



Report
Q1 2023

solar



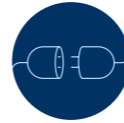
Who we are

We are a leading European sourcing and services company.

solar

Segments

Share of 2022 revenue



Installation

58%



Industry

33%



Trade

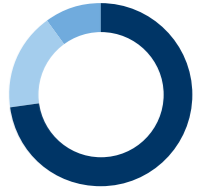
9%

Products

Share of 2022 revenue

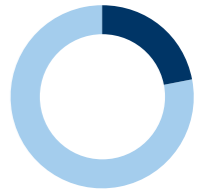
Groups

● Electrical	73%
● Heating & Plumbing	17%
● Climate & Energy	10%



Brands

● Concepts	23%
● Other brands	77%



Markets

Share of 2022 revenue

Denmark	33%
The Netherlands	24%
Sweden	20%
Norway	16%
Poland	4%
Other ¹	3%

¹) Including eliminations



Contents

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.

Management review

Financial highlights	4
Business update	5
Financial review	7
Our segments	9
Guidance 2023	10
Shareholder information	11

Consolidated Financial statements Q1

Statement of comprehensive income	13
Balance sheet	14
Cash flow statement	15
Statement of changes in equity	16
Notes	18
Section 1 – Basis for preparation	18
Section 2 – Income statement	20
Section 3 – Invested capital	23
Q1 Quarterly information	25
Statements	29

Investing in Climate & Energy

With our acquisition of ThermoNova, we have established an even stronger position in the industry segment and underpinned the support we offer to our many installation customers specialising in green solutions

→ Page 5



Partnership makes the difference

We've embarked on this partnership to have the opportunity to develop ThermoNova and eventually enter new markets outside Denmark

→ Page 6



Financial highlights

Consolidated (DKK million)	Q1		Year
	2023	2022	2022
Revenue	3,656	3,462	13,863
Earnings before interest, tax, depreciation and amortisation (EBITDA)	280	281	1,175
Earnings before interest, tax and amortisation (EBITA)	226	236	978
Earnings before interest and tax (EBIT)	209	222	909
Earnings before tax (EBT)	189	217	858
Net profit for the period	145	168	660
Balance sheet total	6,614	5,575	5,901
Total equity	1,759	1,808	1,931
Interest-bearing liabilities, net	1,530	617	1,074
Cash flow from operating activities	101	-202	16
Net investments in property, plant and equipment	-30	-59	-167
Employees			
Number of employees (FTE's), end of period	3,085	2,996	3,043
Average number of employees (FTE's)	3,042	2,932	3,019
Financial ratios (% , unless otherwise stated)			
Adjusted organic growth	6.7	13.6	12.9
Gross profit margin	23.2	23.1	23.4
EBITDA margin	7.7	8.1	8.5
EBITA margin	6.2	6.8	7.1
Net working capital (end of period NWC)/revenue (LTM)	16.7	14.0	15.9
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.3	0.6	0.9
Return on equity (ROE)	35.0	31.9	34.0
Equity ratio	25.9	32.4	32.7
Share ratios (DKK)			
Earnings per share outstanding (EPS)	19.85	23.00	90.37

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

Q1 Financial messages

- Adjusted organic growth at group level amounted to 6.7% (13.6%). As expected Q1 saw declining growth.
- Strong development in gross profit margin compensated for increased costs.
- EBITDA amounted to DKK 280m (DKK 281m) which was on par with our expectations.
- Our 2023 EBITDA guidance of DKK 900m is unchanged despite currency headwinds.

Business update

Investing in Climate & Energy

Our Climate & Energy products continue to deliver solutions that drive the green transition.

We continue to challenge our customers in accelerating the green transition. With our acquisition of ThermoNova, we have established an even stronger position in the industry segment and underpinned the support we offer to our many installation customers specialising in green solutions.

Focus on sustainability

Solar offers sustainable solutions across our entire product assortment among others solar panels, heat pumps, lighting, EV chargers and ventilation.

ThermoNova adds an additional solution to our Climate & Energy assortment. We are now able to provide our customers with energy efficient, high-capacity heat pumps for industrial buildings supported by ThermoNova's strong expertise.

A growing market

For the past two years, our Climate & Energy focus area has posted average growth of 40%, achieving 10% of sales in 2022 with solar panels and heat pumps as the main growth drivers.

With the addition of ThermoNova, we expect an increase in demand from our industry customers which mirrors developments in the private market – a market that has been characterised by a strong demand for energy-efficient solutions to replace heat sources that are subject to high price volatility.

Moreover, the opportunity within industry will be driven by the general ambition to reduce emissions and will be further enhanced by the expected introduction of a CO₂ tax in 2025.

In order to meet the future demand, we are expanding the ThermoNova production significantly. At the time of acquisition, we subscribed newly issued shares for a total value of DKK 50m in ThermoNova, which will enable an expansion of the production facilities at least fivefold.

Our primary focus will be serving customers in Denmark. As production capacity increases, we will add additional Solar markets.



