

LEI: 21380031XTLI9X5MTY92

24 April 2018

Announcement no. 13 2018

## Quarterly Report Q1 2018

*Q1 revenue and EBITA were on par with our expectations. We reconfirm our 2018 outlook.*

### CEO Jens Andersen says:

"We see business development within our strategic focus areas. We continue to make good progress in aligning our concepts across countries to expand our concept sales albeit this is a resource-consuming process. Furthermore, our intensified focus on the industry segment is paying off. We are attracting new industry customers and renewing agreements. With a Total Cost of Ownership mindset we will continue to approach our customers with cross-national solutions in order to identify individual solutions for optimising their businesses."

| <b>Financial highlights<br/>(DKK million)*</b> | <b>Q1<br/>2018</b> | <b>Q1<br/>2017</b> | <b>2017</b> |
|--|--------------------|--------------------|-------------|
| Revenue  | 2,828              | 2,838              | 11,105      |
| EBITA  | 66                 | 67                 | 295         |
| Earnings before tax                            | 99                 | 145                | 126         |
| Cash flow from operating activities            | -39                | -86                | 12          |
| <b>Financial ratios (%)</b>                    |                    |                    |             |
| Organic growth adj. for number of working days | 4.4                | 4.5                | 6.9         |
| EBITA margin                                   | 2.3                | 2.4                | 2.7         |
| Net working capital, period-end/revenue (LTM)  | 10.3               | 9.3                | 9.7         |
| Net working capital, average/revenue (LTM)**   | 10.5               | 9.6                | 10.2        |
| Gearing (NIBD/EBITDA), no. of times            | 1.8                | 1.2                | 1.4         |
| Return on invested capital (ROIC)              | 3.9                | 10.1               | 3.8         |

\* Due to the divestments of our Austrian and Belgian business activities, GFI GmbH and Claessen ELGB NV, 2017 and 2018 figures in this announcement relate to our continuing operations.

\*\* Calculated as an average of the past four quarters' inventories, trade receivables and trade payables.

### Q1 2018 Revenue

- Adjusted organic growth amounted to 4.4% against 4.5% in Q1 2017. Related business saw growth of 28%, while growth in core business amounted to 3.5%.

### Q1 2018 EBITA

- The gross profit margin amounted to 20.7%, down from 21.4% in Q1 2017. The margin was negatively affected by a change in geographical mix amounting to approx. 0.2 percentage points.
- Despite the growth, costs were down from DKK 524m to DKK 505m. However, approx. half of the decline can be ascribed to FX effect.
- Compared to Q1 2017, EBITA from core business amounted to an unchanged DKK 74m. Related business diluted EBITA by DKK -8m in Q1 2018 against DKK -7m in Q1 2017.

### 2018 outlook

- We expect revenue of approx. DKK 11.4bn corresponding to organic growth of approx. 4%. Within core business we expect growth of approx. 3%, which is on par with, or above, the expected market growth. Related business is expected to show growth of approx. 25%.
- We expect EBITA of approx. DKK 345m, of which DKK 365m is expected from core business and DKK -20m from related business.

| EBITA, DKK million                            | Core business | Related business | Solar Group |
|---|---------------|------------------|-------------|
| <b>2017, actual, published 12.01.2018</b>     | 309           | -45              | 264         |
| Divestment of Austrian and Belgian businesses | 31            | -                | 31          |
| <b>2017, actual continuing operations</b>     | <b>340</b>    | <b>-45</b>       | <b>295</b>  |
| Overhead costs*                               | -10           | -                | -10         |
| Planned improvements                          | 35            | 25               | 60          |
| <b>2018 guidance</b>                          | <b>365</b>    | <b>-20</b>       | <b>345</b>  |

\*The Austrian and Belgian businesses carried approx. DKK 10m in overhead costs, which will now be placed in the continuing operations within core business.

### Audio webcast and teleconference today

The presentation of Quarterly Report Q1 2018 will be conducted in English on 24 April 2018 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at [www.solar.eu](http://www.solar.eu). Participation will be possible via a teleconference.

Teleconference call-in numbers:

DK: tel. +45 354 455 83  
 UK: tel. +44 203 194 0544  
 US: tel. +1 855 269 2604

Yours faithfully,  
 Solar A/S

Jens Andersen

## **Solar A/S**

Industrivej Vest 43 ■ DK-6600 Vejen ■ Denmark  
Tel. +45 79 30 00 00 ■ CVR no. 15 90 84 16 ■ Web: [www.solar.eu](http://www.solar.eu)

### **Contacts:**

CEO Jens Andersen - tel. +45 79 30 02 01

CFO Michael H. Jeppesen - tel. +45 79 30 02 62

Director, Stakeholder Relations Charlotte Risskov Kræfting –  
tel. +45 40 34 29 08

Enclosure: Quarterly Report Q1 2018, pages 1-27.

### **Facts about Solar**

Solar Group is a leading sourcing and services company. Our core business centres on product sourcing, value-adding services and optimisation of our customers' businesses.

Being a sourcing and services company, we focus on each individual customer. We always strive to understand our customers' unique and genuine needs in order to provide relevant, personal and value-adding services, turning our customers into winners.

Solar Group is headquartered in Denmark, generated revenue of more than DKK 11bn in 2017 and has approx. 3,000 employees. Solar is listed on Nasdaq Copenhagen and operates under the short designation SOLAR B. For more information, please visit [www.solar.eu](http://www.solar.eu).

### **Disclaimer**

This announcement was published in Danish and English today via Nasdaq Copenhagen. In the event of any inconsistency between the two versions, the Danish version shall prevail.



Solar A/S

CVR NO.: 15 90 84 16

# Quarterly Report

Q1 2018

solar

*stronger together*



# Contents

## Management's review

|    |                         |
|----|-------------------------|
| 03 | Financial highlights    |
| 04 | Business update         |
| 05 | Financial review        |
| 09 | Segments                |
| 10 | Outlook 2018            |
| 11 | Shareholder information |

## Financial statements

|    |   |
|----|---|
| 13 | Statement of comprehensive income                           |
| 14 | Balance sheet   |
| 15 | Cash flow statement   |
| 16 | Statement of changes in equity                              |
| 18 | Notes   |
| 23 | Quarterly figures   |
| 26 | Statement by the Executive Board and the Board of Directors |



# Financial highlights

| Consolidated (DKK million)  | Q1    |       | Year   |
|---|-------|-------|--------|
|   | 2018  | 2017  | 2017   |
| Revenue   | 2,828 | 2,838 | 11,105 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 79    | 80    | 347    |
| Earnings before interest, tax and amortisation (EBITA)                | 66    | 67    | 295    |
| Earnings before interest and tax (EBIT)                               | 46    | 50    | 126    |
| Earnings before tax (EBT)   | 99    | 145   | 126    |
| Net profit for the period   | 81    | 123   | 19     |
| Balance sheet total   | 4,834 | 4,915 | 4,717  |
| Equity  | 1,594 | 1,723 | 1,591  |
| Interest-bearing liabilities, net                                     | 632   | 458   | 489    |
| Cash flow from operating activities                                   | -39   | -86   | 12     |
| Net investments in property, plant and equipment                      | -16   | -14   | -15    |

## Employees

|   |       |       |       |
|---|-------|-------|-------|
| Number of employees (FTEs), end of the period | 2,994 | 2,864 | 2,959 |
| Average number of employees (FTEs), LTM       | 2,939 | 2,843 | 2,901 |

| Financial ratios (% unless otherwise stated)                       | Q1   |      | Year |
|--|------|------|------|
|  | 2018 | 2017 | 2017 |
| Organic growth adjusted for number of working days                 | 4.4  | 4.5  | 6.9  |
| Gross profit margin  | 20.7 | 21.4 | 21.0 |
| EBITDA margin  | 2.8  | 2.8  | 3.1  |
| EBITA margin   | 2.3  | 2.4  | 2.7  |
| Net working capital (NWC at end of period)/<br>revenue (LTM)       | 10.3 | 9.3  | 9.7  |
| Gearing (net interest-bearing liabilities/EBITDA),<br>no. of times | 1.8  | 1.2  | 1.4  |
| Return on equity (ROE)   | -1.4 | 13.3 | 1.2  |
| Return on invested capital (ROIC)                                  | 3.9  | 10.1 | 3.8  |
| Equity ratio   | 33.0 | 35.1 | 33.7 |

## Share ratios (DKK unless otherwise stated)

|                                      |       |       |      |
|--------------------------------------|-------|-------|------|
| Earnings per share outstanding (EPS) | 11.10 | 16.85 | 2.60 |
|--------------------------------------|-------|-------|------|

Overall, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015".

