operating activities, continuing operations	282	-17	239	-149	300
Net investments in property, plant and equipment	-4	-25	-17	-46	-110

## Employees

Number of employees (FTE), end of period, continuing operations	2,934	3,079	2,934	3,079	3,041
Average number of employees (FTE), LTM, continuing operations	3,024	2,984	3,024	2,984	3,039

## Financial ratios (% , unless otherwise stated)

Organic growth adjusted for number of working days	-1.6	5.6	0.0	5.6	4.9
Gross profit margin	20.5	20.2	20.5	20.1	20.1
EBITDA margin	4.6	3.6	4.6	3.9	4.6
EBITA margin	3.0	2.1	3.1	2.4	3.1
Net working capital (NWC at end of period)/revenue (LTM)	11.9	12.9	11.9	12.9	11.0
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.5	2.6	1.5	2.6	1.7
Return on equity (ROE)	13.6	5.7	13.6	5.7	4.0
Equity ratio	32.3	29.6	32.3	29.6	31.9

## Employees

Earnings per share outstanding (EPS)	19.32	6.82	23.43	3.91	8.77
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In general, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Ratios 2019".

## Q2 FINANCIAL MESSAGES

- Due to improved gross profit margin, efficiency gains and cost containment we achieved a 35% EBITA increase despite a revenue decrease of DKK 123m.
- Based on the share price on 30 June 2020, the value of BIMObject increased to DKK 204m. Hence, the reversal of a previously performed write-down amounted to DKK 97m and impacted EBT positively.
- New 2020 guidance: revenue of DKK 11.4bn and reiteration of EBITA of DKK 400m.



## BUSINESS UPDATE

# Successful digital go-live of SAP eWM in Solar Norge

As a digital sourcing and services company we continually invest in digital solutions to optimise customer experience and refine operational excellence. Owing to our digital mindset, we even did a remote and digital go-live of SAP eWM in Solar Norge.

## STRATEGIC SUPPLIERS

Our strong partnerships with suppliers mean that we have alternatives to both products and production sites, which ensures our ability to supply. The combination of well-known brands and Solar concepts makes us robust. Even during the COVID-19 pandemic, we are able to maintain our delivery performance.

We have an agile business model, which has proved itself during these challenging times. We have adopted several initiatives to strengthen our gross profit margin.

## INDUSTRY FOCUS

Infrastructure has performed very well during the COVID-19 crisis, seeing double-digit organic growth rates in Q2.

In Denmark, we recently extended our agreement with the fibre network company, Fibia. We have served Fibia for several years and the collaboration has developed into a strong strategic partnership about operating and managing large parts of the Fibia supply chain. This enables Fibia to focus on their core business.

## OPERATIONAL EXCELLENCE

Over the weekend of 30-31 May, we launched SAP eWM - extended Warehouse Management system - at our central warehouse in Gardermoen in Norway to replace our in-house developed warehouse management system. Overall, the go-live was very successful with only minor disruptions.

Because of our digital mindset, we even did a remote and digital go-live for the first time with only a limited number of people on site. By using all the digital tools in our toolbox and with great support from colleagues with valuable experience from previous implementations, our efforts were successful.

As our final implementation, we expect to implement SAP eWM at our central warehouse in Alkmaar in the Netherlands in Q4.



## BUSINESS UPDATE

# Combining green initiatives and productivity

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

### ENERGY EFFICIENCY AND PRODUCTIVITY

Solar has established a strong position in the market for climate and energy solutions, with Norway being a particularly mature market within electrification.

Solar Norge and EVBox, a global leader in electric vehicle (EV) charging solutions offering hardware, software and services, have therefore joined forces. With EVBox's extensive and impressive portfolio of smart charging stations, Solar is now able to offer fully integrated and intelligent energy solutions within the Norwegian residential and commercial markets.

As a responsible company, we combine our green and productivity agendas wherever possible, which also applies to our fast green deliveries.

In Bergen in Norway, we are now able to deliver Solar Fastbox by electric vehicles as is already the case in Oslo.

Solar Fastbox is a popular service designed to improve customer productivity. It provides a broad assortment and our fast green deliveries mean that we can protect the environment at the same time.

The use of digital tools for ordering products and services enables our customers to manage their working day more efficiently.





## DIGITAL UPDATE

# Solar Mobile app wins gold at the Danish Digital Awards

As a digital company, we invest in user-friendly tools to enhance the customer experience. Our award-winning app, Solar Mobile, is a handy digital tool for ordering products and services, obtaining technical specifications and accessing support.

The Solar Mobile app recently won two prizes at the Danish Digital Awards in essential categories: Gold in the Commerce category and Silver in the Customer Experience category. The app was also nominated in the Differentiation & Design category. This is an important recognition of our dedicated focus on e-business.

As more than 60% of Solar's orders are fully digital across key markets, our webshop and app are a dominant part of our business. We therefore welcome the fact that our app has been recognised for its user-friendliness, outstanding customer experience and strong results.

Moreover, our webshop and app are not just valuable tools for our customers but also offer an attractive marketplace for our suppliers.

Being digital is more relevant than ever due to the extraordinary circumstances brought about by COVID-19.

During lockdown and the following period, we saw an increasing interest for online shopping. Thousands of customers downloaded the Solar Mobile app, resulting in an increase of more than 30% in app downloads.

Solar's strong position within the digital transformation of our industry combined with an

efficient logistics setup makes a significant difference. Being a digital company with a continually increasing share of e-business means that our business is fully capable of serving our customers through digital channels.



## FINANCIAL REVIEW

# Q2 EBITA increased by 35% to DKK 81m despite adjusted organic growth of -1.6%

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

Solar is a digital company and during COVID-19 we have seen the advantages of serving our customers through digital channels. In Q2, we continued our journey towards improved EBITA, delivering an EBITA increase of 35% despite an adjusted organic revenue growth of -1.6% (5.6%) due to demand decline during COVID-19.

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.

## Q2 2020 REVENUE

Solar Danmark, Solar Sverige and Solar Nederland saw positive organic growth in the Industry segment. Despite two-digit organic growth in Infrastructure, the overall adjusted organic growth for Industry was around -3% with Marine, Offshore and OEM delivering negative growth rates.

