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3 May 2017

Announcement no. 12 2017

Quarterly Report Q1 2017

Q1 revenue and EBITA are in line with expectations. Significant financial income relates to fair value adjustment of shareholding in BIMobject AB. We reconfirm our guidance for the full year.

CEO Anders Wilhelm says:

"We are pleased to see organic growth in most of our markets and our ability to further reduce net working capital without compromising delivery performance. Our initiatives relating to innovation and business development are proceeding as planned. We balance our business focus between our main business and the associated businesses, which is highly important in transformational times. We have established good collaboration between our main business and the associated businesses, which we expect will create mutually beneficial business opportunities."

Financial highlights (DKK million)	Q1 2017	Q1 2016	2016
Revenue	2,996	2,656	11,072
EBITA	56	52	278
Net financials*	95	-11	-34
Earnings before tax	134	28	188
Cash flow from operating activities	-96	-251	219
Financial ratios (%)			
Organic growth	10.7	-0.3	2.8
Organic growth adj. for number of working days	4.6	1.2	1.8
EBITA margin	1.9	2.0	2.5
Net working capital, period-end/revenue (LTM)	9.9	11.6	9.0
Net working capital, average/revenue (LTM)**	10.2	11.6	10.7
Gearing (NIBD/EBITDA) no. of times	1.4	0.4	0.1
Return on invested capital (ROIC)	7.4	8.2	7.5

*Fair value adjustment of associated businesses is recognised in the income statement as financial income. The adjustment is related to BIMobject AB.

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

Q1 2017 revenue

- Revenue grew by 12.8% in Q1. Organic growth was 10.7%, but 4.6% against 1.2% in Q1 2016, when adjusted for the number of working days.

Q1 2017 EBITA

- EBITA was on par with expectations.
- Our initiatives relating to innovation and business development, as well as the necessary structural changes are proceeding as planned. However, the phasing of the non-recurring costs for 2017 is uneven, with almost half of the expected non-recurring costs for 2017 in Q1. Compared to Q1 2016, the increase in external operating costs and staff costs was mostly related to MAG45 and STI being acquired during 2016.

2017 outlook

- We expect a revenue of approximately DKK 11.4bn, equal to an organic growth of approximately 3%.
- The strong focus on innovation and business development continues in 2017, and we initiate the necessary structural changes made possible by our digital investments and our ongoing investment in new developments.
- For 2017, we reconfirm our expectations for an EBITA of approximately DKK 300m.

EBITA overview

	Guidance	Actual
DKK million	2017	2016
Operational EBITA	345	302
Innovation and business development	-25	-20
Non-recurring costs	-20	-15
Positive one-offs	0	11
EBITA	300	278

Audio webcast and teleconference today

The presentation of Quarterly Report Q1 2017 will be made in English on 3 May 2017 at 11:00 CET. The presentation will be transmitted as an audio webcast and accessible via 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

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Yours faithfully

Solar A/S

Anders Wilhjelm

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Enclosure: Quarterly Report Q1 2017, pages 1-28.

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 approximately DKK 11.1bn in 2016 and has more than 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.

Disclaimer

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



Solar A/S

CVR NO.: 15 90 84 16

Quarterly Report Q1 2017



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Contents

Management's review

03	Financial highlights
04	Segments
05	Financial review
08	Outlook 2017
10	Strategy
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
24	Quarterly figures
27	Statement by the Executive Board and the Board of Directors

Financial highlights

Consolidated (DKK million)	Q1		Year
	2017	2016	2016
Revenue	2,996	2,656	11,072
Earnings before interest, tax, depreciation and amortisation (EBITDA)	70	67	330
Earnings before interest, tax and amortisation (EBITA)	56	52	278
Earnings before interest and tax (EBIT)	39	39	222
Earnings before tax (EBT)	134	28	188
Net profit for the period	123	21	125
Balance sheet total	4,915	4,609	4,506
Equity	1,723	1,813	1,683
Interest-bearing liabilities, net	458	156	43
Cash flow from operating activities	-96	-251	219
Net investments in property, plant and equipment	-14	32	56

Employees

Average number of employees (FTEs)	3,062	2,968	3,032
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Financial ratios (% unless otherwise stated)	Q1		Year
	2017	2016	2016
Organic growth adjusted for number of working days	4.6	1.2	1.8
Gross profit	21.1	21.0	20.8
EBITDA margin	2.3	2.5	3.0
EBITA margin	1.9	2.0	2.5
Net working capital (NWC at end of period)/revenue (LTM)	9.9	11.6	9.0
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.4	0.4	0.1
Return on equity (ROE)	13.3	6.9	7.1
Return on invested capital (ROIC)	7.4	8.2	7.5
Equity ratio	35.1	39.3	37.4

Share ratios (DKK unless otherwise stated)

Earnings per share outstanding (EPS)	16.85	2.71	16.50
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Overall, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015".

