10 February 2022 Announcement no. 2 2022

ANNUAL REPORT 2021

In 2021, we achieved a 43% increase in EBITDA, which slightly exceeded our expectations. At the Annual General Meeting, the Board of Directors will propose a 2021 dividend distribution of DKK 45 per share.

CEO Jens Andersen says:
"Our 2021 result reflects strong performance across all our segments driven by our strategic focus areas. This echoes in the 43% increase in EBITDA, which totalled DKK 911m, and our EBITDA margin of 7.4%.

With our strong financial performance in mind we propose a dividend payment of DKK 329m.

We have set an ambition to reach net zero in scope 1+2 already in 2030. As a part of our road to net zero we expect to introduce our Science Based Targets initiative targets within 2022.

In addition, I would like to thank my colleagues for their dedication and commitment to Solar. Every single one of you has made a difference and contributed to the results. This gives me great hope for the future and reinforces my firm belief in: Solar - Stronger Together."

Financial highlights (DKK million)	Q4 2021	Q4 2020	2021	2020
Revenue	3,380	3,057	12,354	11,465
EBITDA	259	191	911	637
EBITA	212	145	727	455
Earnings before tax	184	-7	622	300
Cash flow from operating activities	558	432	783	813
Financial ratios (%)				
Organic growth adj. for number of working days	7.1	-2.1	5.9	-2.0
EBITDA margin	7.7	6.2	7.4	5.6
EBITA margin	6.3	4.7	5.9	4.0
Net working capital, end of period/revenue (LTM)	10.2	9.7	10.2	9.7
Gearing (NIBD/EBITDA), no. of times	0.0	0.2	0.0	0.2
Return on invested capital (ROIC)	24.6	13.8	24.6	13.8

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CVR no. 15 90 84 16
www.solar.eu

2021 revenue

- Adjusted organic growth amounted to 5.9% (-2.0%) due to strong performance in all main segments partly offset by our Better Business initiatives. Adjusted for the Better Business impact, organic growth was approx. 8%.

2021 EBITDA

- EBITDA increased by DKK 274m to DKK 911m compared to 2020.
- EBITDA was supported by an increase in our four strategic focus areas: Concepts, Industry, Climate & Energy and Trade and by positive one-off price effects combined with a solid growth level.
- EBITDA was impacted by non-recurring income of net DKK 112m. Adjusted for this EBITDA amounted to DKK 799m.

Dividend distribution

- At the Annual General Meeting, the Board of Directors will propose dividend distribution of DKK 45.00 per share, corresponding to a pay-out ratio of 62%.
- Furthermore, the Board of Directors asks for authorisation to decide on distribution of extraordinary dividend of up to DKK 50.00 per share.

2022 outlook

- We expect revenue of approx. DKK 12,750m equal to an organic growth of approx. 3%.
- Better Business initiatives are expected to reduce revenue by approx. DKK 200m adjusted for this the growth amounts to approx. 5%.
- We expect an EBITDA of approx. DKK 850m.

See the assumptions on page 9 in Annual Report 2021.

Audio webcast and teleconference today

The presentation of Annual Report 2021 will be made in English on 10 February 2022 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. +45 787 232 50
UK: tel. +44 333 300 9271
US: tel. +1 631 913 1422 Pin: 4158 3571#

Contacts

CEO Jens Andersen - tel. +45 79 30 02 01
CFO Michael H. Jeppesen - tel. +45 79 30 02 62
IR Director Dennis Callesen - tel. +45 29 92 18 11

Enclosure: Annual Report 2021, pages 1-150, including Q4 2021 quarterly information.

FACTS ABOUT SOLAR

Solar is a leading European sourcing and services company mainly within electrical, heating & plumbing and climate & 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 12.4bn in 2021 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.

solar

ANNUAL REPORT 2021

Solar A/S
CVR no. 15 90 84 16

WHO WE ARE

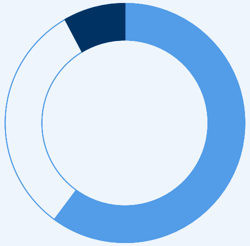
We are a leading European sourcing and services company.

OUR ENTITIES

Denmark	Sweden	Norway
33%	**21%**	**16%**
The Netherlands	Poland	Other[1]
23%	**4%**	**3%**

Share of revenue

OUR SEGMENTS

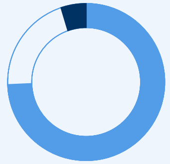


60%	**32%**	**8%**
Installation	Industry	Trade

Share of revenue

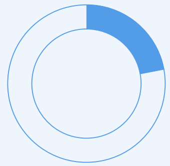
OUR PRODUCTS

Product groups



- **74%** Electrical
- **20%** Heating & Plumbing
- **6%** Climate & Energy

Product brands



- **22%** Concepts
- **78%** Other brands

Share of revenue

ADDITIONAL REPORTS

Together with the Annual Report, the following publications constitute Solar's reporting for the year 2021:

Sustainability Report 2021

WWW.SOLAR.EU/OUR-COMPANY/SUSTAINABILITY

Statutory report on corporate governance 2021 cf. § 107b of the Danish Financial Statements Act

SOLAR.EU/INVESTOR/CORPORATE-GOVERNANCE

Statutory report on data ethics 2021 cf. § 99d of the Danish Financial Statements Act

SOLAR.EU/INVESTOR/POLICIES

[1] Including eliminations

CONTENTS

solar

OUR PURPOSE

We improve
construction, building operation
and industry processes
with a commitment to
sustainability and productivity.
For our customers. With our partners.
For a better world.

LETTER FROM THE CEO

ALL-TIME HIGH EBITDA

We can look back on a profitable year where we exceeded expectations. In 2021, we delivered an all-time high EBITDA. A substantial contribution to this is the execution of our Core+ strategy driven by all employees, who have navigated the volatile markets.

LETTER FROM THE CEO

In 2021, EBITDA was impacted by the strong execution of our Core+ strategy, resulting in an EBITDA of DKK 911m. This equates to a 43% increase for 2021 and a return on invested capital (ROIC) after tax of almost 25%.

CORE+ OFFERS FURTHER POTENTIAL

Core+ builds on four strategic focuses – Concepts, Climate & Energy, Industry and Trade.

Twelve months into Core+, we have seen strong improvements in our financial performance. The four strategic focus areas have all supported our journey towards stronger customer focus and profitability.

All our strategic focus areas have shown progress:

- Our Concepts share increased by 1 percentage point and now totals 22%.
- Climate & Energy succeeded in growing revenue by 7% .
- Industry, which focuses on the OEM, MRO, Infrastructure and Marine & Offshore segments, achieved an overall share of revenue of 32% up from 31%.
- Trade delivered a strong revenue performance and double-digit growth in 2021.

ELEVATING OUR STRATEGIC AMBITIONS

We have identified further opportunities to improve our business and establish an even stronger Solar going forward.

These new opportunities mean that we are increasing our ambition for EBITDA margin from >6% to >6.5% and are including MAG45 in our ambitions for 2023.

OUR TICKETS FOR GROWTH

The expansion of our warehouse in Vejen, Denmark, commenced in February 2021 with the construction of an additional 11,000 sqm, corresponding to a 25% increase in capacity.

During the spring of 2022, we plan to inaugurate one of the largest AutoStore facilities in Scandinavia. This will enable us to close several external warehouses on different locations in Vejen, which will reduce our energy consumption, increase product accessibility and provide us with opportunities for future growth.

In the Netherlands, an expansion of our warehouse and AutoStore setup in Alkmaar will commence during 2022, thus centralising services, reducing costs and ensuring future opportunities for growth. As a result, the warehouse in Duiven will close.

Furthermore, we are currently evaluating the opportunities for the further expansion of our warehouses in Sweden and Norway.

NET-ZERO IN 2030

Solar is determined to play an active part in the green transition. We have set an aggressive ambition to reach net-zero in scope 1 & 2 in 2030. As part of our ambition we have committed ourselves to the Science Based Targets initiative (SBTi). We believe that a clearly defined binding science-based target is the way to achieve an actual reduction in our environmental footprint. We expect to introduce our Science Based Targets in 2022.

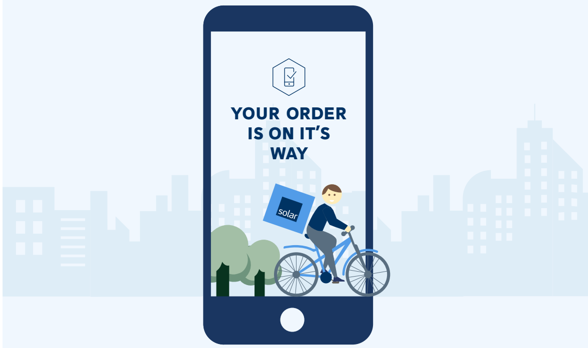
Jens Andersen
CEO

THANK YOU

I would like to thank my colleagues for their dedication and commitment to Solar. Every single one of you has made a difference and contributed to the results. This gives me great hope for the future and reinforces my firm belief in: **Solar - Stronger Together**.

2021 will be remembered for the successful execution of our Core+ strategy. It was also the start of a journey that we will continue into 2023.

We wish to add value for our customers and shareholders with a strong focus on digital and green approach.



2021 AT A GLANCE

AMBITION SET FOR NET-ZERO IN SCOPE 1 & 2

We have set an ambition to reach net-zero in scope 1 & 2 in 2030. As part of our ambition we have committed ourselves to the Science Based Targets initiative (SBTi). We are preparing for the introduction of targets that will support Solar's journey towards lowering emissions as well as supporting our customers on their journey towards decarbonisation. We expect to introduce our Science Based Targets in 2022. For more information read our Sustainability Report 2021 at www.solar.eu.

OUR RESULTS EXCEEDED THE GUIDANCE

911
DKKm

In 2021, we revised our guidance upwards. The revision was driven by better-than-expected performance across all segments and a DKK 115m one-off relating to positive price effects.

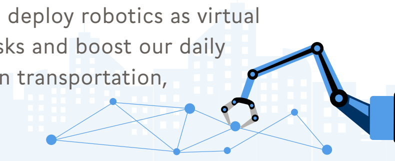
Revenue and EBITDA guidance was increased by DKK 750m and 250m to DKK12.3bn and DKK 900m, respectively.

CONTINUED DIGITALISATION

During 2021, we successfully launched a big data project focusing on cross-selling. This means that we are able to recommend alternative products to our customers mitigating the effects of the global supply chain disruption.

We have finalised the implementation of our new webshop in Sweden and the Netherlands and have taken digitalisation to the next level. The implementation of new webshops in Denmark and Norway will be finalised shortly.

To support our daily business, we deploy robotics as virtual assistants to carry out routine tasks and boost our daily performance. Robotics are used in transportation, delivery and internal processes.



GREEN EXPANSION OF WAREHOUSE VEJEN, DENMARK

We have completed the first stage of the construction process, which means that the construction of our 11,000 sqm warehouse expansion in Vejen is finished and we are preparing for the next step. The second stage will see the installation of AutoStore, which commenced in January and will begin operations in the spring of 2022.

The AutoStore facility in Vejen will be one of the largest of its kind in Scandinavia, containing 125 robots and a picking system with 108,000 boxes.

Furthermore, the expansion will elevate the working environment, significantly reduce energy consumption, and support biodiversity in the surroundings of the warehouse.

ALL-TIME HIGH EBITDA MARGIN

In early 2021, we introduced our Core+ strategy that centres on four strategic focus areas and is designed to increase profitability and develop our core business. Within the first year, we exceeded our EBITDA margin ambition for 2023.

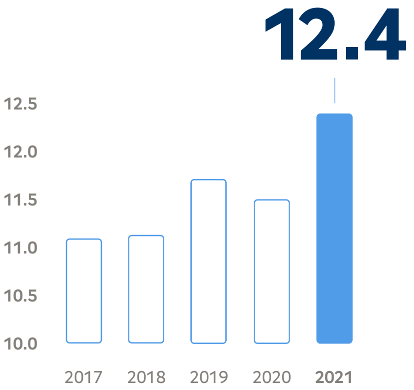
Moreover, our strategy exceeded expectations compared to what we thought was financially feasible within the time frame and how successfully the strategy would be implemented in the organisation.

7.4
%

FINANCIAL HIGHLIGHTS 2021

REVENUE

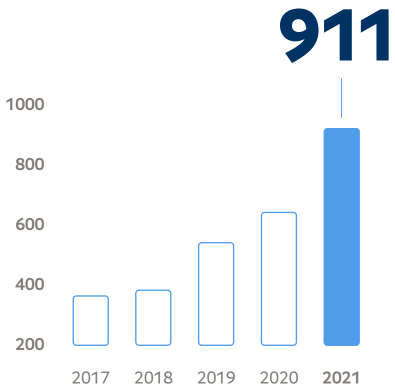
DKKbn



Adjusted organic growth at group level increased to 5.9% (-2.0%). All entities saw positive organic growth apart from Solar Nederland where the Better Business project had a negative impact on revenue. Adjusted for the Better Business impact, organic growth at group level was approx. 8%. Group revenue was up at DKK 12.4bn (DKK 11.5bn).

EBITDA

DKKm

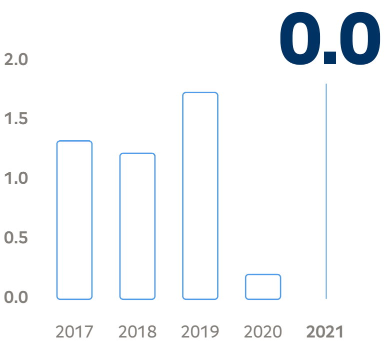


With an **all-time high EBITDA of DKK 911m**, we succeeded in increasing EBITDA by DKK 274m compared to 2020. The increase was supported by our four strategic focus areas Concepts, Industry, Climate & Energy and Trade as well as positive one-off price effects of DKK 115m combined with a solid growth level. The EBITDA margin increased to 7.4% (5.6%).

All entities saw substantial improvements in EBITDA with Solar Danmark making a significant contribution.

GEARING

times EBITDA



At year-end, gearing was 0.0 times EBITDA. Calculated as an average, gearing was 0.3 times EBITDA in 2021.

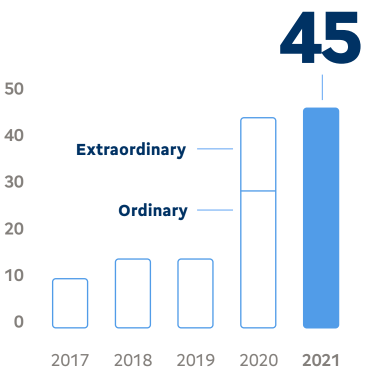
Gearing was impacted by high cash generation in operating activities.

In 2021, we paid out dividend of DKK 314m and invested DKK 200m in digital improvements, operations optimisation and expansion.

Net interest-bearing debt decreased by DKK 165m to DKK -37m.

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 an ordinary dividend payout of DKK 45 per share, corresponding to a total payout ratio of 62%.

In 2021, we paid DKK 28 per share in ordinary dividend and DKK 15 per share in extraordinary dividend. Dividend payment amounted to DKK 14 per share in both 2020 and 2019.

GUIDANCE FOLLOW-UP 2021

During 2021, Solar upgraded both revenue and EBITDA guidance. Compared to our initial 2021 guidance, revenue was up by DKK 0.8bn to DKK 12.4bn and EBITDA was up by DKK 261m to DKK 911m.

STRONGER THAN EXPECTED

EBITDA performance was affected by the following:

REVENUE
Strong growth rates within Installation, Industry and Trade delivered organic growth of 5.9% compared to our initial expectation of 0%.

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

One-off price effects had an impact of approx. DKK 115m corresponding to an improvement in the gross profit margin of approx. 0.9 percentage points.

EBITDA MARGIN
Non-recurring income of DKK 122m in total and non-recurring costs of DKK 10m had a net positive effect of DKK 112m corresponding to approx. 0.9 of the 1.8 percentage points EBITDA margin improvement.

AS EXPECTED

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 consequence, revenue was reduced by approx. DKK 205m.

SAP eWM implementation at our central warehouse in Alkmaar, the Netherlands, was carried out successfully with hardly any disruptions. All central warehouses are now using SAP eWM.

Operational excellence. Due to COVID-19, we initiated several prudent cost-saving measures in 2020 to protect short-term earnings and to deliver cash generation such as reducing travel and shifting many physical meetings to digital. The initiatives continue to perform as expected, which means that we have been able to maintain the level of external operating costs as we anticipated.

SOLAR GROUP

DKKm	Guidance, initial	Guidance, last update	Actual
Revenue	11,550	12,300	12,354
EBITDA	650	900	911

%	Guidance, initial	Guidance, last update	Actual
Organic growth	0	6	5.9
EBITDA MARGIN	5.6	7.3	7.4

GUIDANCE 2022

For the Solar Group, we expect revenue of DKK 12,750m corresponding to organic growth of approx. 3%. We expect EBITDA of approx. DKK 850.

GENERAL ASSUMPTIONS

The guidance for 2022 assumes that the resurgence of COVID-19 will not result in any significant COVID-19 related knock-on effects.

During the latter part of 2021, we saw a substantial increase in the unavailability of stock materials due to global supply chain disruption, as stated on page 33. Despite the mitigating activities, there is a risk that this might lead to a loss of revenue and earnings. The guidance is based on the assumption that the situation will not deteriorate further.

As we expect price increases to normalise in 2022 to pre-COVID-19 levels, no additional price effects have been included in the guidance.

Loss on trade receivables is assumed to be at the same level as in 2021.

MARKET OUTLOOK FOR SOLAR'S SEGMENTS

Overall, we expect the markets to show modest growth rates in 2022 in all countries partly due to the full-year effect of the price increases in 2021.

Installation

On the backdrop of continued electrification as one of the important megatrends, we expect the installation market to show modest growth in 2022 compared to 2021.

Industry

The guidance is based on the assumption that sales to Marine & Offshore remain at the current level. However, we expect OEM and MRO to deliver solid growth rates. Therefore, we expect solid growth rates for Industry.

Trade

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

FINANCIAL OUTLOOK 2022

Revenue guidance

We expect revenue at DKK 12,750m, corresponding to organic growth of approx. 3%.

Our Better Business project is an integral part of the Core+ strategy and is expected to reduce revenue by approx. DKK 200m compared to 2021.

This will affect mainly Installation and Trade, primarily in Solar Sverige, and to a lesser extent in Solar Nederland. Adjusted for this, we expect organic growth of approx. 5%.

Due to substantial price increases during the last eight months of 2021 the majority of growth is expected in the first four months of 2022.

EBITDA guidance

We expect EBITDA at DKK 850m. In 2021, we saw non-recurring income of around DKK 122m and non-recurring costs of DKK 10m. In total, the above had a net positive effect of DKK 112m.

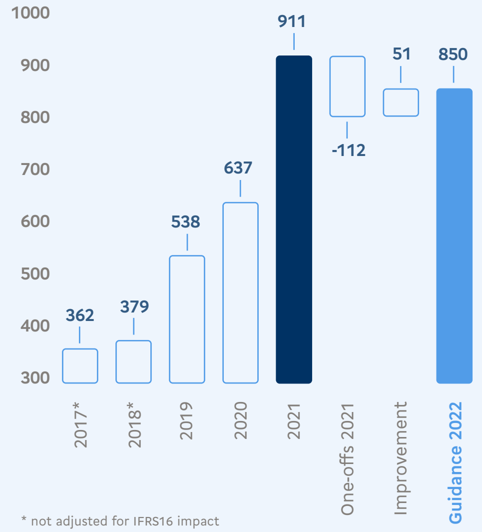
REVENUE 2022
DKKm

12,750

EBITDA 2022
DKKm

850

EBITDA
DKKm



* not adjusted for IFRS16 impact

We expect the strategic focus areas – Concepts, Climate & Energy, Industry and Trade – to deliver continuous improvement in earnings, offsetting approx. 50% of the positive one-off price effects in 2021.

Expected major investments
In 2022, we expect to invest approx. DKK 219m in the expansion and upgrading of our warehouse in Vejen, Denmark, and further automation of our warehouse in Alkmaar, the Netherlands.

In 2021, we initiated the expansion and upgrade of our warehouse in Denmark to which we add a 11,000 sqm warehouse. This will enable us to close down three external warehouses, which we are currently operating in the vicinity of Vejen. We will also invest in AutoStore as we have done in Solar Norge and Solar Nederland.

Following the expansion, we will have more than 25% available capacity for future growth. The total investment is expected to amount to approx. DKK 250m of which DKK 144m is expected to be paid in H1 2022.

In addition, we have decided to close down our operation in Duiven and move activities to Alkmaar. In 2022, we therefore expect to invest approx. DKK 75m in expanding Alkmaar. We will add another 7,600 sqm to the warehouse in Alkmaar and also invest in further automation.

After the completion, we will have more than 20% available capacity for future growth in Solar Nederland.

In addition, we have commenced work on analysing how to expand and further automate the central warehouses in both Norway and Sweden.

STRATEGY

COOPERATION IS THE KEY TO SUCCESS

The installation company ENCO is involved in a major construction project in Carlsbergbyen, Copenhagen. The project comprises approx. 200 multi-storey flats and 200 business units. Logistics plays an important role.