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. As part of this project, we are pruning products, which is one of the reasons for negative growth.

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

In Q2, adjusted organic growth at group level amounted to -1.6% (5.6%). Revenue totalled DKK 2.7bn (DKK 2.9bn).

Core business delivered adjusted organic growth of -1.6% (5.6%), and we saw positive adjusted organic growth in Solar Danmark and Solar Nederland, while Solar Norge, Solar Sverige and Solar Polska saw negative adjusted organic growth.

## GROSS PROFIT

Gross profit decreased by DKK 18m but we saw continuous improvement in the gross profit margin, which increased to 20.5% (20.2%) in Q2 2020.

## OTHER INCOME

Other income amounted to DKK 2m (DKK 5m). In Q2 2019, the DKK 5m primarily related to the net impact of the acquisition of Swedish business activities.

## EXTERNAL OPERATING COSTS AND STAFF COSTS

Due to COVID-19, we launched several prudent cost-saving measures to protect short-term earnings and to deliver cash generation primarily through the furlough scheme, initiating a hiring freeze, reducing the use of temporary staff and general cost containment.

External operating costs and staff costs were down by DKK 42m compared to last year. Of this, foreign exchange translation adjustments accounted for DKK 10m and cost savings for DKK 27m. We were granted DKK 12m from furlough schemes. In addition, SAP eWM rollout costs amounted to approx. DKK 7m.

## RELATED BUSINESS\*

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

MAG45 delivered EBITA of DKK 0m in Q2 and EBITA of DKK 1m in H1 despite additional restructuring initiatives, which had a negative impact of approx. DKK 2m in H1.

We continue to see a positive effect of the substantial reorganisation in MAG45 - leading to an ongoing improvement in profitability.

In H2 2019, we initiated a strategic review of MAG45. Due to the COVID-19 pandemic, we put the review on hold in Q2. We expect to relaunch the strategic review in H2 2020.

Related business showed adjusted organic growth of -0.9% (6.3%) for Q2 and -0.7% (6.4%) for H1. EBITA increased to DKK 1m (DKK -6m) for Q2 and to DKK 1m (DKK -7m) for H1.

\*Besides MAG45 our related business also includes Solar Polaris.

## FINANCIAL REVIEW

Part of the cost savings are temporary savings and are expected to be partly normalised as the impact of COVID-19 diminishes.

Solar Norge and Solar Danmark ended their furlough schemes at the end of April and the end of June respectively, while the furlough schemes in Solar Sverige and MAG45 were still in operation at the end of Q2.

In Q2 2019, the acquisition of Swedish business activities in May 2019 affected costs in general.

### LOSS ON TRADE RECEIVABLES

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

Impacts from COVID-19 have increased risks on trade receivables but in Q2 2020, loss on trade receivables remained at a normal level.

### EBITA

EBITA increased to DKK 81m (DKK 60m) corresponding to an EBITA margin of 3.0% (2.1%) of revenue.

We succeeded in increasing EBITA by DKK 21m due to an improved gross profit margin, efficiency gains and cost containment despite a revenue decrease of DKK 123m.

EBITA from core business was up at DKK 80m (DKK 66m) corresponding to an EBITA margin of 3.1% (2.4%). This was driven by improvements in Solar Danmark, Solar Sverige and Solar Norge.

As expected, Solar Danmark's and Solar Norge's financial performances were negatively affected by roll-out costs for SAP eWM of approx. DKK 2m and approx. DKK 5m respectively.

In Solar Nederland, the change in customer and product mix affected earnings by DKK -9m, which was partly offset by cost savings of DKK 4m.

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

### IMPAIRMENT ON ASSOCIATES

Based on the share price on 30 June 2020, the value of BIMObject increased to DKK 204m. Hence, the reversal of a previously performed write-down amounted to DKK 97m (DKK 29m).

### EARNINGS BEFORE TAX

Earnings before tax were up at DKK 153m (DKK 56m) and when adjusted - as illustrated in the table below - earnings before tax were up at DKK 56m (DKK 27m).

DKK million	Q2 2020	Q2 2019	Year 2019
<b>Earnings before tax</b>	<b>153</b>	<b>56</b>	<b>120</b>
<i>Impact due to market value changes in BIMObject:</i>			
Impairment on associates	-97	-29	86
<b>Earnings before tax, adjusted for impact from associates</b>	<b>56</b>	<b>27</b>	<b>206</b>
Impairment loss, other intangible assets	0	0	21
Impairment loss, goodwill and customers list	0	0	4
<b>Adjusted earnings before tax</b>	<b>56</b>	<b>27</b>	<b>231</b>

### NET PROFIT

Profit from continuing operations came to DKK 141m (DKK 48m).

### H1 2020 REVENUE

Solar's overall adjusted organic growth for Installation amounted to around -1%. For Industry, it was also around -1%. Growth has been adjusted for the estimated impact of the acquired business activities in Sweden.

In H1, adjusted organic growth at group level amounted to 0% (5.6%). Revenue was unchanged at DKK 5.8bn.

Core business delivered adjusted organic growth of 0% (5.6%), and we saw positive adjusted organic growth in Solar Danmark and Solar Nederland, while Solar Norge, Solar Sverige and Solar Polska saw negative adjusted organic growth.

### GROSS PROFIT

Gross profit increased by DKK 12m and we saw continuous improvement in the gross profit margin, which increased to 20.5% (20.1%) in H1 2020.

### OTHER INCOME

Other income amounted to DKK 10m (DKK 5m). Of this, DKK 7m is the outcome of a settlement with the former shareholder of MAG45, see Annual Report 2019, the note on litigation.

In Q2 2019, the DKK 5m primarily related to the net impact of the acquisition of the Swedish business activities.

### EXTERNAL OPERATING COSTS AND STAFF COSTS

In Q2, we launched several prudent cost-saving measures due to COVID-19, see page 7.

In H1 2020, furlough schemes of DKK 13m affected cost development.

In H1 2019, the acquisition of Swedish business activities in May 2019 impacted costs in general.

### EBITA

EBITA increased to DKK 178m (DKK 140m) corresponding to an EBITA margin of 3.1% (2.4%) of revenue.