ThermoNova adds an additional solution to our Climate & Energy assortment, and we are now able to provide our customers with energy efficient, high-capacity heat pumps for industrial buildings.



Business update

Partnership makes the difference

About ThermoNova

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ThermoNova was founded in 2016 by Mads Hougaard and Steen Fristrup and specialises in heat pump technology within high-performance water-water, air-water and air-air heat pumps.

ThermoNova is strongly focused on sustainability and aims to be the preferred supplier and sounding board for all types of projects that include heat pumps for heat in buildings, smaller district heating networks and processing coolers with heat recovery from 20-1000 kW.

ThermoNova's solutions differ from others in their use of natural propane refrigerant. The technology is future proof and typically provides a higher degree of efficiency and low CO₂ emissions.



We've embarked on this partnership to have the opportunity to develop ThermoNova and eventually enter new markets outside Denmark.

We, along with Solar, agree that our product range has great potential and that we can best unleash this potential by engaging in an even closer collaboration than the one we've enjoyed so far. We've chosen Solar because we believe that they're one of the strongest players in the market for climate and energy solutions. Drawing on a high level of expertise, Solar is committed to finding the best solutions for its customers.

We think we're a great fit and are entering this partnership with high expectations.

.....

Mads Hougaard,
CEO of ThermoNova

Mads Hougaard and Steen Fristrup,
Founders of ThermoNova

Financial review

Q1 EBITDA amounted to DKK 280m

Q1 EBITDA of DKK 280m (DKK 281m) was on par with our expectations. Q1 adjusted organic growth amounted to 6.7% (13.6%) while gross profit margin increased to 23.2% (23.1%).

(Figures in brackets are figures from the corresponding period in 2022)

Q1 2023

Revenue

Revenue increased to DKK 3.7bn (DKK 3.5bn). Adjusted organic growth at group level amounted to 6.7% (13.6%) with Solar Norge and Solar Nederland posting double-digit growth rates. However, as expected Q1 saw declining growth.

Climate & Energy, one of our strategic focus areas, delivered very strong growth rates, corresponding to revenue of almost DKK 400m. This was despite a substantial slowdown in Denmark in March, which we expect to be temporary.

The Industry segment posted 11% in adjusted organic growth, while the Installation and Trade segments posted adjusted organic growth of 4% and 9% respectively, see page 9.

Gross profit

Gross profit margin increased to 23.2% (23.1%) which, combined with revenue growth, resulted in a gross profit increase of DKK 47m. Adjusted for one-off price effects the underlying gross profit margin improved by 0.4 percentage points.

External operating costs and staff costs

As expected, cost and wage inflation had a negative impact on cost development. To reduce the impact of cost inflation we introduced several initiatives, including cost containment, process improvements and staff reductions.

In total, external operating costs and staff costs increased to 15.3% (14.8%) of revenue.

EBITDA

EBITDA amounted to DKK 280m (DKK 281m) corresponding to an EBITDA margin of 7.7% (8.1%) which was on par with our expectations. EBITDA level was supported by improvements across all our strategic focus areas.

The results of the individual markets are given on page 22.

Depreciation and write-down

Depreciation and write-down on property, plant and equipment increased to DKK 54m (DKK 45m). The expansion of the central warehouse in Vejen, Denmark, and the implementation of AutoStore were completed in Q4 2022 and the investment is now being depreciated.

Financials

Net financials amounted to DKK -20m (DKK -5m) and were negatively affected by increased debt and interest rate.

Earnings before tax

Earnings before tax decreased to DKK 189m (DKK 217m).

Net profit

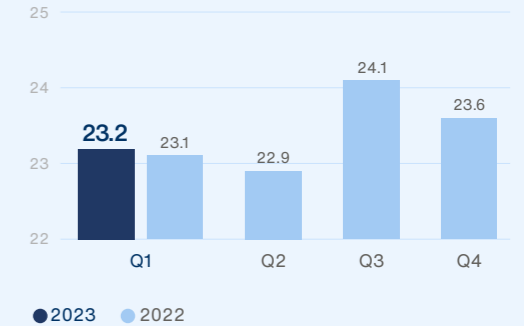
Net profit amounted to DKK 145m (DKK 168m).

Cash flow

Net working capital calculated as an average of the previous four quarters amounted to 15.3% (11.5%) of revenue. Net working capital at the end of Q1 2023 amounted to 16.7% (14.0%) equal to the level we saw in Q4 2022.

Gross profit margin

Percentage



EBITDA adj. for one-off price effects*

DKKm



*Price effects: Price increases above normal level related to goods on stock.

Financial review - continued

Cash flow from operating activities totalled DKK 101m (DKK -202m).

Changes in inventories had an impact of DKK -122m (DKK 14m). The inventory increase is mainly due to the strong growth within our strategic focus area Climate & Energy.

Changes in receivables had a DKK -304m (DKK -531m) impact on cash flow affected by a lower growth level in March 2023, while changes in non-interest-bearing liabilities affected cash flow by DKK 306m (DKK 69m).