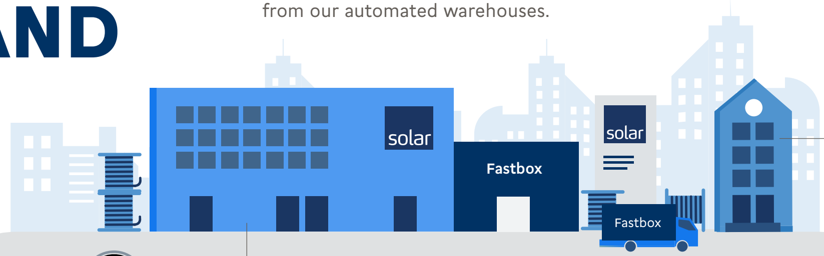
Collaboration between Solar and the customer is crucial for projects in which time and efficiency are vital components. Digitisation is the key to success.

BUSINESS MODEL

SOLAR IS A GREEN AND DIGITAL SOURCING AND SERVICES COMPANY

SOLAR

More than 200,000 articles are available from our automated warehouses.



School

Each year 6,000 participants attend our Solar School.

SUPPLIERS

Solar works with around 3,500 suppliers.

Customer services

Supporting customers throughout their journey makes us stronger together.

Transport

More than 10,000 deliveries every day.

Automated warehouses

Based on AutoStore, warehouses improve productivity and reduce energy consumption.

Bike and EV deliveries

Delivery within the hour and limited impact on the environment.

CUSTOMERS & PRODUCTS

Our customers are active within the industry, installation and trade segments.

Electrical

Wide assortment of electrical components, cables and lighting solutions. We also provide training and product guidance.

Climate & Energy

Energy efficient solutions within heat pumps, solar panels, ventilation and EV chargers.

Heating & Plumbing

Wide assortment of heating & plumbing components, pipes, drainage systems, cold-water pumps and insulation, combined with training and product guidance.

Digital service

+65% of customer orders are made online – making us one of the most digitised companies in our industry.

OUR STRATEGY

Last year, we launched our Core+ strategy. It builds on our key differentiating capabilities in digital sales, category management and operations. These are influenced by the two megatrends digital transformation and green solutions that guide over our strategic focus areas.

Digital Together

'Digital Together' is our roadmap for our digital first approach. It impacts our customers, business partners, employees, and our day-to-day operations – as it enables us to work with greater efficiency and respond faster to customer needs based on enriched data and real-time market insights.

Green Together

'Green Together' is our ambition to ensure a holistic approach to our work with sustainability – to strengthen our position as a responsible business, to provide sustainable solutions for our customers, and to contribute to a more sustainable world.

core+

STRATEGIC FOCUS AREAS

CONCEPTS

Grow Concept share across all customer segments

CLIMATE & ENERGY

Focus on Climate & Energy solutions in all segments

INDUSTRY

Become preferred supplier to four selected Industry segments

TRADE

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

CONCEPTS

Solar's concepts are our curated product assortments targeted at specific customer needs within installation and industry. The concepts embody five elements: price, quality, availability, coverage and delivery.

Our ambition is to grow our concepts in terms of revenue share. We aim for a concept share of >25% and we are well on track. Customer demand fluctuates considerably, which is why it is important to view each customer as an individual, adjusting assortments and services accordingly.

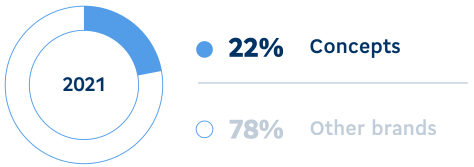
We have embarked on an alignment of our product portfolio across our markets and an expansion of our assortment. This allows us to reach more customers, strengthen our sourcing power, and increase our general understanding of customer requirements as well as how to address them.

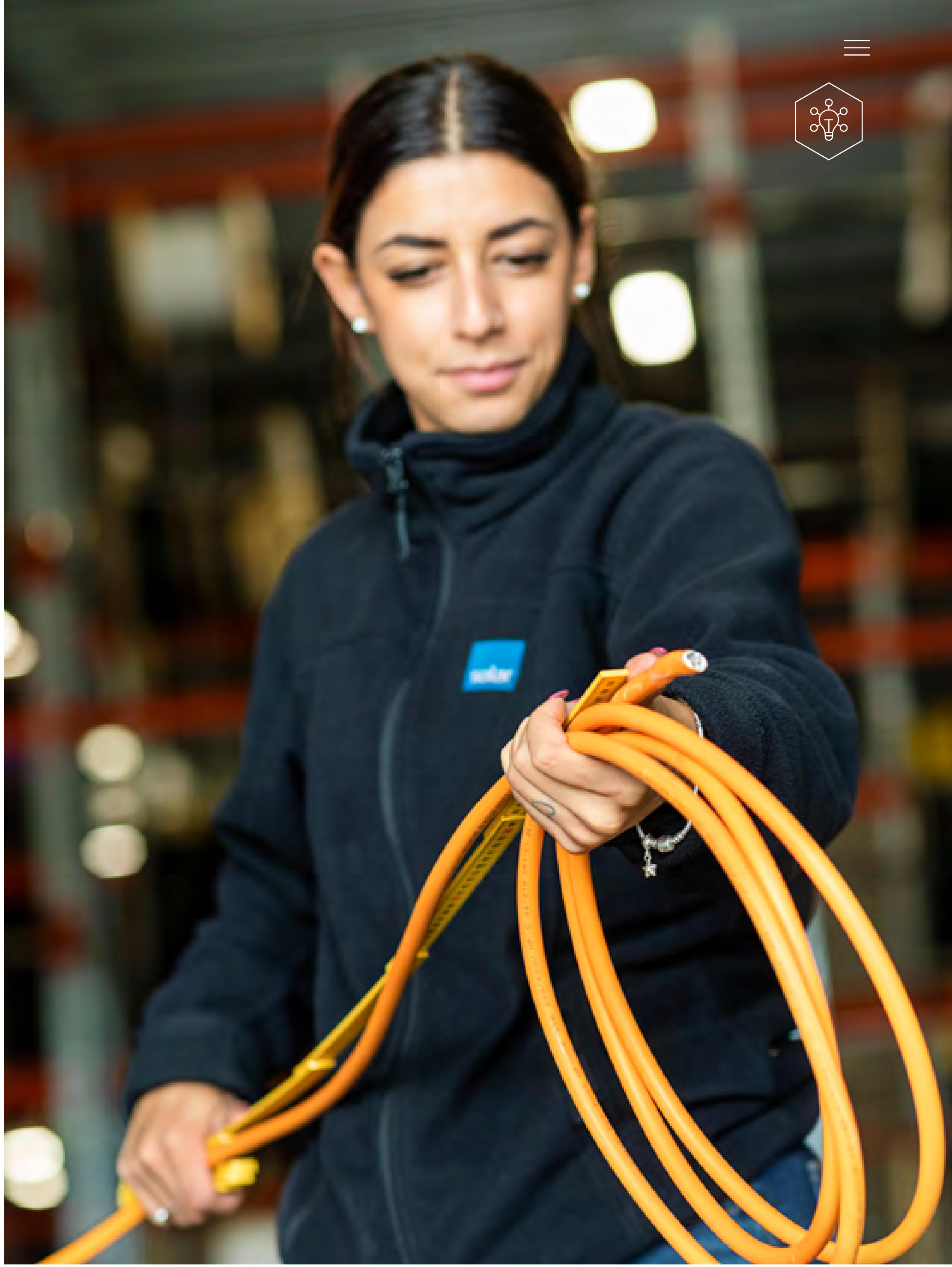
As we have seen greater demand for sustainable construction from our customers, we have provided our employees with further training. This will enable them to offer our customers newly acquired expertise in the products required for certified sustainable buildings.

More than 65% of our total revenue stems from digital sales. To ensure the right presentation of concepts in our webshop, we collect and process a large amount of data which we use to learn more about purchasing patterns. This enables us to customise offerings to individual target groups.

Part of the increase in our concept share was driven by the Netherlands, Sweden and Norway, where we have pruned low margin business and partly replaced it with our concept offers, thus attracting business that does not usually come our way.

PRODUCT BRANDS SHARE OF REVENUE





CONCEPTS

CASE

PERFECT LIGHTING ON THE PADEL COURT

Padel is currently Sweden's trendiest form of exercise. It is so popular that courts are being built across the country. Perfect lighting is essential. Solar Light has been a go-to partner to install the right lighting solution.

Padel, a racquet sport, has gained in popularity in many parts of the world, particularly in Sweden. The number of players and padel courts has increased significantly thanks to the COVID-19 pandemic. In 2020, half a million players booked a padel court in Sweden and now there are around 2,000 padel courts in the country.

Solar has been involved in supplying the lighting to a number of padel centres in Sweden. The most recent is Gislövs IF following the association's decision to turn the former gymnastics hall into an indoor training centre and padel court. "Instead of the hall being empty during the year, we thought it would be the ideal place for a padel court. And this has proved to be a success. It is almost always fully booked and all the money we earn from it goes to our non-profit association," says Anders Herrlin Carlsson from Gislövs IF.

Building a padel court may seem easy, but there are many factors to take into account – particularly the lighting. Lights must be spaced so that all players can see equally well and there is no risk of them being dazzled on court.

"In this respect, special and customised solutions are required because the lighting depends on whether the court is indoors or out and also whether the court is to be used for regular practice or competitions," says Jerry Persson from Solar Light.

In the former gymnastics hall at Gislövs IF, the lighting has won high praise.

"Most of the comments we get are about the lighting. The players think that it is great. And it shows the importance of investing in quality," says Anders Herrlin.

The installation was carried out by RSA Rosengren AB with the lighting calculations and fittings supplied by Solar Light.

"To achieve the best results, we recommended One 23 Flex from Solar Light. It is installed lengthwise and illuminates obliquely which works well on a padel court. Our lighting experts are always ready to help make the calculations and provide the right lighting solution," says Jerry Persson.

THE LIGHTING ON AN INDOOR COURT REQUIRES A HIGHER LUX*

If the court is to be used for competitions, the requirements are higher. For regional competitions, 500 lux is required while for national and international tournaments, the requirement is at least 750 lux.

*Lux is a standardised unit of measurement of light intensity level.

CLIMATE & ENERGY

We are seeing a significant trend towards green solutions from fitters, manufacturing companies and end-users who are experiencing an increased demand for heat pumps, solar panels, ventilation and EV chargers.

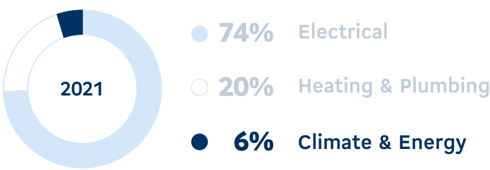
This has driven our sales within these areas significantly. In 2021, we posted double digit growth in our Climate & Energy segment supporting our ambition of growing more than 5% annually in our strategic period.

In terms of the organisation, we have extended our scope in Sweden, Norway and the Netherlands through the extension of our category management and sourcing. In turn, this supports the further consolidation of our product portfolio and increases local market knowledge enabling us to share learnings across countries and within different product categories.

Generally, we are seeing spikes in demand triggered by government subsidies. In Denmark, for example, the government is subsidising the replacement of oil and gas boilers in favour of more sustainable heating solutions such as heat pumps. The government has also made it more beneficial to buy electric vehicles, which has prompted the need for expanding infrastructure, which covers EV chargers, among other things. We typically combine these with a digital solution that enhances the charging experience.

In Norway, our partner programme continues to add value to our growing customer base and to Solar. Customers within the heat pump, solar panel and EV charger product groups receive additional services if they select Solar as their preferred partner. As well as regular access to our service centres, our additional services include training, webinars and sales specialists who are regarded as experts in their fields.

PRODUCT GROUPS SHARE OF REVENUE



CLIMATE & ENERGY

CASE

THE DEMAND FOR HEAT PUMPS SENDS ELECTRICIANS ON COURSES

The green transition is increasing the demand for heat pumps from private consumers as well as companies. This means higher standards for electricians and their training.

That is why Svend Erik Møller and his employees attend KMO* training from Solar School.

The seats at Solar School are filled when it comes to courses and training in KMO and heat pumps. Electricians and fitters gain better knowledge of the required installation and service of different types of heat pumps. One of the students is Svend Erik Møller from A.T. Møller A/S in Denmark.

"We have put three employees through KMO training at Solar School because we have noticed a demand for heat pumps from both private individuals and industry. It is important for us to be able to install and service all types of heat pumps and that our customers know us for quality," says Svend Erik Møller.

The training has also given him new insight into the area.

"This is one of the best courses I have taken because I learned a great deal from a highly professional instructor."

WORKING WITH HEAT PUMPS REQUIRES KNOWLEDGE

Increasing political focus on the environment, the green transition and grants have given a further boost to energy renovations. In regards to heat pumps, fitters have to be KMO certified in order to install and service heat pumps and systems. Solar School is therefore seeing a growing demand for this type of training. In 2021, eight KMO courses were held in Denmark and 102 participants attended the courses.

Jacob Mortensen is the course instructor and recognises the tendency. Oil and gas boilers are due to be replaced, and therefore, there is a need for fitters who can install and service the new heat pump systems.

"KMO is not a compulsory part of a plumber's or electrician's basic training. But working with heat pumps requires knowledge and training because refrigerants can be dangerous to people and the environment. That is why I think Solar School makes a difference for fitters of the future, the environment, and in terms of instilling confidence in our end users," says Jacob Mortensen.

Solar's ambition is that before 2023, 2,000 participants will have attended courses in renewable energy solutions at Solar School. Solar School offers courses in photovoltaics, charging points, heat pumps and ventilation.

SOLAR SCHOOL

Solar School was started in 2003 and attracts several thousand course participants and visitors every year. The school offers skills development courses for the installation sector – from engineering to management. Teaching is conducted online and in person. Courses currently focus on green transition and sustainable constructions.

* Kølebranchens Miljøordning (KMO) is a provider of certifications to refrigeration technicians under the Danish Ministry of Environment and Food.

INDUSTRY

In the first year of our strategy period, we focused on our organisational structure, extending a major contract and increasing market share in certain markets, all supporting our ambition of a 35% share of revenue.

We have introduced changes to our organisational setup for Industry. These changes are designed to ensure that products, solutions and services increasingly focus on customer requirements. This has been achieved by transforming Solar Industry from a local setup in each country to a vertically based organisational structure with focus on customer types: OEM (Original Equipment Manufacturer), MRO (Maintenance, Repair & Operations), Infrastructure and Offshore & Marine across borders. Not only will this take customer understanding to a new level, but we will also benefit from the related global synergies.

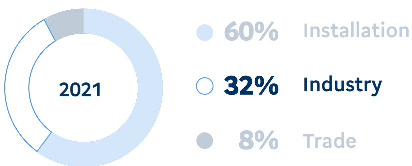
In Norway, we extended an important infrastructure contract with Telenor, a long-standing customer. The contract supports the expansion of 5G infrastructure in Norway. We have proven to be a trusted partner who has supported the general network expansion for Telenor in Norway for the past decade.

The Marine & Offshore business areas are seeing growth in demand. We have therefore established a branch under Solar Nederland's brand, building on our knowledge and experience from Solar Norge. We have already sent out contracts to our first Dutch customers and are looking forward to becoming a reliable business partner within our new segment in the Netherlands.

As our customers are putting greater value on our digitalisation, they are looking for more integration between their ERP system and our trading platform thus providing them with a better understanding of their spend and product requirements.

In Sweden, we have benefited from increased market demand and added new customers in two sub-segments; MRO and OEM. Our new customers are attracted by our strong position within the automated product category.

SEGMENTS
SHARE OF REVENUE

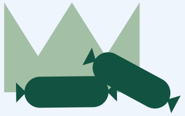


INDUSTRY

CASE

VENDING MACHINES SUPPORT A MORE EFFICIENT WORKING DAY

Danish Crown Foods' Maintenance Department in Vejle has leased vending machines through Solar. With a special access key, employees can retrieve various items, which saves time, reduces costs, and makes the working day more efficient.



DANISH CROWN

Danish Crown's history began with the establishment of Denmark's first pig slaughterhouse in Horsens in 1887. Today, it is the country's largest slaughterhouse. Danish Crown employs approximately 8,000 employees in Denmark and 23,000 employees across the world.

Danish Crown Foods' production floor manufactures canned sausages, ham and ready-made meals. The Maintenance Department comprises around 55 people whose job is to ensure that the machinery functions as it should. Warehouse Manager Erik Grønborg Sørensen is responsible for technical procurement.

In the spring of 2021, Solar put forward a service package aimed at making the working day more efficient. By using vending machines and an access key, the maintenance team can access everything from batteries to car keys instead of the warehouse manager having to find and supply the products himself.

"I have not had to supply any employees since we received the vending machines from Solar. In the past, this was the case several times a day: someone would need a spray can or a pack of batteries. Now the items are available to employees on a 24-hour basis, which frees up time and makes the working day more efficient," he says.

"Availability is paramount for Danish Crown Foods. The vending machines mean that everyone has 24-hour access, which is ideal for a factory like this. What's more, we have identified savings for everyone who uses this service – typically between 25-40 per cent," says Jesper Grøning Andersen, who is head of Solar Services.

Danish Crown Foods has seen cost savings of as much as 30 per cent.

"We generated savings over the summer because items did not just disappear. Now people have to log in with their access key to get their items and many of them have to be returned to the compartments again," explains Erik Grønborg Sørensen. The vending machines have also meant that employees only take what they need because items are always available.

AUTOMATIC RESTOCKING

Chemicals are among the many items needed by the maintenance team, but such items have to be locked away. In the past, only Erik Grønborg Sørensen had the key, which meant that he had to release the items as required. Now, however, these are also located in the vending machines, but the system allows for restricted access only. "And what's more, we never run out of products," says the Warehouse Manager in Vejle.
The vending machines transmit a message to Solar when stocks are low so that the compartments can be replenished.

"We avoid having to keep track of items and doing any purchasing ourselves. As we save both time and effort on invoicing, we are very pleased with the results that the vending machines have delivered."

The plan is now to fill up the last vending machines so even more products are accessible to employees on a round-the-clock basis.

TRADE

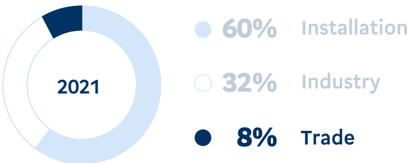
Twelve months into the Core+ strategy, our strategic focus on the Trade segment has generated a number of initiatives supporting our financial ambition of a compound annual revenue growth of >7.5%.

We have introduced Trade to the Norwegian and Swedish markets and addressed new customer groups. The segment's characteristics remain the same: demand for a wide assortment and efficient delivery with no additional services.

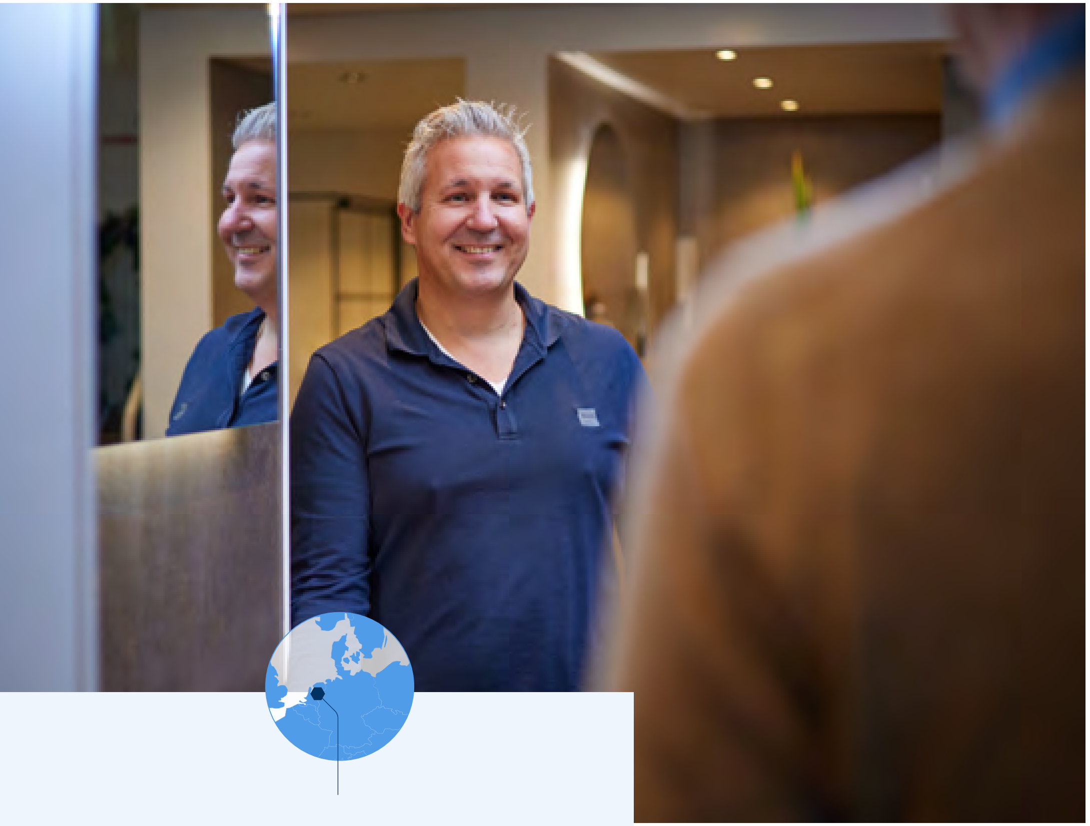
In early 2021, we introduced the Danish Trade setup to the Norwegian and Swedish markets. This ensures that Solar covers the full customer range in all the markets where we are present. The first customer contracts were signed shortly after the introduction to the two new Trade markets.