Segments

Trends in Q1 – Installation and Industry

In Q1 2017, organic growth* amounted to 4.6% albeit with a slow start of the quarter.

The installation sector

Construction activity saw a slight improvement in a number of our markets in Q1, which had an overall positive effect on the installation sector's results.

Solar's overall organic growth for Installation amounted to around 5% for Q1. As in Q4 2016, we saw growth in Denmark, Norway, Benelux and in Sweden whereas Poland remained negative.

Solar Nederland continued to focus on improving profitability. Consequently, sales of certain products were reduced and some customers were deselected, which led to lower revenue in Q1. Despite this, we managed to compensate by growing in other areas within Installation. Thus overall, Solar Nederland succeeded in delivering growth in Q1.

* Organic growth adjusted for the number of working days. It should, however, be noted that this does not fully offset the impact of Easter.



The industry sector

In Q1, we saw moderate industrial activity in our markets, resulting in organic growth especially in Norway but also in Denmark. Overall, the North Sea offshore industry and related industries continue to experience the effects of low prices in the energy market, but we are, however, seeing a slight improvement albeit from a low level.

The growth initiatives within MAG45 are starting to deliver results and we saw strong growth throughout the quarter.

Solar's overall organic growth in the industry sector amounted to around 6% for Q1.

Other

The acquisition of Scandinavian Technology Institute (STI) and Solar Polaris delivered a revenue of DKK 16m, corresponding to 7% of the segment revenue.

DKK million	Revenue		Segment profit	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Installation	1,949	1,755	159	140
Industry	824	704	124	103
Other	223	197	33	15
Total	2,996	2,656	316	258

DKK million	Revenue		Adjusted organic growth in %	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Denmark	838	717	9.4	5.1
Sweden	662	600	3.9	4.3
Norway	527	417	9.3	-4.5
Benelux	707	702	-1.8	-3.4
Other markets	281	235	4.7	9.8
Eliminations	-19	-15	-	-
Total	2,996	2,656	4.6	1.2

Financial review

Q1 revenue and EBITA are in line with expectations

Solar generated organic growth of 4.6%, adjusted for the number of working days, while EBITA was up DKK 4m at DKK 56m in Q1 2017.

Revenue and results for the quarter were positively affected by the later timing of Easter compared to Q1 2016.

In Q1 2017, expenditure included almost half of the forecast non-recurring costs for 2017, which had a negative impact on EBITA.

Our initiatives relating to innovation and business development as well as the necessary structural changes are proceeding as planned.

Revenue and EBITA were on par with expectations.

Fair value adjustment of associated businesses amounted to DKK 103m which related to BIMobject. The amount is recognised in the income statement as financial income. Thus, net profit amounted to DKK 123m against DKK 21m in Q1 2016.

Revenue

Revenue amounted to DKK 2,996m, up from DKK 2,656m in Q1 2016. Actual organic growth increased to 4.6% from 1.2% in Q1 2016 adjusted for the number of working days.

Gross profit margin

Gross profit margin totalled 21.1% against 21.0% in Q1 2016. However, there was a positive impact on the margin from STI – and when adjusted for this the margin decreased slightly.

EBITA

EBITA amounted to 1.9% of revenue or DKK 56m in Q1 2017 compared to 2.0% of revenue or DKK 52m in Q1 2016.

The growth plan for MAG45 and our initiatives relating to innovation and business development, as well as the necessary structural changes are proceeding as planned. However, the phasing of the non-recurring costs for 2017 is uneven, with almost half of the expected non-recurring costs for 2017 in Q1. Compared to Q1 2016, the increase in external operating costs and staff costs was mostly related to MAG45 and STI being acquired during 2016.

Loss on trade receivables made up 0.2% of revenue, unchanged from Q1 2016.