Total cash flow from investing activities amounted to DKK -162m (DKK -99m). In Q1 2023, the acquisition of ThermoNova, see note 3.1, had an impact of DKK -111m. In Q1 2022, the investment in the expansion and upgrade of our central warehouse in Denmark affected cash flow by DKK -51m, while the acquisition of Højager Belysning A/S had an impact of DKK -24m.

Cash flow from financing activities amounted to DKK 171m (DKK -37m), mainly affected by dividend distributions of DKK -329m (DKK -329m) and by the change in current interest-bearing debt of DKK 535m (DKK 323m).

Consequently, total cash flow amounted to DKK 110m (DKK -338m).

Net interest-bearing liabilities amounted to DKK 1,530m (DKK 617m).

As at 31 March 2023, gearing was 1.3 (0.6) times EBITDA. Calculated as an average, our gearing was 1.1 (0.3) times EBITDA. Our gearing target is 1.5-3.0 times EBITDA.

As at 31 March 2023, Solar had undrawn credit facilities of DKK 715m (DKK 179m).

Invested capital

Invested capital for the Solar Group totalled DKK 3,263m (DKK 2,377m). ROIC amounted to 23.2% (26.5%).

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

Key risks and mitigation

The commercial and financial risks relating to our activities are detailed in Solar's 2022 Annual Report.

No additional material risks have been identified but we continue to monitor the situation closely.



Our segments

Our Industry segment delivered double-digit growth in Q1

Installation

Our Installation segment covers the installation of electrical, heating and plumbing products.

In Q1, Installation revenue increased to DKK 2,083m (DKK 2,035m) which corresponds to overall adjusted organic growth of around 4% (9%) related primarily to the electrical business. Except for Solar Danmark, all main markets saw growth in the segment with Solar Norge making a significant contribution.

Segment profit increased to DKK 260m (DKK 256m) which corresponds to a segment profit margin of 12.5% (12.6%).

Industry

This segment covers the industry, offshore and marine industries as well as utilities and infrastructure. Industry also includes MAG45 and ThermoNova.

In Q1, Industry revenue increased to DKK 1,227m (DKK 1,120m). This corresponds to overall adjusted organic growth of around 11% (18%) related primarily to MRO, Marine & Offshore and OEM. Solar Sverige, Solar Norge and MAG45 posted double-digit growth.

Segment profit increased to DKK 219m (DKK 198m). This corresponds to a segment profit margin of 17.8% (17.7%).

Trade

Our Trade segment covers special sales and other small areas. It also includes Solar Polaris and Højager Belysning.

In Q1, revenue from Trade amounted to DKK 346m (DKK 307m) which corresponds to overall adjusted organic growth of around 9% (35%) primarily supported by strong growth in Solar Nederland.

Segment profit amounted to DKK 49m (DKK 40m) which corresponds to a segment profit margin of 14.2% (13.0%).

Segment profit includes any items that are directly attributable to the individual segment and any items that can be reliably allocated to the individual segment.

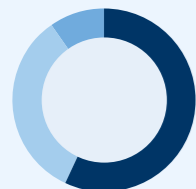
Segment profit does not include non-allocated costs of DKK 248m (DKK 213m) in Q1, which cover income and costs related to joint group functions and to costs which cannot be reliably allocated to the individual segment.

Detailed segment information is given on page 21.

Segment revenue

DKKm

Q1 2023

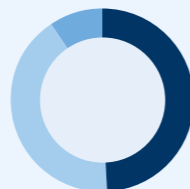


● Installation	2,083
● Industry	1,227
● Trade	346

Segment profit

DKKm

Q1 2023



● Installation	260
● Industry	219
● Trade	49

Overview business segments

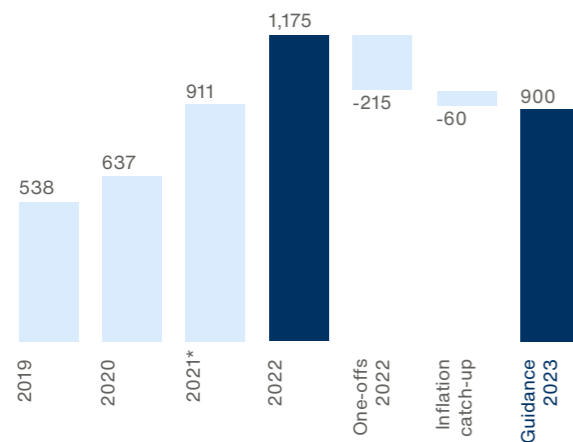
DKK million	Revenue		Segment profit		Segment margin %	
	2023	2022	2023	2022	2023	2022
Installation	2,083	2,035	260	256	12.5	12.6
Industry	1,227	1,120	219	198	17.8	17.7
Trade	346	307	49	40	14.2	13.0
Solar Group	3,656	3,462	528	494	14.4	14.3

Guidance 2023

Unchanged EBITDA guidance of DKK 900m for 2023

Due to currency headwinds, we decrease our revenue guidance to DKK 13,500m from DKK 13,700m. EBITDA guidance remains unchanged at DKK 900m.