Trade succeeded in growing, adding customers across markets and introducing a new sub-segment in the B2B MRO segment (Maintenance, Repair and Operations). Solar is the first to present a segment that includes hotels, fitness centres, housing associations, etc., where we offer solutions tailored to this specific customer group. Our digital trade solutions have enhanced our customer opportunities, among others within recycled materials for the construction sector.

SEGMENTS SHARE OF REVENUE



TRADE



GIJSBERTS

Gijsberts is a household name in Dutch Apeldoorn and the surrounding area. They have a 5000 sqm showroom for kitchens, tiles, bathrooms and sanitary ware. The family-owned company has 19 employees.

CASE

DUTCH COMPANY MAKES ITS MARK THANKS TO SOLAR'S PRODUCTS

The Dutch company, Gijsberts BV, supplies bathrooms, kitchens, tiles and sanitary ware – all including installation. They have been working with Solar for more than 25 years because of our fast delivery, availability and unique own label products, which enable them to stand out from their competitors.

Gijsberts BV is a family-run business, which was founded in 1976. In 2002, the current owner, Lammert Jan Gijsberts, took over the company from his father. A 5,000 sqm showroom enables different types of customers to find just what they are looking for.

"Our strength is that we offer a complete package which is fantastic for our customers. With us they find beautiful bathrooms, floors and kitchens and we can install and arrange everything from A to Z", says Lammert Jan Gijsberts.

The collaboration between the company and Solar has endured for over 25 years and the personal contact and knowledge are appreciated. Solar knows the company inside and out and can therefore be part of the innovative and development process, the owner explains.

"It is important that we set ourselves apart from online offerings. Solar regularly comes up with new products and unique own labels, e.g. Catalano. This is a beautiful ceramic range with products of the highest quality. With Solar's Blue Label, I can also offer customers good quality products at a sensible price, which are not available online. Such unique brands are essential for us," Lammert Jan Gijsberts points out.

"With Solar, the collaboration really feels like a partnership. There is a lot of trust between us. At the moment, it is often difficult to get things delivered on time, but Solar always keeps me updated on delivery. It is great to be able to work together like this."

STRATEGIC PROGRESS

INCREASED AMBITIONS FOR 2023 NOW ALSO INCLUDING MAG45

CONCEPTS

Concepts have exceeded our expectations across all markets, particularly Solar Plus, Solar Cable and Solar Tools. This is supported by layout and assortment in our drive-ins as well as big data driven recommendations in our digital touch-points. So irrespective of how and where we meet our customers, we are able to add value with the best solution matching their needs.

Our customers have responded very positively to the changes, which is why we have high expectations for our concept share.

CLIMATE & ENERGY

Green has become the new blue for Solar, especially within sustainable solutions such as EV chargers and heat pumps. Market demand for green alternatives is growing. Our ambitions are high, both for our products and for our advisory and training services.

In 2021, government subsidies helped accelerate demand for green products and solutions in all our main markets. In Solar, we saw this particularly in the heat pump area.

INDUSTRY

Our Industry share of revenue including MAG45 has increased by 1% to 32%. Strong performance across markets, but particularly within our OEM and MRO business, is the main reason. We have gained several customers in both business areas.

The two other segments – Marine & Offshore and Infrastructure – have also supported our ambition for a 35% share of total revenue, by delivering a positive performance during the second half of 2021 following a slow start of the year.

TRADE

Our strategic focus area Trade delivered double-digit growth in the first year of our strategy. Trade has now been successfully launched in all our markets, and we continue to attract new customers in our established markets as well as in Norway and Sweden where we launched Trade in the first half of 2021. This supports our ambition to grow our revenue by an average of >7.5% during our strategy period despite substantial negative impact from the Better Business project in 2022.

We also introduced a new business segment within Trade known as B2B MRO, for further information see page 20.

CONCEPTS

TODAY	AMBITION
22% REVENUE	>25% REVENUE

We are increasing our Concept share of revenue ambition to >25%, up from 25%. The increase reflects the inclusion of MAG45 that dilutes the share by approx. two percentage points as MAG45 does not have concept revenue.

CLIMATE & ENERGY

TODAY	AMBITION
7% CAGR	>5% CAGR

We continue to see growth opportunities within sustainable solutions and are increasing our expectations from 5% CAGR (Compound Annual Growth Rate) to >5% CAGR for the strategic period.

INDUSTRY

TODAY	AMBITION
32% REVENUE	35% REVENUE

We are increasing our ambition for our Industry share of revenue from 30% to 35% reflecting the inclusion of MAG45 and stronger underlying performance than previously planned.

TRADE

TODAY	AMBITION
17% CAGR	>7.5% CAGR

We aim to grow our Trade segment and increase our target CAGR from 5% to >7.5%.

AMBITIONS FOR 2023

OUR AMBITIONS

Our 2021 results exceeded our expectations and met the ambitions we presented with the introduction of our Core+ strategy. Therefore, we have increased our ambitions.

FINANCIAL & NON-FINANCIAL TARGETS

EBITDA MARGIN	ROIC AFTER TAX	GEARING	E-BUSINESS SHARE	PARTICIPANTS
>6.5%	20%	1.5-3.0x (NIBD/EBITDA)	70%	2,000 participants to complete training in renewable solutions at Solar School

CORE+ STRATEGIC FOCUS AREAS

CONCEPTS	CLIMATE & ENERGY	INDUSTRY	TRADE
>25%	>5%	35%	>7.5%
share of revenue incl. MAG45	CAGR for the strategic period	share of revenue incl. MAG45	CAGR for the strategic period

ENVIRONMENT, SOCIAL & GOVERNANCE

SBTI COMMITMENT*	ALL ELECTRICITY WILL BE FROM RENEWABLE SOURCES	INSTALL PV EQUIPMENT AT ALL SOLAR-OWNED SITES AND EV CHARGERS AT ALL MAJOR SOLAR SITES	INCREASE GENDER DIVERSITY AT MANAGEMENT LEVEL

* Net-zero in scope 1&2 in 2030

FINANCIAL REVIEW

PLANNING AND OVERVIEW IN A PROJECT

"It makes sense to use Solar Kitbox in a project like this because there are so many flats. Searching for the right materials can take some time. But there is no need for us to do this now because one complete box is used for each flat. This also means that a flat can be completed immediately without any interruptions to the workflow, which is also financially beneficial," explains Adam Sjur Sinding, Project Manager at Enco.

Solar Kitbox in combination with SiteHub increases efficiency and reduces material waste at the same time.

FIVE-YEAR SUMMARY

Consolidated (DKK million)	2021	2020	2019	2018	2017
Revenue	12,354	11,465	11,679	11,098	11,061
Earnings before interest, tax, depreciation and amortisation (EBITDA)	911	637	538	379	362
Earnings before interest, tax and amortisation (EBITA)	727	455	360	327	310
Earnings before interest and tax (EBIT)	672	248	260	224	176
Earnings before tax (EBT)	622	300	120	237	176
Net profit for the year	531	222	64	133	19
Balance sheet total	5,305	4,607	4,990	4,633	4,717
Equity	1,952	1,696	1,592	1,638	1,591
Interest-bearing liabilities, net	-37	128	921	461	489
Cash flow from operating activities	783	813	300	224	7
Net investments in property, plant and equipment	-125	-25	-110	-59	-14

Employees	2021	2020	2019	2018	2017
Average number of employees (FTEs)	2,908	2,935	3,039	2,941	2,870

Financial ratios (% unless otherwise stated)	2021	2020	2019	2018	2017
Organic growth adjusted for number of working days	5.9	-2.0	4.9	2.2	7.0
Gross profit margin	22.4	21.0	20.1	20.2	20.7
EBITDA margin	7.4	5.6	4.6	3.4	3.3
EBITA margin	5.9	4.0	3.1	2.9	2.8
Effective tax rate	14.6	26.0	45.2	23.3	17.0
Net working capital (year-end NWC)/revenue (LTM)	10.2	9.7	11.0	9.8	9.7
Gearing (net interest-bearing liabilities/EBITDA), no. of times	0.0	0.2	1.7	1.2	1.3
Return on equity (ROE)	29.1	13.5	4.0	8.2	1.2
Return on invested capital (ROIC)	24.6	13.8	8.3	8.1	6.3
Equity ratio	36.8	36.8	31.9	35.4	33.7

Share ratios (DKK unless otherwise stated)	2021	2020	2019	2018	2017
Earnings per share outstanding (EPS)	72.72	30.42	8.77	18.22	2.60
Ordinary dividend per share	45.00	28.00	14.00	14.00	10.00
Extraordinary dividend per share	-	15.00	-	-	-
Total dividend in % of net profit for the year (payout ratio)	61.9	141.1	159.4	76.7	385.6

In all material aspects, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios". 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 AS for 2017 and 2018. In accordance with IFRS, the balance sheet has not been restated.

Extraordinary dividend was paid in H1 the following year.

FINANCIAL REVIEW

EBITDA INCREASED BY MORE THAN 40% TO DKK 911M

(Data shown in brackets relate to 2020 figures)

In 2021, we reached an all-time high EBITDA of DKK 911m (DKK 637m) which slightly exceeded our latest guidance. We returned to positive adjusted organic growth of 5.9% (-2.0%) and the gross profit margin increased to 22.4% (21.0%).

Strong execution of our Core+ strategy was the main contributor to the EBITDA increase together with one-off price effects of DKK 115m (DKK 18m).

REVENUE

Adjusted organic growth at group level increased to 5.9% (-2.0%). All entities saw positive organic growth apart from Solar Nederland where the Better Business project had a negative impact on revenue. Adjusted for the Better Business impact, organic growth was approx. 8%. Group revenue was up at DKK 12.4bn (DKK 11.5bn).

Installation

Solar's overall adjusted organic growth for Installation amounted to around 3%, driven mainly by Solar Danmark and Solar Polska. Our Core+ strategy continues to focus on the Better Business project, which aims to supply the right products to the right customers.

Industry

All entities saw positive growth in the Industry segment, primarily within MRO and OEM. Overall, organic growth within this segment amounted to around 9%.

Trade

The trade segment delivered double-digit growth rates. We saw positive adjusted organic growth in all entities.

GROSS PROFIT MARGIN

There was continuous improvement in gross profit margin, which increased to 22.4% (21.0%). Combined with revenue growth, this resulted in a gross profit increase of DKK 368m.

One-off price effects had a positive impact of approx. DKK 115m (DKK 18m). The net impact of price effects corresponded to a gross profit margin improvement of approx. 0.8 percentage points.

In addition, we saw continuous positive development in concept sales. This, together with the Better Business project, is part of the Core+ strategy and focuses on increasing the gross profit margin.

OTHER INCOME

Other income amounted to DKK 7m (DKK 8m) mainly related to one-off income from the disposal of a property in Denmark and one-off compensation. In 2020, the outcome of a settlement with the former shareholder of MAG45 constituted the major proportion of other income.

EBITDA

EBITDA increased to DKK 911m (DKK 637m) and slightly exceeded our latest guidance.

We succeeded in increasing EBITDA by DKK 274m supported by our four strategic focus areas, Concepts, Industry, Climate & Energy and Trade as well as by positive one-off price effects combined with a solid growth level.

Besides positive one-off income of DKK 7m included as other income, EBITDA was negatively affected by DKK 10m in restructuring costs related to Solar Nederland's planned closure of the operation in Duiven and the relocation of the activities to Alkmaar.

The EBITDA margin increased to 7.4% (5.6%).

All entities saw substantial improvements in EBITDA, with Solar Danmark making a significant contribution. We saw a similar development in our segments Installation, Industry and Trade, with a substantial improvement in segment profit. The results of the individual segments and entities are given on page 61-63.

FINANCIAL REVIEW

AMORTISATION AND IMPAIRMENT

Amortisation totalled DKK 55m (DKK 207m). No impairment write-down took place in 2021.

In 2020, review of intangible assets resulted in a total impairment loss of DKK 139m. 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.

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction and service associates amounted to DKK -2m (DKK -12m) related to HomeBob and Zolw, while the 2020 share related mainly to BIMobject.

IMPAIRMENT ON ASSOCIATES

Impairment on associates amounted to DKK 0m (DKK 104m).

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

In 2020, we also divested 60% of our investment in Viva Labs. The write-down and loss related to this divestment amounted to DKK 4m. Furthermore, other investments resulted in a loss of DKK 1m in 2020.

FINANCIALS

Net financials amounted to DKK -48m (DKK -40m) negatively affected by DKK 14m in 2021 and DKK 10m in 2020 due to the early redemption of an interest swap. Similar positive amounts were reported under other comprehensive income in 2021 and 2020, respectively.

In 2021, net financials were also positively affected by DKK 13m owing to interest compensation relating to a ruling by the Danish Tax Authorities, see section on income tax on this page. In addition, net financials were negatively affected by DKK 19m due to a fair value adjustment of the investment in LetsBuild.

Adjusted for these items, net financials totalled DKK -28m (DKK -30m).

EARNINGS BEFORE TAX

Earnings before tax increased to DKK 622m (DKK 300m).

In 2020, earnings before tax were positively affected by the reversal of impairment on associates of DKK 104m and negatively affected by impairment losses on intangible assets of DKK 139m. When adjusted for these items, 2020 earnings before tax amounted to DKK 335m.

INCOME TAX

Income tax totalled DKK 91m (DKK 78m).

In 2021, we received a ruling from the Danish Tax Authorities approving a reduction in Danish taxable income in 2012 with a tax loss of DKK 74m related to divested activities. The tax value of the loss amounts to approx. DKK 19m, see note 8 for additional information.

Due to the improved performance in both MAG45 and Solar Nederland tax loss carried forward amounting to DKK 32m was capitalised.

The posted income tax corresponds to an effective tax rate of 14.6% (26.0%). Adjusted for the above-mentioned tax value of loss regarding previous years and change in non-capitalised loss in subsidiaries, the effective tax rate was 22.4%. In 2020, the effective tax rate was 23.5% when adjusted for impairment on associates and non-deductible items.

NET PROFIT

Net profit for the Solar Group totalled DKK 531m (DKK 222m).

CASH FLOWS

Net working capital calculated as an average of the previous four quarters amounted to 11.0% (11.5%) of revenue. Net working capital at the end of 2021 amounted to 10.2% (9.7%).

Cash flow from operating activities totalled DKK 783m (DKK 813m).

Changes in non-interest-bearing liabilities had an impact of DKK 517m (DKK -15m), while changes in inventories and changes in receivables had a DKK -319m (DKK 126m) and a DKK -229m (DKK 173m) impact on cash flow, respectively.

The inventory level was affected by price increases and also by the decision to ensure delivery performance during a period with a potential shortage on goods. Cash flow from receivables was affected by the increased growth level in 2021. As at 31 December 2021, COVID-19 financial support packages amounted to DKK 99m and positively affected cash flow from non-interest-bearing debt.

Total cash flow from investing activities amounted to DKK -191m (DKK 162m). The disposal of a property in Denmark had a positive impact of DKK 18m, while DKK -106m related to the investment in the expansion and upgrade of our central warehouse in Denmark, cf. page 10 in this report.

FINANCIAL REVIEW

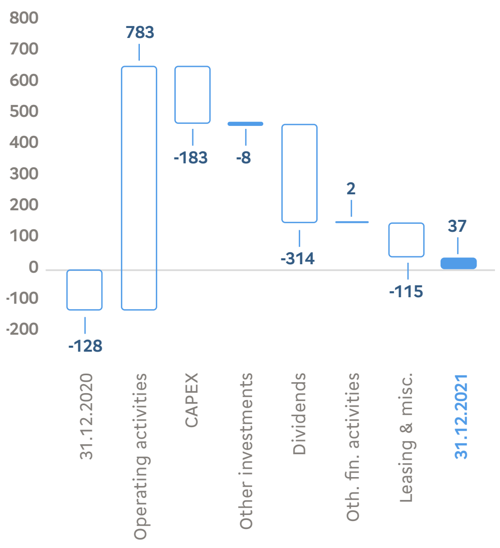
In 2020, the divestment of BIMobject and Viva Labs impacted by DKK 237m and DKK 3m, respectively.

Cash flow from financing activities amounted to DKK -515m (DKK -627m), mainly affected by ordinary and extraordinary dividend distributions totalling DKK 314m (DKK 102m). Raising or repayment of non-current interest-bearing debt amounted to DKK -79m (DKK -199m).

Total cash flow amounted to DKK 77m (DKK 348m).

Net interest-bearing liabilities were down at DKK -37m (DKK 128m).

NIBD in DKK million



As at 31 December 2021, gearing was 0.0 (0.2) times EBITDA. Calculated as an average, our gearing was 0.3 (1.1) times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 31 December 2021, Solar had undrawn credit facilities of DKK 495m (DKK 474m).

Invested capital for the Solar Group totalled DKK 1,866m (DKK 1,760). ROIC amounted to 24.6% (13.8%).

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 2021.

Overall, the granting of shares is covered by the same terms as the previous grants of share options. 13,037 restricted shares were granted, amounting to a fair value of DKK 5.9m at the time of granting. The restricted shares vest three years after the time of granting, i.e. this grant of shares vests in 2024. In February 2021, 20,033 share options from the grant in 2017 were exercised either by converting the options to shares or settled in cash. For more information, please see this report's note 23 on share-based payment.

General information on Solar's incentive scheme is available on our website:

WWW.SOLAR.EU/INVESTOR/POLICIES/

MAG45

Revenue from MAG45 amounts to approx. 5% of our total revenue.

We have finalised our strategic review of MAG45 resulting in continuous improvements in operations in 2021.

Adjusted organic growth increased to 17.2% (3.1%) and MAG45 succeeded in increasing EBITDA margin to 4.5% (2.0%) resulting in an EBITDA increase of DKK 19m.

Earnings in MAG45 exceeded our expectations.

RISK MANAGEMENT

ORDERING ON THE GO
When Project Manager Adam Sjur Sinding updates the project plan, Solar is automatically informed that a Solar Kitbox must be packed and delivered the following day.

The digital project plan links Enco to Solar and our Solar Kitbox delivery service. For each individual flat an installation task and a matching Kitbox is defined with the right materials for the job.

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.

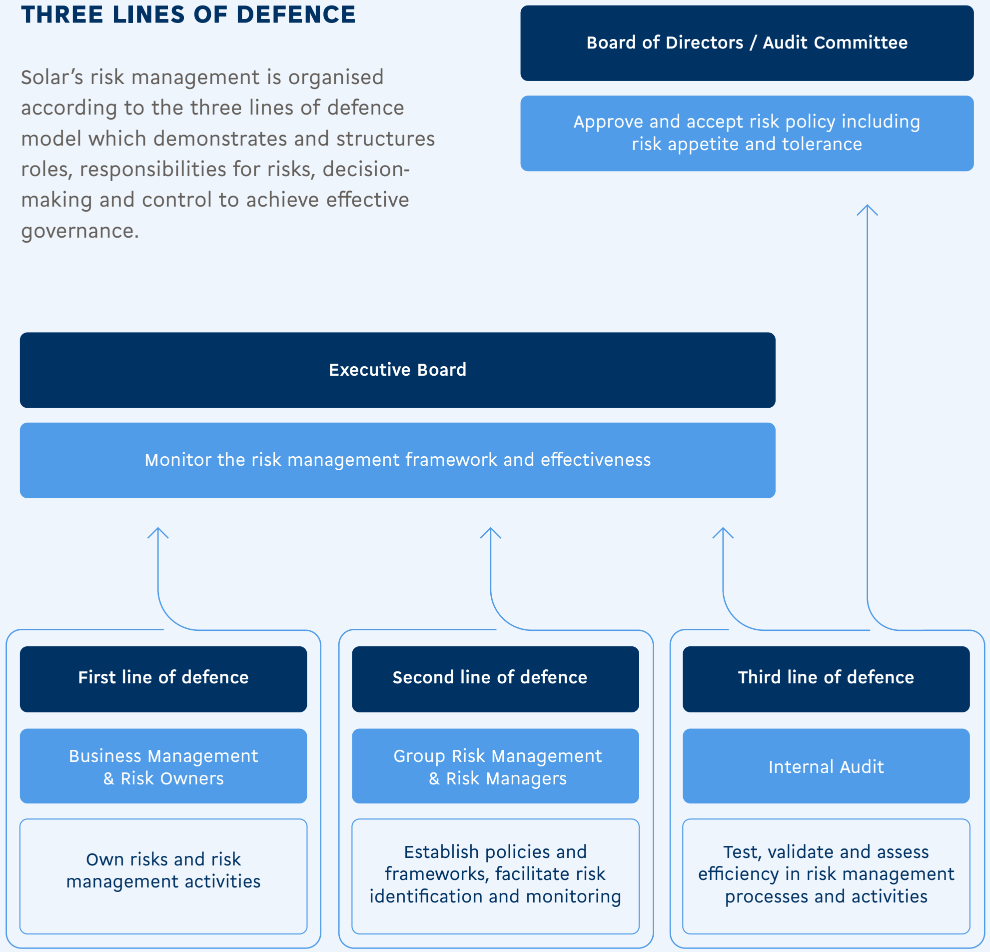
The Executive Board is responsible for ensuring that the necessary policies and procedures are in place, that efficient risk management systems have been established for all relevant areas and are improved continuously. The overall purpose of risk management is to support a robust business that is able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

Solar's risk management encompasses the relevant entities in Denmark, Norway, Sweden, the Netherlands, Poland and MAG45. The process supports local management teams by taking a structured approach towards risk management, with risk self-assessments anchored in an annual cycle. 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 the 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 for risks, decision-making and control to achieve effective governance.