In general, restatements have been made of income statements, cash flows and key ratios for the discontinued operations in Claessen ELGB N.V. and GFI GmbH for 2017. In accordance with IFRS, the balance sheet has not been restated.



## Business update

# We are developing the business within our three strategic focus areas

**We will achieve the expected EBITA improvements within our core business by prioritising our three strategic focus areas: Strategic suppliers, industry focus and operational excellence.**

### Strategic suppliers

We are building on long-term co-operation with our suppliers, and by consolidating our customers' sourcing needs, we are strengthening the margins throughout the supply chain. We are seeing an upside potential through expanding our product categories and our concept offerings.

We are pursuing growth opportunities in concept sales. Solar offers the market a number of concepts that address different customer needs. We are offering these concepts with a mixture of high quality, value-adding services and market-oriented pricing.

Solar Netto Light was recently introduced in Sweden and Norway, and as in Denmark, the concept has got off to a good start. Solar Netto Light will soon be launched in the Netherlands.

In addition, we are about to launch a new concept known as Solar Project in our key markets, targeted at the highly competitive project market. The product categories within Solar Project will be presented in 3D drawings and with BIM requirements.

### Industry

Our intensified focus on the industry segment is paying off. We are attracting new industry customers and renewing agreements.

In Norway, Solar recently signed a contract with Glencore Nikkelverk in Kristiansand including a 2-box solution for the customer's local warehouse. Glencore Nikkelverk produces high quality nickel, cobalt, copper and sulphuric acid and is part of the Glencore Group, which operates in more than 50 countries.

In Denmark, we have extended our contract with Mærsk Olie og Gas – a company of Total, to supply electrical equipment and cables. Total is the second-largest operator in the North Sea.

With a Total Cost of Ownership (TCO) mindset we will continue to approach our customers with cross-national solutions in order to identify individual solutions for optimising their businesses.

### Operational excellence

We retain our focus on productivity improvements in order to grow the business and expand our services to our customers.

Our aim is to become more efficient, create synergies and be as close to our customers as possible. In order to leverage our expertise across teams, we merge departments wherever it is expedient to do so. In Poland, we have completed the establishment of our global master data organisation.

In order to improve cost containment we have introduced a new governance structure including monthly follow-up meetings in order to rigorously manage costs.



## Financial review

# Q1 result was on par with expectations

Solar's continuing operations generated organic growth of 4.4% adjusted for the number of working days, while EBITA amounted to DKK 66m against DKK 67m in Q1 2017. Revenue and results for the quarter were negatively affected by the early timing of Easter compared to Q1 2017.

Revenue and EBITA were on par with our expectations.

Core business showed 3.5% in adjusted organic growth and, compared to Q1 2017, an unchanged EBITA of DKK 74m. Related business diluted earnings by delivering EBITA of DKK -8m but showed adjusted organic growth of 28%.

At the end of January 2018, Solar entered into an agreement with Sonepar concerning divestments of activities in the loss-making subsidiaries, GFI GmbH, Austria, and Claessen ELGB NV, Belgium, cf. company announcement no. 3 2018.

Following the divestments, GFI GmbH, Austria, and the activities in Claessen ELGB NV, Belgium, are presented as discontinued operations, similar to their treatment in the 2017 Annual Report. Unless otherwise stated, this report recognises Solar's continuing operations only.

### Revenue

In Q1 2018, adjusted organic growth amounted to 4.4% against 4.5% in Q1 2017. Related business saw growth of 28%, while growth in core business amounted to 3.5%. As in Q1 2017, revenue amounted to DKK 2.8bn.

### Gross profit margin

The gross profit margin amounted to 20.7%, down from 21.4% in Q1 2017.

- The margin was negatively affected by a change in geographical mix amounting to approx. 0.2 percentage points.
- Compared to Q1 2017, core business saw an extraordinary increase in write-down on inventories corresponding to a negative impact on the gross profit margin of approx. 0.3 percentage points. We have started several initiatives to normalise the write-down level in the coming quarters.
- Related business also negatively impacted margins. MAG45 saw an unexpected decline in margin during the first months of Q1 leading to a decline for the quarter of more than 2 percentage points, corresponding to approx. -0.1 percentage points in margin at group level. MAG45 is currently focusing on regaining the margin. We do see progress albeit slow.

| Q1                               | Revenue      |              | EBITA     |           | Invested capital |              |
|----------------------------------|--------------|--------------|-----------|-----------|------------------|--------------|
| DKK million                      | 2018         | 2017         | 2018      | 2017      | 2018             | 2017         |
| Core business                    | 2,677        | 2,725        | 74        | 74        | 1,762            | 1,729        |
| Related business                 | 151          | 113          | -8        | -7        | 133              | 170          |
| Digital, construction & services | -            | -            | -         | -         | 292              | 300          |
| Eliminations                     | -            | -            | -         | -         | -292             | -300         |
| <b>Total</b>                     | <b>2,828</b> | <b>2,838</b> | <b>66</b> | <b>67</b> | <b>1,895</b>     | <b>1,899</b> |

| Q1               | Adj.organic growth |            | EBITA margin |            | ROIC       |             |
|------------------|--------------------|------------|--------------|------------|------------|-------------|
| %                | 2018               | 2017       | 2018         | 2017       | 2018       | 2017        |
| Core business    | 3.5                | 4.5        | 2.8          | 2.7        | 11.2       | 12.9        |
| Related business | 28.0               | -          | -5.3         | -6.2       | N/A        | N/A         |
| <b>Total</b>     | <b>4.4</b>         | <b>4.5</b> | <b>2.3</b>   | <b>2.4</b> | <b>3.9</b> | <b>10.1</b> |

Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, and P/F Solar Føroyar.

Related business includes MAG45, Scandinavian Technology Institute and Solar Polaris.

Digital, construction & services includes all associated businesses BIMobject, GenieBelt, Minuba, Viva Labs, Monterra, and HomeBob.



### EBITA

Despite the growth, costs were down from DKK 524m to DKK 505m, of which approx. half of the decline can be ascribed to exchange rate adjustments. EBITA amounted to 2.3% of revenue or DKK 66m, compared to 2.4% of revenue or DKK 67m in Q1 2017.

Compared to Q1 2017, EBITA from core business came to an unchanged DKK 74m. Related business diluted EBITA by DKK -8m in Q1 2018 against DKK -7m in Q1 2017.

### Amortisation

As part of our focus on digital improvement projects, our investments in software led to increased amortisation. Amortisation totalled DKK 20m against DKK 17m in Q1 2017.

### Share of net profit from associates

In Q1 2018, DKK -1m was included as our share of earnings from our digital, construction and services associates.

### Impairment on associates

At year-end 2017, Solar identified a need for write-down of DKK 59m on BIMObject AB based on the share price. However, by the end of Q1 2018, the BIMObject share price increased and we therefore reversed the write-down of DKK 59m.

### Financials

Net financials totalled DKK -5m against DKK 95m in Q1 2017 when considering the DKK 103m fair value adjustment of associated businesses relating to BIMObject. In Q1 2017, Solar's equity interest in BIMObject was less than 20% and for that reason the fair value adjustment was recognised in the income statement as financial income.