EBITDA DKKm



* Including one-off income of DKK 112m

General assumptions

Due to the heightened geopolitical and macroeconomic uncertainty (ref. page 28 of the annual report 2022), our market outlook is characterised by greater unpredictability, particularly for H2.

As expected, cost and wage inflation increased during Q1 and we expect this to continue for the remainder of 2023. We have implemented, and will continue to implement, mitigating measures including cost containment, process improvements and the necessary staff reductions to bring the expected impact from cost and wage inflation well below general price increases.

We expect the global supply chain to continue to normalise in 2023. Climate & Energy is a strategic focus area for Solar and a growing market. However, we still see challenges in the supply side of climate and energy products.

Over the past few years, we have seen substantial price increases from our suppliers. In Q1 we saw a slowdown in price increases as expected. However, Solar has a proven track record of strong price management.

Our 2023 guidance does not include any significant restructuring costs.

Market outlook for Solar segments

Overall, we expect markets to be stagnant or negative in all countries throughout 2023. This will become more evident in H2 as the roll-over effect from price increases in 2022 wears off.

In general, we expect all segments to show weaker growth in H2 than in H1 2023.

Installation

In 2023, we expect negative growth for the new construction sector. The green transition will, however, continue to deliver strong growth rates. We expect the installation market to be stagnant or negative.

Industry

The guidance assumes that sales to Marine/Offshore and MRO will continue to grow, albeit at a slower pace, whereas we expect all other subsegments to be stagnant or negative.

Overall, we expect the industry market to be stagnant.

Trade

In 2023, we expect minor growth for special sales, which is the Trade segment's primary activity.

Financial outlook 2023

Revenue guidance

Due to currency headwinds, we decrease our revenue guidance to DKK 13,500m compared to our previous guidance of DKK 13,700m, corresponding to an unchanged adjusted organic growth of approx. 0%.

In the wake of substantial price increases in 2022, the majority of growth for 2023 is projected to take place in H1 whereas we expect negative growth in H2.

Adjusted for price increases, mainly roll-over effects from 2022, we expect negative growth in all main segments which will only partly be offset by the expected strong growth within Climate & Energy.

EBITDA guidance

Despite currency headwinds, we expect unchanged EBITDA of approx. DKK 900m which corresponds to an EBITDA margin of approx. 6.7%.

In 2022, we saw substantial positive one-off price effects. We expect this to normalise in 2023, which means that no major one-off price effects are included in our guidance.

Shareholder information

Share and webcast information

In March, Solar distributed dividends of DKK 329m, corresponding to DKK 45.00 per share to our shareholders.

Total shareholder return

The total shareholder return on the Solar B share during the holding period 1 January - 31 March 2023 was -3.4% including the DKK 45.00 ordinary dividend that was paid out in March 2023.

Audio webcast

The presentation of the Quarterly Report Q1 2023 will be conducted in English on 2 May 2023 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at:

[→ www.solar.eu](http://www.solar.eu)

The Solar share

	A share	B share
Shares	900,000	6,460,000
Nominal value (DKK)	100	100
Votes per share	10	1
Treasury shares	-	56,813
Stock Exchange	-	Nasdaq Copenhagen Stock Exchange
Ticker symbol		Solar B
Share price year-end (DKK)	554	554
Market Cap year-end (DKKm)	499	3.579

Financial calendar 2023

02 May	Quarterly Report Q1 2023
10 Aug	Quarterly Report Q2 2023
02 Nov	Quarterly Report Q3 2023

Shareholders with more than 5% of shares or votes

Shareholders according to section 55 of the Danish Companies Act	Share Capital	Votes
The Fund of 20th December, Vejen, Denmark	17.0%	60.5%
Nordea Funds Ltd., Helsinki, Finland	10.4%	5.0%

Q1 2023

Consolidated financial statements

Contents

Consolidated financial statements Q1

- Statement of comprehensive income

- Balance sheet

- Cash flow statement

- Statement of changes in equity

- Notes

- Section 1 – Basis for preparation

- Section 2 – Income statement

- Section 3 – Invested capital

- Q1 Quarterly information

- Statement

Statement of comprehensive income

Income statement

DKK million	Q1		Year
	2023	2022	2022
Revenue	3,656	3,462	13,863
Cost of sales	-2,809	-2,662	-10,618
Gross profit	847	800	3,245
Other operating income and costs	1	1	0
External operating costs	-119	-96	-386
Staff costs	-442	-418	-1,656
Loss on trade receivables	-7	-6	-28
Earnings before interest, tax, depreciation and amortisation (EBITDA)	280	281	1,175
Depreciation and write-down on property, plant and equipment	-54	-45	-197
Earnings before interest, tax and amortisation (EBITA)	226	236	978
Amortisation and impairment of intangible assets	-17	-14	-69
Earnings before interest and tax (EBIT)	209	222	909
Share of net profit from associates	0	0	-1
Financial income	15	10	53
Financial expenses	-35	-15	-103
Earnings before tax (EBT)	189	217	858
Income tax	-44	-49	-198
Net profit for the period	145	168	660
Attributable to:			
Shareholders of Solar A/S	145	168	660
Non-controlling interests	0	0	0
Net profit for the period	145	168	660
Earnings in DKK per share outstanding (EPS)	19.85	23.00	90.37
Diluted earnings in DKK per share outstanding (EPS-D)	19.81	22.95	90.05