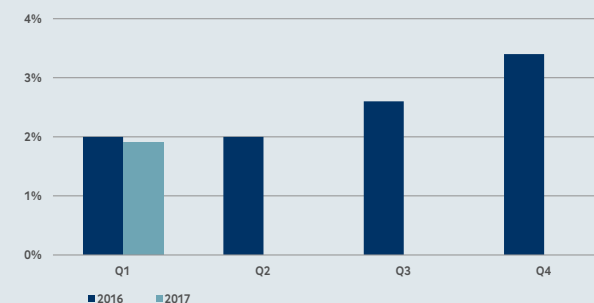
Write-down and depreciation on property, plant and equipment amounted to DKK 14m in Q1 2017 compared to DKK 15m in Q1 2016. In Q1 2016, Solar sold four properties and a property was written down to fair value. The net impact of the capital gain and subsequent write-down to fair value was insignificant.

EBITA was on par with expectations.

Organic growth in %
(adjusted for the number of working days)



EBITA margin in %





Financials

Net financials totalled DKK 95m against DKK -11m in Q1 2016.

In Q1 2017, net financials were impacted by DKK 103m in fair value adjustment of associated businesses related to BIMobject.

In January 2017, we acquired 19.99% of the shares in Swedish BIMobject AB, based on a targeted emission by BIMobject, cf. company announcement no. 2 2017.

Net profit for the period

Net profit ended at DKK 123m, up from DKK 21m in Q1 2016. However, adjusted for the fair value adjustment of associated businesses net profit amounted to DKK 20m in Q1 2017.

Cash flows

We retain our focus on improving net working capital, which fell to 10.2% of revenue from 11.6% in Q1 2016 calculated as an average of the last four quarters. Net working capital at 31 March was 9.9% of revenue, down from 11.6% at the end of Q1 2016.

Cash flow from operating activities amounted to DKK -96m against DKK -251m in Q1 2016. In Q1 2017, changes to receivables had a DKK -303m impact on cash flow from operating activities while changes to non-interest-bearing liabilities had an impact of DKK 244m. The negative changes to receivables were due to the usual seasonal fluctuations.

Cash flow from investing activities saw a DKK 179m negative impact from the investment in BIMobject AB and Minuba ApS.

Investments in intangible assets were up by DKK 16m to DKK 28m mainly due to digital improvement projects. In Q1 2016, cash flow from investing activities saw a DKK 53m negative impact from the acquisition of MAG45 and a DKK 38m positive impact from the sale of properties. Thus, in Q1 2017, total cash flow from investing activities came to DKK -231m against DKK -33m in Q1 2016.

Cash flow from financing activities was impacted by the distribution of DKK 88m in dividend whereas dividend in 2016 was distributed in Q2. In Q1 2016, cash flow from financing activities saw a DKK -33m impact from Solar's share buy-back programme and a DKK -25m impact from the repayment of a loan in connection with the sale of property in Denmark. Overall, cash flow from financing activities totalled DKK -93m against DKK -80m in Q1 2016.

Consequently, total cash flow in Q1 2017 amounted to DKK -420m against DKK -364m in Q1 2016.

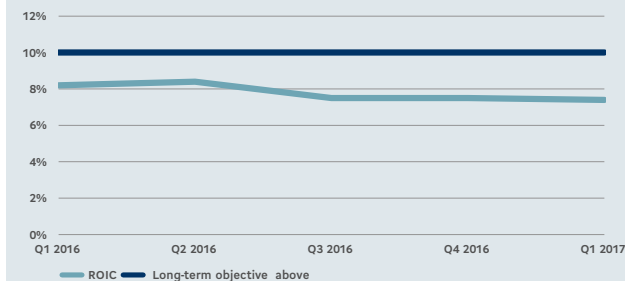
Compared to Q1 2016, net interest-bearing liabilities increased by DKK 302m to DKK 458m. Within this period, purchase of treasury shares and dividend distributed amounted to DKK 329m. Gearing increased to 1.4 times EBITDA from 0.4 in Q1 2016. Our objective for gearing is 1.5-2.5 times EBITDA.

As at 31 March 2017, Solar had undrawn credit facilities of DKK 627m.

We aim to deliver long-term return on invested capital (ROIC) of more than 10%. As at 31 March 2017, ROIC was 7.4% compared to 7.5% at 31 December 2016.