### Earnings before tax

Earnings before tax were down at DKK 99m from DKK 145m in Q1 2017. However, if adjusted for the impact from associates in terms of share of net profit, impairment, and fair value adjustment, earnings before tax amounted to DKK 41m in Q1 2018 against DKK 42m in Q1 2017.

| DKK million   | Q1 2018 | Q1 2017 | FY 2017 |
|---|---------|---------|---------|
| Earnings before tax                                     | 99      | 145     | 126     |
| Share of net profit from associates                     | 1       |         | 11      |
| <i>Impact due to market value changes in BIMObject:</i> |         |         |         |
| Impairment on associates                                | -59     |         | 59      |
| Fair value adjustment, recognised under financials      |         | -103    | -79     |
| Earnings before tax, adjusted for associates            | 41      | 42      | 117     |
| Impairment loss, other intangible assets                |         |         | 10      |
| Impairment loss, goodwill                               |         |         | 65      |
| Impairment loss, customer-related assets                |         |         | 22      |
| Earn-out provision reversed                             |         |         | -15     |
| Adjusted earnings before tax                            | 41      | 42      | 199     |

### Net profit

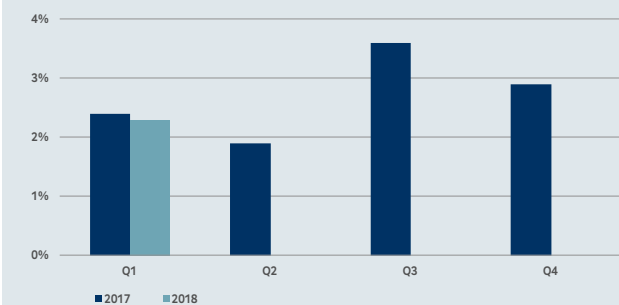
Profit from continuing operations came to DKK 91m against DKK 133m in Q1 2017. Compared to Q1 2017, loss from discontinued operations amounted to an unchanged DKK 10m. Net profit for the Solar Group thus totalled DKK 81m in Q1 2018 against DKK 123m in Q1 2017.

### Organic growth in %

(adjusted for the number of working days)



### EBITA margin in %





### Investments in associates

In 2017, we increased our investments in BIMobject and other associates. Thus at the end of Q1 2018, investments in associates came to DKK 262m, of which DKK 247m related to BIMobject. As at 31 March 2018, Solar's part of the market value of BIMobject amounted to DKK 268m. In 2017, Solar acquired the shares at a price of DKK 171m.

### Cash flows

Compared to Q1 2017, net working capital calculated as an average of the last four quarters amounted to 10.5% of revenue up from 9.6%. Net working capital at the end of Q1 2018 amounted to 10.3% of revenue up from 9.3% at the end of Q1 2017. However, the fact that the last day of Q1 2018 was a non-working day affected net working capital negatively by approx. 0.6 percentage points.

Cash flow from operating activities totalled DKK -39m against DKK -86m in Q1 2017. In Q1 2018, changes to inventories had a DKK 8m impact on cash flow from operating activities, while changes to receivables had an impact of DKK -140m. The negative changes to receivables were due to the usual seasonal fluctuations, albeit less significant than last year due to the impact of Easter.

Total cash flow from investing activities came to DKK -41m against DKK -231m in Q1 2017. In Q1 2017, cash flow from investing activities saw a DKK 189m negative impact from the investment in activities and associated businesses.

Cash flow from financing activities was affected by dividend distributions of DKK 73m against DKK 88m in Q1 2017.

Cash flow from discontinued operations amounted to DKK 5m against DKK -10m in Q1 2017.

Consequently, total cash flow in Q1 2018 amounted to DKK -150m against DKK -420m in Q1 2017.

Compared to Q1 2017, net interest-bearing liabilities increased by DKK 174m to DKK 632m. During the last 12 months, we invested DKK 107m in digital improvements, an additional DKK 33m in subsidiaries and associated businesses and paid dividend of DKK 73m. By the end of Q1 2018, gearing had increased to 1.8 times EBITDA from 1.2. Our gearing target is 1.5-2.5 times EBITDA.

As at 31 March 2018, Solar had undrawn credit facilities of DKK 423m.

End Q1 2018, ROIC was negatively impacted by the impairment loss on related business in Q4 2017 and amounted to 3.9% against 10.1% in Q1 2017. ROIC on core business ended at 11.2% down from 12.9%, negatively impacted by impairment loss on other intangible assets in Q4 2017.

Invested capital for the Solar Group totalled DKK 1,895m against DKK 1,899m at the end of Q1 2017.

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

### Remuneration of Executive Board and management team

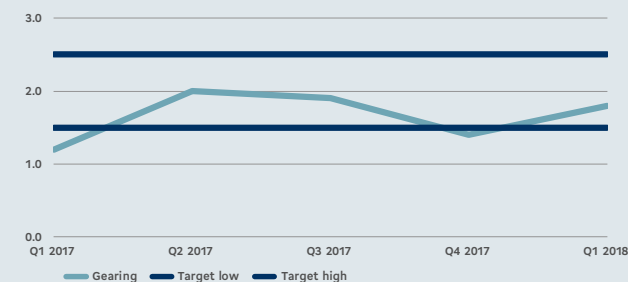
In accordance with Solar's remuneration policy and general guidelines for incentive-based remuneration, the Board of Directors granted restricted shares to the Executive Board and management team in 2018. Overall, the grant of shares is covered by the same terms as the previous grants of share options. A total amount of 3,423 restricted shares was granted amounting to a fair value of DKK 1.3m. The restricted shares vest three years after the time of granting, i.e. this grant of shares vests in 2021.

### EBITA margin LTM , core business



### Gearing, no. of times

(interest-bearing liabilities, net / EBITDA)





In February 2018, Solar's Executive Board and management team exercised 19,786 and 17,875 share options from the granting in 2014 and 2015, respectively.

General information on Solar's incentive scheme is available on our website: [www.solar.eu/investor/policies/](http://www.solar.eu/investor/policies/).

### Events after the end of the period under review

At the beginning of April 2018, Solar stated that the transaction regarding the divestment of 100% of the shares of GFI GmbH, Austria, to the French Sonepar Group has now been completed on the previously announced terms, cf. company announcement no. 12 2018 dated 5 April 2018 and announcement no. 3 dated 31 January 2018. As previously announced, we still expect to announce the closing of the divestment of the activities in Claessen ELGB NV, Belgium, during Q2.

### Key risks

Solar's Annual Report 2017 details the commercial and financial risks related to our activities. The key risks remain that Solar, like other international companies, is affected by both global trends and local conditions in the markets where we operate.



## Segments

# Trends in Installation and Industry

In Q1 2018, organic growth\* amounted to 4.4%.

## The installation sector

The slowdown seen in Q4 2017 in Scandinavia continued in Q1 when we saw slightly negative growth, particularly in Norway where project deliveries are being postponed. We expect this to be a phasing issue.

However, the strong growth in the Netherlands and Poland was sufficient to offset the negative growth in Scandinavia.

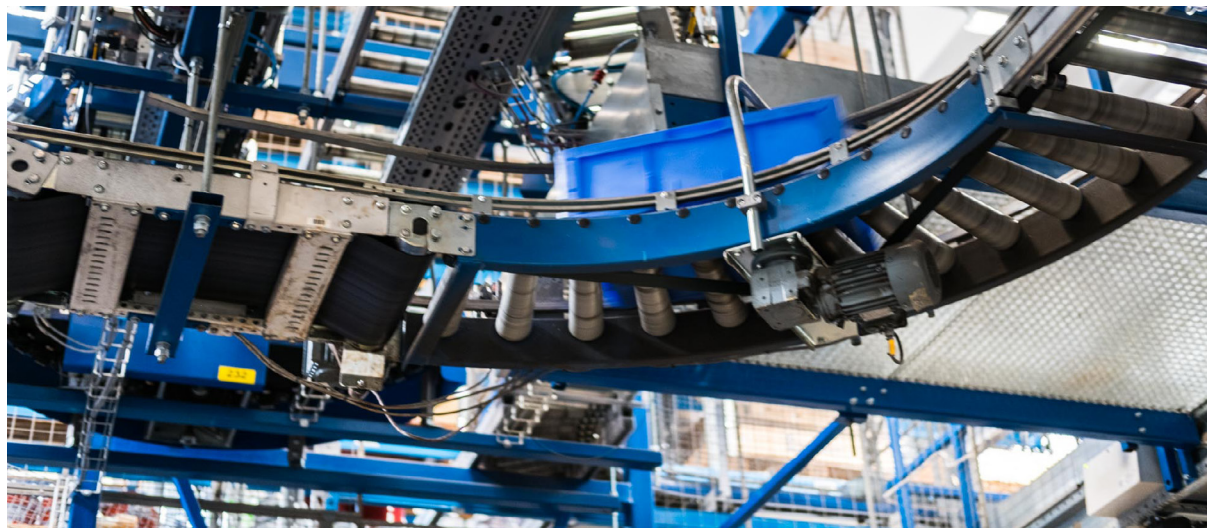
In general, the growth we are experiencing primarily relates to large and medium-sized customers.