Other comprehensive income

DKK million	Q1		Year
	2023	2022	2022
Net profit for the period	145	168	660
Items that can be reclassified for the income statement			
Foreign currency translation adjustment of foreign subsidiaries	-36	7	-51
Fair value adjustment of hedging instruments before tax	-1	13	36
Tax on fair value adjustments of hedging instruments	0	-3	-8
Other comprehensive income	-37	17	-23
Total comprehensive income for the period	108	185	637
Attributable to:			
Shareholders of Solar A/S	108	185	637
Non-controlling interests	0	0	0
Total comprehensive income for the period	108	185	637

Contents

Consolidated financial statements Q1

Statement of comprehensive income

- Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

Q1 Quarterly information

Statement

Balance sheet

Consolidated

DKK million	31.03		31.12
	2023	2022	2022
Assets			
Intangible assets	340	186	173
Property, plant and equipment	963	929	963
Right-of-use assets	407	302	383
Deferred tax asset	9	12	9
Investments in associates	5	4	4
Other non-current assets	32	54	32
Non-current assets	1,756	1,487	1,564
Inventories	2,362	1,849	2,248
Trade receivables	2,134	2,042	1,859
Income tax receivable	24	3	13
Other receivables	11	12	9
Prepayments	51	39	42
Cash at bank and in hand	276	143	166
Current assets	4,858	4,088	4,337
Total assets	6,614	5,575	5,901

DKK million	31.03		31.12
	2023	2022	2022
Equity and liabilities			
Share capital	736	736	736
Reserves	-218	-141	-181
Retained earnings	1,192	1,213	1,047
Proposed dividends for the financial year	0	0	329
Equity attributable to shareholders of Solar A/S	1,710	1,808	1,931
Non-controlling interests	49	0	0
Total equity	1,759	1,808	1,931
Interest-bearing liabilities	291	118	293
Lease liabilities	293	206	274
Provision for deferred tax	142	119	133
Other provisions	11	10	9
Non-current liabilities	737	453	709
Interest-bearing liabilities	1,101	335	556
Lease liabilities	121	101	117
Trade payables	2,149	2,100	1,902
Income tax payable	71	46	63
Other payables	651	710	604
Prepayments	4	19	2
Other provisions	21	3	17
Current liabilities	4,118	3,314	3,261
Liabilities	4,855	3,767	3,970
Total equity and liabilities	6,614	5,575	5,901

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

- Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

Q1 Quarterly information

Statement

Cash flow statement

Consolidated

DKK million	Q1		Year
	2023	2022	2022
Net profit of continuing operations for the period	145	168	660
Depreciation, write-down and amortisation	71	59	266
Changes to provisions and other adjustments	-2	-3	-18
Share of net profit from associates	0	0	1
Financials, net	20	6	50
Income tax	44	49	198
Financial income, received	4	3	15
Financial expenses, settled	-18	-7	-43
Income tax, settled	-43	-29	-155
Cash flow before working capital changes	221	246	974
Working capital changes			
Inventory changes	-122	14	-433
Receivables changes	-304	-531	-394
Non-interest-bearing liabilities changes	306	69	-131
Cash flow from operating activities	101	-202	16

DKK million	Q1		Year
	2023	2022	2022
Investing activities			
Purchase of intangible assets	-20	-16	-59
Purchase of property, plant and equipment	-30	-59	-167
Acquisition of subsidiaries and activities*	-111	-24	-24
Acquisition of associates	-1	0	0
Other financial investments	0	0	1
Cash flow from investing activities	-162	-99	-249
Financing activities			
Repayment of non-current interest-bearing debt	-2	-2	-12
Raising of non-current interest-bearing liabilities	0	0	185
Change in current interest-bearing debt	535	323	519
Instalment on lease liabilities	-33	-29	-116
Dividends paid to shareholders of Solar A/S	-329	-329	-658
Cash flow from financing activities	171	-37	-82
Total cash flow	110	-338	-315
Cash at bank and in hand at the beginning of period	166	481	481
Cash at bank and in hand at the end of period	276	143	166

* A minor reclassification has been made in the comparative figures.