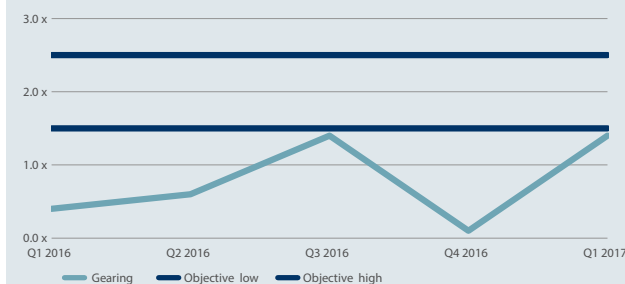
Invested capital totalled DKK 1,899m at the end of Q1 2017, down from DKK 1,984m at the end of Q1 2016. Activities where our equity interest is < 20% are not included in the ROIC calculation. Invested capital includes operating assets and liabilities only.

Return on invested capital (ROIC) in %



Gearing, no. of times

(interest-bearing liabilities, net / EBITDA)



Remuneration of Executive Board and management team

In February 2017, Solar's Executive Board and management team were granted 23,718 additional share options to be exercised 10 banking days after the publication of the annual reports in 2020 or 2021. In addition, 18,114 and 4,306 share options were exercised from 2013 and 2014 respectively. For more information, please see company announcements nos. 5 and 6 of 24 February 2017 and this report's note on share options.

The share option plan is in line with Solar's general guidelines for incentive programmes. These guidelines are available from Solar's website under www.solar.eu/investor/policies/

Events after the end of the period under review

Following approval at the Annual General Meeting on 17 March 2017, Solar has reduced the B share capital medio April 2017 by nominally DKK 17,498,200 from nominally DKK 792,060,700 to nominally DKK 774,562,500, corresponding to a reduction of the B share capital of 174,982 B shares of DKK 100 by cancelling treasury B shares.

Key risks

Solar's Annual Report 2016 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.



Outlook 2017

We reconfirm our guidance

Outlook for Solar's business areas

Installation

Overall, we expect Installation growth in 2017 to match or slightly exceed the 2016 level.

In the Danish market, new construction and renovation activities are expected to improve.

We expect growth in the Swedish market but at a lower level than that for 2016.

In Norway, we expect the installation segment to generate modest growth.

The Dutch market has seen some positive trends and we expect to see continuous, but modest improvement.

Overall, our outlook for 2017 is for moderate, positive market growth.

Industry

Our outlook for Industry is positive growth.

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

In particular, market uncertainty relates to the expected low investment levels within offshore and related industries in the North Sea area, as well as mixed signals in the Dutch market.

Other

We expect continued growth in STI and other activities within the other segment.

Financial outlook

For 2017, we expect a revenue of approximately DKK 11.4bn corresponding to organic growth of approximately 3%.

In 2016, our spend on innovation and business developments amounted to approximately DKK 20m and non-recurring costs relating to structural changes amounted to approximately DKK15m. The strong focus on innovation and business development continues in 2017, and we initiate the necessary structural changes made possible by our digital investments and our ongoing investment in new developments.

For 2017, we expect to spend approximately DKK 25m on innovation and business development and approximately DKK 20m on structural changes. This amounts to approximately DKK 45m, leading to an operational EBITA of DKK 345m.

DKK million	Guidance 2017	Actual 2016
Operational EBITA	345	302
Innovation and business development	-25	-20
Non-recurring costs	-20	-15
Positive one-offs	0	11
EBITA	300	278

For 2017, we reconfirm our expectations for an EBITA of approximately DKK 300m.

Focus on reducing investment in net working capital will continue in 2017. We will continue to focus on investing in digital solutions, whereas investments in property, plant and equipment will remain low throughout 2017.

Outlook 2017

Financial targets

The creation of long-term value for our customers and shareholders is our main driver. Our strategy of generating profitable growth remains our key focus. Our financial targets underpin the strategy.

In connection with our networked development activities, we are now an involved shareholder in a number of companies, where our equity interest is < 20%.

The value of these shareholdings, and any adjustments to the fair value, will neither be included in the basis for the payout ratio nor in the ROIC calculation where the invested capital only includes operating assets and liabilities.

Financial ratios	Financial targets
Growth	We aim to generate profitable growth above market levels
ROIC (incl. amortisation and tax)	We aim to deliver long-term returns on invested capital of more than 10%
Equity ratio	35 - 40%
Gearing (NIBD/EBITDA)	1.5 - 2.5
Payout ratio (of earnings after tax, but adjusted for any fair value adjustment of investments)	35 - 45%

Strategy

Customer focus

We constantly strive to understand our customers' needs and to ensure that doing business with Solar makes for the easiest and most obvious choice.