EBITA from core business was up at DKK 177m (DKK 147m) corresponding to an EBITA margin of 3.2% (2.7%). This was driven by improvements in Solar Danmark, Solar Sverige and Solar Norge.

As expected, Solar Danmark's and Solar Norge's financial performances were negatively affected by roll-out costs for SAP eWM of approx. DKK 9m and approx. DKK 7m respectively. Overall, we continue to expect one-off costs of DKK 30m relating to SAP eWM implementations in 2020.

In Solar Nederland, a change in the customer and product mix affected earnings by DKK -6m. Restructuring costs and costs relating to the implementation of AutoStore, an automated storage and retrieval system, of approx. DKK 6m also negatively affected the performance of Solar Nederland.

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

### IMPAIRMENT ON ASSOCIATES

Based on the share price on 30 June 2020, the value of BIMObject amounted to DKK 204m. Hence, in H1 2020 the reversal of a previously performed write-down amounted to DKK 73m while in H1 2019, write-down amounted to DKK -28m.

### EARNINGS BEFORE TAX

Earnings before tax were up at DKK 198m (DKK 49m) and when adjusted - as illustrated in the

## FINANCIAL REVIEW

table below - earnings before tax were up at DKK 125m (DKK 77m).

DKK million	H1 2020	H1 2019	Year 2019
<b>Earnings before tax</b>	<b>198</b>	<b>49</b>	<b>120</b>
<i>Impact due to market value changes in BIMobject:</i>			
Impairment on associates	-73	28	86
<b>Earnings before tax, adjusted for impact from associates</b>	<b>125</b>	<b>77</b>	<b>206</b>
Impairment loss, other intangible assets	0	0	21
Impairment loss, goodwill and customers list	0	0	4
<b>Adjusted earnings before tax</b>	<b>125</b>	<b>77</b>	<b>231</b>

### NET PROFIT

Profit from continuing operations came to DKK 171m (DKK 30m). Losses from discontinued operations amounted to DKK 0m (DKK -2m). Net profit for the Solar Group thus increased to DKK 171m (DKK 28m).

### CASH FLOW

Net working capital calculated as an average of the previous four quarters amounted to 11.9% (11.4%) of revenue. Net working capital at the end of Q2 2020 decreased to 11.9% (12.9%).

In H1, cash flow from operating activities totalled DKK 239m (DKK -149m) affected by changes to receivables of DKK -91m (DKK -246m). Receivables are affected by negative organic growth in June 2020 and by normal seasonal fluctuations. The cash flow from non-interest-bearing debt was positively affected by DKK 60m due to COVID-19 financial support packages.

Total cash flow from investing activities amounted to DKK -43m (DKK -106m). Purchase of property, plant and equipment amounted to DKK -18m (DKK -46m) and was impacted by the implementation of AutoStore in Solar Nederland in H1 2020 and in Solar Norge in H1 2019. In H1 2019, the divestment of STI had a positive impact of DKK 5m, the acquisition of the Swedish business activities had a negative impact of DKK 40m and further investments in our existing financial investments impacted negatively at DKK 7m.

Cash flow from financing activities was affected by dividend distributions of DKK 102m (DKK 102m) and by the change in current interest-bearing debt of DKK 54m (DKK 405m). Cash flow from financing activities totalled DKK -114m (DKK 242m).

Cash flow from discontinued operations amounted to DKK 0m (DKK -2m). Consequently, total cash flow amounted to DKK 82m (DKK -15m).

Net interest-bearing liabilities were down at DKK 845m (DKK 1,182m). Over the past 12 months, we have

- invested DKK 41m in digital improvements;
- invested DKK 82m in optimising our operations e.g. AutoStore;
- paid dividend of DKK 102m.

As at 30 June 2020, gearing was 1.5 (2.6) times EBITDA. Calculated as an average, gearing amounted to 1.7 (1.9) times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 30 June 2020, Solar had undrawn credit facilities of DKK 469m.

Invested capital for the Solar Group totalled DKK 2,178m (DKK 2,461m).

ROIC amounted to 10.2% (7.9%). ROIC for core business amounted to 12.3%.

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

### KEY RISKS AND MITIGATION

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

In mid-March, we began to see a gradual decline in order lines. Revenue, however, remained stable. This changed in the last week of March when we began to see a slightly declining revenue in some markets. Consequently, we decided to implement a furlough scheme in several markets at the end of March. Later, activity levels increased and employees are gradually returning to work.

During this period, we have adopted a number of initiatives to limit the risk of infection, safeguard business continuity and protect earnings.

Based on developments in late March, we withdrew our previously announced outlook for 2020 (see announcement no. 6 2020 dated 27 March). We are now publishing new guidance for 2020 - see page 11.

## 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.



## FINANCIAL REVIEW

The COVID-19 pandemic has increased the risk of impairment losses. However, the completed tests of intangible assets showed no need for impairment.

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

### EVENTS OCCURRING AFTER THE REPORTING PERIOD

The fact that Solar is fundamentally a digital company with an agile business model was proved again in July.

We were pleased to see that the initiatives to protect short-term earnings and cash generation – mainly the hiring freeze, reduction in the use of temporary staff and general cost containment including initiatives to strengthen our gross margin – continue to pay off.

As expected, we saw negative organic growth but we managed to strengthen the earnings compared to July 2019.

The earnings were in line with our expectations and support our guidance.





## GUIDANCE 2020

# New 2020 guidance: revenue of DKK 11.4bn and reiteration of EBITA of DKK 400m

(Figures in brackets are corresponding figures from the guidance withdrawn in March 2020)

For the Solar Group, we reiterate EBITA of DKK 400m, still including one-off costs of DKK 30m related to SAP eWM implementations. We expect revenue of DKK 11,400m (DKK 11,800m) corresponding to organic growth of approx. 0% (1%).

Based on developments in late March, we withdrew our previously announced outlook for 2020 of 27 March. Due to the COVID-19 pandemic we see an increased risk in the market outlook for 2020 compared to 2019. The new guidance is based on several assumptions.

## GENERAL ASSUMPTIONS

The new guidance for 2020 is based on the assumption that no significant resurgence of COVID-19 resulting in new lockdowns will take place in our markets.