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

- Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

Q1 Quarterly information

Statement

Statement of changes in equity

Consolidated

DKK million	Share capital	Reserves for hedging transactions ¹	Reserves for foreign currency translation adjustments ¹	Retained earnings	Proposed dividends	Equity attributable to shareholders of Solar A/S	Non-controlling interests	Total equity
2023								
Equity as at 1 January	736	-9	-172	1,047	329	1,931	0	1,931
Foreign currency translation adjustments of foreign subsidiaries			-36			-36		-36
Fair value adjustments of hedging instruments before tax		-1				-1		-1
Tax on fair value adjustments		0				0		0
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-1	-36	0	0	-37		-37
Net profit for the period				145		145	0	145
Comprehensive income	0	-1	-36	145	0	108	0	108
Distribution of dividends (DKK 45.00 per share)					-329	-329		-329
Non-controlling interests on acquisition of subsidiary						0	49	49
Transactions with the owners	0	0	0	0	-329	-329	49	-280
Equity as at 31 March	736	-10	-208	1,192	0	1,710	49	1,759

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

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

- Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

Q1 Quarterly information

Statement

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	Equity attributable to shareholders of Solar A/S	Non-controlling interests	Total equity
2022								
Equity as at 1 January	736	-37	-121	1,045	329	1,952	0	1,952
Foreign currency translation adjustments of foreign subsidiaries			7			7		7
Fair value adjustments of hedging instruments before tax		13				13		13
Tax on fair value adjustments		-3				-3		-3
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	10	7	0	0	17	0	17
Net profit for the period				168		168		168
Comprehensive income	0	10	7	168	0	185	0	185
Distribution of dividends (DKK 45.00 per share)					-329	-329		-329
Transactions with the owners	0	0	0	0	-329	-329	0	-329
Equity as at 31 March	736	-27	-114	1,213	0	1,808	0	1,808

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

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

- **Section 1 – Basis for preparation**

- 1.1 Accounting policies

- Section 2 – Income statement

- Section 3 – Invested capital

- Q1 Quarterly information

- Statement



01

Section 1 Basis for preparation

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

● 1.1 Accounting policies

Section 2 – Income statement

Section 3 – Invested capital

Q1 Quarterly information

Statement

01 Basis for preparation

1.1 Accounting policies

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

On 1 March 2023 Solar acquired 51% of ThermoNova A/S, see note 3.1. Solar recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in ThermoNova A/S, Solar decided to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

The accounting items of subsidiaries are included in full in the consolidated financial statements. Non-controlling interests’ share in the results and equity of subsidiaries is included in the Group’s profit/loss and equity but an allocation is shown separately in the consolidated income statement, statement of other comprehensive income, balance sheet and statement of changes in equity respectively.

Solar’s segment information is based on the customers’ affiliation with the segments. ThermoNova’s revenue and results are included in the operating segment Industry.

Apart from the above-mentioned addition regarding non-controlling interests and the effect of new IAS/IFRS standards implemented during the period, the accounting policies remain unchanged from the Annual Report 2022, which contains a full description of these on pages 50-52 as well as of relevant, supplementary notes.

In the financial report, income tax has been calculated on the basis of pre-tax profits at the expected average tax rate.

New accounting standards implemented during the period

An additional standard together with amendments and improvements to existing standards have become effective in the period. These changes have no impact on Solar’s accounting policies.

New accounting standards to be implemented in coming accounting periods

New or amended standards issued as at 31 March 2023 and to be implemented in coming accounting periods are not expected to have significant impact on Solar’s accounting policies.

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

● **Section 2 – Income statement**

2.1 Segment information

Section 3 – Invested capital

Q1 Quarterly information

Statement



02

Section 2 Income statement

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

● 2.1 Segment information

Section 3 – Invested capital

Q1 Quarterly information

Statement

02 Income statement

2.1 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. The business of ThermoNova A/S, that was acquired as at 1 March 2023, see note 3.1, is included in full in the business segment Industry.

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 and costs, which can not be reliably allocated to the individual segment.

Assets and liabilities are not included in segment reporting.

DKK million	Installation	Industry	Trade	Total
Q1 2023				
Revenue	2,083	1,227	346	3,656
Cost of sales	-1,625	-911	-273	-2,809
Gross profit	458	316	73	847
Direct costs	-70	-36	-9	-115
Earnings before indirect costs	388	280	64	732
Indirect costs	-128	-61	-15	-204
Segment profit	260	219	49	528
Non-allocated costs				-248
Earnings before interest, tax, depreciation and amortisation (EBITDA)				280
Depreciation and amortisation				-71
Earnings before interest and tax (EBIT)				209
Financials, net incl. share of net profit from associates and impairment on associates				-20
Earnings before tax (EBT)				189

DKK million	Installation	Industry	Trade	Total
Q1 2022				
Revenue	2,035	1,120	307	3,462
Cost of sales	-1,585	-832	-245	-2,662
Gross profit	450	288	62	800
Direct costs	-67	-32	-9	-108
Earnings before indirect costs	383	256	53	692
Indirect costs	-127	-58	-13	-198
Segment profit	256	198	40	494
Non-allocated costs				-213
Earnings before interest, tax, depreciation and amortisation (EBITDA)				281
Depreciation and amortisation				-59
Earnings before interest and tax (EBIT)				222
Financials, net incl. share of net profit from associates and impairment on associates				-5
Earnings before tax (EBT)				217