We understand that our customers are consumers at work and expect an outstanding experience irrespective of the context. Service has to be personal, professional, precise, flexible and fast. We are, therefore, committed to continuously improving our customers' experience, which includes marketing automation and an unswerving ambition to be the best at what we do.

For us, digitalisation is much more than e-business and we are strengthening our digital interaction with and for our customers. We are doing this because the use of technology makes us and our customers more productive. It is a means to an end.

Based on data analysis, we endeavour to enhance our relevance to customers. We have personalised our customer communication and optimised our customer contact points. Consequently, our web shop, websites and newsletters will be adapted to different audiences and will be modified in order to serve customers with different needs. By doing so, we are enhancing our relevance and will avoid wasting our customers' valuable time.

The same rationale is behind our investor website, which is also geared towards the individual user.

Attracting new customers

Our industrial business is developing. MAG45 is attracting new customers in both Europe and Asia. A new customer, the global medical technology company, Becton Dickinson Inc., has created the basis for the establishment of a MAG45 hub in Singapore.

Our training business, STI, has a diverse customer base, which we aim to expand. Part of our expansion drive includes updating our digital learning platforms as well as strengthening our sales and marketing activities.

The STI business pipeline is growing, and a recent example of this is a new contract with Norwegian Elektro Union, an association of electrical installers.

We are also seeing increasing activity within the trade business, where various chains are responding positively to our proposition as a sourcing and logistics partner. Although margins are modest, our lean structure for serving these customers still makes this a profit-accretive business.

The solar power market is mature

The solar power market is now economically viable. Due to the substantial technology improvements in both solar cell and battery performance, solar energy can now be generated on commercial terms, without subsidies. Further technical development will only strengthen solar power as an attractive renewable energy source.

At Solar, we therefore believe that solar energy generation will proliferate both in commercial and residential applications. This is why we recently acquired a Danish solar power project business – now known as Solar Polaris A/S.

Solar Polaris acts as an EPC* contractor, and thus handles all phases in a solar project. Solar Polaris is the company with the largest reference list of successfully installed solar power projects in Denmark. Many of Solar's existing customers use Solar Polaris as a project sub-supplier, but Solar Polaris also does business directly with property owners. For residential projects, Solar Polaris also offers attractive financing through a third-party partnership.

Networked development

We continue our efforts within networked development by supporting the development of our associated businesses in order to create synergies.

Good collaboration has been established between our main business and our associated businesses, which we expect will create mutually beneficial business opportunities. Through lead generation, we are already seeing benefits accrue to Solar customers as well as to our associated businesses.

Our efforts to identify new opportunities continue, and we want to make further investments in people and technology that will enhance our networked development agenda.

* Engineering, procurement and construction.

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 702 million B shares.

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

Share capital includes 900,000 A shares and 7,020,607 B shares. Solar's portfolio of treasury shares totalled 622,315 B shares or 7.9% of share capital as at 31 March 2017.

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

Reduction of B share capital

Following approval at the Annual General Meeting on 17 March 2017, Solar reduced the B share capital medio April 2017 by nominally DKK 17,498,200 from nominally DKK 792,060,700 to nominally DKK 774,562,500, corresponding to a reduction of the B share capital of 174,982 B shares of DKK 100 by cancelling treasury B shares.

Audio webcast

The presentation of Quarterly Report Q1 2017 will be transmitted online on 3 May 2017 at 11:00 CET and will be accessible via www.solar.eu.

Distribution of share capital and votes as at 31 March 2017 in %*

Holdings of 5% or more of share capital	Share capital	Votes
The Fund of 20 th December, Kolding, Denmark	15.6%	57.5%
Chr. Augustinus Fabrikker A/S, Copenhagen, Denmark	10.3%	5.1%
RWC Asset Management LLP, London, England	10.0%	4.9%
Nordea Funds Oy, Danish Branch, Copenhagen, Denmark	9.2%	4.6%
Solar A/S, Vejle, Denmark	7.9%	3.9%

*The calculation of the holdings is based on the share capital before the reduction of B share capital.