As stated on pages 7-8, we have launched several initiatives to strengthen the gross profit margin in combination with cost containment. In the most recent quarters, we have seen steady improvements in gross profit margin. The new guidance is based on the assumption that we will continue to see such improvements throughout H2 2020.

Part of the cost savings seen in Q2 2020 are temporary savings, and we assume costs to be partly normalised during H2 2020 albeit still at a lower level than H2 2019.

In H1 2020, we received DKK 13m from furlough schemes, whereas we only expect a minor sum from these in H2 2020.

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

Loss on trade receivables is assumed to be at the same level as in H1 2020.

## MARKET OUTLOOK FOR SOLAR'S BUSINESS AREAS

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

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

### Installation

During Q2, service sales saw a slight decline. We expect this trend to change and for service sales to gradually normalise in H2 to pre-COVID-19 levels. Project sales are expected to remain at the current level, which is in line with our initial expectations.

### Industry

The new guidance is based on the assumption that sales to OEM, Marine and Offshore will improve. Infrastructure is expected to continue to deliver strong growth rates in H2.

### Trade

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

## FINANCIAL OUTLOOK 2020

### Core business, revenue guidance

For core business, we expect revenue at DKK 10,850m (DKK 11,200m), corresponding to organic growth of approx. -1% (approx. 1%). Pruning products is part of our Better Business project, and this is expected to reduce revenue by DKK 200m (DKK 200m) compared to 2019. Adjusted for this, we expect underlying organic growth of approx. 1% (approx. 3%).

### Core business, EBITA guidance

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

Consequently, we expect core business to deliver an operating EBITA of DKK 430m corresponding to an EBITA margin of 4.0% (3.8%), which is in line with our target of 4%.

### Related business, guidance

For related business, we expect revenue of around DKK 550m (DKK 600m), organic growth in the

## GUIDANCE 2020

region of -2% (approx. 3%) and an unchanged EBITA of DKK 0m.

MAG45 has seen decreasing growth during the latter part of Q2 2020. The order backlog remained close to an all-time high by the end of June. We expect MAG45 to make a gradual return to growth. Regarding the strategic review of MAG45, see page 7.

### Solar Group, guidance

In total, we expect revenue of DKK 11,400m (DKK 11,800m) equal to organic growth of approx. -1% (approx. 1%). We expect an unchanged EBITA of DKK 400m, including one-off costs of DKK 30m related to SAP eWM implementations.

This means that our H2 2020 EBITA guidance matches the actual H2 2019 EBITA despite the fact that we expect a DKK 244m lower revenue in H2 2020 compared to H2 2019. We expect this achievement to derive from initiatives to strengthen gross profit margin in combination with efficiency gains and cost containment.

DKK million	New guidance 2020	Withdrawn guidance 2020	Actual 2019
<b>Core business</b>			
Revenue	10,850	11,200	11,116
EBITA	400	400	379
<b>Related business</b>			
Revenue	550	600	563
EBITA	0	0	-19
<b>Solar Group</b>			
Revenue	11,400	11,800	11,679
EBITA	400	400	360



## SHAREHOLDER INFORMATION

# Share and webcast information

## SOLAR'S SHARES

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

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

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

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

## TOTAL SHAREHOLDER RETURN

The total shareholder return of the Solar B share during the holding period 1 January 2020 - 30 June 2020 was DKK -28.26 as DKK 14.00 was paid out in dividend and the share price decrease amounted to DKK -42.26 in H1 2020.

Comparable companies have seen a similar development in their share price as the COVID-19 pandemic is affecting the stock market in general.

## AUDIO WEBCAST

The presentation of the Quarterly Report Q2 2020 will be conducted in English on 12 August 2020 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at [www.solar.eu](http://www.solar.eu).

## FINANCIAL CALENDAR 2020

4 October - 4 November	IR quiet period
4 November	Quarterly Report Q3 2020

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

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

# **Consolidated financial statements**

# Statement of comprehensive income

## Income statement

	Q2		H1		Year
DKK million	2020	2019	2020	2019	2019
Revenue	2,745	2,868	5,790	5,825	11,679
Cost of sales	-2,183	-2,288	-4,605	-4,652	-9,326
<b>Gross profit</b>	<b>562</b>	<b>580</b>	<b>1,185</b>	<b>1,173</b>	<b>2,353</b>
Other operating income and costs	2	5	10	5	9
External operating costs	-61	-88	-153	-181	-329
Staff costs	-372	-387	-763	-761	-1,477
Loss on trade receivables	-4	-6	-10	-11	-18
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>127</b>	<b>104</b>	<b>269</b>	<b>225</b>	<b>538</b>
Depreciation and write-down on property, plant and equipment	-46	-44	-91	-85	-178
<b>Earnings before interest, tax and amortisation (EBITA)</b>	<b>81</b>	<b>60</b>	<b>178</b>	<b>140</b>	<b>360</b>
Amortisation and impairment of intangible assets	-16	-19	-31	-37	-100
<b>Earnings before interest and tax (EBIT)</b>	<b>65</b>	<b>41</b>	<b>147</b>	<b>103</b>	<b>260</b>
Share of net profit from associates	-3	-5	-8	-10	-19
Impairment on associates	97	29	73	-28	-86
Financial income	6	4	15	8	18
Financial expenses	-12	-13	-29	-24	-53
<b>Earnings before tax (EBT)</b>	<b>153</b>	<b>56</b>	<b>198</b>	<b>49</b>	<b>120</b>
Income tax	-12	-8	-27	-19	-54
<b>Profit or loss of continuing operations</b>	<b>141</b>	<b>48</b>	<b>171</b>	<b>30</b>	<b>66</b>
Loss of discontinued operations	0	0	0	-2	-2
<b>Net profit for the period</b>	<b>141</b>	<b>48</b>	<b>171</b>	<b>28</b>	<b>64</b>
Earnings in DKK per share outstanding (EPS)	19.32	6.82	23.43	3.91	8.77
Diluted earnings in DKK per share outstanding (EPS-D)	19.31	6.82	23.42	3.91	8.77
Earnings in DKK per share outstanding (EPS) of continuing operations	19.32	6.82	23.43	4.19	9.04
Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations	19.31	6.82	23.42	4.19	9.04