Solar's overall organic growth for Installation was slightly above 0% for Q1 2018.

## The industry sector

In Q1, we saw continued industrial growth in our markets, resulting in organic growth of around 11%.

This was especially the case in Denmark and the Netherlands, where we continue to see double-digit growth.



Sweden and Norway both saw negative growth in Q1. In Norway, the North Sea offshore industry and related industries continue to improve but not sufficiently to offset the decline within Utility.

Compared to Q1 2017, the segment margin was down mainly due to a decline in the gross margin. Approx. 50% of the decline in gross margin can be explained by the fact that MAG45 saw an unexpected decline in margin of more than 2 percentage points combined with high growth in revenue during the first months of Q1.

## Other

Our segment Other covers smaller areas within core business along with Scandinavian Technology Institute (STI) and Solar Polaris. In Q1, STI and Solar Polaris delivered revenue of DKK 18m, corresponding to approx. 7% of the segment revenue.

| DKK million  | Revenue      |              | Segment profit |            | Segment margin in % |             |
|--------------|--------------|--------------|----------------|------------|---------------------|-------------|
|              | Q1 2018      | Q1 2017      | Q1 2018        | Q1 2017    | Q1 2018             | Q1 2017     |
| Installation | 1,723        | 1,807        | 151            | 159        | 8.8                 | 8.8         |
| Industry     | 856          | 808          | 125            | 124        | 14.6                | 15.3        |
| Other        | 249          | 223          | 14             | 33         | 5.6                 | 14.8        |
| <b>Total</b> | <b>2,828</b> | <b>2,838</b> | <b>290</b>     | <b>316</b> | <b>10.3</b>         | <b>11.1</b> |

| DKK million     | Revenue      |              | Adjusted organic growth in % |            |
|-----------------|--------------|--------------|------------------------------|------------|
|                 | Q1 2018      | Q1 2017      | Q1 2018                      | Q1 2017    |
| Denmark         | 834          | 838          | 3.7                          | 9.4        |
| Sweden          | 619          | 662          | -0.4                         | 3.9        |
| Norway          | 451          | 527          | -3.9                         | 9.3        |
| The Netherlands | 724          | 657          | 11.8                         | -0.8       |
| Other markets   | 222          | 176          | 23.1                         | -8.5       |
| Eliminations    | -22          | -22          | -                            | -          |
| <b>Total</b>    | <b>2,828</b> | <b>2,838</b> | <b>4.4</b>                   | <b>4.5</b> |

\* Organic growth adjusted for the number of working days.



## Outlook 2018

# We reconfirm our guidance

### Outlook for Solar's business areas

#### Installation

As mentioned in the 2017 Annual Report, we expect growth in the Installation market in 2018 to match, or slightly exceed, the level for 2017.

New construction and renovation activities in the Danish market are expected to improve compared to 2017, particularly in H2.

In Sweden, we saw an unexpected decline in the number of building permits in late 2017. This, however, now seems to have stabilised at the same level as in 2016. We continue to expect to see growth in H1, whereas there is more uncertainty relating to developments in H2. Currently, however, we maintain our overall expectations for 2018 with market growth on par with, or slightly above, 2017.

Despite a weak start in Norway, we still expect the installation segment to generate modest growth.

The positive trends in the Dutch market are expected to continue. Therefore, we expect to see continuous but modest improvement compared to 2017.

The improvement that we are seeing in the Polish market is expected to continue for the remaining part of the year. Overall, we expect substantial growth.

In general, our outlook for 2018 is for moderate, positive market growth.

#### Industry

As mentioned in the 2017 Annual Report, our outlook for Industry is for positive growth.

We maintain our outlook for a slightly positive trend in all major markets, including MAG45's global market niche.

#### Other

We expect growth within the Other segment.

### Financial outlook

We reconfirm our 2018 outlook. We expect revenue of approx. DKK 11.4bn corresponding to organic growth of approx. 4%. Within core business we expect growth of approx. 3%, which is on par with or above the expected market growth. Related business is expected to show growth of approx. 25%.

For 2018, we expect EBITA of approx. DKK 345m, of which DKK 365m is expected from core business and DKK -20m from related business.

| Guidance 2018,<br>DKK million | Core<br>business | Related<br>business | Solar<br>Group |
|-------------------------------|------------------|---------------------|----------------|
| Revenue                       | 10,800           | 600                 | 11,400         |
| EBITA                         | 365              | -20                 | 345            |

The table below links the 2017 results to our 2018 guidance. The divestment of the Austrian and Belgian loss-making businesses adds DKK 31m in EBITA to our core business.

The Austrian and Belgian businesses carried approx. DKK 10m in overhead costs, which will now be assigned to the continuing operations within the core business.

| EBITA,<br>DKK million                          | Core<br>business | Related<br>business | Solar<br>Group |
|--|------------------|---------------------|----------------|
| 2017, actual, published<br>12.01.2018          | 309              | -45                 | 264            |
| Divestment of Austrian &<br>Belgian businesses | 31               | -                   | 31             |
| 2017, actual, continuing<br>operations         | 340              | -45                 | 295            |
| Overhead costs                                 | -10              | -                   | -10            |
| Planned improvements                           | 35               | 25                  | 60             |
| 2018 guidance                                  | 365              | -20                 | 345            |

To achieve the expected EBITA improvements within our core business we have three strategic focus areas: strategic suppliers, industry focus and operational excellence. For a business update on these areas, see page 4.

Focus on improving asset productivity by reducing investments in net working capital will continue in 2018. However, it should be noted that in 2018, all quarters end in a weekend.



## Shareholder information

## Share and webcast information

## Solar shares

Solar's share capital is divided into nominal value DKK 90 million A shares and nominal value DKK 685 million B shares.

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

The share capital includes 900,000 A shares and 6,845,625 B shares. Solar's portfolio of treasury shares totalled 447,333 B shares or 5.8% of share capital as at 31 March 2018.

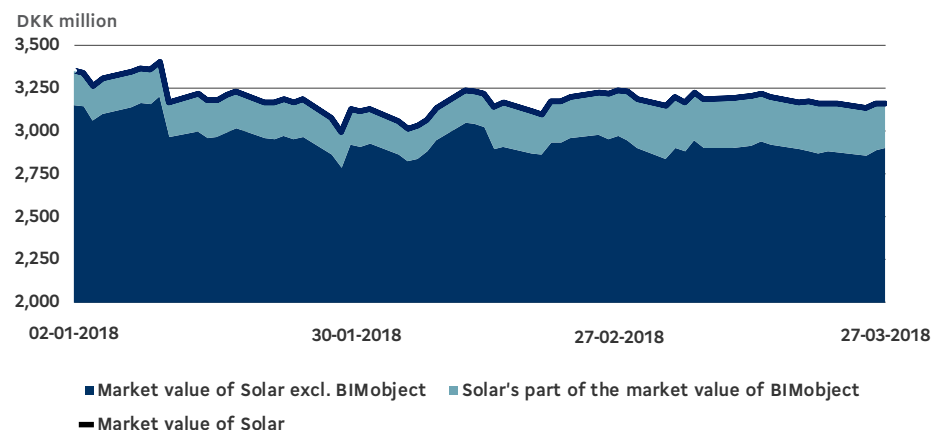
A shares have 10 votes per share amount of DKK 100, while B shares have 1 vote per share amount of DKK 100.

## Audio webcast

The presentation of the Quarterly Report Q1 2018 will be conducted in English on 24 April 2018 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).

## Solar's market value

Solar holds a 20.01% equity interest in BIMObject AB, which is a listed company on First North. This is an illustration of the impact of BIMObject's market value on Solar's market value.



## Distribution of share capital and votes as at 31 March 2018 in %

| Holdings of 5% or more of share capital                          | Share capital | Votes |
|--|---------------|-------|
| The Fund of 20 <sup>th</sup> December, Vejen, Denmark            | 16.0%         | 58.1% |
| RWC Asset Management LLP, London, England                        | 11.8%         | 5.8%  |
| Chr. Augustinus Fabrikker A/S, Copenhagen, Denmark               | 10.6%         | 5.2%  |
| Nordea Funds Oy, Danish Branch, Copenhagen, Denmark <sup>1</sup> | 10.4%         | 5.1%  |
| Solar A/S, Vejen, Denmark  | 5.8%          | 2.8%  |

<sup>1</sup> Cf. company announcement no. 1 2018, dated 12 January 2018, which is the latest public information.