Financial calendar 2017

10 July - 10 August	IR quiet period
10 August	Quarterly Report Q2 2017
10 October - 26 October	IR quiet period
26 October	Quarterly Report Q3 2017



Consolidated financial statements

Statement of comprehensive income

Income statement

DKK million	Q1		Year
	2017	2016	2016
Revenue	2,996	2,656	11,072
Cost of sales	-2,364	-2,099	-8,764
Gross profit	632	557	2,308
External operating costs	-153	-125	-492
Staff costs	-404	-360	-1,469
Loss on trade receivables	-5	-5	-17
Earnings before interest, tax, depreciation and amortisation (EBITDA)	70	67	330
Depreciation and write-down on property, plant and equipment	-14	-15	-52
Earnings before interest, tax and amortisation (EBITA)	56	52	278
Amortisation of intangible assets	-17	-13	-56
Earnings before interest and tax (EBIT)	39	39	222
Financial income	106	5	26
Financial expenses	-11	-16	-60
Earnings before tax (EBT)	134	28	188
Income tax	-11	-7	-63
Net profit for the period	123	21	125
Earnings in DKK per share outstanding (EPS)	16.85	2.71	16.50
Diluted earnings in DKK per share outstanding (EPS-D)	16.83	2.71	16.49

Other comprehensive income

DKK million	Q1		Year
	2017	2016	2016
Net profit for the period	123	21	125
Other income and costs recognised:			
Items that cannot be reclassified for the income statement			
Actuarial gains / losses on defined benefit plans	0	0	-9
Tax on actuarial gains/losses on defined benefit plans	0	0	2
Items that can be reclassified for the income statement			
Foreign currency translation adjustments of foreign subsidiaries	-1	3	2
Value adjustments of hedging instruments before tax	8	-11	8
Tax on value adjustments of hedging instruments	-2	2	-2
Other income and costs recognised after tax	5	-6	1
Total comprehensive income for the period	128	15	126

Balance sheet

as at 31 March

DKK million	31.03		31.12
	2017	2016	2016
ASSETS			
Intangible assets	493	425	475
Property, plant and equipment	867	864	865
Deferred tax asset	10	28	10
Other non-current assets	328	7	47
Non-current assets	1,698	1,324	1,397
Inventories	1,401	1,337	1,321
Trade receivables	1,685	1,490	1,404
Income tax receivable	14	9	5
Receivables from construction contracts	1	-	-
Other receivables	12	26	10
Prepayments	49	40	26
Cash at bank and in hand	55	321	343
Assets held for sale	0	62	0
Current assets	3,217	3,285	3,109
Total assets	4,915	4,609	4,506

DKK million	31.03		31.12
	2017	2016	2016
EQUITY AND LIABILITIES			
Share capital	792	792	792
Reserves	-130	-149	-135
Retained earnings	1,061	1,093	938
Proposed dividends for the financial year	0	77	88
Equity	1,723	1,813	1,683
Interest-bearing liabilities	189	215	194
Provision for pension obligations	18	15	18
Provision for deferred tax	124	127	122
Other provisions	40	37	41
Non-current liabilities	371	394	375
Interest-bearing liabilities	324	262	192
Trade payables	1,954	1,595	1,727
Income tax payable	16	1	16
Other payables	506	517	495
Prepayments	2	0	0
Other provisions	19	27	18
Current liabilities	2,821	2,402	2,448
Liabilities	3,192	2,796	2,823
Total equity and liabilities	4,915	4,609	4,506

Cash flow statement

DKK million	Q1		Year
	2017	2016	2016
Net profit for the period	123	21	125
Write-down, depreciation and amortisation	31	28	108
Changes to provisions and other adjustments	-3	0	4
Financials, net	-95	11	34
Income tax	11	7	63
Financial income, received	2	1	10
Financial expenses, settled	-9	-22	-52
Income tax, settled	-19	-22	-54
Cash flow before working capital changes	41	24	238
Working capital changes			
Inventory changes	-78	-4	5
Receivables changes	-303	-184	-63
Non-interest-bearing liabilities changes	244	-87	39
Cash flow from operating activities	-96	-251	219
Investing activities			
Purchase of intangible assets	-28	-12	-88
Purchase of property, plant and equipment	-14	-6	-46
Disposal of property, plant and equipment	0	38	102
Acquisition of subsidiaries and activities ¹	-10	-53	-97
Other financial investments	-179	-	-18
Cash flow from investing activities	-231	-33	-147

DKK million	Q1		Year
	2017	2016	2016
Financing activities			
Repayment of non-current interest-bearing debt	-5	-47	-114
Treasury share purchases	0	-33	-197
Dividends distributed	-88	0	-77
Cash flow from financing activities	-93	-80	-388
Total cash flow	-420	-364	-316
Cash at bank and in hand at the beginning of the period	321	639	639
Assumed on acquisition of subsidiaries	0	-3	-2
Foreign currency translation adjustments	0	0	0
Cash at bank and in hand at the end of the period	-99	272	321
Cash at bank and in hand at the end of the period			
Cash at bank and in hand	55	321	343
Current interest-bearing liabilities ²	-154	-49	-22
Cash at bank and in hand at the end of the period	-99	272	321