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

● 2.1 Segment information

Section 3 – Invested capital

Q1 Quarterly information

Statement

02 Income statement

2.1 Segment information - continued

Geographical information

Solar A/S primarily operates on the Danish, Swedish, Norwegian and Dutch markets and to a lesser extent on the Polish market. In the below table, Other markets includes MAG45 and also covers the remaining markets, which can be seen in the group companies overview available on page 128 of Annual Report 2022 or on www.solar.eu. 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	DKK million	Revenue	Adjusted organic growth	EBITDA	EBITDA margin	Non-current assets
Q1 2023						Q1 2022					
Denmark	1,135	-1.2	99	8.7	895	Denmark	1,117	12.7	108	9.7	696
Sweden	682	4.4	54	7.9	215	Sweden	687	12.7	53	7.7	191
Norway	578	17.1	41	7.1	207	Norway	537	14.7	47	8.8	180
The Netherlands	924	11.9	68	7.4	339	The Netherlands	813	10.6	56	6.9	335
Poland	94	-17.8	2	2.1	45	Poland	115	47.4	7	6.1	26
Other markets	243	23.9	16	6.6	54	Other markets	193	16.3	10	5.2	58
Solar Group	3,656	6.7	280	7.7	1,756	Solar Group	3,462	13.6	281	8.1	1,487

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

- **Section 3 – Invested capital**

- 3.1 Acquisition of subsidiaries

Q1 Quarterly information

Statement



03

Section 3 Invested capital

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

● 3.1 Acquisition of subsidiaries

Q1 Quarterly information

Statement

03 Invested capital

3.1 Acquisition of subsidiaries

Q1 2023

On 1 March 2023, Solar A/S acquired 42.5% of the shares of ThermoNova A/S, a Danish manufacturer of high-capacity heat pumps.

The acquisition price is made up of a fixed amount of DKK 111m and a variable amount, which will total DKK 10m at the most.

The variable amount is related to the required expansion of the production capacity.

Simultaneous Solar A/S subscribed new issued shares for DKK 50m in ThermoNova A/S. In total Solar A/S owns 51% of the shares.

The acquisition had an insignificant impact on Solar's Q1 2023 revenue and EBITDA and is expected to have an insignificant impact on Solar's full year 2023 revenue and EBITDA.

If the acquisition had occurred on 1 January 2023 the impact on Solar's full year 2023 revenue and EBITDA would have been insignificant as well.

Transaction costs related to the acquisition totalled DKK 5m. These have been recognised as part of external operating costs in the income statement.

The fair value of the customer related assets is based on the multi-period excess earnings-method (MEEM). The fair value has been calculated as the net present value (NPV) of the future net cash-flow derived from the sale to the customers minus a fair return on the assets used to generate the sale. An interest rate of 10% has been applied.

The main factors leading to the recognition of goodwill are:

- the presence of certain intangible assets, such as the assembled workforce and knowhow, which do not qualify for separate recognition
- expected synergies within sale which result in Solar being prepared to pay a premium.

The goodwill recognised will not be deductible for tax purposes.

For the non-controlling interests in ThermoNova A/S, the group decided to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See page 19 for Solar's accounting policies for business combinations.

Q1 2022

On 1 March 2022, Solar acquired the shares in the lighting company Højager Belysning A/S in Denmark.

Fair value at the date of acquisition (DKK million)

Customer-related intangible assets	42
Property, plant and equipment	1
Inventories	19
Trade receivables	12
Cash	53
Provision for deferred tax	-9
Other non-current liabilities, non-interest-bearing	-1
Current liabilities, non-interest-bearing	-16
Net assets	101
Non-controlling interest of acquired new assets	-49
Acquired net assets	52
Goodwill	122
Total consideration	174
Cash acquired	-53
Deferred consideration	-10
Net cash used in acquisition	111

Q1 2023

Quarterly information

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

- Q1 Quarterly information

Statement

Quarterly figures

Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2023	2022	2022	2021	2022	2021	2022	2021
Revenue	3,656	3,462	3,451	3,098	3,266	2,872	3,684	3,380
Earnings before interest, tax, depreciation and amortisation (EBITDA)	280	281	267	211	301	237	326	259
Earnings before interest, tax and amortisation (EBITA)	226	236	218	166	250	192	274	212
Earnings before interest and tax (EBIT)	209	222	202	153	231	179	254	197
Financials, net	-20	-5	-8	3	-6	-20	-31	-11
Earnings before tax (EBT)	189	217	193	156	225	159	223	184
Net profit or loss for the quarter	145	168	147	148	176	124	169	159

Balance sheet (DKK million)

Non-current assets	1,756	1,487	1,557	1,385	1,545	1,393	1,564	1,415
Current assets	4,858	4,088	4,122	3,569	4,392	3,724	4,337	3,890
Balance sheet total	6,614	5,575	5,679	4,954	5,937	5,117	5,901	5,305
Total equity	1,759	1,808	1,600	1,661	1,764	1,784	1,931	1,952
Non-current liabilities	737	453	506	457	491	446	709	435
Current liabilities	4,118	3,314	3,573	2,836	3,682	2,887	3,261	2,918
Interest-bearing liabilities, net	1,530	617	1,122	329	1,205	450	1,074	-37
Invested capital	3,263	2,377	2,675	1,921	2,923	2,185	2,978	1,866
Net working capital, end of period	2,347	1,791	1,856	1,280	2,186	1,568	2,205	1,259
Net working capital, average	2,149	1,475	1,619	1,274	1,773	1,325	2,010	1,363