## Other comprehensive income

	Q2		H1		Year
DKK million	2020	2019	2020	2019	2019
<b>Net profit for the period</b>	<b>141</b>	<b>48</b>	<b>171</b>	<b>28</b>	<b>64</b>
<b>Other income and costs recognised:</b>					
<b>Items that can be reclassified for the income statement</b>					
Foreign currency translation adjustments of foreign subsidiaries	33	-4	-42	-1	0
Fair value adjustments of hedging instruments before tax	-2	-8	-7	-14	-10
Tax on fair value adjustments of hedging instruments	1	1	2	3	2
<b>Other income and costs recognised after tax</b>	<b>32</b>	<b>-11</b>	<b>-47</b>	<b>-12</b>	<b>-8</b>
<b>Total comprehensive income for the period</b>	<b>173</b>	<b>37</b>	<b>124</b>	<b>16</b>	<b>56</b>



# Balance sheet

	30.06		31.12
DKK million	2020	2019	2019
<b>ASSETS</b>			
Intangible assets	307	360	315
Property, plant and equipment	836	833	865
Right-of-use assets	292	304	341
Deferred tax asset	10	10	10
Investments in associates	215	217	146
Other non-current assets	75	68	79
<b>Non-current assets</b>	<b>1,735</b>	<b>1,792</b>	<b>1,756</b>
Inventories	1,551	1,635	1,666
Trade receivables	1,496	1,679	1,428
Income tax receivable	19	15	14
Other receivables	9	27	8
Prepayments	54	48	62
Cash at bank and in hand	138	47	56
<b>Current assets</b>	<b>3,267</b>	<b>3,451</b>	<b>3,234</b>
<b>Total assets</b>	<b>5,002</b>	<b>5,243</b>	<b>4,990</b>

	30.06		31.12
DKK million	2020	2019	2019
<b>EQUITY AND LIABILITIES</b>			
Share capital	736	736	736
Reserves	-226	-183	-179
Retained earnings	1,104	999	933
Proposed dividends for the financial year	0	0	102
<b>Equity</b>	<b>1,614</b>	<b>1,552</b>	<b>1,592</b>
Interest-bearing liabilities	151	401	156
Lease liabilities	193	183	231
Provision for pension obligations	0	2	0
Provision for deferred tax	100	113	103
Other provisions	13	14	13
<b>Non-current liabilities</b>	<b>457</b>	<b>713</b>	<b>503</b>
Interest-bearing liabilities	539	524	477
Lease liabilities	100	121	113
Trade payables	1,664	1,848	1,814
Income tax payable	26	7	10
Other payables	590	458	464
Prepayments	5	5	4
Other provisions	7	15	13
<b>Current liabilities</b>	<b>2,931</b>	<b>2,978</b>	<b>2,895</b>
<b>Liabilities</b>	<b>3,388</b>	<b>3,691</b>	<b>3,398</b>
<b>Total equity and liabilities</b>	<b>5,002</b>	<b>5,243</b>	<b>4,990</b>

# Cash flow statement

	Q2		H1		Year
DKK million	2020	2019	2020	2019	2019
<b>Net profit or loss of continuing operations for the period</b>	<b>141</b>	<b>48</b>	<b>171</b>	<b>30</b>	<b>66</b>
Write-down negative goodwill	0	-18	0	-18	-18
Depreciation, write-down and amortisation	62	63	122	122	278
Impairment on associates	-97	-29	-73	28	86
Changes to provisions and other adjustments	-1	14	-9	11	-6
Share of net profit from associates	3	5	8	10	19
Financials, net	6	9	14	16	35
Income tax	12	8	27	19	54
Financial income, received	1	2	3	4	8
Financial expenses, settled	-9	-10	-18	-18	-41
Income tax, settled	-4	-15	-17	-27	-62
<b>Cash flow before working capital changes</b>	<b>114</b>	<b>77</b>	<b>228</b>	<b>177</b>	<b>419</b>
<b>Working capital changes</b>					
Inventory changes	0	-4	85	-51	-92
Receivables changes	212	33	-91	-246	21
Non-interest-bearing liabilities changes	-44	-123	17	-29	-48
<b>Cash flow from operating activities, continuing operations</b>	<b>282</b>	<b>-17</b>	<b>239</b>	<b>-149</b>	<b>300</b>
Cash flow from operating activities, discontinued operations	0	0	0	-2	-2
<b>Cash flow from operating activities</b>	<b>282</b>	<b>-17</b>	<b>239</b>	<b>-151</b>	<b>298</b>

	Q2		H1		Year
DKK million	2020	2019	2020	2019	2019
<b>Investing activities</b>					
Purchase of intangible assets	-12	-8	-24	-18	-35
Purchase of property, plant and equipment	-4	-25	-18	-46	-110
Disposal of property, plant and equipment	0	0	1	0	0
Acquisition of subsidiaries and activities	0	-40	0	-40	-40
Acquisition of associates	-2	0	-2	0	0
Divestment of subsidiaries and activities	0	0	0	5	5
Other financial investments	0	-5	0	-7	-14
<b>Cash flow from investing activities, continuing operations</b>	<b>-18</b>	<b>-78</b>	<b>-43</b>	<b>-106</b>	<b>-194</b>
Cash flow from investing activities, discontinued operations	0	0	0	0	0
<b>Cash flow from investing activities</b>	<b>-18</b>	<b>-78</b>	<b>-43</b>	<b>-106</b>	<b>-194</b>
<b>Financing activities</b>					
Repayment of non-current interest-bearing debt	-3	-3	-5	-5	-9
Change in current interest-bearing debt	-166	113	54	405	118
Instalment on lease liabilities	-29	-28	-61	-56	-117
Dividends distributed	0	0	-102	-102	-102
<b>Cash flow from financing activities, continuing operations</b>	<b>-198</b>	<b>82</b>	<b>-114</b>	<b>242</b>	<b>-110</b>
Cash flow from financing activities, discontinued operations	0	0	0	0	0
<b>Cash flow from financing activities</b>	<b>-198</b>	<b>82</b>	<b>-114</b>	<b>242</b>	<b>-110</b>
<b>Total cash flow</b>	<b>66</b>	<b>-13</b>	<b>82</b>	<b>-15</b>	<b>-6</b>
Cash at bank and in hand at the beginning of the period	72	60	56	65	65
Assumed on disposal of subsidiaries	0	0	0	-3	-3
Foreign currency translation adjustments	0	0	0	0	0
<b>Cash at bank and in hand at the end of the period</b>	<b>138</b>	<b>47</b>	<b>138</b>	<b>47</b>	<b>56</b>
<b>Cash at bank and in hand at the end of the period</b>					
Cash at bank and in hand	138	47	138	47	56
<b>Cash at bank and in hand at the end of the period</b>	<b>138</b>	<b>47</b>	<b>138</b>	<b>47</b>	<b>56</b>

# Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions <sup>1</sup>	Reserves for foreign currency translation adjustments <sup>1</sup>	Retained earnings	Proposed dividends	Total
<b>2020</b>						
<b>Equity as at 1 January</b>	<b>736</b>	<b>-66</b>	<b>-113</b>	<b>933</b>	<b>102</b>	<b>1,592</b>
Foreign currency translation adjustments of foreign subsidiaries			-42			-42
Fair value adjustments of hedging instruments before tax		-7				-7
Tax on fair value adjustments		2				2
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-5	-42	0	0	-47
Net profit for the period				171		171
<b>Comprehensive income</b>	<b>0</b>	<b>-5</b>	<b>-42</b>	<b>171</b>	<b>0</b>	<b>124</b>
Distribution of dividends (DKK 14.00 per share)					-102	-102
<b>Transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-102</b>	<b>-102</b>
<b>Equity as at 30 June</b>	<b>736</b>	<b>-71</b>	<b>-155</b>	<b>1,104</b>	<b>0</b>	<b>1,614</b>

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 <sup>1</sup>	Reserves for foreign currency translation adjustments <sup>1</sup>	Retained earnings	Proposed dividends	Total
<b>2019</b>						
<b>Equity as at 1 January</b>	<b>775</b>	<b>-58</b>	<b>-113</b>	<b>932</b>	<b>102</b>	<b>1,638</b>
Foreign currency translation adjustments of foreign subsidiaries			-1			-1
Fair value adjustments of hedging instruments before tax		-14				-14
Tax on fair value adjustments		3				3
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-11	-1	0	0	-12
Net profit for the period				28		28
<b>Comprehensive income</b>	<b>0</b>	<b>-11</b>	<b>-1</b>	<b>28</b>	<b>0</b>	<b>16</b>
Distribution of dividends (DKK 14.00 per share)					-102	-102
Deduction in share capital	-39			39		0
<b>Transactions with the owners</b>	<b>-39</b>	<b>0</b>	<b>0</b>	<b>39</b>	<b>-102</b>	<b>-102</b>
<b>Equity as at 30 June</b>	<b>736</b>	<b>-69</b>	<b>-114</b>	<b>999</b>	<b>0</b>	<b>1,552</b>

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

# Notes

## Segment information

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

DKK million	Installation	Industry	Trade	Total
<b>Q2 2020</b>				
Revenue	1,701	837	207	2,745
Cost of sales	-1,370	-644	-169	-2,183
<b>Gross profit</b>	<b>331</b>	<b>193</b>	<b>38</b>	<b>562</b>
Direct costs	-57	-24	-5	-86
<b>Earnings before indirect costs</b>	<b>274</b>	<b>169</b>	<b>33</b>	<b>476</b>
Indirect costs	-139	-41	-13	-193
<b>Segment profit</b>	<b>135</b>	<b>128</b>	<b>20</b>	<b>283</b>
Non-allocated costs				-156
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>				<b>127</b>
Depreciation and amortisation				-62
<b>Earnings before interest and tax (EBIT)</b>				<b>65</b>
Financials, net, and impact from associates				88
<b>Earnings before tax (EBT)</b>				<b>153</b>

DKK million	Installation	Industry	Trade	Total
<b>Q2 2019</b>				
Revenue	1,826	888	154	2,868
Cost of sales	-1,488	-683	-117	-2,288
<b>Gross profit</b>	<b>338</b>	<b>205</b>	<b>37</b>	<b>580</b>
Direct costs	-66	-28	-5	-99
<b>Earnings before indirect costs</b>	<b>272</b>	<b>177</b>	<b>32</b>	<b>481</b>
Indirect costs	-154	-45	-12	-211
<b>Segment profit</b>	<b>118</b>	<b>132</b>	<b>20</b>	<b>270</b>
Non-allocated costs				-166
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>				<b>104</b>
Depreciation and amortisation				-63
<b>Earnings before interest and tax (EBIT)</b>				<b>41</b>
Financials, net, and impact from associates				15
<b>Earnings before tax (EBT)</b>				<b>56</b>



# Notes

## Segment information - continued

DKK million	Installation	Industry	Trade	Total
<b>H1 2020</b>				
Revenue	3,556	1,773	461	5,790
Cost of sales	-2,864	-1,366	-375	-4,605
<b>Gross profit</b>	<b>692</b>	<b>407</b>	<b>86</b>	<b>1,185</b>
Direct costs	-124	-51	-11	-186
<b>Earnings before indirect costs</b>	<b>568</b>	<b>356</b>	<b>75</b>	<b>999</b>
Indirect costs	-283	-87	-25	-395
<b>Segment profit</b>	<b>285</b>	<b>269</b>	<b>50</b>	<b>604</b>
Non-allocated costs				-335
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>				<b>269</b>
Depreciation and amortisation				-122
<b>Earnings before interest and tax (EBIT)</b>				<b>147</b>
Financials, net, and impact from associates				51
<b>Earnings before tax (EBT)</b>				<b>198</b>