1. Relates to the acquisition of activities in Solar Polaris A/S in Denmark in Q1 2017.

2. Not including the short-term part of long-term liabilities that falls 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
2017						
Equity as at 1 January	792	-73	-62	938	88	1,683
Foreign currency translation adjustments of foreign subsidiaries			-1			-1
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
Comprehensive income	0	6	-1	123	0	128
Distribution of dividends					-88	-88
Transactions with the owners	0	0	0	0	-88	-88
Equity as at 31 March	792	-67	-63	1,061	0	1,723



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
2016						
Equity as at 1 January	792	-79	-64	1,104	78	1,831
Foreign currency translation adjustments of foreign subsidiaries			3			3
Value adjustments of hedging instruments before tax		-11				-11
Tax on value adjustments		2				2
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-9	3	0	0	-6
Net profit for the period				21		21
Comprehensive income	0	-9	3	21	0	15
Buy-back of treasury shares				-32	-1	-33
Transactions with the owners	0	0	0	-32	-1	-33
Equity as at 31 March	792	-88	-61	1,093	77	1,813

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
Q1 2017				
Revenue	1,949	824	223	2,996
Cost of sales	-1,568	-629	-167	-2,364
Gross profit	381	195	56	632
Direct costs	-74	-25	-9	-108
Earnings before indirect costs	307	170	47	524
Indirect costs	-148	-46	-14	-208
Segment profit or loss	159	124	33	316
Non-allocated costs				-246
Earnings before interest, tax, depreciation and amortisation (EBITDA)				70
Depreciation and amortisation				-31
Earnings before interest and tax (EBIT)				39
Financials, net				95
Earnings before tax (EBT)				134

DKK million	Installation	Industry	Other	Total
Q1 2016				
Revenue	1,755	704	197	2,656
Cost of sales	-1,397	-537	-165	-2,099
Gross profit	358	167	32	557
Direct costs	-75	-24	-4	-103
Earnings before indirect costs	283	143	28	454
Indirect costs	-143	-40	-13	-196
Segment profit or loss	140	103	15	258
Non-allocated costs				-191
Earnings before interest, tax, depreciation and amortisation (EBITDA)				67
Depreciation and amortisation				-28
Earnings before interest and tax (EBIT)				39
Financials, net				-11
Earnings before tax (EBT)				28

Notes

Segment information – continued

Geographical information

Solar A/S primarily operates on the Danish, Swedish, Norwegian and Benelux markets. In the below table, Other markets covers the remaining markets, which can be seen in the group structure available on page 21 of Annual Report 2016 or on www.solar.eu. The below allocation has been made based on the products' place of sale.

DKK million	Revenue	Adjusted organic growth	Non-current assets
Q1 2017			
Denmark	838	9.4	2,110
Sweden	662	3.9	288
Norway	527	9.3	205
Benelux	707	-1.8	286
Other markets	281	4.7	105
Eliminations	-19	-	-1,296
Total	2,996	4.6	1,698
Q1 2016			
Denmark	717	5.1	1,758
Sweden	600	4.3	272
Norway	417	-4.5	140
Benelux	702	-3.4	317
Other markets	235	9.8	139
Eliminations	-15	-	-1,302
Total	2,656	1.2	1,324



Notes

Acquisitions of subsidiaries

On 1 February 2016, Solar A/S acquired the shares of MAG45 B.V.

The acquisition price of 100% of the MAG45 shares on a net debt-free basis is made up of a fixed amount of DKK 60m and a variable amount (earn-out) which is expected to be DKK 0. The earn-out amount depends on the results in 2016, 2017 and 2018.

At closing, DKK 53m was paid for 100% of the shares of MAG45 B.V., equalling DKK 59m on a net debt-free basis (normalised approx. DKK 64m).

The acquisition has had no significant impact on revenue or EBITA in 2016.

Transaction costs related to the acquisition totalled DKK 2m.

Goodwill has been identified with DKK 22m and is attributable to synergies as MAG45 fits well with both our sourcing and services focus and with our interest in increasing our industrial exposure. The key rationale behind the acquisition of MAG45 is growth.