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

• Q1 Quarterly information

Statement

Quarterly figures

Consolidated – Continued

	Q1		Q2		Q3		Q4	
	2023	2022	2022	2021	2022	2021	2022	2021
Cash flows (DKK million)								
Cash flow from operating activities	101	-202	-10	351	-14	-38	242	558
Cash flow from investing activities	-162	-99	-75	-63	-37	-65	-38	-53
Cash flow from financing activities	171	-37	41	-271	66	77	-152	-250
Net investments in intangible assets	-20	-16	-14	-15	-12	-14	-17	-16
Net investments in property, plant and equipment	-30	-59	-61	-47	-25	-51	-22	-35
Acquisition and divestment of subsidiaries and operations, net	-111	-24	0	0	0	0	0	0

Financial ratios (% unless otherwise stated)

Revenue growth	5.6	15.2	11.4	12.9	13.7	9.7	9.0	10.6
Adjusted organic growth	6.7	13.6	12.4	8.6	14.0	8.8	12.0	7.1
Gross profit margin	23.2	23.1	22.9	22.0	24.1	23.0	23.6	22.9
EBITDA margin	7.7	8.1	7.7	6.8	9.2	8.3	8.8	7.7
EBITA margin	6.2	6.8	6.3	5.4	7.7	6.7	7.4	6.3
EBIT margin	5.7	6.4	5.9	4.9	7.1	6.2	6.9	5.8
Net working capital (end of period NWC)/revenue (LTM)	16.7	14.0	14.1	10.9	16.1	13.0	15.9	10.2
Net working capital (average NWC)/revenue (LTM)	15.3	11.5	12.3	10.8	13.1	11.0	14.5	11.0
Gearing (interest-bearing liabilities,net/EBITDA), no. of times	1.3	0.6	1.1	0.4	1.1	0.5	0.9	0.0
Return on equity (ROE)	35.0	31.9	35.1	18.2	38.6	19.7	35.7	28.4
Return on invested capital (ROIC)	23.2	26.5	25.5	21.0	25.3	23.6	25.5	24.6
Enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	5.7	7.5	6.3	7.0	5.2	7.6	5.7	7.8
Equity ratio	25.9	32.4	28.2	33.5	29.7	34.9	32.7	36.8

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

- Q1 Quarterly information

Statement

Quarterly figures

Consolidated – Continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK unless otherwise stated)	2023	2022	2022	2021	2022	2021	2022	2021
Earnings per share outstanding (EPS)	19.85	23.00	20.13	20.27	24.10	16.98	23.14	21.77
Intrinsic value per share outstanding	234.14	247.56	219.08	227.43	241.54	244.28	264.41	267.28
Share price	553.54	749.19	597.09	541.47	492.34	632.86	622.62	795.05
Share price/intrinsic value	2.36	3.03	2.73	2.38	2.04	2.59	2.35	2.97

Employees

Number of employees (FTE's), end of period	3,085	2,996	2,995	2,899	3,042	2,897	3,043	2,936
Average number of employees (FTE's)	3,042	2,932	2,956	2,889	2,992	2,890	3,019	2,908

Definitions

Adjusted organic growth	Revenue growth adjusted for enterprises acquired and divested and any exchange rate changes. In addition 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".

Q1 2023
Statement

Contents

Consolidated financial statements Q1

Statement of comprehensive income

Balance sheet

Cash flow statement

Statement of changes in equity

Notes

Section 1 – Basis for preparation

Section 2 – Income statement

Section 3 – Invested capital

Q1 Quarterly information

- **Statement**

Statement by the Executive Board and the Board of Directors

Today, the group's Board of Directors and Executive Board have discussed and approved the financial report of Solar A/S for the first three months of 2023.

The financial report for the first three months of 2023, which has not been audited or reviewed by the company's auditor, is presented in accordance with IAS 34 "Interim Financial Reporting" as approved by the EU and additional Danish disclosure requirements for quarterly reports of listed companies.

In our opinion, the financial report gives a fair presentation of the group's assets, equity and liabilities and financial position as at 31 March 2023 as well as of the results of the group's activities and cash flow for the first three months of 2023.

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

In our opinion, the financial report of Solar A/S for the first three months of 2023 with the file name SOLA-2023-03-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Vejen, 2 May 2023

Executive Board

Jens E. Andersen
CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

Board of Directors

Michael Troensegaard Andersen
Chair

Jesper Dalsgaard
Vice chair

Peter Bang

Katrine Borum

Morten Chrono

Denise Goldby

Louise Knauer

Rune Jesper Nielsen

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ESEF data

Name of reporting entity or other means of identification	Solar A/S
Domicile of entity	Denmark
Legal form of entity	A/S
Country of incorporation	Denmark
Address of entity's registered office	Industrivej Vest 43, 6600 Vejen
Principal place of business	Europe
Description of nature of entity's operations and principal business	Sourcing and services company
Name of parent entity	Solar A/S
Name of ultimate parent of group	Fund of 20th December