DKK million	Installation	Industry	Trade	Total
<b>H1 2019</b>				
Revenue	3,600	1,825	400	5,825
Cost of sales	-2,932	-1,411	-309	-4,652
<b>Gross profit</b>	<b>668</b>	<b>414</b>	<b>91</b>	<b>1,173</b>
Direct costs	-130	-55	-10	-195
<b>Earnings before indirect costs</b>	<b>538</b>	<b>359</b>	<b>81</b>	<b>978</b>
Indirect costs	-300	-88	-23	-411
<b>Segment profit</b>	<b>238</b>	<b>271</b>	<b>58</b>	<b>567</b>
Non-allocated costs				-342
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>				<b>225</b>
Depreciation and amortisation				-122
<b>Earnings before interest and tax (EBIT)</b>				<b>103</b>
Financials, net				-54
<b>Earnings before tax (EBT)</b>				<b>49</b>

# Notes

## Segment information – continued

### Geographical information

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

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
<b>Q2 2020</b>					
Denmark	865	1.9	51	5.9	2,101
Sweden	607	-4.8	5	0.8	322
Norway	430	-5.0	11	2.6	172
The Netherlands	694	0.6	12	1.7	363
Poland	84	-14.5	0	0.0	30
Other markets	9	16.4	1	11.1	5
Eliminations	-83	-	0	0.0	-1,313
<b>Core business</b>	<b>2,606</b>	<b>-1.6</b>	<b>80</b>	<b>3.1</b>	<b>1,680</b>
Several markets (MAG45)	134	-0.7	0	0.0	54
Other markets	5	-	1	20.0	1
<b>Related business</b>	<b>139</b>	<b>-0.9</b>	<b>1</b>	<b>0.7</b>	<b>55</b>
<b>Solar Group</b>	<b>2,745</b>	<b>-1.6</b>	<b>81</b>	<b>3.0</b>	<b>1,735</b>

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
<b>Q2 2019</b>					
Denmark	844	4.0	42	5.0	2,116
Sweden	633	3.2	-4	-0.6	335
Norway	484	14.3	9	1.9	209
The Netherlands	713	4.4	17	2.4	313
Poland	94	1.3	1	1.1	35
Other markets	7	15.1	1	14.3	5
Eliminations	-53	-	0	0.0	-1,291
<b>Core business</b>	<b>2,722</b>	<b>5.6</b>	<b>66</b>	<b>2.4</b>	<b>1,722</b>
Several markets (MAG45)	140	4.6	-5	-3.6	69
Other markets	6	-	-1	-16.7	1
<b>Related business</b>	<b>146</b>	<b>6.3</b>	<b>-6</b>	<b>-4.1</b>	<b>70</b>
<b>Solar Group</b>	<b>2,868</b>	<b>5.6</b>	<b>60</b>	<b>2.1</b>	<b>1,792</b>

# Notes

## Segment information – continued

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
<b>H1 2020</b>					
Denmark	1,811	3.0	111	6.1	2,101
Sweden	1,249	-3.3	17	1.4	322
Norway	905	-3.4	26	2.9	172
The Netherlands	1,506	2.4	21	1.4	363
Poland	173	-9.3	0	0.0	30
Other markets	19	21.5	2	10.5	5
Eliminations	-161	-	0	0.0	-1,313
<b>Core business</b>	<b>5,502</b>	<b>0.0</b>	<b>177</b>	<b>3.2</b>	<b>1,680</b>
Several markets (MAG45)	279	-0.9	1	0.4	54
Other markets	9	-	0	0.0	1
<b>Related business</b>	<b>288</b>	<b>-0.7</b>	<b>1</b>	<b>0.3</b>	<b>55</b>
<b>Solar Group</b>	<b>5,790</b>	<b>0.0</b>	<b>178</b>	<b>3.1</b>	<b>1,735</b>

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
<b>H1 2019</b>					
Denmark	1,736	4.6	86	5.0	2,116
Sweden	1,233	1.6	5	0.4	335
Norway	986	13.4	20	2.0	209
The Netherlands	1,480	5.8	35	2.4	313
Poland	182	0.8	0	0.0	35
Other markets	15	11.9	1	6.7	5
Eliminations	-102	-	0	0.0	-1,291
<b>Core business</b>	<b>5,530</b>	<b>5.6</b>	<b>147</b>	<b>2.7</b>	<b>1,722</b>
Several markets (MAG45)	284	7.1	-6	-2.1	69
Other markets	11	-	-1	-9.1	1
<b>Related business</b>	<b>295</b>	<b>6.4</b>	<b>-7</b>	<b>-2.4</b>	<b>70</b>
<b>Solar Group</b>	<b>5,825</b>	<b>5.6</b>	<b>140</b>	<b>2.4</b>	<b>1,792</b>

# Notes

## Discontinued operation

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

The discontinued operation impacted the income statement as follows:

DKK million	Q2		H1		Year
	2020	2019	2020	2019	2019
Revenue	-	-	-	12	12
Cost of sales	-	-	-	-1	-1
<b>Gross profit</b>	-	-	-	<b>11</b>	<b>11</b>
Costs	-	-	-	-13	-13
<b>Earnings before interest and tax (EBIT)</b>	-	-	-	<b>-2</b>	<b>-2</b>
Financials	-	-	-	0	0
<b>Earnings before tax (EBT)</b>	-	-	-	<b>-2</b>	<b>-2</b>
Tax on net profit or loss for the period	-	-	-	0	0
<b>Net profit or loss for the period</b>	-	-	-	<b>-2</b>	<b>-2</b>
Write-down to fair value less costs to sell	-	-	-	0	0
<b>Net profit or loss for discontinued operations</b>	-	-	-	<b>-2</b>	<b>-2</b>
Earnings from discontinued operations in DKK per share outstanding (EPS)	-	-	-	-0.27	-0.27
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	-	-	-	-0.27	-0.27

# Notes

## Acquisition of business activities

On 15 May 2019, Solar A/S acquired selected parts of Onninen AB's Swedish business activities from the Finnish Kesko Corporation. Solar acquired the heating, plumbing and air conditioning business segment, which serves mostly small and medium-sized contractors in Sweden. The acquisition included 12 branches.

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

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

Transaction costs related to the acquisition totalled DKK 2m.