RISK MANAGEMENT

RISK DEFINITION

The focus of Solar's risk management is to identify and assess operational risks and operational aspects of strategic risks throughout the Solar Group. Solar defines these risks as events or developments that could significantly reduce Solar's ability to:

1. Meet profit expectations,
2. Execute the strategy, and/or
3. Maintain a licence to operate.

Solar works with the concepts of gross risk (inherent risk) and net risk (residual risk).

The gross risk effect is defined as the product of the impact and the probability of the risk materialising without any change to current risk mitigation.

The net risk effect is defined as the risk level when considering current as well as planned mitigation activities with regard to 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 & Compliance, Strategy & Planning and Operations & Infrastructure.

Accordingly, the risk appetite outlines Solar's strategic outlook towards risk and defines the degree to which Solar is risk-seeking or risk-avoiding, while the risk tolerance, as an indicative parameter, outlines the level of net risk that Solar is willing to accept for a given measure of reward.

Risk appetite and risk tolerance are set by the Board of Directors and are reviewed annually.

RISK SELF-ASSESSMENT

Solar evaluates the effect of a risk based on the 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 of the risk occuring, while the impact is divided into four dimensions:

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

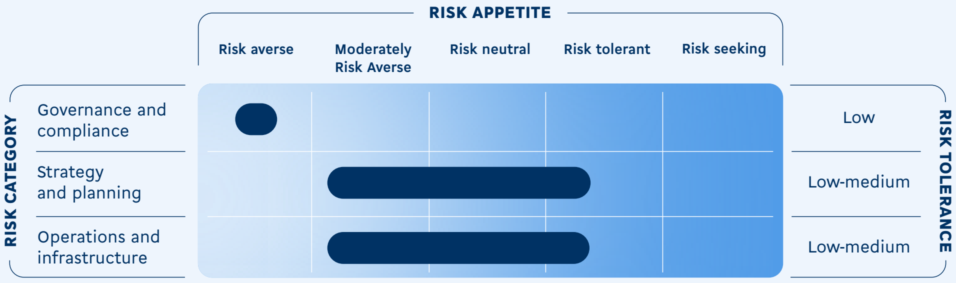
RISK HANDLING

The purpose of identifying and then handling risk is to reduce it to an acceptable level, which is in line with risk appetite and tolerance. In Solar, we work with four different risk treatment strategies when handling risks.

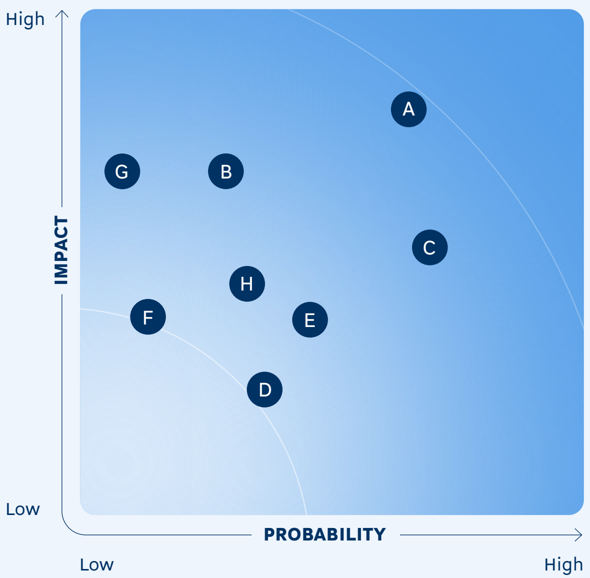
- Avoid – seeks to eliminate uncertainty by changing circumstances.
- Transfer – seeks to transfer ownership of and/or liability for the risk to a third party.
- Accept – recognises net risks and monitors risk exposure.
- Mitigate – seeks to minimise risk exposure to below the acceptable threshold.

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

RISK APPETITE AND TOLERANCE PER RISK CATEGORY



SOLAR RISK MAP



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

- A Cyberattack
- B IT interruptions
- C Global supply chain
- D Warehouse operations
- E Credit management
- F New entrants in the market
- G Central warehouse breakdown
- H Talent management

RISK MANAGEMENT

EXPOSURE TO POTENTIAL TOP RISKS AND MITIGATION

One of the risks reported last year – customer migration to a new webshop – has been significantly reduced as all customers of Solar Sverige and Solar Nederland have been successfully migrated from the legacy webshop to the new one. Therefore, the risk is no longer prioritised at group level. However, the risk, as well as its mitigation, are continuously monitored at Solar Danmark and Solar Norge.

Additionally, the risk of market volatility from last year has transformed into a more pronounced risk related to a global supply chain disruption. Headlined 'Global supply chain' it is now prioritised at group level.

Risk	A CYBERATTACK	B IT INTERRUPTIONS
	The impact of the risk has been reduced, but its probability has increased.	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 hazards.
Impact	Business interruptions in the shape of data compromise, denial of service, intellectual property theft, and regulatory investigation are among the consequences of various cyber incidents and would ultimately lead to financial losses and inability to run daily operations. The probability of the worst-case scenario is medium, but the potential impact is assessed as between medium and 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 ensuring security solutions or upgrading existing ones. Ongoing activities related to network safety aim to minimise the damage from a potential attack. During 2021, the disaster recovery test and the identified improvements provided evidence that the company's 'crown jewels' (the most critical systems) can be restored within an acceptable timeline. Additional efforts are focused on developing business continuity plans and scenario analyses for warehouses and offices. These activities will secure readiness and a clarity of priorities within IT and the business during a potential disruption. Group IT continues to communicate appropriate internal information and deliver e-learnings on IT security to maintain organisational awareness and reduce the likelihood of an unwanted event caused by the human factor.	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 further development of business continuity plans – will also reduce the risk of losing the stability of digital operations.

RISK MANAGEMENT

Risk	C GLOBAL SUPPLY CHAIN	D WAREHOUSE OPERATIONS	E CREDIT MANAGEMENT
	The risk has been added to the list of top group risks this year.	The risk is unchanged.	The risk is unchanged.
Scenario	Risk of stock materials being unavailable due to a global supply chain disruption and potential price volatility.	Risk of pandemic regulations affecting warehouse operations.	Risk of negative financial consequences of extending credit to customers.
Impact	Inability to meet customer demand and maintain acceptable service delivery can jeopardise customer relationships and ultimately affect business results. The probability of the risk materialising is between medium and high, and the impact is assessed as medium.	A new wave of pandemics and the ensuing regulatory environment may influence the digital transformation and challenge the flexibility of Solar's business model. The probability of the worst-case scenario and the potential impact are 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 increases. The fallout from the pandemic may raise the likelihood of the risk, in particular when government support packages are withdrawn. The probability and potential impact of the worst-case scenario is assessed as close to medium.
Mitigation	Solar has taken action to minimise the risk of a zero stock situation to occur. Purchasing materials that are at high risk is a natural mitigation measure that has already been initiated. Increasing the conversion to concept products would also improve product availability. Solar has stepped up its dialogue with major suppliers regarding their supply chain. Additionally, a review of alternative suppliers is taking place to minimise negative consequences should a disruption impact a certain country or supplier. A dedicated cross-functional team shares market information and continuously reviews risk indicators to identify early warnings. Improving the order placement process, monitoring average delays in delivery, and improving forecasts on material levels help to avoid a shortage of critical products in warehouses.	The experience of adapting quickly to the pandemic and the regulatory changes of 2020 provides confidence that the company is able to act flexibly and appropriately should the situation happen again. Solar regularly monitors the impact of the pandemic on local markets and follows the recommendations of health organisations and the local authorities in order to protect all employees and those of third parties. A comprehensive contingency plan for warehouse staff is regularly updated to support the management of the consequences of the pandemic and to ensure business continuity. The pre-prepared flexible mitigation plan and a wide range of preventive actions help to keep the threat within the risk appetite.	Solar conducts efficient credit management at all times and monitors the development of credit risk. The credit policy has already been tightened due to the onset of the COVID-19 pandemic in 2020. 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. The impact of COVID-19 has increased the risk on trade receivables.

RISK MANAGEMENT

Risk	F NEW ENTRANTS IN THE MARKET	G CENTRAL WAREHOUSE BREAKDOWN	H TALENT MANAGEMENT
	The risk is unchanged.	The risk is unchanged.	The risk has been added to the list of top group risks this year.
Scenario	The risk of new market players entering the market and resulting in increased competition and/or price pressure with a negative impact on Solar's business.	Risk of business interruption at the central warehouses due to unforeseen but inherent events such as fire, power outage, flooding, and other natural or man-made hazards.	Risk of succession challenges and inability to attract or retain people with key skills.
Impact	The current commercial risk of strong new entrants in the market may result in reduced competitiveness, lost revenue and decreased earnings. However, the probability of the worst-case scenario is assessed as close to medium with the potential impact assessed to be between low and medium.	Potential interruptions of the operations of central warehouses 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 low, but the potential impact is assessed as between medium and high.	Failure to attract the right managerial skills and specialists may challenge day-to-day business or even hinder the achievement of strategic goals. However, the probability of the worst-case scenario is between low and medium and the impact is assessed as close to medium.
Mitigation	Solar seeks to engage in an active and regular cross-border dialogue to share experiences. 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 so as to adapt to new trends.	A contingency plan has been implemented and is updated in all central warehouses. It clarifies roles and responsibilities and describes actions required from staff in case of possible force majeure events. Solar arranges for regular warehouse audits in order to verify the level of preventative and detectable security measures to protect the facilities. In addition, Solar is in the process of expanding the warehouse area and modernising the equipment in Vejen.	Several HR activities are focused on strengthening succession planning with priority given to ensuring the strength of the management team. All related efforts are driven locally and are aimed at investing in the internal talent pool and developing a cross-country skills matrix. Hosting events to attract young talent and setting objectives for more diverse management are other examples of Solar's endeavours to identify new or promote existing talent. The HR departments regularly monitor employee attrition and loyalty indicators so that relevant actions can be taken. Any increase in staff turnover is noted, although the current rate remains acceptable at group level.

CORPORATE MATTERS

DELIVERY AT DAWN
In a project with a tight timetable it is important to have the materials delivered at the right time and at the right place so that the working day can be organised as efficiently as possible.

Solar Kitbox is delivered to Carlsbergbyen at 7 am. Meanwhile, the installers arrive and get ready for the day ahead.

SUSTAINABILITY

ENVIRONMENTAL, SOCIAL & GOVERNANCE

We remain committed to supporting our customers and being a responsible member of society.

In the **Environmental** area, we saw an increase in the 2021 scope 1 emission as the 2020 activity level was lower due to COVID-19. However, we have set an aggressive ambition to become net-zero in scope 1 and 2 in 2030 and we intend to introduce further targets in 2022.

Our **Social Responsibility** area has seen an increase in management gender diversity. However, we have seen an increase in FTE absence because of COVID-19, and we have seen a widening of the gender pay ratio due to a skewed distribution among male white- and blue-collar workers. Finally, we have seen an increase in staff turnover, which reflects the current job market.

With regard to our **Governance** area, we have seen an increase in the CEO pay ratio, which reflects Solar's strong results, thereby increasing the variable part of the remuneration.

For further information please see our Sustainability Report 2021.

WWW.SOLAR.EU/OUR-COMPANY/SUSTAINABILITY

LEADING WITH TRANSPARENCY

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

17% (17)
Gender diversity board

98% (98)
Board meeting attendance rate

28 times (24)
CEO pay ratio[1]

RESPONSIBLE USE OF RESOURCES

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

3,583 tons (2,814)
CO_2e, scope 1

4,107 tons (4,326)
CO_2e, scope 2

89,429 GJ (90,210)
Energy consumption

68% (28)
Renewable energy share

Governance
SOLAR
Environmental
Social

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% (27)
Gender diversity

7.8% (5.2)
Employee turnover rate[2]

19% (17)
Gender diversity management

1.17 times (1.14)
Gender pay ratio

2,908 FTEs (2,935)
Full-time workforce

10.3 (9.2)
days/FTE Sickness absence

1) If measured against Danish employees, the CEO pay ratio amounts to 23 times (2020: 20 times).
2) Voluntary employee turnover.

Data shown in brackets relate to 2020 figures.

SUSTAINABILITY

COMMITTED TO SCIENCE BASED TARGETS INITIATIVE

Clearly defined targets will enable us to become net-zero in scope 1 and 2 emissions in 2030.

This year, we submitted our letter of commitment to the Science Based Targets initiative. The Science Based Targets' systematic approach will assist us in breaking down our targets and transforming them into actions.

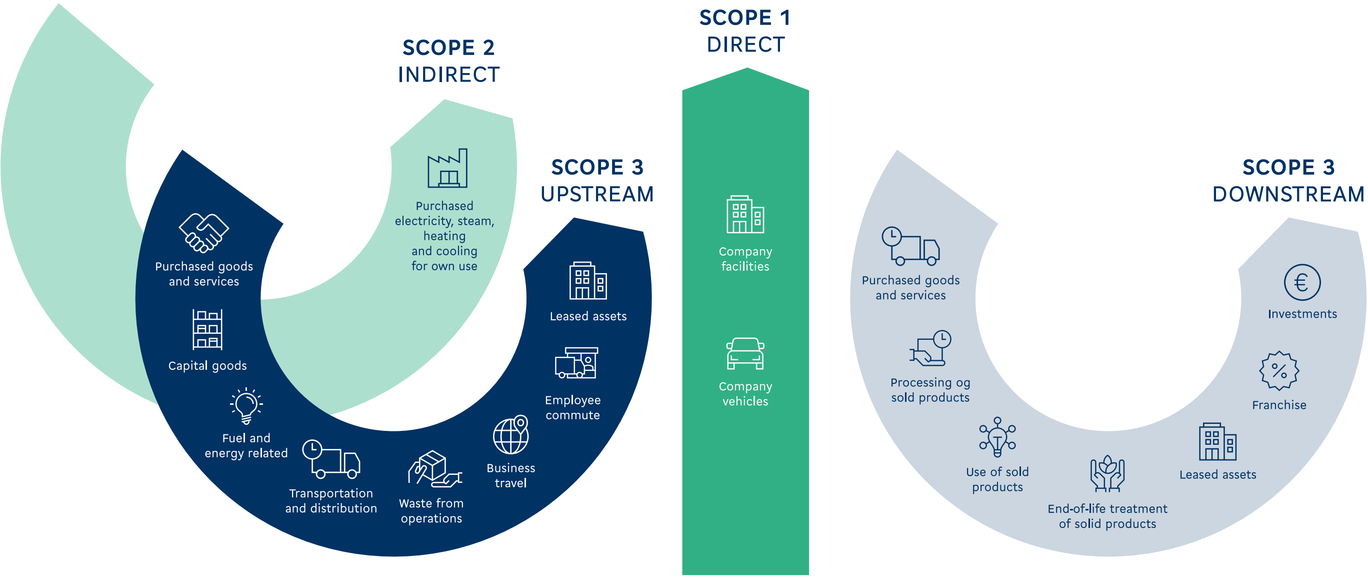
With our target of becoming net-zero in 2030 in scope 1 and 2 emissions, our focus will be on removing the maximum amount of carbon from our operations as rapidly as possible and only offsetting the remaining emissions as a last resort.

However, emissions from our operations are only a small part of our overall carbon footprint. With around 3,500 suppliers, our efforts to get our suppliers on board and start to decarbonise will play a significant role in our green transition.

Our baseline is 2020. The journey and ambition for scope 1 and 2 have already been set. In parallel, we have embarked on scope 3 materiality assessment where 'purchased goods & services', 'transport & logistics' and 'use of sold products' have been identified as our three primary focus areas thus far. We intend to communicate our actions for scope 1 and 2 and target for scope 3 during 2022.

For further information please see our Sustainability Report 2021.

WWW.SOLAR.EU/OUR-COMPANY/SUSTAINABILITY



SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

WHAT ARE SCIENCE BASED TARGETS?

Science based targets provide a clearly defined pathway for companies to reduce greenhouse gas emissions. Targets are considered science based if they are in line with what the latest climate science deems necessary to meet the goals of the 2015 Paris Agreement. The Science Based Targets initiative is a partnership between CDP, the United Nations Global Compact, the World Resources Institute and World Wildlife Fund (WWF).

CORPORATE GOVERNANCE

SOLAR COMPLIES WITH 2020 CORPORATE GOVERNANCE RECOMMENDATIONS

Solar has set out our practice in relation to the 2020 recommendations of the Danish Committee on Corporate Governance. In general, Solar regards the 2020 recommendations as a valuable tool for exercising sound management, providing shareholders and other stakeholders with full transparency and ensuring 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 38 of the 40 recommendations but deviates from:

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

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

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

In connection with the evaluation of the board's work, the Board of Directors annually assesses the structure and work of the committees.

Recommendation on the variable part of remuneration
Limits have been set as to the size of both share-based and non-share-based incentive payments in relation to the fixed remuneration in order to ensure an appropriate balance between long-term and short-term interests and balanced risk.

As a simple model for allocation of variable remuneration is applied, the Board of Directors does not deem it relevant to assess the value of this in different scenarios.

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 2021:

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 investors and to provide them with accurate and adequate information for making reasoned investment decisions about 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 3 January, 1 April, 1 July and 3 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. They 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 56,813 B shares or 0.7% 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 2021, registered share capital totalled 93.6%, distributed among 7,184 shareholders. Two 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 2021 IN %

Holdings of 5% or more of share capital	Share capital in %	Votes in %
The Fund of 20th December, Vejen, Denmark	17.0%	60.5%
Nordea Funds Ltd., Helsinki, Finland	10.4%	5.0%

ANNUAL GENERAL MEETING

Solar's Annual General Meeting will be held on Friday 18 March 2022 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 items for approval by the Annual General Meeting:

- Payment of DKK 45.00 in return per share outstanding of DKK 100.
- Authority to decide to distribute extraordinary dividends of up to DKK 50.00 per share.
- Authority to acquire treasury shares valued at up to 10% of share capital.
- Approval of remuneration report 2021.
- Approval of the Board of Directors' remuneration of an unchanged DKK 200,000 in 2022.

A presentation of our Board of Directors can be found on pages 43-45.

SHAREHOLDER INFORMATION

DIVIDENDS

Solar's ambition is to pay shareholders an attractive return. At the Annual General Meeting, the Board of Directors will propose distributing DKK 329m as dividend, corresponding to DKK 45.00 per share outstanding of DKK 100.

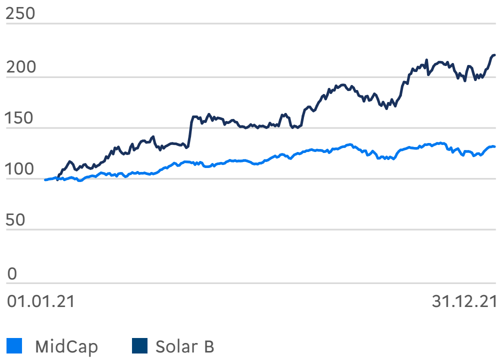
TOTAL SHAREHOLDER RETURN

Total shareholder return on the Solar B share during the holding period from 1 January 2021 to 31 December 2021 was DKK 478, corresponding to 133% as DKK 43.00 was paid out in dividend and the share price increase amounted to DKK 435 in 2021.

SHARE PRICE DEVELOPMENT

On 31 December 2021, the price of Solar's B share was DKK 795, up from the 2021 starting price of DKK 360. This is an increase of approx. 121% in Solar's share price over the year. By way of comparison, the MidCap index increased 32% in 2021.

Share price development (index)



FINANCIAL CALENDAR 2022

3 January – 10 February	IR quiet period
10 February	Annual Report 2021
18 March	Annual General Meeting
1 April – 5 May	IR quiet period
5 May	Quarterly Report Q1 2022
1 July – 11 August	IR quiet period
11 August	Quarterly Report Q2 2022
3 october – 3 November	IR quiet period
3 November	Quarterly Report Q3 2022

ANALYSTS

The following financial institutions cover the Solar share:

- Carnegie Bank
- SEB

We are expecting coverage from additional financial institutions during 2022.

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.

NOMINATION COMMITTEE

Once a year, the composition of the Board of Directors is assessed by a representative from the company's majority shareholder, the Fund of 20th December, together with two representatives from the board, including the chairman of the company's Board of Directors.

The committee puts forward proposals for both re-election and election of new members of the Board of Directors and the Board's annual evaluation is included as part of the process. The committee can seek assistance from external advisers and shareholders and undertakes a number of preparatory tasks to ensure that the Board of Directors meets the guidelines laid down by the Board of Directors at all times. Emphasis is placed on members representing relevant expertise in relation to the company's requirements. The aim remains to ensure diversity and a balance between continuity and renewal of the Board of Directors.

The Nomination Committee is not a board committee in the same sense as the Audit and Remuneration Committees, and the Board of Directors' tasks in relation to the composition of the board have not changed since its establishment.

A charter determining the guidelines for the composition and tasks of the Nomination Committee is available at:

WWW.SOLAR.EU

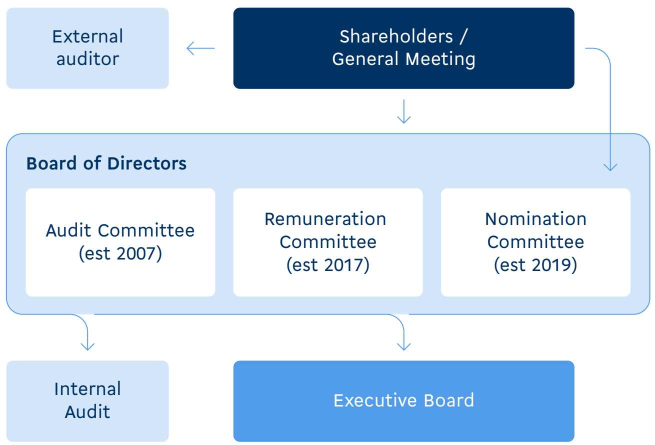
DIVERSITY IN THE BOARD OF DIRECTORS

Solar's diversity policy 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.