## Financial calendar 2018

|                         |                          |
|-------------------------|--------------------------|
| 10 July - 9 August      | IR quiet period          |
| 9 August                | Quarterly Report Q2 2018 |
| 10 October - 1 November | IR quiet period          |
| 1 November              | Quarterly Report Q3 2018 |



# Consolidated financial statements



# Statement of comprehensive income

## Income statement

| DKK million  | Q1         |            | Year         |
|--|------------|------------|--------------|
|  | 2018       | 2017       | 2017         |
| Revenue  | 2,828      | 2,838      | 11,105       |
| Cost of sales  | -2,242     | -2,230     | -8,776       |
| <b>Gross profit</b>  | <b>586</b> | <b>608</b> | <b>2,329</b> |
| External operating costs   | -135       | -143       | -482         |
| Staff costs  | -370       | -381       | -1,484       |
| Loss on trade receivables  | -2         | -4         | -16          |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>   | <b>79</b>  | <b>80</b>  | <b>347</b>   |
| Depreciation and write-down on property, plant and equipment                   | -13        | -13        | -52          |
| <b>Earnings before interest, tax and amortisation (EBITA)</b>                  | <b>66</b>  | <b>67</b>  | <b>295</b>   |
| Amortisation and impairment of intangible assets                               | -20        | -17        | -169         |
| <b>Earnings before interest and tax (EBIT)</b>                                 | <b>46</b>  | <b>50</b>  | <b>126</b>   |
| Share of net profit from associates  | -1         | 0          | -11          |
| Impairment on associates   | 59         | 0          | -59          |
| Financial income   | 5          | 106        | 110          |
| Financial costs  | -10        | -11        | -40          |
| <b>Earnings before tax (EBT)</b>   | <b>99</b>  | <b>145</b> | <b>126</b>   |
| Income tax   | -8         | -12        | -25          |
| <b>Net profit from continuing operations</b>                                   | <b>91</b>  | <b>133</b> | <b>101</b>   |
| Loss from discontinued operations  | -10        | -10        | -82          |
| <b>Net profit for the period</b>   | <b>81</b>  | <b>123</b> | <b>19</b>    |
| Earnings in DKK per share outstanding (EPS)                                    | 11.10      | 16.85      | 2.60         |
| Diluted earnings in DKK per share outstanding (EPS-D)                          | 11.08      | 16.83      | 2.60         |
| Earnings in DKK per share outstanding (EPS) of continuing operations           | 12.47      | 18.22      | 13.84        |
| Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations | 12.45      | 18.20      | 13.82        |

## Other comprehensive income

| DKK million  | Q1        |            | Year       |
|--|-----------|------------|------------|
|  | 2018      | 2017       | 2017       |
| <b>Net profit for the period</b>                                 | <b>81</b> | <b>123</b> | <b>19</b>  |
| <b>Other income and costs recognised:</b>                        |           |            |            |
| <b>Items that can be reclassified for the income statement</b>   |           |            |            |
| Foreign currency translation adjustments of foreign subsidiaries | -7        | -1         | -35        |
| Value adjustments of hedging instruments before tax              | 3         | 8          | 16         |
| Tax on value adjustments of hedging instruments                  | -1        | -2         | -4         |
| <b>Other income and costs recognised after tax</b>               | <b>-5</b> | <b>5</b>   | <b>-23</b> |
| <b>Total comprehensive income for the period</b>                 | <b>76</b> | <b>128</b> | <b>-4</b>  |



# Balance sheet

as at 31 March

| Consolidated (DKK million)              | 31.03        |              | 31.12        |
|---|--------------|--------------|--------------|
|   | 2018         | 2017         | 2017         |
| <b>ASSETS</b>                           |              |              |              |
| Intangible assets                       | 425          | 493          | 427          |
| Property, plant and equipment           | 815          | 867          | 814          |
| Deferred tax assets                     | 18           | 10           | 18           |
| Investments in associates               | 262          | 0            | 203          |
| Other non-current assets                | 60           | 328          | 60           |
| <b>Non-current assets</b>               | <b>1,580</b> | <b>1,698</b> | <b>1,522</b> |
| Inventories                             | 1,421        | 1,401        | 1,437        |
| Trade receivables                       | 1,612        | 1,685        | 1,492        |
| Income tax receivable                   | 7            | 14           | 5            |
| Receivables from construction contracts | 3            | 1            | 1            |
| Other receivables                       | 10           | 12           | 13           |
| Prepayments                             | 61           | 49           | 45           |
| Cash at bank and in hand                | 23           | 55           | 77           |
| Assets held for sale                    | 117          | 0            | 125          |
| <b>Current assets</b>                   | <b>3,254</b> | <b>3,217</b> | <b>3,195</b> |
| <b>Total assets</b>                     | <b>4,834</b> | <b>4,915</b> | <b>4,717</b> |

| DKK million                          | 31.03        |              | 31.12        |
|--------------------------------------|--------------|--------------|--------------|
|                                      | 2018         | 2017         | 2017         |
| <b>EQUITY AND LIABILITIES</b>        |              |              |              |
| Share capital                        | 775          | 792          | 775          |
| Reserves                             | -163         | -130         | -158         |
| Retained earnings                    | 982          | 1,061        | 901          |
| Proposed dividend for the year       | 0            | 0            | 73           |
| <b>Equity</b>                        | <b>1,594</b> | <b>1,723</b> | <b>1,591</b> |
| Interest-bearing liabilities         | 416          | 189          | 423          |
| Provision for pension obligations    | 3            | 18           | 3            |
| Provision for deferred tax           | 104          | 124          | 107          |
| Other provisions                     | 23           | 40           | 24           |
| <b>Non-current liabilities</b>       | <b>546</b>   | <b>371</b>   | <b>557</b>   |
| Interest-bearing liabilities         | 239          | 324          | 143          |
| Trade payables                       | 1,888        | 1,954        | 1,848        |
| Income tax payable                   | 9            | 16           | 19           |
| Payables from construction contracts | 0            | 0            | 1            |
| Other payables                       | 474          | 506          | 482          |
| Prepayments                          | 2            | 2            | 1            |
| Other provisions                     | 7            | 19           | 7            |
| Liabilities held for sale            | 75           | 0            | 68           |
| <b>Current liabilities</b>           | <b>2,694</b> | <b>2,821</b> | <b>2,569</b> |
| <b>Liabilities</b>                   | <b>3,240</b> | <b>3,192</b> | <b>3,126</b> |
| <b>Total equity and liabilities</b>  | <b>4,834</b> | <b>4,915</b> | <b>4,717</b> |



# Cash flow statement

| DKK million   | Q1         |             | Year        |
|---|------------|-------------|-------------|
|   | 2018       | 2017        | 2017        |
| <b>Net profit from continuing operations for the period</b>       | <b>91</b>  | <b>133</b>  | <b>101</b>  |
| Write-down, depreciation and amortisation                         | 33         | 30          | 221         |
| Impairment on associates  | -59        | 0           | 59          |
| Changes to provisions and other adjustments                       | 0          | -4          | -9          |
| Share of net profit from associates                               | 1          | 0           | 11          |
| Financials, net   | 5          | -95         | -70         |
| Income tax  | 8          | 11          | 25          |
| Financial income, received  | 2          | 2           | 6           |
| Financial expenses, settled                                       | -6         | -8          | -28         |
| Income tax, settled   | -21        | -19         | -49         |
| <b>Cash flow before working capital changes</b>                   | <b>54</b>  | <b>50</b>   | <b>267</b>  |
| <b>Working capital changes</b>                                    |            |             |             |
| Inventory changes   | 8          | -82         | -226        |
| Receivables changes   | -140       | -295        | -226        |
| Non-interest-bearing liabilities changes                          | 39         | 241         | 197         |
| <b>Cash flow from operating activities, continuing operations</b> | <b>-39</b> | <b>-86</b>  | <b>12</b>   |
| Cash flow from operating activities, discontinued operations      | 5          | -10         | -13         |
| <b>Cash flow from operating activities</b>                        | <b>-34</b> | <b>-96</b>  | <b>-1</b>   |
| <b>Investing activities</b>                                       |            |             |             |
| Purchase of intangible assets                                     | -25        | -28         | -110        |
| Purchase of property, plant and equipment                         | -16        | -14         | -37         |
| Disposal of property, plant and equipment                         | 0          | 0           | 22          |
| Acquisition of subsidiaries and activities                        | 0          | -10         | -16         |
| Acquisition of associates   | 0          | 0           | -16         |
| Other financial investments <sup>1</sup>                          | 0          | -179        | -190        |
| <b>Cash flow from investing activities, continuing operations</b> | <b>-41</b> | <b>-231</b> | <b>-347</b> |
| Cash flow from investing activities, discontinued operations      | 0          | 0           | 0           |
| <b>Cash flow from investing activities</b>                        | <b>-41</b> | <b>-231</b> | <b>-347</b> |