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

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

### Fair value at the date of the acquisition (DKK million)

Property, plant and equipment	1
Inventories	55
Prepayments	3
Other payables	-6
Other provisions	-6
<b>Net assets acquired</b>	<b>47</b>
Negative goodwill	-18
<b>Final acquisition price</b>	<b>29</b>
Cash paid at closing	40
Withheld purchase price	4
Acquisition price	44
Adjustment acquisition price <sup>1</sup>	-15
<b>Final acquisition price</b>	<b>29</b>

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



# Notes

## Accounting policies

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

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

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

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

### New accounting standards implemented during the period

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

### New accounting standards to be implemented in coming accounting periods

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective 1 January 2022.
- Amendment to IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts, Cost of fulfilling a contract, effective 1 January 2022.
- Annual improvements 2018-2020 comprising minor amendments to existing standards, effective 1 January 2022.

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

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

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

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

### On audit

This quarterly report has not been audited or reviewed.

# Quarterly figures

## Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2020	2019	2020	2019	2019	2018	2019	2018
Revenue	3,045	2,957	2,745	2,868	2,777	2,539	3,077	3,009
Earnings before interest, tax, depreciation and amortisation (EBITDA)	142	121	127	104	152	106	161	121
Earnings before interest, tax and amortisation (EBITA)	97	80	81	60	105	93	115	109
Earnings before interest and tax (EBIT)	82	62	65	41	82	64	75	74
Financials, net	-8	-7	-6	-9	-9	-7	-10	-16
Earnings before tax (EBT)	45	-7	153	56	-2	70	73	54
Net profit or loss for the quarter	30	-20	141	48	-22	49	58	10

Balance sheet (DKK million)								
Non-current assets	1,636	1,739	1,735	1,792	1,691	1,572	1,756	1,516
Current assets	3,349	3,425	3,267	3,451	3,460	3,121	3,234	3,117
Balance sheet total	4,985	5,164	5,002	5,243	5,151	4,693	4,990	4,633
Equity	1,441	1,515	1,614	1,552	1,512	1,645	1,592	1,638
Non-current liabilities	455	713	457	713	707	536	503	543
Current liabilities	3,089	2,936	2,931	2,978	2,932	2,512	2,895	2,452
Interest-bearing liabilities, net	1,077	1,032	845	1,182	1,089	712	921	461
Invested capital	2,332	2,302	2,178	2,461	2,395	2,055	2,297	1,797
Net working capital, end of period	1,432	1,331	1,383	1,466	1,467	1,312	1,280	1,090
Net working capital, average	1,411	1,230	1,391	1,299	1,339	1,184	1,386	1,182

# Quarterly figures

## Consolidated – continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	2020	2019	2020	2019	2019	2018	2019	2018
Cash flow from operating activities	-43	-132	282	-17	144	-23	305	327
Cash flow from investing activities	-25	-28	-18	-78	-40	-30	-48	-68
Cash flow from financing activities	84	160	-198	82	-88	35	-264	-199
Net investments in intangible assets	-12	-10	-12	-8	-8	-20	-9	-17
Net investments in property, plant and equipment	-13	-21	-4	-25	-25	-10	-39	-26
Acquisition and disposal of subsidiaries, net	0	5	0	-40	0	0	0	-10

## Financial ratios (% unless otherwise stated)

Revenue growth	3.0	5.0	-4.3	4.9	9.4	-2.2	2.3	1.4
Organic growth	2.6	6.0	-1.7	4.2	7.9	-0.3	1.6	2.3
Organic growth adjusted for number of working days	1.4	5.8	-1.6	5.6	6.3	-0.3	2.6	2.5
Gross profit margin	20.5	20.1	20.5	20.2	19.7	20.2	20.5	20.0
EBITDA margin	4.7	4.1	4.6	3.6	5.5	4.2	5.2	4.0
EBITA margin	3.2	2.7	3.0	2.1	3.8	3.7	3.7	3.6
EBIT margin	2.7	2.1	2.4	1.4	3.0	2.5	2.4	2.5
Net working capital (NWC end of period)/revenue (LTM)	12.2	11.8	11.9	12.9	12.6	11.8	11.0	9.8
Net working capital (NWC average)/revenue (LTM)	12.0	10.9	11.9	11.4	11.5	10.7	11.9	10.6
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	1.9	2.5	1.5	2.6	2.2	2.0	1.7	1.2
Return on equity (ROE)	7.5	2.0	13.6	5.7	1.0	-0.7	4.1	8.1
Return on invested capital (ROIC)	9.0	8.1	10.2	7.9	8.3	5.6	8.3	8.1
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	6.3	8.5	6.0	8.9	8.1	10.7	7.9	6.8
Equity ratio	28.9	29.3	32.3	29.6	29.4	35.1	31.9	35.4

# Quarterly figures

## Consolidated – continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK unless otherwise stated)	2020	2019	2020	2019	2019	2018	2019	2018
Earnings per share outstanding (EPS)	4.11	-2.74	19.32	6.82	-3.18	6.71	7.95	1.37
Intrinsic value per share outstanding	197.44	207.58	221.15	224.52	218.73	225.40	218.13	224.44
Share price	204.50	286.68	255.05	312.60	289.41	401.55	297.31	284.12
Share price/intrinsic value	1.04	1.38	1.15	1.39	1.32	1.78	1.36	1.27

### Employees

Number of employees (FTE), end of period	3,052	2,982	2,934	3,079	3,070	2,918	3,041	2,955
Average number of employees (FTE), LTM	3,057	2,951	3,024	2,984	3,018	2,929	3,039	2,941

### Definitions

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

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

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

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

# Statement by the Executive Board and the Board of Directors

Today, the group's Board of Directors and Executive Board have discussed and approved the Q2 2020 quarterly report of Solar A/S.

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

In our opinion, the quarterly report gives a fair presentation of the group's assets, equity and liabilities, and financial position as at 30 June 2020 as well as of the results of the group's activities and cash flow for Q2 2020.

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

Vejen, 12 August 2020

## EXECUTIVE BOARD

**Jens E. Andersen**  
CEO

**Hugo Dorph**  
CCO

**Michael H. Jeppesen**  
CFO

## BOARD OF DIRECTORS

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Chairman

**Jesper Dalsgaard**  
Vice-chairman

**Lars Lange Andersen**

**Peter Bang**

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