Michael Troensegaard Andersen was elected in 2021 replacing Jens Peter Toft. Thus the gender distribution is unchanged. One in six members elected by the Annual General Meeting is, therefore, female.

CORPORATE GOVERNANCE STRUCTURE



BOARD OF DIRECTORS

BOARD OF DIRECTORS' AFFILIATION WITH SOLAR

Peter Bang, Morten Chrone, Louise Knauer and Michael Troensegaard Andersen 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 2021, the Board of Directors elected Peter Bang, Michael Troensegaard Andersen and Louise Knauer as members of the Audit Committee. Peter Bang chairs the Audit Committee. He and Michael Troensegaard Andersen have special accountancy qualifications.

The Board of Directors elected Morten Chrone 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.

The next ordinary election of employee representatives will take place electronically in 2022.

ELECTION PERIOD

All board members elected at the Annual General Meeting stand for election each year, whereas employee representatives are elected by the company's employees for four-year terms.

ACTIVITIES

A minimum of six ordinary board meetings as well as one Board of Directors' conference are held each year. In 2021, we had seven board meetings and one conference for the Board of Directors.

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 assesses 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 2021 evaluation has been shared with the Nomination Committee and has not given rise to any additional measures.

MEETING ATTENDANCE IN 2021

Board member	Board Meetings	Board Conference	Audit Committee	Remuneration Committee
Jens Borum	7	1	3	1
Jesper Dalsgaard	7	1	–	–
Lars Lange Andersen	7	1	–	–
Michael Troensegaard Andersen[1]	5	1	7	–
Peter Bang	7	1	8	–
Morten Chrone	7	1	–	1
Ulrik Damgaard	7	1	–	–
Bent Frisk	7	1	–	–
Louise Knauer	7	1	8	1
Jens Peter Toft[2]	2	–	1	–

1) Joined at AGM 19 March 2021 2) Left at AGM 19 March 2021

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. extensive industry experience together with in-depth knowledge of sustainability.
- Remuneration 2021: DKK 762,500.
- Holds 120.020 Solar B shares. Acquired 1,500 shares in 2021.

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 2021: DKK 425,000.
- Holds 1,100 Solar B shares. Did not trade Solar shares in 2021.

Lars Lange Andersen

Born 1968, joined 2010
Employee-elected member

- Sales Director MRO.
- Remuneration 2021: DKK 200,000.
- Holds 93 Solar B shares. Did not trade Solar shares in 2021.

BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS

Michael Troensegaard Andersen

Born 1961, joined 2021

- CEO of H+H International A/S.
- Master of Science in Mechanical Engineering from Denmark's Technical University (1987) and a Graduate Diploma in Business Administration (Financial and Management Accounting) from Copenhagen Business School (1988).
- Chairman of board of directors of nine H+H subsidiaries.
- Member of the board of directors of HS Hansen Group A/S.
- Possesses experience as CEO in listed companies and of strategic, structural and organisational transformation together with in-depth knowledge of the European Building and Building Material Industry.
- Remuneration 2021: DKK 306,250.
- Holds 510 Solar B shares acquired in 2021.

Peter Bang

Born 1969, joined 2018

- Cand.oecon. 1994 from Aarhus University, specialising in business economics and financing.
- CEO and member of the board of O.B. Holding Aabenraa ApS and member of the board of directors and chairman of the audit committee of BIMobject AB.
- Experience within construction, climate/energy, digitalisation, organisational development, as well as finance and performance management.
- Remuneration 2021: DKK 468,750.
- Holds 1,200 Solar B shares. Did not trade Solar shares in 2021.

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 2021: DKK 312,500.
- Holds 712 Solar B shares. Did not trade Solar shares in 2021.

BOARD OF DIRECTORS

MEMBERS OF THE BOARD OF DIRECTORS

Ulrik Damgaard

Born 1973, joined 2014
Employee-elected member

- Regional Director.
- Remuneration 2021: DKK 200,000.
- Holds 60 Solar B shares. Did not trade Solar shares in 2021.

Bent H. Frisk

Born 1961, joined 2006
Employee-elected member

- Central Warehouse Manager.
- Remuneration 2021: DKK 200,000.
- Holds 60 Solar B shares. Did not trade Solar shares in 2021.

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 commitees of listed and family owned companies. Has experience within strategy, M&A, and organisational development, and company turn arounds. In addition expertise within tech, innovation, digitisation, data/AI/ML and cyber security.
- Remuneration 2021: DKK 393,750.
- Holds 381 Solar B shares. Did not trade Solar shares in 2021.

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 9,242 Solar B shares of which 1,013 were purchased while 2,709 shares were share options exercised in 2021.
- Holds 8,172 restricted share units. 4,184 restricted share units were granted in 2021.

- Remuneration: DKK 12.4m.

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 4,218 restricted share units. 2,110 restricted share units were granted in 2021. Exercised 2,703 share options for cash settlement in 2021.

- Remuneration: DKK 7.4m.

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 4,080 Solar B shares of which 2,186 shares were share options exercised in 2021.
- Holds 4,059 restricted share units. 2,089 restricted share units were granted in 2021.

- Remuneration: DKK 6.8m.

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 2021

PICK UP SPOT

To generate maximum productivity, all materials are delivered as Solar Kitboxes in combination with the digital logistic solution, SiteHub. The Solar Kitbox is delivered directly to the individual installer. The Carlsbergbyen construction site has 59 different drop-off points.

Installers are not forced to go on a useless hunt for materials as they receive an SMS message when the kitbox has been delivered to the nearest drop-off point along with a QR code.

CONSOLIDATED FINANCIAL STATEMENTS 2021

CONTENTS

SUMMARY FOR THE SOLAR GROUP

2017-2021

Income statement (DKK million)	2021	2020	2019	2018	2017
Revenue	12,354	11,465	11,679	11,098	11,061
Earnings before interest, tax, depreciation and amortisation (EBITDA)	911	637	538	379	362
Earnings before interest, tax and amortisation (EBITA)	727	455	360	327	310
Earnings before interest and tax (EBIT)	672	248	260	224	176
Financials, net	-48	-40	-35	-35	70
Earnings before tax (EBT)	622	300	120	237	176
Net profit for the year	531	222	64	133	19

Balance sheet (DKK million)	2021	2020	2019	2018	2017
Non-current assets	1,415	1,339	1,756	1,516	1,522
Current assets	3,890	3,268	3,234	3,117	3,195
Balance sheet total	5,305	4,607	4,990	4,633	4,717
Equity	1,952	1,696	1,592	1,638	1,591
Non-current liabilities	435	498	503	543	557
Current liabilities	2,918	2,413	2,895	2,452	2,569
Interest-bearing liabilities, net	-37	128	921	461	489
Invested capital	1,866	1,760	2,297	1,797	1,790
Net working capital, year-end	1,259	1,109	1,280	1,090	1,081
Net working capital, average	1,363	1,322	1,386	1,182	1,133

Cash flow (DKK million)	2021	2020	2019	2018	2017
Cash flow from operating activities	783	813	300	224	7
Cash flow from investing activities	-191	162	-194	-112	-342
Cash flow from financing activities	-515	-627	-110	-108	99
Net investments in intangible assets	-58	-50	-35	-88	-106
Net investments in property, plant and equipment	-125	-25	-110	-59	-14
Acquisition and divestment of subsidiaries and operations, net	0	0	-35	50	-16

Financial ratios (% unless otherwise stated)	2021	2020	2019	2018	2017
Revenue growth	7.8	-1.8	5.2	0.3	6.4
Organic growth	6.4	-1.2	4.8	1.8	6.4
Organic growth adjusted for number of working days	5.9	-2.0	4.9	2.2	7.0
Gross profit margin	22.4	21.0	20.1	20.2	20.7
EBITDA margin	7.4	5.6	4.6	3.4	3.3
EBITA margin	5.9	4.0	3.1	2.9	2.8
EBIT margin	5.4	2.2	2.2	2.0	1.6
Effective tax rate	14.6	26.0	45.2	23.3	17.0
Net working capital (year-end NWC)/revenue (LTM)	10.2	9.7	11.0	9.8	9.7
Net working capital (average NWC)/revenue (LTM)	11.0	11.5	11.9	10.6	10.2
Gearing (net interest-bearing liabilities/EBITDA), no. of times	0.0	0.2	1.7	1.2	1.3
Return on equity (ROE)	29.1	13.5	4.0	8.2	1.2
Return on invested capital (ROIC)	24.6	13.8	8.3	8.1	6.3
Enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	7.8	5.8	7.9	6.8	10.4
Equity ratio	36.8	36.8	31.9	35.4	33.7

SUMMARY FOR THE SOLAR GROUP

2017-2021 – continued

Share ratios (DKK unless otherwise stated)	2021	2020	2019	2018	2017
Earnings per share outstanding (EPS)	72.72	30.42	8.77	18.22	2.60
Intrinsic value per share outstanding	267.28	232.38	218.13	224.44	218.00
Cash flow from operating activities per share outstanding	107.23	111.40	41.11	30.67	0.96
Share price	795.05	353.70	297.31	284.12	414.52
Share price/intrinsic value	2.97	1.52	1.36	1.27	1.90
Ordinary dividend per share	45.00	28.00	14.00	14.00	10.00
Extraordinary dividend per share	-	15.00	-	-	-
Total dividend in % of net profit for the year (payout ratio)	61.9	141.1	159.4	76.7	385.6
Price Earnings (P/E)	10.9	11.6	33.9	15.6	159.2

Employees					
Average number of employees (FTEs)	2,908	2,935	3,039	2,941	2,870

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 EBIT exclusive impairment on goodwill less tax calculated using the effective tax rate adjusted for one-off effects.

In all material aspects financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios". As at 1 January 2019, Solar implemented IFRS 16, Leases, by applying the modified retrospective approach. Comparative figures are not restated. This especially affects EBITDA, interest-bearing liabilities, EBITDA margin, gearing and equity ratio.

In general, restatements have been made of income statements, cash flow and key ratios for the discontinued operations in STI for 2017 and 2018. In accordance with IFRS, the balance sheet has not been restated.

Extraordinary dividend was paid in H1 the following year.

STATEMENT OF COMPREHENSIVE INCOME

Income statement

Note	DKK million	2021	2020
4	Revenue	12,354	11,465
	Cost of sales	-9,581	-9,060
	Gross profit	**2,773**	**2,405**
	Other operating income	7	8
26	External operating costs	-297	-288
5	Staff costs	-1,552	-1,465
6	Loss on trade receivables	-20	-23
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**911**	**637**
7	Depreciation and write-down on property, plant and equipment	-184	-182
	Earnings before interest, tax and amortisation (EBITA)	**727**	**455**
7	Amortisation and impairment of intangible assets	-55	-207
	Earnings before interest and tax (EBIT)	**672**	**248**
13	Share of net profit from associates	-2	-12
13	Impairment and gain from divestment of associates	0	104
21	Financial income	41	24
22	Financial expenses	-89	-64
	Earnings before tax (EBT)	**622**	**300**
8	Income tax	-91	-78
9	**Net profit for the year**	**531**	**222**
19	Earnings in DKK per share outstanding (EPS) for the year	72.72	30.42
19	Diluted earnings in DKK per share outstanding (EPS-D) for the year	72.50	30.38

Other comprehensive income

DKK million	2021	2020
Net profit for the year	**531**	**222**
Items that can be reclassified to the income statement		
Foreign currency translation adjustments of foreign subsidiaries	14	-22
Fair value adjustments of hedging instruments before tax	29	7
Tax on fair value adjustments of hedging instruments	-6	-1
Other income and costs recognised after tax	**37**	**-16**
Total comprehensive income for the year	**568**	**206**

BALANCE SHEET

As at 31 December

Notes	DKK million	2021	2020
	Assets		
10	Intangible assets	159	157
11	Property, plant and equipment	885	818
12	Right-of-use assets	300	288
8	Deferred tax assets	13	3
13	Investments in associates	5	2
	Other non-current assets	53	71
	Non-current assets	**1,415**	**1,339**
14	Inventories	1,855	1,531
15	Trade receivables	1,502	1,271
	Income tax receivable	0	13
	Other receivables	6	8
	Prepayments	46	41
	Cash at bank and in hand	481	404
	Current assets	**3,890**	**3,268**
	Total assets	**5,305**	**4,607**

Notes	DKK million	2021	2020
	Equity and liabilities		
18	Share capital	736	736
	Reserves	-158	-195
	Retained earnings	1,045	951
	Proposed dividends for the financial year	329	204
	Equity	**1,952**	**1,696**
20	Interest-bearing liabilities	120	199
12, 20	Lease liabilities	203	189
8	Provision for deferred tax	101	98
16	Other provisions	11	12
	Non-current liabilities	**435**	**498**
20	Interest-bearing liabilities	19	41
12, 20	Lease liabilities	102	103
	Trade payables	2,098	1,693
	Income tax payable	33	21
17	Other payables	644	544
	Prepayments	1	2
16	Other provisions	21	9
	Current liabilities	**2,918**	**2,413**
	Liabilities	**3,353**	**2,911**
	Total equity and liabilities	**5,305**	**4,607**

CASH FLOW STATEMENT

Notes	DKK million	2021	2020
	Net profit for the year	531	222
7	Depreciation, write-down and amortisation	239	389
	Impairment on associates	0	-104
	Changes to provisions and other adjustments	11	-3
	Share of net profit from associates	2	12
21, 22	Financials, net	48	40
	Income tax	91	78
21	Financial income, received	23	7
22	Financial expenses, settled	-50	-47
	Income tax, settled	-81	-65
	Cash flow before working capital changes	**814**	**529**
	Working capital changes		
	Inventory changes	-319	126
	Receivables changes	-229	173
	Non-interest-bearing liabilities changes	517	-15
	Cash flow from operating activities	**783**	**813**
	Investing activities		
10	Purchase of intangible assets	-58	-50
	Purchase of property, plant and equipment	-143	-33
	Disposal of property, plant and equipment	18	8
	Acquisition of associates	-5	-2
	Divestment of associates	0	240
	Other financial investments	-3	-1
	Cash flow from investing activities	**-191**	**162**

Notes	DKK million	2021	2020
	Financing activities		
22	Repayment of non-current interest-bearing debt	-79	-252
	Raising of non-current interest-bearing liabilities	0	53
	Change in current interest-bearing debt	-9	-205
12	Instalment on lease liabilities	-115	-121
18	Sale of treasury shares	2	0
	Dividends distributed	-314	-102
	Cash flow from financing activities	**-515**	**-627**
	Total cash flow	**77**	**348**
	Cash at bank and in hand at the beginning of the year	404	56
	Cash at bank and in hand at the end of the year	**481**	**404**
	Cash at bank and in hand	481	404
	Cash at bank and in hand at the end of the year	**481**	**404**

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
2021						
Equity as at 1 January	**736**	**-60**	**-135**	**951**	**204**	**1,696**
Foreign currency translation adjustments of foreign subsidiaries			14			14
Fair value adjustments of hedging instruments before tax		29				29
Tax on fair value adjustments		-6				-6
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	23	14	0	0	37
Net profit for the year				202	329	531
Comprehensive income	**0**	**23**	**14**	**202**	**329**	**568**
Distribution of dividends (DKK 28,00 per share)					-204	-204
Distribution of extraordinary dividend (DKK 15,00 per share)				-110		-110
Sale of treasury shares				2		2
Transactions with the owners	**0**	**0**	**0**	**-108**	**-204**	**-312**
Equity as at 31 December	**736**	**-37**	**-121**	**1,045**	**329**	**1,952**

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
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
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.

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General accounting policies

The consolidated financial statements of Solar A/S for 2021 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 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.

Implementation of new financial reporting standards
No additional standards have been implemented in 2021 only amendments and improvements to existing standards. These changes have no impact on Solar's accounting policies.

Presentation currency
The annual report is presented in Danish kroner rounded off to the nearest 1,000,000 Danish kroner. Danish kroner is the parent company's functional currency.

Translation of foreign currency items
A functional currency has been set for each reporting group entity. The functional currencies are the currencies used in the primary economic environments in which each individual reporting entity operates. Transactions in other currencies than the functional currency are considered transactions in foreign currencies.

Transactions in foreign currency are translated at first recognition to the functional currency at the exchange rate prevailing at the date of the transaction. Differences between the exchange rate prevailing on the date of the transaction and the exchange rate on the payment date are recognised in the income statement as items under financial income and expenses.

All monetary items in foreign currencies that have not been settled on the balance sheet date are translated into the functional currencies using the exchange rates on the balance sheet date. Any difference between the exchange rate prevailing on the date of the transaction and the balance sheet date exchange rate are recognised in the income statement as items under financial income and expenses.

When recognising entities with different functional currencies than Danish kroner in the consolidated financial statements, the income statements are translated at the exchange rate prevailing on the date of the transaction and balance sheet items are translated at the balance sheet date exchange rates. The average rate of exchange for the individual months is used as exchange rate prevailing on the date of the transaction when this does not result in a considerably different presentation. Exchange rate differences, from translation of these entities' equity at the beginning of the year at the balance sheet date exchange rates and in connection with the translation of income statements from the exchange rate prevailing at the date of transaction to the balance sheet date exchange rates, are recognised directly in other comprehensive income as a separate reserve for foreign currency translation adjustments.

When translating investments in associates with a functional currency other than Danish kroner in the consolidated financial statement, the group's share of comprehensive income is translated at the average exchange rates and the share of equity, including goodwill, is translated at the exchange rate on the balance sheet date.

The exchange rate difference resulting from the translation of the share of foreign associates' equity at the beginning of the year at the exchange rate on the balance sheet date and the translation of the share of comprehensive income from the average exchange rates to the exchange rate prevailing on the balance sheet date is recognised in other comprehensive income and presented in a separate reserve for foreign currency translation adjustments under equity. The cumulative currency translation adjustment is recycled to the income statement upon disposal of the investment.

Consolidated financial statements
The consolidated financial statements include the financial statements of the parent company Solar A/S and subsidiaries in which Solar A/S has power over the investee, exposure to variable returns and the ability to use its power over the investee to affect the returns.

The consolidated financial statements have been prepared as an aggregation of the parent company and the individual subsidiaries' financial statements and in accordance with the group's accounting policies. Intercompany revenue, other intercompany operating items, intercompany balances, profit and loss from transactions between the consolidated entities as well as internal equity investments are eliminated.

Entities over which the group has significant influence but not control over operational and financial decisions are classified as associates. Significant influence typically exists when the group directly or indirectly holds more than 20% of voting rights, but less than 50%. However, for each investment an individual assessment on the classification will be performed. The assessment will be based on our part of the voting rights and our

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General accounting policies – continued

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, adjustments of investments in associates and hedging transactions.

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" of the Danish Finance Society.

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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	Share capital
Note 20	Interest-bearing liabilities and maturity statement
Note 23	Share-based payment

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

The financial risks are described in the following notes:

Note 15 Trade receivables
Note 20 Interest-bearing liabilities and maturity statement

For description of Solar's other business related risks and our approach to risk management, see the management's review on pages 30-34.

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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
2021				
Revenue	7,399	3,920	1,035	12,354
Cost of sales	-5,863	-2,951	-767	-9,581
Gross profit	**1,536**	**969**	**268**	**2,773**
Direct costs	-242	-123	-34	-399
Earnings before indirect costs	**1,294**	**846**	**234**	**2,374**
Indirect costs	-480	-211	-51	-742
Segment profit	**814**	**635**	**183**	**1,632**
Non-allocated costs				-721
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**911**
Depreciation and amortisation				-239
Earnings before interest and tax (EBIT)				**672**
Financials, net incl. share of net profit from associates and impairment on associates				-50
Earnings before tax (EBT)				**622**

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.

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.

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Segment information – continued

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.

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Segment information – continued

Geographical information
Solar A/S primarily operates on the Danish, Swedish, Norwegian and Dutch markets. In the below table, Other markets covers the remaining markets, which can be seen in the companies overview available on page 132. The below allocation has been made based on the products' place of sale.

DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
2021					
Denmark	4,040	9.7	399	9.9	1,988
Sweden	2,665	4.7	160	6.0	200
Norway	1,929	2.1	160	8.3	177
The Netherlands	2,879	-1.4	136	4.7	335
Poland	462	39.0	19	4.1	27
Several markets (MAG45)	660	17.2	30	4.5	56
Other markets	63	6.1	7	11.1	4
Eliminations	-344	-	0	-	-1,372
Solar Group	**12,354**	**5.9**	**911**	**7.4**	**1,415**

DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
2020					
Denmark	3,642	3.2	297	8.2	1,757
Sweden	2,455	-8.7	113	4.6	198
Norway	1,807	-1.9	122	6.8	171
The Netherlands	2,893	-2.4	78	2.7	350
Poland	359	-12.0	11	3.1	27
Several markets (MAG45)	560	3.1	11	2.0	51
Other markets	56	10.3	5	8.9	5
Eliminations	-307	-	0	-	-1,220
Solar Group	**11,465**	**-2.0**	**637**	**5.6**	**1,339**

5

Staff costs

DKK million	2021	2020
Salaries and wages etc.[1]	1,282	1,216
Pensions, defined contribution	106	99
Costs related to social security	160	148
Share-based payment	4	2
Total	**1,552**	**1,465**
Average number of employees (FTEs)	2,908	2,935
Number of employees at year-end (FTEs)	2,936	2,864
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Salaries and wages etc.	20	18
Share-based payment[2]	7	1
Total	**27**	**19**

1) In 2020, Solar received DKK 15m in furlough schemes due to COVID-19, which is included in salaries and wages.
2) See note 23 share-based payment. The amount stated is the total cost related to share-based payment. A part of this cost is included in financial expenses, which in 2021 amounted to DKK 5m (2020: DKK 0m).