| DKK million   | Q1          |             | Year        |
|---|-------------|-------------|-------------|
|   | 2018        | 2017        | 2017        |
| <b>Financing activities</b>                                       |             |             |             |
| Repayment of non-current interest-bearing debt                    | -2          | -5          | -69         |
| Raising of non-current interest-bearing liabilities               | 0           | 0           | 135         |
| Dividends distributed   | -73         | -88         | -88         |
| <b>Cash flow from financing activities, continuing operations</b> | <b>-75</b>  | <b>-93</b>  | <b>-22</b>  |
| Cash flow from financing activities, discontinued operations      | 0           | 0           | 0           |
| <b>Cash flow from financing activities</b>                        | <b>-75</b>  | <b>-93</b>  | <b>-22</b>  |
| <b>Total cash flow</b>  | <b>-150</b> | <b>-420</b> | <b>-370</b> |
| Cash at bank and in hand at the beginning of the period           | -66         | 321         | 321         |
| Foreign currency translation adjustments                          | 0           | 0           | -17         |
| <b>Cash at bank and in hand at the end of the period</b>          | <b>-216</b> | <b>-99</b>  | <b>-66</b>  |
| <b>Cash at bank and in hand at the end of the period</b>          |             |             |             |
| Cash at bank and in hand  | 23          | 55          | 77          |
| Current interest-bearing liabilities <sup>2</sup>                 | -239        | -154        | -143        |
| <b>Cash at bank and in hand at the end of the period</b>          | <b>-216</b> | <b>-99</b>  | <b>-66</b>  |

1. Investment in BIMobject in 2017 amounts to DKK 171m.

2. Amount for Q1-Q3 2017 does not include the short-term part of long-term liabilities that fell due in 2017.



# Statement of changes in equity

| DKK million   | Share capital | Reserves for hedging transactions | Reserves for foreign currency translation adjustments | Retained earnings | Proposed dividends | Total        |
|---|---------------|-----------------------------------|---|-------------------|--------------------|--------------|
| <b>2018</b>   |               |                                   |   |                   |                    |              |
| Equity as at 1 January  | 775           | -61                               | -97   | 901               | 73                 | 1,591        |
| Foreign currency translation adjustments of foreign subsidiaries  |               |                                   | -7  |                   |                    | -7           |
| Fair value adjustments of hedging instruments before tax  |               | 3                                 |   |                   |                    | 3            |
| Tax on value adjustments  |               | -1                                |   |                   |                    | -1           |
| Net income recognised in equity via other comprehensive income in the statement of comprehensive income | 0             | 2                                 | -7  | 0                 | 0                  | -5           |
| Net profit for the period   |               |                                   |   | 81                |                    | 81           |
| <b>Comprehensive income</b>   | <b>0</b>      | <b>2</b>                          | <b>-7</b>   | <b>81</b>         | <b>0</b>           | <b>76</b>    |
| Distribution of dividends (DKK 10.00 per share)   |               |                                   |   |                   | -73                | -73          |
| <b>Transactions with the owners</b>   | <b>0</b>      | <b>0</b>                          | <b>0</b>  | <b>0</b>          | <b>-73</b>         | <b>-73</b>   |
| <b>Equity as at 31 March</b>  | <b>775</b>    | <b>-59</b>                        | <b>-104</b>   | <b>982</b>        | <b>0</b>           | <b>1,594</b> |



# Statement of changes in equity

– continued

| DKK million   | Share capital | Reserves for hedging transactions | Reserves for foreign currency translation adjustments | Retained earnings | Proposed dividends | Total        |
|---|---------------|-----------------------------------|---|-------------------|--------------------|--------------|
| 2017  |               |                                   |   |                   |                    |              |
| Equity as at 1 January  | 792           | -73                               | -62   | 938               | 88                 | 1,683        |
| Foreign currency translation adjustments of foreign subsidiaries  |               |                                   | -1  |                   |                    | -1           |
| Fair value adjustments of hedging instruments before tax  |               | 8                                 |   |                   |                    | 8            |
| Tax on value adjustments  |               | -2                                |   |                   |                    | -2           |
| Net income recognised in equity via other comprehensive income in the statement of comprehensive income | 0             | 6                                 | -1  | 0                 | 0                  | 5            |
| Net profit for the period   |               |                                   |   | 123               |                    | 123          |
| <b>Comprehensive income</b>   | <b>0</b>      | <b>6</b>                          | <b>-1</b>   | <b>123</b>        | <b>0</b>           | <b>128</b>   |
| Distribution of dividends (DKK 12.00 per share)   |               |                                   |   |                   | -88                | -88          |
| <b>Transactions with the owners</b>   | <b>0</b>      | <b>0</b>                          | <b>0</b>  | <b>0</b>          | <b>-88</b>         | <b>-88</b>   |
| <b>Equity as at 31 March</b>  | <b>792</b>    | <b>-67</b>                        | <b>-63</b>  | <b>1,061</b>      | <b>0</b>           | <b>1,723</b> |



# Notes

## Segment information

Solar's business segments are Installation, Industry and Other and are based on the customers' affiliation with the segments. Installation covers installation of electrical, and heating and plumbing products, while Industry covers industry, offshore and marine, and utility and infrastructure. Other covers 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   | Other     | Total      |
|--|--------------|------------|-----------|------------|
| <b>Q1 2018</b>   |              |            |           |            |
| Revenue  | 1,723        | 856        | 249       | 2,828      |
| Cost of sales  | -1,371       | -658       | -213      | -2,242     |
| <b>Gross profit</b>  | <b>352</b>   | <b>198</b> | <b>36</b> | <b>586</b> |
| Direct costs   | -66          | -27        | -8        | -101       |
| <b>Earnings before indirect costs</b>  | <b>286</b>   | <b>171</b> | <b>28</b> | <b>485</b> |
| Indirect costs   | -135         | -46        | -14       | -195       |
| <b>Segment profit</b>  | <b>151</b>   | <b>125</b> | <b>14</b> | <b>290</b> |
| Non-allocated costs  |              |            |           | -211       |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> |              |            |           | <b>79</b>  |
| Depreciation and amortisation  |              |            |           | -33        |
| <b>Earnings before interest and tax (EBIT)</b>                               |              |            |           | <b>46</b>  |
| Financials, net  |              |            |           | 53         |
| <b>Earnings before tax (EBT)</b>   |              |            |           | <b>99</b>  |

| DKK million  | Installation | Industry   | Other     | Total      |
|--|--------------|------------|-----------|------------|
| <b>Q1 2017</b>   |              |            |           |            |
| Revenue  | 1,807        | 808        | 223       | 2,838      |
| Cost of sales  | -1,448       | -615       | -167      | -2,230     |
| <b>Gross profit</b>  | <b>359</b>   | <b>193</b> | <b>56</b> | <b>608</b> |
| Direct costs   | -65          | -24        | -9        | -98        |
| <b>Earnings before indirect costs</b>  | <b>294</b>   | <b>169</b> | <b>47</b> | <b>510</b> |
| Indirect costs   | -135         | -45        | -14       | -194       |
| <b>Segment profit</b>  | <b>159</b>   | <b>124</b> | <b>33</b> | <b>316</b> |
| Non-allocated costs  |              |            |           | -236       |
| <b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b> |              |            |           | <b>80</b>  |
| Depreciation and amortisation  |              |            |           | -30        |
| <b>Earnings before interest and tax (EBIT)</b>                               |              |            |           | <b>50</b>  |
| Financials, net  |              |            |           | 95         |
| <b>Earnings before tax (EBT)</b>   |              |            |           | <b>145</b> |



# Notes

## Segment information - continued

Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, and P/F Solar Føroyar.