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

6

Loss on trade receivables

DKK million	2021	2020
Recognised losses	19	22
Received on trade receivables previously written off	-2	-4
	17	**18**
Change in write-down for bad and doubtful debts	3	5
Total	**20**	**23**

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

7

Depreciation, write-down, amortisation and impairment

DKK million	2021	2020
Buildings	27	24
Plant, operating equipment, tools and equipment	35	34
Leasehold improvements	4	4
Tenancy, lease	86	85
Cars, lease	24	26
IT equipment, lease	6	6
Technical equipment, lease	2	2
Other lease	0	1
Total depreciation and write-down on property, plant and equipment	**184**	**182**
Customer-related assets	1	1
Software	54	67
Impairment on intangible assets	0	139
Total amortisation and impairment of intangible assets	**55**	**207**

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	2021	2020
Current tax	124	78
Deferred tax	-13	3
Tax on profit for the year	**111**	**81**
Tax on taxable profit previous year	-20	1
Adjustment of deferred tax for previous years	1	-4
Change in Swedish income tax rate	-1	0
Total	**91**	**78**

Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Tax base change for non-capitalised loss in subsidiaries	-4.8%	1.8%
Change in Swedish income tax rate	-0.2%	0.0%
Impairment on / gain from sale of / reversal of impairment on associates	0.0%	-7.7%
Non-taxable/deductible items in parent company	0.8%	0.8%
Non-taxable/deductible items and differing tax rates compared to Danish tax rate in foreign subsidiaries	-0.2%	10.2%
Tax for previous years	-3.0%	-1.1%
Effective tax rate	**14.6%**	**26.0%**

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	2021	2020
Provision for deferred tax		
1/1	95	93
Foreign currency translation adjustments	0	1
Recognised in other comprehensive income	6	1
Ordinary tax recognised in income statement	-13	-1
Other items	0	1
Total 31/12	**88**	**95**
Specified as follows:		
Deferred tax liabilities	101	98
Deferred tax assets	-13	-3
Total deferred tax, net	**88**	**95**
Further specified as follows:		
Expected use within 1 year	-18	-9
Expected use after 1 year	106	104
Total, net	**88**	**95**
Not recognised in balance sheet:		
Deferred tax assets	23	58

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. 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 with no maturity date (2020: until 2028). In addition, 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 80m (DKK 113m) at the end of the period.

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	2021	2020
Specification by balance sheet items						
Property, plant and equipment	40	0	1	2	43	40
Inventories	-3	0	0	-1	-4	-3
Provisions for loss on receivables	-4	0	0	1	-3	-4
Pension obligations	-1	0	0	0	-1	-1
Other items[1]	63	0	-2	-8	53	63
Total, net	**95**	**0**	**-1**	**-6**	**88**	**95**

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

9

Net profit for the year

DKK million	2021	2020
Proposed distribution of net profit for the year:		
Proposed dividend	329	204
Retained earnings	202	18
Net profit for the year	**531**	**222**
Ordinary dividend in DKK per share of DKK 100[1]	45.00	28.00
Extraordinary dividend in DKK per share of DKK 100[2]	-	15.00

1) Calculations are based on proposed dividends.

2) Based on 2020 results, an extraordinary dividend was paid in H1 2021.

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
2021				
Cost 1/1	0	278	690	968
Foreign currency translation adjustment	0	-3	-1	-4
Additions during the year	0	0	58	58
Disposals during the year	0	-41	-21	-62
Cost 31/12	**0**	**234**	**726**	**960**
Amortisation 1/1	0	274	537	811
Foreign currency translation adjustment	0	-3	0	-3
Amortisation during the year	0	1	54	55
Amortisation of abandoned assets	0	-41	-21	-62
Amortisation and impairment 31/12	**0**	**231**	**570**	**801**
Carrying amount 31/12	**0**	**3**	**156**	**159**
Remaining amortisation period in number of years	**-**	**1-4**	**1-8**	**-**

Accounting policies

Customer-related intangible assets
Customer-related intangible assets acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment loss.

Customer-related intangible assets are amortised using the straight-line principle over the expected useful life. Typically, the amortisation period is 5-7 years.

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

Software
Software is measured at cost less accumulated amortisation and writedown. Cost includes both direct internal and external costs. Software is amortised using the straight-line principle over 4-8 years. The basis of amortisation is reduced by any write-down.

10

Intangible assets – continued

DKK million	Goodwill	Customer-related assets	Software	Total
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	-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**	**-**

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 2020 in brackets)
Management has completed the impairment test of the carrying amount of 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 (5 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 (5 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.

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.

11

Property, plant and equipment

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2021					
Cost 1/1	1,155	605	76	8	1,844
Foreign currency translation adjustments	5	3	1	0	9
Additions during the year	0	33	2	128	163
Disposals during the year	-36	-61	-23	-20	-140
Cost 31/12	**1,124**	**580**	**56**	**116**	**1,876**
Write-down and depreciation 1/1	475	495	56	0	1,026
Foreign currency translation adjustments	1	2	1	0	4
Write-down and depreciation during the year	27	35	4	0	66
Write-down and depreciation of abandoned assets	-21	-61	-23	0	-105
Write-down and depreciation 31/12	**482**	**471**	**38**	**0**	**991**
Carrying amount 31/12	**642**	**109**	**18**	**116**	**885**

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
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 – 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
2021						
Cost 1/1	344	86	21	9	2	462
Foreign currency translation adjustments	1	0	0	0	0	1
Additions during the year	118	16	0	4	0	138
Disposals during the year[1]	-37	-9	0	-4	-1	-51
Cost 31/12	**426**	**93**	**21**	**9**	**1**	**550**
Write-down and depreciation 1/1	124	39	5	4	2	174
Foreign currency translation adjustments	0	0	0	0	0	0
Write-down and depreciation during the year	86	24	6	2	0	118
Write-down and depreciation of abandoned assets	-31	-8	0	-2	-1	-42
Write-down and depreciation 31/12	**179**	**55**	**11**	**4**	**1**	**250**
Carrying amount 31/12	**247**	**38**	**10**	**5**	**0**	**300**

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
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.

12

Leases – continued

Short-term lease liabilities

DKK million	2021	2020
Maturity < 1 year	102	103
Short-term lease liabilities 31/12	**102**	**103**

Long-term lease liabilities

DKK million	2021	2020
Maturity > 1 year < 5 years, undiscounted	181	166
Maturity > 5 years, undiscounted	28	29
Long-term lease liabilities 31/12, undiscounted	209	195
Discounting on lease liabilities > 1 year < 5 years	-5	-5
Discounting on lease liabilities > 5 years	-1	-1
Long-term lease liabilities 31/12	**203**	**189**
Amounts recognised in the income statement		
Depreciation of right-of-use assets	118	120
Interest expense on lease liabilities	5	5
Expense relating to short-term leases	1	0
Expense relating to leases of low-value items	1	1
Expense relating to variable lease payments not included in the measurement of lease liabilities	8	10
Total	**133**	**136**
Cash outflows for leases		
Instalment on lease liabilities	-115	-121
Interest payments	-5	-5
Total cash outflows for leases	**-120**	**-126**

Future cash outflows not recognised as lease liabilities in the balance sheet amount to DKK 0 (DKK 0m) 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 28m (DKK 24m).

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 2021 are unchanged between 1.3% and 4.0% 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.

13

Investments in associates[1]

Investments in associates, DKK million	2021	2020
Cost 1/1	16	273
Additions during the year	5	2
Transferred to other investments	0	-3
Disposals during the year	0	-256
Cost 31/12	**21**	**16**
Adjustments 1/1	-14	-127
Profit from associates	-2	-12
Impairment/reversal of impairment	0	81
Transferred to other investments	0	2
Disposals during the year	0	42
Value adjustment 31/12	**-16**	**-14**
Carrying amount 31/12	**5**	**2**

Impairment and realised gain from sale of associates, DKK million	2021	2020
Impairment/reversal of impairment	0	81
Realised gain from sale of associates	0	23
Impairment on associates, total	**0**	**104**

1) Associates include the following investments:
- Monterra where Solar owns 30.0%
- HomeBob where Solar owns 44.9%
- Zolw where Solar owns 35.0%
- Edison Data AS where Solar owns 20.0%

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.

14

Inventories

DKK million	2021	2020
End products	**1,855**	**1,531**
Recognised write-down	1	-2

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.

15

Trade receivables

DKK million	2021	2020
Maturity statement, trade receivables		
Not due	1,411	1,215
Past due for 1-30 day(s)	89	66
Past due for 31-90 days	17	6
Past due for 91+ days	18	13
	1,535	1,300
Write-down	-33	-29
Total	**1,502**	**1,271**
Write-down based on:		
Age distribution	12	6
Individual assessment	21	23
Total	**33**	**29**
Write-down 1/1	29	24
Foreign currency translation adjustment	1	0
Write-down for the year	18	11
Losses realised during the year	-8	-4
Reversed for the year	-7	-2
Write-down 31/12	**33**	**29**

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, including a statistical based model, 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 days past invoicing.

As the vast majority of our group companies generally takes out insurance to hedge against loss to the extent possible, the write-down based on age distribution amounts to less than 0.8% (0.5%) of gross trade receivables. Individual assessment of write-down is performed by management specifically analysing trade receivables, including the customers' credit rating and current economic trends to ensure that write-down is sufficient. Write-down based on individual assessment amounts to 1.4% (1.8%) of gross trade receivables. As the total write-down on trade receivables amounts to less than 3% (3%) 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 30 (30) 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.

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 group companies generally takes out insurance to hedge against loss to the extent possible. As a result, 68% of trade receivables is covered by insurance against 70% at year-end 2020.

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

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Other provisions

DKK million	2021	2020
Non-current		
Other provisions	11	12
Total 31/12	**11**	**12**
Specification, non-current		
1/1	12	13
Reversed during the year	-1	-2
Provisions of the year	0	1
Total 31/12	**11**	**12**
Current		
Other provisions	21	9
Total 31/12	**21**	**9**
Specification, current		
1/1	9	13
Reversed during the year	-9	-13
Provisions of the year	21	9
Total 31/12	**21**	**9**

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	2021	2020
Staff costs	282	232
Taxes and charges	215	164
Hedging instruments	49	77
Other payables	98	71
Total	**644**	**544**

Relevant accounting policies for hedging instruments are described in note 20 on interest-bearing liabilities and maturity statement.

18

Share capital

DKK million	2021	2020
Share capital 1/1	736	736
Change in share capital	0	0
Share capital 31/12	**736**	**736**
Share capital is fully paid in and divided into the following classes:		
A shares, 900,000 at DKK 100	90	90
B shares, 6,460,000 at DKK 100	646	646
Total	**736**	**736**

	Number of shares		Nominal value (DKK million)	
	2021	2020	2021	2020
A shares outstanding 31/12	**900,000**	**900,000**	**90**	**90**
B shares outstanding				
Outstanding 1/1	6,398,292	6,398,292	640	640
Divestment of treasury shares	4,895	0	0	0
B shares outstanding 31/12	**6,403,187**	**6,398,292**	**640**	**640**
Total shares outstanding 31/12	**7,303,187**	**7,298,292**	**730**	**730**

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	
	2021	2020	2021	2020	2021	2020	2021	2020
Holding 1/1	61,708	61,708	6	6	24	24	0.8%	0.8%
Divestment	-4,895	0	0	0	-2	0	-0.1%	0.0%
Holding 31/12	**56,813**	**61,708**	**6**	**6**	**22**	**24**	**0.7%**	**0.8%**

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Earnings per share in DKK per share outstanding for the year

	2021	2020
Net profit for the year in DKK million	531	222
Average number of shares	7,360,000	7,360,000
Average number of treasury shares	-57,604	-61,708
Average number of shares outstanding	7,302,396	7,298,292
Dilution effect of share options and restricted share units	22,120	9,091
Diluted number of shares outstanding	**7,324,516**	**7,307,383**
Earnings per share in DKK per share outstanding for the year	72.72	30.42
Diluted earnings per share in DKK per share outstanding for the year	72.50	30.38

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Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2021	2020
Debt to mortgage credit institutions	Fixed[1]	129	155
Debt to credit institutions	Floating	0	53
Lease liabilities	Calculated	305	292
Bank loans and overdrafts	Floating	10	31
Interest-bearing liabilities		**444**	**531**
Trade payables		2,098	1,693
Other payables		644	576
Financial liabilities		**3,186**	**2,800**
Cash at bank and in hand		481	404
Trade receivables		1,502	1,271
Other receivables		52	62
Financial assets		**2,035**	**1,737**
Total, financial balance sheet items, net		**1,151**	**1,063**

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 financing activities in the cash flow statement:

	2021	2020
Interest-bearing liabilities 1/1	531	977
Repayment of non-current interest-bearing debt	-79	-252
Raising of non-current interest-bearing liabilities	0	53
Change in current interest-bearing debt	-9	-205
Installment on lease liabilities	-115	-121
Lease liability raised during the year, non-cash	129	68
Foreign currency translation adjustment	-13	11
Interest-bearing liabilities 31/12	**444**	**531**

Accounting policies

Financial liabilities
Debt to credit institutions is recognised initially at fair value that corresponds to 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. For information on lease liabilities, see note 12.

Financial risks

Interest rate risk
Solar monitors and adjusts interest-bearing liabilities on an ongoing basis. Loans are only raised in the functional currencies of the countries where Solar operates. Of total interestbearing liabilities, Solar endeavours to ensure that
a maximum of half is based on variable payment of interest determined 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	2021	2020
Maturity < 1 year		
Debt to mortgage credit institutions	9	9
Lease liabilities	102	103
Bank loans and overdrafts	10	32
Current interest-bearing liabilities	**121**	**144**
Other financial liabilities	2,742	2,269
Financial liabilities	**2,863**	**2,413**
Current financial assets	**2,035**	**1,737**
Net current financial liabilities	**828**	**676**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	32	36
Debt to credit institutions	0	53
Lease liabilities	176	161
Total	**208**	**250**
Maturity > 5 years		
Debt to mortgage credit institutions	88	110
Lease liabilities	27	28
Total	**115**	**138**
Total non-current liabilities	**323**	**388**
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 activity 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.

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.

Effect from translation of foreign subsidiaries when the exchange rate increases by 10% (average for the year and at year end)

	Profit of the year		Equity	
DKK million	2021	2020	2021	2020
NOK	13.0	8.2	46.8	39.4
SEK	9.5	-7.0	35.2	29.3
PLN	1.4	1.3	7.1	6.7
Total	23.9	2.4	89.1	75.4

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

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	2021	2020
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	11	12
1-5 year(s)	28	32
> 5 years	30	37
Total	**69**	**81**
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	127	164
Interest rate in % for outstanding interest swaps	5.4	5.2
Fair value recognised as other payables under current liabilities	-49	-77

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	9	-10
Realised during the year, recognised as financial income/expenses	20	17
Total	**29**	**7**
Effect of a 1% interest rate increase at the end of the year		
Effect on equity	**10**	**15**
Of this, earnings impact is	**0**	**0**
Undrawn credit facilities 31/12	**495**	**474**

Accounting policies

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

Derivatives are recognised at fair value. 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.

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	2021	2020	2021	2020
EUR	8	9	120	146
DKK	1	0	0	53
NOK	0	0	0	0
PLN	10	0	0	0
SEK	0	32	0	0
Total	**19**	**41**	**120**	**199**
Interest rate in %	**1.1-5.4**	**1.1-5.2**	**5.4**	**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 interest rate instrument is measured 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	2021	2020
Interest income	21	7
Foreign exchange gains	18	17
Other financial income	2	0
Total	**41**	**24**
Financial income, received	**23**	**7**

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Financial expenses

DKK million	2021	2020
Interest expenses	22	28
Foreign exchange losses	16	17
Fair value adjustments, other financial investments	23	0
Interest on lease liabilities	5	5
Other financial expenses	23	14
Total	**89**	**64**
Financial expenses, settled	**50**	**47**

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Share-based payment

Share options

DKK million	Executive Board	Others	Total
No. of share options at year-end 2021			
Outstanding at the beginning of 2021	7,598	16,807	24,405
Exercised[1]	-7,598	-12,435	-20,033
Expired	0	-4,372	-4,372
Outstanding at year-end 2021	**0**	**0**	**0**
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**

DKK million	2021	2020
Market value estimated using the Black-Scholes model, recognised under other liabilities	-	0
Conditions applying to the statement of market value using the Black-Scholes model:		
Expected volatility	-	37%
Expected dividends in proportion to market value	-	4%
Risk-free interest rate	-	0%

1) Jens Ellegaard Andersen, CEO, and Michael H. Jeppesen, CFO, were granted an equivalent number of shares for their share options, while Hugo Dorph, CCO, cash settled his share options.

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 of the company's shares at closing date.

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Share-based payment – continued

Specification of share option plans

No. of shares	Year of granting 2018	2017
Executive Board		
Granted	0	9,261
Transferred on change to the Executive Board	0	-1,663
Exercised	0	-7,598
Total	**0**	**0**
Others		
Granted	2,322	14,457
Transferred on change to the Executive Board	0	1,663
Forfeited on resignation of management employees	0	-1,635
Exercised	-2,322	-10,113
Expired	0	-4,372
Total	**0**	**0**
Exercise price[1]	**391.80**	**373.84**
Exercise period		
10 banking days following the publication of the annual report in	2021/2022	2020/2021

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

Restricted share units

	Executive Board	Others	Total
No. of restricted share units at year-end 2021			
Outstanding at the beginning of 2021	10,310	8,875	19,185
Granted in 2021	6,595	6,442	13,037
Forfeited on resignation of management employees	0	-1,809	-1,809
Adjustment due to dividend distribution	1,788	1,480	3,268
Exercised	-2,244	-1,199	-3,443
Outstanding at year-end 2021	**16,449**	**13,789**	**30,238**
No. of restricted share units at year-end 2020			
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**

DKK million	2021	2020
Market value recognised under other liabilities	13	4

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 2021 and 2020. 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 456.39 (319.39) based on the average price on Nasdaq Copenhagen the first 10 business days after publication of Annual Report 2020 (2019). The restricted shares vest three years after the time of granting, meaning that this grant of shares vests in 2024 (2023). At this point, the holder may exercise the restricted share granting.

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Share-based payment – continued

The number of granted shares was adjusted by +3,268 (+810) shares in 2021 (2020) due to dividend distribution.

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

Specification of restricted share units

DKK million	Year of granting 2021	2020	2019	2018
Executive Board				
Granted	6,595	4,904	2,690	2,006
Adjustment due to dividend distribution	639	925	696	238
Exercised	0	0	0	-2,244
Total	**7,234**	**5,829**	**3,386**	**0**
Others				
Granted	6,442	2,760	4,380	1,333
Forfeited on resignation of management employees	0	-575	-1,234	-269
Adjustment due to dividend distribution	630	439	947	135
Exercised	0	0	0	-1,199
Total	**7,072**	**2,624**	**4,093**	**0**
Price at time of granting	**456.39**	**319.39**	**297.70**	**399.19**
Vesting year	**2024**	**2023**	**2022**	**2021**

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Contingent liabilities and other financial liabilities

DKK million	2021	2020
Collateral		
Assets have been pledged as collateral for bank arrangements at a carrying amount of:		
Land and buildings	371	402
Current assets	0	0
Total	**371**	**402**

In 2013 Solar Nederland B.V. closed its defined benefit pension plan and transferred all risks that in 2013 amounted to DKK 373m to an insurance company. In 2016 the Conelgro B.V. closed its defined benefit pension plan and transferred all risks that in 2016 amounted to DKK 250m to an insurance company.

Solar is liable for payment of the benefit vs. the participants and has consequently a credit risk vs. the insurance company. Based on the insurance company's current rating, this risk is determined to be limited.

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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 17.0% of the shares and holds 60.5% 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 23.

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	2021	2020
Deloitte (2021)/PWC(2020)		
Statutory audit	2	3
Other assurance engagements	0	0
Tax consulting	0	0
Other services[1]	1	1
Total	**3**	**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 har issued a number of amendments to existing IFRS standards that are effective for financial years beginning on 1 January 2022 or later, some of which are not yet endorsed by the EU. Solar will implement the amendments when they become effective. It is the assessment that none of these amendments will have significant impact on the financial statements of Solar for the coming years.

SEPARATE FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

Income statement

Note	DKK million	2021	2020
	Revenue	4,040	3,642
	Cost of sales	-3,046	-2,785
	Gross profit	**994**	**857**
	Other operating income	36	37
22	External operating costs	-38	-31
3	Staff costs	-559	-527
4	Loss on trade receivables	-5	-8
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**428**	**328**
5	Depreciation and write-down on property, plant and equipment	-47	-46
	Earnings before interest, tax and amortisation (EBITA)	**381**	**282**
5	Amortisation and impairment of intangible assets	-55	-75
	Earnings before interest and tax (EBIT)	**326**	**207**
	Profit from subsidiaries	291	-12
	Share of net profit from associates	-1	-12
	Impairment on associates	0	104
18	Financial income	29	16
19	Financial expenses	-65	-41
	Earnings before tax (EBT)	**580**	**262**
6	Income tax	-49	-40
7	**Net profit for the year**	**531**	**222**

Other comprehensive income

DKK million	2021	2020
Net profit for the year	**531**	**222**
Items that can be reclassified to the income statement		
Foreign currency translation adjustments of foreign subsidiaries	14	-22
Fair value adjustments of hedging instruments before tax, parent company	29	7
Tax on fair value adjustments of hedging instruments, parent company	-6	-1
Other income and costs recognised after tax	**37**	**-16**
Total comprehensive income for the year	**568**	**206**

BALANCE SHEET

as at 31 December

Notes	DKK million	2021	2020
	Assets		
8	Intangible assets	157	154
9	Property, plant and equipment	332	242
10	Right-of-use assets	76	72
11	Investments measured at equity value	1,372	1,219
11	Other non-current assets	51	69
	Non-current assets	**1,988**	**1,756**
12	Inventories	663	533
13	Trade receivables	441	345
	Receivables from subsidiaries	282	386
	Income tax receivable	2	3
	Other receivables	4	3
	Prepayments	15	16
	Cash at bank and in hand	408	323
	Current assets	**1,815**	**1,609**
	Total assets	**3,803**	**3,365**

Notes	DKK million	2021	2020
	Equity and liabilities		
16	Share capital	736	736
	Reserves	-39	-80
	Retained earnings	926	836
	Proposed dividends for the financial year	329	204
	Equity	**1,952**	**1,696**
17	Interest-bearing liabilities	120	199
10, 17	Lease liabilities	55	51
6	Provision for deferred tax	74	72
14	Other provisions	1	1
	Non-current liabilities	**250**	**323**
17	Interest-bearing liabilities	9	41
10, 17	Lease liabilities	23	22
	Trade payables	944	738
	Amounts owed to subsidiaries	308	282
15	Other payables	316	261
	Prepayments	1	1
14	Other provisions	0	1
	Current liabilities	**1,601**	**1,346**
	Liabilities	**1,851**	**1,669**
	Total equity and liabilities	**3,803**	**3,365**

CASH FLOW STATEMENT

Notes	DKK million	2021	2020
	Net profit for the year	531	222
5	Depreciation, write-down and amortisation	102	121
	Impairment on associates	0	-104
	Changes to provisions and other adjustments	0	1
	Profit from subsidiaries	-291	12
	Share of net profit from associates	1	12
18, 19	Financials, net	36	25
	Income tax	49	40
18	Financial income, received	25	9
19	Financial expenses, settled	-39	-35
	Income tax, settled	-52	-49
	Cash flow before working capital changes	**362**	**254**
	Working capital changes		
	Inventory changes	-130	-27
	Receivables changes	-98	48
	Non-interest-bearing liabilities changes	289	73
	Cash flow from operating activities	**423**	**348**

Notes	DKK million	2021	2020
	Investing activities		
8	Purchase of intangible assets	-58	-47
	Purchase of property, plant and equipment	-127	-9
	Disposal of property, plant and equipment	18	0
	Changes to loans to subsidaries	129	119
	Dividends from subsidiaries	153	60
	Acquistion of associates	-2	0
	Divestment of associates[1]	0	240
	Other financial investments	-3	-1
	Cash flow from investing activities	**110**	**362**
	Financing activities		
17	Repayment of non-current interest-bearing debt	-79	-145
	Raising of non-current interest-bearing liabilities	0	53
	Change in current interest-bearing liabilities	-32	-167
	Instalment on lease liabilities	-25	-26
	Sale of treasury shares	2	0
	Dividends distributed	-314	-102
	Cash flow from financing activities	**-448**	**-387**
	Total cash flow	**85**	**323**
	Cash at bank and in hand at the beginning of the year	**323**	**0**
	Cash at bank and in hand at the end of the year	**408**	**323**
	Cash at bank and in hand	**408**	**323**
	Cash at bank and in hand at the end of the year	**408**	**323**

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]	Reserves for development costs[1]	Retained earnings	Proposed dividends	Total
2021							
Equity as at 1 January	**736**	**-60**	**-135**	**115**	**836**	**204**	**1,696**
Foreign currency translation adjustments of foreign subsidiaries			14				14
Fair value adjustments of hedging instruments before tax		29					29
Tax on fair value adjustments		-6					-6
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	23	14	0	0	0	37
Net profit for the year				4	198	329	531
Comprehensive income	**0**	**23**	**14**	**4**	**198**	**329**	**568**
Distribution of dividends (DKK 28.00 per share)						-204	-204
Distribution of extraordinary dividend (DKK 15.00 per share)					-110		-110
Sale of treasury shares					2		2
Transactions with the owners	**0**	**0**	**0**	**0**	**-108**	**-204**	**-312**
Equity as at 31 December	**736**	**-37**	**-121**	**119**	**926**	**329**	**1,952**

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
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.

1

General accounting policies

The separate financial statements of the parent company for 2021 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 and the IFRS executive order issued in accordance with the Danish Financial Statements Act. Reclassifications without any effect on the income statement or the equity have been conducted.

A general description of accounting policies can be found in the consolidated financial statements on pages 57-58, note 1, Accounting policies.

Descriptions of accounting policies in notes
Descriptions of accounting policies in the notes form part of the overall description of accounting policies. Parent-specific descriptions are found in the following notes:

Note 6 Income tax
Note 7 Net profit for the year
Note 8 Intangible assets
Note 9 Property, plant and equipment
Note 10 Leases
Note 11 Investments measured at equity value and other non-current assets
Note 12 Inventories
Note 13 Trade receivables
Note 14 Other provisions
Note 16 Share capital
Note 17 Interest-bearing liabilities
Note 20 Contingent liabilities and other financial liabilities

2

Significant accounting estimates and assessments

When preparing the annual report in accordance with generally applicable principles, management make estimates and assumptions that affect the reported assets and liabilities. Management base their estimates on historic experience and expectations for future events. Therefore, actual results may differ from these estimates.

The following estimates and accompanying assessments are deemed material for the preparation of the financial statements:

- Impairment test of equity investments
- Impairment test of software
- Inventory write-down
- Write-down for parrying 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	2021	2020
Salaries and wages etc.[1]	509	480
Pensions, defined contribution	36	34
Costs related to social security	12	11
Share-based payment	2	2
Total	**559**	**527**
Average number of employees (FTEs)	810	760
Number of employees at year-end (FTEs)	847	766
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Salaries and wages etc.	20	18
Share-based payment [2]	7	1
Total	**27**	**19**

1) In 2020, Solar received DKK 5m from furlough schemes due to COVID-19 which is included in salaries and wages.
2) The amount stated is the total cost related to share-based payment. A part of this cost is included in financial expenses, which in 2021 amounted to DKK 5m (2020: DKK 0m).

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

4

Loss on trade receivables

DKK million	2021	2020
Recognised losses	6	5
Received on trade receivables previously written off	0	0
	6	**5**
Change in write-down for bad and doubtful debts	-1	3
Total	**5**	**8**

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

5

Depreciation, write-down and amortisation

DKK million	2021	2020
Buildings	14	11
Plant, operating equipment, tools and equipment	7	8
Leasehold improvements	1	1
Tenancy, lease	13	11
Cars, lease	7	9
IT equipment, lease	5	6
Total depreciation and write-down on property, plant and equipment	**47**	**46**
Customer-related assets	1	1
Software	54	64
Impairment of intangible assets	0	10
Total amortisation and impairment of intangible assets	**55**	**75**

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	2021	2020
Current tax	73	49
Deferred tax	-4	-9
Tax on profit or loss for the year	**69**	**40**
Tax on taxable profit previous year	-20	0
Total	**49**	**40**
Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Profit/loss from subsidiaries	-11.0%	1.2%
Impairment on / gain from sale of / reversal of impairment on associates	0.0%	-8.9%
Non-taxable/deductible items in parent	0.8%	1.0%
Tax regarding prevoius year	-3.3%	0.0%
Effective tax rate	**8.5%**	**15.3%**

Accounting policies

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

6

Income tax – continued

DKK million	2021	2020
1/1	72	79
Recognised in other comprehensive income	6	1
Ordinary tax recognised in income statement	-4	-9
Other items	0	1
Total 31/12	**74**	**72**
Specified as follows:		
Deferred tax	74	72
Deferred tax assets	0	0
Total deferred tax, net	**74**	**72**
Further specified as follows:		
Expected use within 1 year	0	0
Expected use after 1 year	74	72
Total, net	**74**	**72**

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	2021	2020
Property, plant and equipment	20	3	23	20
Other items[1]	52	-1	51	52
Total, net	**72**	**2**	**74**	**72**

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

7

Net profit for the year

DKK million	2021	2020
Proposed distribution of net profit for the year:		
Proposed dividend	329	204
Reserves for development costs	4	-13
Retained earnings	198	31
Net profit for the year	**531**	**222**
Ordinary dividend in DKK per share of DKK 100[1]	45.00	28.00
Extraordinary dividend in DKK per share of DKK 100[2]	-	15.00

1) Calculations are based on proposed dividends.

2) Based on 2020 results, an extraordinary dividend was paid in H1 2021.

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
2021				
Cost 1/1	0	46	653	699
Additions during the year	0	0	58	58
Disposals during the year	0	-41	-20	-61
Cost 31/12	**0**	**5**	**691**	**696**
Amortisation and impairment 1/1	0	43	502	545
Amortisation during the year	0	1	54	55
Amortisation of abandoned assets	0	-41	-20	-61
Amortisation and impairment 31/12	**0**	**3**	**536**	**539**
Carrying amount 31/12	**0**	**2**	**155**	**157**
Remaining amortisation period in number of years	**-**	**4**	**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
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 – 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	Assets under construction	Total
2021					
Cost 1/1	410	244	10	5	669
Additions during the year	0	17	0	123	140
Disposals during the year	-33	-42	0	-13	-88
Cost 31/12	**377**	**219**	**10**	**115**	**721**
Write-down and depreciation 1/1	194	228	5	0	427
Write-down and depreciation during the year	14	7	1	0	22
Write-down and depreciation of abandoned assets	-18	-42	0	0	-60
Write-down and depreciation 31/12	**190**	**193**	**6**	**0**	**389**
Carrying amount 31/12	**187**	**26**	**4**	**115**	**332**

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	Assets under construction	Total
2020					
Cost 1/1	409	244	12	1	666
Additions during the year	1	4	0	9	14
Disposals during the year	0	-4	-2	-5	-11
Cost 31/12	**410**	**244**	**10**	**5**	**669**
Write-down and depreciation 1/1	183	224	6	0	413
Write-down and depreciation during the year	11	8	1	0	20
Write-down and depreciation of abandoned assets	0	-4	-2	0	-6
Write-down and depreciation 31/12	**194**	**228**	**5**	**0**	**427**
Carrying amount 31/12	**216**	**16**	**5**	**5**	**242**

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
2021				
Cost 1/1	64	28	21	113
Additions during the year	27	2	0	29
Disposals during the year	0	-2	0	-2
Cost 31/12	**91**	**28**	**21**	**140**
Write-down and depreciation 1/1	22	14	5	41
Write-down and depreciation during the year	13	7	5	25
Write-down and depreciation of abandoned assets	0	-2	0	-2
Write-down and depreciation 31/12	**35**	**19**	**10**	**64**
Carrying amount 31/12	**56**	**9**	**11**	**76**

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
2020				
Cost 1/1	59	25	16	100
Additions during the year	5	7	14	26
Disposals during the year	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**

10

Leases – continued

Short-term lease liabilities

DKK Million	2021	2020
Maturity < 1 year	23	22
Short-term lease liabilities 31/12	**23**	**22**

Long-term lease liabilities

DKK Million	2021	2020
Maturity > 1 year < 5 years, undiscounted	41	40
Maturity > 5 years, undiscounted	16	13
Long-term lease liabilities 31/12, undiscounted	**57**	**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	**55**	**51**
Amounts recognised in the income statement		
Depreciation of Right-of-use assets	25	26
Interest expense on lease liabilities	1	1
Expense relating to variable lease payments not included in the measurement of lease liabilities	1	2
Total	**27**	**29**
Cash outflows for leases		
Instalment on lease liabilities	-25	-26
Interest payments	-1	-1
Total cash outflows for leases	**-26**	**-27**

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 2021 are unchanged between 1.3% and 4.0% depending among other things on the term and the currency in which the contracts are denominated.

The lease liability will be remeasured when changes occur due to modifications to the contract (extension, termination etc.), indexation or in special cases reassessment of the lease term.

11

Investments measured at equity value and other non-current assets

DKK million	Equity investments	Investments in associates	Other investments	Other receivables	Total
2021					
Cost 1/1	2,624	14	55	20	2,713
Additions during the year	0	2	3	7	12
Transferred from Other receivables to other investments	0	0	1	-1	0
Disposals during the year	0	0	0	-7	-7
Cost 31/12	**2,624**	**16**	**59**	**19**	**2,718**
Value adjustment 1/1	-1,405	-14	-4	-2	-1,425
Foreign currency translation adjustments	14	0	0	0	14
Dividends from subsidiaries	-153	0	0	0	-153
Profit from subsidiaries	291	-1	0	0	290
Fair value adjustment recognised under financial expenses	0	0	-19	-4	-23
Other adjustments	0	0	0	2	2
Value adjustment 31/12	**-1,253**	**-15**	**-23**	**-4**	**-1,295**
Carrying amount 31/12	**1,371**	**1**	**36**	**15**	**1,423**

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
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
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**

12

Inventories

DKK million	2021	2020
End products	**663**	**533**
Recognised write-down	0	3

The main reasons for the recognised write-downs is an increase in write-down articles.

Accounting policies

Inventories are measured at cost according to the FIFO method or at net realisable value, if this is lower.

Cost of inventories includes purchase price with addition of delivery costs.

The net realisable value of inventories is determined as selling price less costs incurred to make the sale and is determined in consideration of marketability, obsolescence and development of expected selling price.

Accounting estimates and assesments

Write-down of inventories
Write-down of inventories is made due to the obsolescence of products.

Management specifically assess inventories, including the products' turnover rate, current economic trends and product development when deciding whether the write-down is sufficient.

13

Trade receivables

DKK million	2021	2020
Maturity statement, trade receivables		
Not due	418	344
Past due for 1-30 day(s)	20	4
Past due for 31-90 days	7	3
Past due for 91+ days	2	1
	447	352
Write-down	-6	-7
Total	**441**	**345**
Write-down based on:		
Age distribution	1	1
Individual assessment	5	6
Total	**6**	**7**
Write-down 1/1	7	4
Write-down for the year	3	5
Losses realised during the year	-2	0
Reversed for the year	-2	-2
Write-down 31/12	**6**	**7**

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, including a statistical based model, write-down to amortised cost less expected credit losses is made, if this is lower.

Accounting estimates and assessments

Write-down for meeting of loss on doubtful trade receivables
The IFRS 9 simplified approach is applied to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the day past invoicing.

As the vast majority of our group companies generally takes out insurance to hedge against loss to the extent possible, the write-down based on age distribution amounts to less than 0.2% (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 1.1% (1.7%) of gross trade receivables. As the total write-down on trade receivables amounts to 1% (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 days (31 days).

14

Other provisions

DKK million	2021	2020
Non-current		
Others	1	1
Total 31/12	**1**	**1**
Specification, non-current		
1/1	1	2
Reversed during the year	0	-1
Provisions of the year	0	0
Total 31/12	**1**	**1**
Current		
Restructuring costs	0	1
Total 31/12	**0**	**1**
Specification, current		
1/1	1	0
Reversed during the year	-1	0
Provisions of the year	0	1
Total 31/12	**0**	**1**

Accounting policies

Provisions are measured in accordance with management's best estimate of the amount required to settle a liability.

Restructuring expenses are recognised as liabilities when a detailed official plan for the restructuring has been published to the parties affected by the plan on the balance sheet date at the latest.

15

Other payables

DKK million	2021	2020
Staff costs	130	105
Taxes and charges	101	48
Hedging instruments	49	77
Other payables and amounts payable	36	31
Total	**316**	**261**

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

16

Share capital

DKK million	2021	2020
Share capital 1/1	736	736
Change in share capital	0	0
Share capital 31/12	**736**	**736**
Share capital is fully paid in and divided into the following classes:		
A shares, 900,000 at DKK 100	90	90
B shares, 6,460,000 at DKK 100	646	646
Total	**736**	**736**

	Number of shares		Nominal value	
	2021	2020	2021	2020
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
Divestment of treasury shares	4,895	0	0	0
B shares outstanding 31/12	**6,403,187**	**6,398,292**	**640**	**640**
Total shares outstanding 31/12	**7,303,187**	**7,298,292**	**730**	**730**

Accounting policies

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

16

Share capital – continued

Treasury shares (B shares)

	Number of shares		Nominal value (DKK million)		Cost (DKK million)		Percentage of share capital	
	2021	2020	2021	2020	2021	2020	2021	2020
Holding 1/1	61,708	61,708	6	6	24	24	0.8%	0.8%
Divestment	-4,895	0	0	0	-2	0	-0.1%	0.0%
Holding 31/12	**56,813**	**61,708**	**6**	**6**	**22**	**24**	**0.7%**	**0.8%**

All treasury shares are held by the parent company.

17

Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2021	2020
Debt to mortgage credit institutions	Fixed[1]	129	155
Debt to credit institutions	Floating	0	53
Lease liabilities	Calculated	78	73
Bank loans and overdrafts	Floating	0	31
Interest-bearing liabilities		**207**	**312**
Trade payables		944	738
Other payables		316	545
Financial liabilities		**1,467**	**1,595**
Cash at bank and in hand		408	323
Trade receivables		441	345
Other receivables		303	408
Financial assets		**1,152**	**1,076**
Total, net		**315**	**519**

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 financing acitivites in the cash flow statement:

DKK million	2021	2020
Interest-bearing liabilities 1/1	312	572
Repayment of non-current interest-bearing debt	-79	-145
Raising of non-current interest-bearing liabilities	0	53
Change in current interest-bearing debt	-32	-167
Installment on lease liabilities	-25	-26
Lease liability raised during the year, non-cash	30	25
Foreign exchange translation adjustment	1	0
Interest-bearing liabilities 31/12	**207**	**312**

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. For information on lease liabilities, see note 10.

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Interest-bearing liabilities and maturity statement – continued

DKK million	2021	2020
Current interest-bearing liabilities		
Maturity < 1 year		
Debt to mortgage credit institutions	9	9
Debt to credit institutions	0	0
Lease liabilities	23	22
Bank loans and overdrafts	0	31
Current interest-bearing liabilities	**32**	**62**
Other financial liabilities	1,260	1,283
Financial liabilities	**1,292**	**1,345**
Current financial assets	**1,152**	**1,076**
Net current liabilities	**140**	**269**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	32	36
Debt to credit institutions	0	53
Lease liabilities	40	39
Total	**72**	**128**
Maturity > 5 years		
Debt to mortgage credit institutions	88	110
Lease liabilities	15	12
Total	**103**	**122**
Total non-current liabilities	**175**	**250**
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	2021	2020
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	8	9
1-5 year(s)	26	29
> 5 years	29	36
Total	**63**	**74**
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	127	164
Interest rate in % for outstanding swaps	5.4	5.2
Fair value	-49	-77

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	9	-10
Realised during the year, recognised as financial income/expenses	20	17
Total	**29**	**7**
Effect of a 1% interest rate increase		
Effect on equity	**10**	**15**
Of this, earnings impact is	**0**	**0**
Undrawn credit facilities 31/12	**412**	**380**

Accounting policies

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

Derivatives are recognised at fair value. 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. Any non-effective part of the financial instrument in question is recognised in the income statement.

Derivatives are recognised under other receivables or other payables.

Fair value measurement
The group uses the fair value concept for recognition of certain financial instruments and in connection with some disclosure requirements. Fair value is defined as the price that can be secured when selling an asset or that must be paid to transfer a liability in a standard transaction between market participants (exit price).

Fair value is a market-based and not enterprise-specific valuation. The enterprise uses the assumptions that market participants would use when pricing an asset or liability based on existing market conditions, including assumptions relating to risks.

As far as possible, fair value measurement is based on market value in active markets (level 1) or alternatively on values derived from observable market information (level 2).

If such observable information is not available or cannot be used without significant modifications, recognised valuation methods and fair estimates are used as the basis of fair values (level 3).