Related business includes MAG45, Scandinavian Technology Institute and Solar Polaris.

Digital, construction & services includes all associated businesses BIMobject, GenieBelt, Minuba, Viva Labs, Monterra, and HomeBob.

| DKK million (unless otherwise stated) | Core business | Related business | Digital, Construction & Services | Eliminations | Total        |
|---------------------------------------|---------------|------------------|----------------------------------|--------------|--------------|
| <b>Q1 2018</b>                        |               |                  |                                  |              |              |
| Revenue                               | 2,677         | 151              | -                                | -            | <b>2,828</b> |
| Gross profit                          | 545           | 41               | -                                | -            | <b>586</b>   |
| EBITA                                 | 74            | -8               | -                                | -            | <b>66</b>    |
| Invested capital                      | 1,762         | 133              | 292                              | -292         | <b>1,895</b> |
| Adj. organic growth                   | 3.5%          | 28.0%            | -                                | -            | <b>4.4%</b>  |
| Gross profit margin                   | 20.4%         | 27.2%            | -                                | -            | <b>20.7%</b> |
| EBITA margin                          | 2.8%          | -5.3%            | -                                | -            | <b>2.3%</b>  |
| ROIC                                  | 11.2%         | N/A              | -                                | -            | <b>3.9%</b>  |
| <b>Q1 2017</b>                        |               |                  |                                  |              |              |
| Revenue                               | 2,725         | 113              | -                                | -            | <b>2,838</b> |
| Gross profit                          | 574           | 34               | -                                | -            | <b>608</b>   |
| EBITA                                 | 74            | -7               | -                                | -            | <b>67</b>    |
| Invested capital                      | 1,729         | 170              | 300                              | -300         | <b>1,899</b> |
| Adj. organic growth                   | 4.5%          | N/A              | -                                | -            | <b>4.5%</b>  |
| Gross profit margin                   | 21.1%         | 30.1%            | -                                | -            | <b>21.4%</b> |
| EBITA margin                          | 2.7%          | -6.2%            | -                                | -            | <b>2.4%</b>  |
| ROIC                                  | 12.9%         | N/A              | -                                | -            | <b>10.1%</b> |

## Geographical information

Solar A/S primarily operates on the Danish, Swedish, Norwegian and Dutch markets. In the table below, Other markets covers the remaining markets, which can be seen in the group structure available on page 18 of Annual Report 2017 or on [www.solar.eu](http://www.solar.eu). The below allocation has been made based on the products' place of sale.

| DKK million (unless otherwise stated) | Revenue      | Adjusted organic growth | Non-current assets |
|---------------------------------------|--------------|-------------------------|--------------------|
| <b>Q1 2018</b>                        |              |                         |                    |
| Denmark                               | 834          | 3.7%                    | 1,937              |
| Sweden                                | 619          | -0.4%                   | 245                |
| Norway                                | 451          | -3.9%                   | 155                |
| The Netherlands                       | 724          | 11.8%                   | 293                |
| Other markets                         | 222          | 23.1%                   | 67                 |
| Eliminations                          | -22          | -                       | -1,117             |
| <b>Total</b>                          | <b>2,828</b> | <b>4.4%</b>             | <b>1,580</b>       |
| <b>Q1 2017</b>                        |              |                         |                    |
| Denmark                               | 838          | 9.4%                    | 2,110              |
| Sweden                                | 662          | 3.9%                    | 288                |
| Norway                                | 527          | 9.3%                    | 205                |
| The Netherlands                       | 657          | -0.8%                   | 286                |
| Other markets                         | 176          | -8.5%                   | 105                |
| Eliminations                          | -22          | -                       | -1,296             |
| <b>Total</b>                          | <b>2,838</b> | <b>4.5%</b>             | <b>1,698</b>       |



# Notes

## Discontinued operations

On 31 January 2018, Solar A/S announced the divestment of all shares of GFI GmbH and assets in Claessen ELGB N.V. to Sonepar Group with an accounting loss of DKK 47m.

The discontinued operation impacted the income statement as follows:

| DKK million  | Q1         |            | Year<br>2017 |
|--|------------|------------|--------------|
|  | 2018       | 2017       |              |
| Revenue  | 141        | 158        | 664          |
| Cost of sales  | -117       | -134       | -566         |
| <b>Gross profit</b>  | <b>24</b>  | <b>24</b>  | <b>98</b>    |
| Costs  | -33        | -35        | -129         |
| <b>Earnings before interest and tax (EBIT)</b>                                     | <b>-9</b>  | <b>-11</b> | <b>-31</b>   |
| Financials   | -1         | 0          | -2           |
| <b>Earnings before tax (EBT)</b>   | <b>-10</b> | <b>-11</b> | <b>-33</b>   |
| Tax on net profit or loss for the period   | 0          | 1          | -2           |
| <b>Net profit or loss for the period</b>   | <b>-10</b> | <b>-10</b> | <b>-35</b>   |
| Write-down to fair value less costs to sell  | 0          | 0          | -47          |
| <b>Net profit or loss for discontinued operations</b>                              | <b>-10</b> | <b>-10</b> | <b>-82</b>   |
|  |            |            |              |
| Earnings from discontinued operations in DKK per share outstanding (EPS)           | -1.37      | -1.37      | -11.24       |
| Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D) | -1.37      | -1.37      | -11.24       |

| DKK million                      | Q1 2018    |
|----------------------------------|------------|
| Property, plant and equipment    | 0          |
| Other non-current assets         | 2          |
| <b>Non-current assets</b>        | <b>2</b>   |
|                                  |            |
| Inventories                      | 57         |
| Trade receivables                | 56         |
| Other current assets             | 2          |
| <b>Current assets</b>            | <b>115</b> |
|                                  |            |
| <b>Assets held for sale</b>      | <b>117</b> |
|                                  |            |
| Other non-current liabilities    | 14         |
| <b>Non-current liabilities</b>   | <b>14</b>  |
|                                  |            |
| Interest-bearing liabilities     | 0          |
| Trade payables                   | 42         |
| Other current liabilities        | 19         |
| <b>Current liabilities</b>       | <b>61</b>  |
|                                  |            |
| <b>Liabilities held for sale</b> | <b>75</b>  |



# Notes

## Grant of restricted shares option plans

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 2018. 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 399.19 based on the average price on Nasdaq Copenhagen the first 10 business days after publication of Annual Report 2017. A total amount of 3,423 restricted shares was granted amounting to a fair value of DKK 1.3m.

The restricted shares vest three years after the time of granting, meaning that this grant of shares vests in 2021. At this point, the holder may exercise the restricted share granting.

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

## Share option plans

In February 2018, 19,786 share options from the 2014 granting and 17,875 share options from the 2015 granting were, respectively, exercised. In addition, Solar granted 2,322 additional share options to a senior management employee. So, outstanding share options now total 74,935.

Description and specification of Solar's share option plans are found in Annual Report 2017 and on our website: <https://www.solar.eu/investor/policies>.



# Notes

## Accounting policies

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

Apart from the effect of new IAS/IFRS standards implemented during the period and the additional accounting policies mentioned below, the accounting policies remain unchanged from the Annual Report 2017, which contains a full description of these on pages 53-55 as well as of relevant, supplementary notes.

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

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

## New accounting standards implemented during the period

On 1 January 2018 Solar implemented IFRS 9 on financial instruments and IFRS 15 on revenue from contracts with customers. Also, we have implemented new interpretations on existing standards. These changes have no impact on Solar. As a consequence of the IFRS implementations the following accounting policies have been updated:

### Revenue

Revenue includes goods for resale recognised in the income statement if the passing of the risk to the customer 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. Revenue from delivery of services, which are consumed by the customer simultaneously with delivery such as training is recognised along with delivery.

### Trade receivables

Trade receivables are measured at fair value at acquisition and at amortised cost subsequently. A write down for expected credit losses over the life of the receivables is made, based on a combination of a portfolio assessment and an individual assessment taking into account payment defaults etc. When assessing the write down, security provided and other credit enhancements are taken into account.

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

For information on new accounting standards, reference is made to note 28 on page 96 in the Annual Report 2017. No new or amended standards have been issued in 2018 other than those stated in the annual report.

## On audit

This quarterly report has not been audited or reviewed.