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Interest-bearing liabilities and maturity statement – continued

Distribution on currencies

	Current liabilities		Non-current liabilities	
DKK million	2021	2020	2021	2020
EUR	8	9	120	146
DKK	1	0	0	53
SEK	0	32	0	0
Total	**9**	**41**	**120**	**199**
Interest rate in %	**1.1-5.4**	**1.1-5.2**	**5.4**	**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 interest rate instrument is measured 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 20, 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	2021	2020
Interest income	23	4
Foreign exchange gains	4	7
Other financial income	2	5
Total	**29**	**16**
Financial income, received	**25**	**9**

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Financial expenses

DKK million	2021	2020
Interest expenses	16	20
Foreign exchange losses	3	6
Fair value adjustments, other financial investments	23	0
Interest on lease liabilities	1	1
Other financial expenses	22	14
Total	**65**	**41**
Financial expenses, settled	**39**	**35**

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Contingent liabilities and other financial liabilities

DKK million	2021	2020
Collateral		
Assets have been pledged as collateral for bank arrangements at a carrying amount of:		
Land and buildings	190	218
Current assets	0	0
Total	**190**	**218**

Mortgaging and guarantees		
As security of subsidiaires' bank arrangements, guarantees have been issued for:		
Total	**96**	**95**

As security of subsidiaires' liabilities, guarantees have been issued for:		
Total	**493**	**433**

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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 17.0% of the shares and holds 60.5% 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	2021	2020
Sale of services to subsidiaries	**150**	**148**
Sale of goods to subsidiaries	**138**	**99**
Interest income from subsidiaries	**4**	**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	2021	2020
Deloitte 2021 / PricewaterhouseCoopers 2020		
Statutory audit	1	1
Other assurance engagements	0	0
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
Associates				
Monterra AB, 30.00%	**559103-4847**	**SEK**	**50,000**	**SE**
HomeBob A/S, 44.91%	**38832840**	**DKK**	**5,511,195**	**DK**
Zolw AS, 35.00%	**925 003 328**	**NOK**	**48,000**	**NO**
Edison Data AS, 20.00%	**928 651 150**	**NOK**	**1.800.000**	**NO**
Other financial investments				
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**
SiteHub ApS, 20.00%	**41823194**	**DKK**	**50,000**	**DK**

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 2021.

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 2021 as well as the results of the group and parent company's activities and cash flow for the financial year 1 January – 31 December 2021.

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 2021 with the file name SOLA-2021-12-31.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, 10 February 2022

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

Michael Troensegaard Andersen

Peter Bang

Morten Chrone

Ulrik Damgaard

Bent H. Frisk

Louise Knauer

INDEPENDENT AUDITORS' REPORT

To the shareholders of Solar A/S

Report on the audit of the Financial Statements

Opinion

We have audited the consolidated financial statements and the parent financial statements of Solar A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group (page 48-138). The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31.12.2021 and of the results of its operations and cash flows for the financial year 01.01.2021 – 31.12.2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31.12.2021 and of the results of its operations for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We were appointed auditors of Solar A/S for the first time on 19.03.2021 for the financial year 2021.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 2021. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue

Recognition of revenue is complex due to the volume of transactions and the variety of different revenue streams within the different segments. We focused on this area due to the high number of transactions involved and because recognition of revenue involves accounting policy decisions and judgements made by Management, originating from different customer behavior, market conditions and customer agreements and supplier agreements on projects. Further, the number of transactions and extent of different revenue streams require various IT setups to ensure correct revenue recognition, which are complex and involve an inherent risk to the revenue recognition process. Reference is made to note 4 in the consolidated financial statements.

How the identified key audit matter was addressed in our audit

We assessed and tested the design and implementation and operating effectiveness of relevant internal controls, including test of relevant IT controls performed by our IT specialists, for the different revenue streams primarily relating to capture and processing of revenue transactions, order acceptance and terms, change in orders and the pricing structure.

In addition, we utilized data analytics tools for selection of revenue transactions throughout 2021 to underlying documentation. We have focused our sample selection on transactions that was considered unusual by nature or was generated outside the normal billing and revenue recognition process.

We also tested cut-off on revenue recognized around the balance sheet date and performed retrospective reviews of returned goods and credit notes to test the accuracy and completeness of revenue recognition for the year.

Statement on the management review

Management is responsible for the management review.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management review, and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management review and, in doing so, consider whether the management review is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Statements Act.

Based on the work performed, we conclude that the management review is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management review.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatements, 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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 controls.
- Obtain an understanding of internal controls 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's internal controls.
- 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 in preparing the consolidated financial statements and the parent financial statements, 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'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 consolidated financial statements and the parent 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 and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- 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 controls 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, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent 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 Solar A/S, we have performed procedures with a view to expressing an opinion about whether the annual report of Solar A/S for the financial year 01.01.2021-31.12.2021 with the file name SOLA-2021-12-31.zip, in all material respects, is prepared in compliance with the EU Commission's Delegated Regulation 2020/815 on the single electronic reporting format (ESEF Regulation), which includes requirements for preparing an annual report in XHTML format.

Management is responsible for preparing an annual report that complies with the ESEF Regulation, including:

- Preparation 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 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 about 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, extent and timing of procedures selected depend on the auditor's professional 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 to the taxonomy where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the anchoring of extensions 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 01.01.2021-31.12.2021 with the file name SOLA-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Aarhus, 10 February 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Henrik Vedel
State-Authorised Public Accountant
Identification No (MNE) mne10052

Lars Siggaard Hansen
State-Authorised Public Accountant
Identification No (MNE) mne32208

Q4 2021

Quarterly information

The quarterly information has neither been audited nor reviewed

QUARTERLY FIGURES

Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	3,004	3,045	3,098	2,745	2,872	2,618	3,380	3,057
Earnings before interest, tax, depreciation and amortisation (EBITDA)	204	142	211	127	237	177	259	191
Earnings before interest, tax and amortisation (EBITA)	157	97	166	81	192	132	212	145
Earnings before interest and tax (EBIT)	143	82	153	65	179	115	197	-14
Financials, net	-20	-8	3	-6	-20	-10	-11	-16
Earnings before tax (EBT)	123	45	156	153	159	109	184	-7
Net profit or loss for the quarter	100	30	148	141	124	83	159	-32

Balance sheet (DKK million)								
Non-current assets	1,342	1,636	1,385	1,735	1,393	1,695	1,415	1,339
Current assets	3,500	3,349	3,569	3,267	3,724	3,227	3,890	3,268
Balance sheet total	4,842	4,985	4,954	5,002	5,117	4,922	5,305	4,607
Equity	1,619	1,441	1,661	1,614	1,784	1,688	1,952	1,696
Non-current liabilities	498	455	457	457	446	497	435	498
Current liabilities	2,725	3,089	2,836	2,931	2,887	2,737	2,918	2,413
Interest-bearing liabilities, net	461	1,077	329	845	450	726	-37	128
Invested capital	2,011	2,332	1,921	2,178	2,185	2,132	1,866	1,760
Net working capital, end of period	1,344	1,432	1,280	1,383	1,568	1,363	1,259	1,109
Net working capital, average	1,300	1,411	1,274	1,391	1,325	1,365	1,363	1,322

QUARTERLY FIGURES

Consolidated – continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	2021	2020	2021	2020	2021	2020	2021	2020
Cash flow from operating activities	-88	-43	351	282	-38	142	558	432
Cash flow from investing activities	-10	-25	-63	-18	-65	-8	-53	213
Cash flow from financing activities	-71	84	-271	-198	77	-116	-250	-397
Net investments in intangible assets	-13	-12	-15	-12	-14	-12	-16	-14
Net investments in property, plant and equipment	8	-13	-47	-4	-51	1	-35	-9
Acquisition and disposal of subsidiaries, net	0	0	0	0	0	0	0	0

Financial ratios (% unless otherwise stated)								
Revenue growth	-1.3	3.0	12.9	-4.3	9.7	-5.7	10.6	-0.6
Organic growth	-2.2	2.6	10.6	-1.7	8.8	-4.8	9.1	0.0
Organic growth adjusted for number of working days	-0.6	1.4	8.6	-1.6	8.8	-4.8	7.1	-2.1
Gross profit margin	21.9	20.5	22.0	20.5	23.0	21.5	22.9	21.5
EBITDA margin	6.8	4.7	6.8	4.6	8.3	6.8	7.7	6.2
EBITA margin	5.2	3.2	5.4	3.0	6.7	5.0	6.3	4.7
EBIT margin	4.8	2.7	4.9	2.4	6.2	4.4	5.8	-0.5
Net working capital (NWC end of period)/revenue (LTM)	11.8	12.2	10.9	11.9	13.0	11.9	10.2	9.7
Net working capital (NWC average)/revenue (LTM)	11.4	12.0	10.8	11.9	11.0	11.9	11.0	11.5
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	0.7	1.9	0.4	1.5	0.5	1.2	0.0	0.2
Return on equity (ROE)	17.6	7.5	18.2	13.6	19.7	18.9	28.4	13.1
Return on invested capital (ROIC)	16.6	9.0	21.0	10.2	23.6	11.7	24.6	13.8
Enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	7.6	6.3	7.0	6.0	7.6	6.2	7.8	5.8
Equity ratio	33.4	28.9	33.5	32.3	34.9	34.3	36.8	36.8

QUARTERLY FIGURES

Consolidated – continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK unless otherwise stated)	2021	2020	2021	2020	2021	2020	2021	2020
Earnings per share outstanding (EPS)	13.70	4.11	20.27	19.32	16.98	11.37	21.77	-4.38
Intrinsic value per share outstanding	221.68	197.44	227.43	221.15	244.28	231.29	267.28	232.38
Share price	480.82	204.50	541.47	255.05	632.86	301.43	795.05	353.70
Share price/intrinsic value	2.17	1.04	2.38	1.15	2.59	1.30	2.97	1.52

Employees								
Average number of employees (FTE's) continuing operations	2,897	3,057	2,889	3,024	2,890	2,979	2,908	2,935

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 all material aspects financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios".

Financial review

Q4 EBITDA INCREASED BY MORE THAN 35% TO DKK 259M

(Data shown in brackets relate to the corresponding period in 2020)

Q4 EBITDA of DKK 259m (DKK 191m) slightly exceeded our latest expectations mainly due to the strong execution of our Core+ strategy. Q4 adjusted organic growth was up at 7.1% (-2.1%) and gross profit margin increased to 22.9% (21.5%).

Q4 2021 REVENUE

In Q4, adjusted organic growth at group level amounted to 7.1% (-2.1%). All entities saw positive adjusted organic growth. Revenue increased to DKK 3.4bn (DKK 3.1bn).

Solar's overall adjusted organic growth for Installation amounted to around 3%, driven by Solar Danmark, Solar Sverige and Solar Polska. Our Core+ strategy remains focused on the Better Business project, which aims to supply the right products to the right customers.

All entities saw positive growth in the Industry segment, primarily within MRO and OEM. Overall, adjusted organic growth within this segment amounted to around 10%.

The Trade segment also delivered two-digit growth rates in Q4.

GROSS PROFIT

Gross profit margin increased to 22.9% (21.5%) which, combined with revenue growth, resulted in a gross profit increase of DKK 117m. One-off price effects resulted in a positive impact of approx. DKK 35m (DKK 8m) on gross profit. The net impact of price effects corresponded to a gross profit margin improvement of approx. 0.8 percentage points.

EBITDA

EBITDA increased to DKK 259m (DKK 191m) and slightly exceeded our expectations. EBITDA was negatively affected by DKK 10m in restructuring costs related to Solar Nederland's planned closure of the operation in Duiven and the relocation of activities to Alkmaar.

The EBITDA margin increased to 7.7% (6.2%). We succeeded in increasing EBITDA by DKK 68m supported by our four strategic focus areas, Concepts, Industry, Climate & Energy and Trade, and positive one-off price effects combined with a solid growth level.

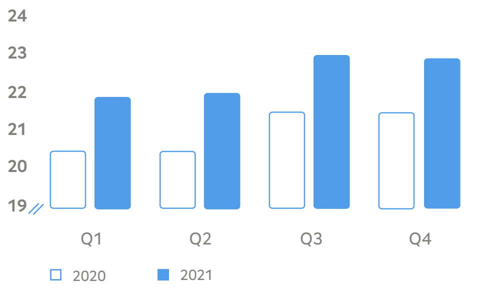
The results of the individual entities are given on page 149.

AMORTISATION AND IMPAIRMENT

Amortisation amounted to DKK 15m (DKK 159m). In Q4 2020, review of intangible assets resulted in an overall impairment loss of DKK 139m. Of this, DKK 129m related to goodwill obtained when Solar Sverige acquired Alvesta V.V.S-Material AB in 2007. There was also a DKK 10m software impairment which mainly relates to Axapta software acquired in 2015 and deployed in Solar Polska.

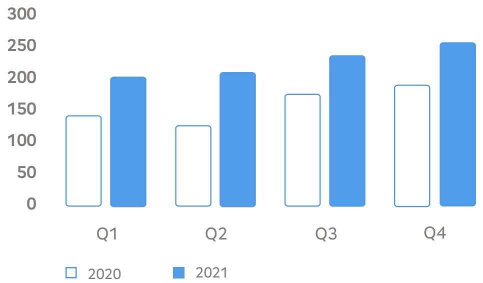
GROSS PROFIT MARGIN

%



EBITDA

DKKm



Financial review

IMPAIRMENT ON ASSOCIATES

Impairment on associates amounted to DKK 0m (DKK 24m).

In 2020, this mainly related 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.

EARNINGS BEFORE TAX

Earnings before tax amounted to DKK 184m (DKK -7m). When adjusted for impairment loss on intangible assets of DKK 139m and the positive impairment on associates of DKK 24m in 2020, earnings before tax were up at DKK 184m (DKK 108m).

INCOME TAX

Income tax was unchanged at DKK 25m (DKK 25m).

Due to the improved performance in both MAG45 and Solar Nederland, tax loss carried forward amounting to DKK 32m was capitalised.

NET PROFIT

Net profit came to DKK 159m (DKK -32m).

CASH FLOWS

Net working capital calculated as an average of the previous four quarters amounted to 11.0% (11.5%) of revenue. Net working capital at the end of 2021 amounted to 10.2% (9.7%).

Cash flow from operating activities totalled DKK 558m (DKK 432m).

Changes in non-interest-bearing liabilities and changes in receivables had an impact of DKK 286m (DKK 26m) and DKK 221m (DKK 235m) respectively, while changes in inventories had a DKK -145m (DKK 35m) impact on cash flow.

The inventory level was affected by price increases but also by the decision to ensure delivery performance during a period of potential goods' shortage. Cash flow from receivables was affected by the increased growth level in Q4 2021. As at 31 December 2021, COVID-19 financial support packages amounted to DKK 99m and positively affected cash flow from non-interest-bearing debt.

Total cash flow from investing activities amounted to DKK -53m (DKK 213m). In 2020, the divestment of our shareholding in BIMobject had an impact of DKK 237m.

Cash flow from financing activities amounted to DKK -250m (DKK -397m), mainly due to a change in current interest-bearing liabilities.

Consequently, total cash flow amounted to DKK 255m (DKK 248m).

Net interest-bearing liabilities were down at DKK -37m (DKK 128m).

As at 31 December 2021, gearing was 0.0 (0.2) times EBITDA. Calculated as an average, our gearing was 0.3 (1.1) times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 31 December 2021, Solar had undrawn credit facilities of DKK 495m (DKK 474m).

Invested capital for the Solar Group totalled DKK 1,866m (DKK 1,760). ROIC amounted to 24.6% (13.8%).

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.

MAG45

Revenue from MAG45 amounts to approx. 5% of our total revenue.

We have finalised our strategic review of MAG45 and we saw continuous improvement in operations in 2021.

In Q4, adjusted organic growth increased to 19.1% (13.6%) and MAG45 succeeded in increasing EBITDA margin to 5.1% (2.0%) resulting in a tripling of EBITDA to DKK 9m.

STATEMENT OF COMPREHENSIVE INCOME

Income statement

	Q4	
DKK million	2021	2020
Revenue	3,380	3,057
Cost of sales	-2,606	-2,400
Gross profit	**774**	**657**
Other operating income and costs	0	-2
External operating costs	-85	-75
Staff costs	-425	-381
Loss on trade receivables	-5	-8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**259**	**191**
Depreciation and write-down on property, plant and equipment	-47	-46
Earnings before interest, tax and amortisation (EBITA)	**212**	**145**
Amortisation and impairment of intangible assets	-15	-159
Earnings before interest and tax (EBIT)	**197**	**-14**
Share of net profit from associates	-2	-1
Impairment and gain from divestment of associates	0	24
Financial income	9	5
Financial expenses	-20	-21
Earnings before tax (EBT)	**184**	**-7**
Income tax	-25	-25
Net profit for the period	**159**	**-32**
Earnings in DKK per share outstanding (EPS)	21,77	-4.38
Diluted earnings in DKK per share outstanding (EPS-D)	21,71	-4.38

Other comprehensive income

	Q4	
DKK million	2021	2020
Net profit for the period	**159**	**-32**
Items that can be reclassified for the income statement		
Foreign currency translation adjustment of foreign subsidiaries	6	30
Fair value adjustment of hedging instruments before tax	3	12
Tax on fair value adjustments of hedging instruments	0	-2
Other income and costs recognised after tax	**9**	**40**
Total comprehensive income for the period	**168**	**8**

BALANCE SHEET

Consolidated

	31.12	
DKK million	2021	2020
ASSETS		
Intangible assets	159	157
Property, plant and equipment	885	818
Right-of-use assets	300	288
Deferred tax assets	13	3
Investments in associates	5	2
Other non-current assets	53	71
Non-current assets	**1,415**	**1,339**
Inventories	1,855	1,531
Trade receivables	1,502	1,271
Income tax receivable	0	13
Other receivables	6	8
Prepayments	46	41
Cash at bank and in hand	481	404
Current assets	**3,890**	**3,268**
Total assets	**5,305**	**4,607**

	31.12	
DKK million	2021	2020
EQUITY AND LIABILITIES		
Share capital	736	736
Reserves	-158	-195
Retained earnings	1,045	951
Proposed dividend for the financial year	329	204
Equity	**1,952**	**1,696**
Interest-bearing liabilities	120	199
Lease liabilities	203	189
Provision for deferred tax	101	98
Other provisions	11	12
Non-current liabilities	**435**	**498**
Interest-bearing liabilities	19	41
Lease liabilities	102	103
Trade payables	2,098	1,693
Income tax payable	33	21
Other payables	644	544
Prepayments	1	2
Other provisions	21	9
Current liabilities	**2,918**	**2,413**
Liabilities	**3,353**	**2,911**
Total equity and liabilities	**5,305**	**4,607**

CASH FLOW STATEMENT

Consolidated

DKK million	Q4 2021	Q4 2020
Net profit for the period from continuing operations	**159**	**-32**
Depreciation, write-down and amortisation	62	205
Impairment and gain from divestment of associates	0	-24
Changes to provisions and other adjustments	9	9
Share of net profit from associates	2	1
Financials, net	11	16
Income tax	25	25
Financial income, received	4	2
Financial expenses, settled	-9	-17
Income tax, settled	-67	-49
Cash flow before working capital changes	**196**	**136**
Working capital changes		
Inventory changes	-145	35
Receivables changes	221	235
Non-interest-bearing liabilities changes	286	26
Cash flow from operating activities	**558**	**432**
Investing activities		
Purchase of intangible assets	-16	-14
Purchase of property, plant and equipment	-35	-9
Disposal of property, plant and equipment	0	0
Aquisition of associates	-2	0
Divestment of associates	0	237
Other financial investments	0	-1
Cash flow from investing activities	**-53**	**213**

DKK million	Q4 2021	Q4 2020
Financing activities		
Repayment of non-current, interest-bearing debt	-2	-245
Raising non-current interest-bearing liabilities	0	0
Change in current interest-bearing debt	-219	-121
Instalment on lease liabilities	-29	-31
Cash flow from financing activities	**-250**	**-397**
Total cash flow	**255**	**248**
Cash at bank and in hand at the beginning of period	226	155
Foreign currency translation adjustments	0	1
Cash at bank and in hand at the end of period	**481**	**404**
Cash at bank and in hand	481	404
Cash at bank and in hand at the end of period	**481**	**404**

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
Q4 2021				
Revenue	2,023	1,063	294	3,380
Cost of sales	-1,597	-787	-222	-2,606
Gross profit	**426**	**276**	**72**	**774**
Direct costs	-59	-36	-10	-105
Earnings before indirect costs	**367**	**240**	**62**	**669**
Indirect costs	-122	-56	-14	-192
Segment profit	**245**	**184**	**48**	**477**
Non-allocated costs				-218
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**259**
Depreciation and amortisation				-62
Earnings before interst and tax (EBIT)				**197**
Financials, net including share of net profit from associates and impairment on associates				-13
Earnings before tax (EBT)				**184**

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**

SEGMENT INFORMATION

– continued

Geographical information
Solar A/S primarily operates on the Danish, Swedish, Norwegian and Dutch markets. In the below table, Other markets covers the remaining markets, which can be seen in the companies overview available on page 132. The below allocation has been made based on the products' place of sale. Geographical information should be regarded as supplementary information.

			Q4		
DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
2021					
Denmark	1,063	8.0	105	9.9	1,988
Sweden	747	6.6	50	6.7	200
Norway	528	0.2	43	8.1	177
The Netherlands	804	3.6	43	5.3	335
Poland	133	51.1	5	3.8	27
Several markets (MAG45)	178	19.1	9	5.1	56
Other markets	19	3.6	4	21.1	4
Eliminations	-92	-	0	-	-1,372
Solar Group	**3,380**	**7.1**	**259**	**7.7**	**1,415**

			Q4		
DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
2020					
Denmark	959	4.6	76	7.9	1.757
Sweden	669	-8.9	38	5.7	198
Norway	483	4.5	44	9.1	171
The Netherlands	763	-8.8	24	3.1	350
Poland	96	-12.8	3	3.1	27
Several markets (MAG45)	148	13.6	3	2.0	51
Other markets	16	0.5	3	18.8	5
Eliminations	-77	-	0	-	-1,220
Solar Group	**3,057**	**-2.1**	**191**	**6.2**	**1,339**

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