# Quarterly figures

|   | Q1    |       | Q2    |       | Q3    |       | Q4    |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Income statement (DKK million)  | 2018  | 2017  | 2017  | 2016  | 2017  | 2016  | 2017  | 2016  |
| Revenue   | 2,828 | 2,838 | 2,684 | 2,642 | 2,604 | 2,427 | 2,979 | 2,851 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 79    | 80    | 63    | 78    | 106   | 77    | 98    | 139   |
| Earnings before interest, tax and amortisation (EBITA)                | 66    | 67    | 50    | 64    | 93    | 64    | 85    | 125   |
| Earnings before interest and tax (EBIT)                               | 46    | 50    | 32    | 50    | 74    | 49    | -30   | 110   |
| Financials, net   | -5    | 95    | -30   | -7    | -4    | -7    | 9     | -8    |
| Earnings before tax (EBT)   | 99    | 145   | 2     | 43    | 69    | 42    | -90   | 102   |
| Net profit or loss for the quarter                                    | 81    | 123   | -12   | 27    | 42    | 29    | -134  | 48    |

| Balance sheet (DKK million)        |       |       |       |       |       |       |       |       |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Non-current assets                 | 1,580 | 1,698 | 1,681 | 1,316 | 1,675 | 1,399 | 1,522 | 1,397 |
| Current assets                     | 3,254 | 3,217 | 3,222 | 3,221 | 3,339 | 3,172 | 3,195 | 3,109 |
| Balance sheet total                | 4,834 | 4,915 | 4,903 | 4,537 | 5,014 | 4,571 | 4,717 | 4,506 |
| Equity                             | 1,594 | 1,723 | 1,696 | 1,740 | 1,745 | 1,631 | 1,591 | 1,683 |
| Non-current liabilities            | 546   | 371   | 366   | 387   | 362   | 407   | 557   | 375   |
| Current liabilities                | 2,694 | 2,821 | 2,841 | 2,410 | 2,907 | 2,533 | 2,569 | 2,448 |
| Interest-bearing liabilities, net  | 632   | 458   | 712   | 231   | 728   | 476   | 489   | 43    |
| Invested capital                   | 1,895 | 1,899 | 2,129 | 1,986 | 2,190 | 2,122 | 1,790 | 1,744 |
| Net working capital, end of period | 1,145 | 1,132 | 1,309 | 1,196 | 1,398 | 1,323 | 1,081 | 998   |
| Net working capital, average       | 1,168 | 1,162 | 1,191 | 1,205 | 1,209 | 1,185 | 1,133 | 1,187 |



# Quarterly figures

- continued

|  | Q1   |      | Q2   |      | Q3   |      | Q4   |      |
|--|------|------|------|------|------|------|------|------|
| Cash flows (DKK million)                         | 2018 | 2017 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Cash flow from operating activities              | -39  | -86  | -180 | 43   | -4   | 2    | 282  | 415  |
| Cash flow from investing activities              | -41  | -231 | -50  | -27  | -25  | -89  | -41  | -4   |
| Cash flow from financing activities              | -75  | -93  | -7   | -137 | -6   | -159 | 84   | -12  |
| Net investments in intangible assets             | -25  | -28  | -27  | -18  | -27  | -22  | -28  | -36  |
| Net investments in property, plant and equipment | -16  | -14  | -3   | -8   | 7    | -11  | -5   | 37   |
| Acquisition and disposal of subsidiaries, net    | 0    | -10  | 0    | 0    | 0    | -44  | -6   | 0    |

## Financial ratios (% unless otherwise stated)

|   |      |      |      |      |      |      |      |      |
|---|------|------|------|------|------|------|------|------|
| Revenue growth  | -0.4 | 13.5 | 1.6  | 5.8  | 7.3  | 6.4  | 4.5  | 8.1  |
| Organic growth  | 1.3  | 11.0 | 2.1  | 4.3  | 7.3  | 3.3  | 5.3  | 5.5  |
| Organic growth adjusted for number of working days                                  | 4.4  | 4.5  | 7.4  | -1.2 | 8.8  | 3.6  | 7.0  | 5.4  |
| Gross profit margin   | 20.7 | 21.4 | 20.9 | 20.7 | 20.9 | 21.0 | 20.6 | 21.4 |
| EBITDA margin   | 2.8  | 2.8  | 2.3  | 3.0  | 4.1  | 3.2  | 3.3  | 4.9  |
| EBITA margin  | 2.3  | 2.4  | 1.9  | 2.4  | 3.6  | 2.6  | 2.9  | 4.4  |
| EBIT margin   | 1.6  | 1.8  | 1.2  | 1.9  | 2.8  | 2.0  | -1.0 | 3.9  |
| Net working capital (NWC end of period)/revenue (LTM)                               | 10.3 | 9.3  | 10.9 | 10.5 | 11.6 | 11.6 | 9.7  | 8.4  |
| Net working capital (NWC average)/revenue (LTM)                                     | 10.5 | 9.6  | 9.8  | 10.7 | 9.8  | 10.3 | 10.2 | 10.1 |
| Gearing (interest-bearing liabilities, net/EBITDA), no. of times                    | 1.8  | 1.2  | 2.0  | 0.6  | 1.9  | 1.3  | 1.4  | 0.1  |
| Return on equity (ROE)  | -1.4 | 13.3 | 11.0 | 7.3  | 11.7 | 6.6  | 1.1  | 7.5  |
| Return on invested capital (ROIC)   | 3.9  | 10.1 | 9.2  | 10.4 | 10.1 | 9.1  | 3.8  | 10.0 |
| Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA) | 10.9 | 9.1  | 10.2 | 8.1  | 9.5  | 11.4 | 11.0 | 8.8  |
| Equity ratio  | 33.0 | 35.1 | 34.6 | 38.4 | 34.8 | 35.7 | 33.7 | 37.4 |



# Quarterly figures

- continued

|  | Q1     |        | Q2     |        | Q3     |        | Q4     |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
|  | 2018   | 2017   | 2017   | 2016   | 2017   | 2016   | 2017   | 2016   |
| <b>Share ratios (DKK)</b>                    |        |        |        |        |        |        |        |        |
| Earnings in DKK per share outstanding (EPS)  | 11.10  | 16.85  | -1.64  | 3.51   | 5.75   | 3.84   | -18.36 | 6.58   |
| Intrinsic value in DKK per share outstanding | 218.41 | 236.08 | 232.38 | 225.93 | 239.10 | 216.10 | 218.00 | 230.60 |
| Share price in DKK                           | 398.53 | 382.88 | 376.73 | 307.22 | 381.25 | 373.66 | 414.52 | 361.80 |
| Share price/intrinsic value                  | 1.82   | 1.62   | 1.62   | 1.36   | 1.59   | 1.73   | 1.90   | 1.57   |

## Employees

|   |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|
| Number of employees (FTEs), end of the period | 2,994 | 2,864 | 2,882 | 2,812 | 2,920 | 2,863 | 2,959 | 2,834 |
| Average number of employees (FTEs), LTM       | 2,939 | 2,843 | 2,861 | 2,731 | 2,875 | 2,783 | 2,901 | 2,814 |

## 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.<br>Activities where our equity interest is <50% are not included in the ROIC calculation. The invested capital only includes operating assets and liabilities. |

Overall, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015".



# 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 Q1 2018 quarterly report of Solar A/S.

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

In our opinion, the quarterly report gives a fair presentation of the group's assets, equity and liabilities and financial position as at 31 March 2018 as well as of the results of the group's activities and cash flow for Q1 2018.

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

Vejen, 24 April 2018

## EXECUTIVE BOARD

**Jens E. Andersen**  
CEO

**Hugo Dorph**  
CCO

**Michael H. Jeppesen**  
CFO

## BOARD OF DIRECTORS

**Jens Borum**  
Chairman

**Ulf Gundemark**  
Vice chairman

**Lars Lange Andersen**

**Peter Bang**

**Jesper Dalsgaard**

**Ulrik Damgaard**

**Bent H. Frisk**

**Louise Knauer**

**Jens Peter Toft**

Solar A/S  
Industrivej Vest 43  
DK-6600 Vejle  
Tel. +45 79 30 00 00  
CVR no. 15908416

[www.solar.eu](http://www.solar.eu)  
<http://www.linkedin.com/company/solar-as>



*stronger together*