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

Property, plant and equipment	3
Inventories	30
Trade receivables	41
Other receivables	1
Cash	17
Provision for deferred tax	-6
Other non-current liabilities, interest-bearing	-21
Current liabilities	-91
Net assets acquired	-26
Goodwill	22
Customer-related intangible assets	30
Other intangible assets	5
Acquisition cost	31
Of this, net cash	3
Other interest-bearing liabilities, net	20
Acquisition price on net debt-free basis	54
Hereof expected earn-out	0
Acquisition price on net debt-free basis	54

Notes

Acquisitions of subsidiaries - continued

On 11 August 2016, Solar A/S acquired the shares of Scandinavian Technology Institute.

The acquisition price of 100% of the Scandinavian Technology Institute shares on a net debt-free basis is made up of a fixed amount of DKK 43m and variable amount (earn-out) expected to total DKK 15m. The earn-out amount depends on the achievement of set financial results by 2021 with payment to be made in 2022.

At closing, DKK 43m was paid for 100% of the shares of Scandinavian Technology Institute. Including expected earn-out of DKK 15m this equals DKK 58m on a net debtfree basis (normalised approx. DKK 58m). The expected earn-out is included in other provisions, non-current.

The acquisition has had no significant impact on revenue or EBITA in 2016.

Transaction costs related to the acquisition totalled DKK 1m.

Goodwill has been identified with DKK 52m and is attributable to synergies as the acquisition reinforces Solar's focus on growing our service business. It provides us with expert competences, professional training tools, and increases critical mass. This will facilitate the process of growing training as a business for Solar Group.

Fair value at the date of acquisition (DKK million)

Property, plant and equipment	2
Trade receivables	7
Other receivables	3
Cash	1
Provision for deferred tax	2
Other non-current liabilities	-8
Current liabilities	-4
Net assets acquired	3
Goodwill	52
Other intangible assets	4
Acquisition cost	59
Of this, net cash	-1
Acquisition price on net debt-free basis	58
Hereof expected earnout	-15
Acquisition price on net debt-free basis excl. expected earn-out	43
<hr/>	
Total acquisition price for MAG45 and EBS	95
Of this, net cash	2
Total acquisition price for MAG45 and EBS recognised in cash flow statement	97



Notes

Share option plans

Description and specification of Solar's share option plans are found in Annual Report 2016 and at <https://www.solar.eu/investor/policies/>.

In February 2017, Solar granted 23,718 additional share options (March 2016: 28,398 share options) to the Executive Board and senior management employees.

In addition, 18,114 share options from the 2013 granting and 4,306 share options from the 2014 granting were exercised, respectively. So, outstanding share options now total 110,274.

2017 granting	Number of share options
Executive Board	9,261
Other	14,457
Total	23,718

Exercise period:

10 banking days following publication of the annual report in	2020/2021
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DKK million

Market value estimated at the time of granting using the Black-Scholes model	1.5
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Conditions applying to the statement of market value at the time of granting using the Black-Scholes model:

Average share price	381.23
Exercise price	381.23
Expected volatility	30.6%
Expected dividend in proportion to market value	2.6%
Risk-free interest rate	0.1%

Average share price is calculated based on the average price on Nasdaq Copenhagen over the first 10 business days following publication of Annual Report 2016.



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, accounting policies remain unchanged from Annual Report 2016, which holds a full description of these on pages 47-48 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.

Additional accounting policies applied

As a consequence of additional investments and activities acquired in Q1 2017, the following accounting policies are applied:

Statement of comprehensive income

Construction contracts

If the outcome of a construction contract can be reliably estimated, revenue and contract expenses will be included in the profit based on the stage of completion of the contract at the balance sheet date (the percentage of completion method).

If a sufficiently reliable estimation of the outcome of a construction contract cannot be made, revenue corresponding to the contract expenses incurred during the period will be included if these expenses are likely to be recovered.

Balance sheet

Other non-current assets

Equity investments with no controlling or significant influence are measured at fair value.

The fair value is determined corresponding to the market price of the listed equity investments and at an estimated fair value determined based on the market information and recognised valuation methods for other equity investments.

Value adjustments of equity investments in relation to which ongoing monitoring of the fair value development is carried out are included in the statement of comprehensive income under financial income and expenses, net.

Equity interests that are not traded in an active market and for which the fair value cannot be determined reliably are measured at cost price.

Construction contracts

When the outcome of a construction contract can be reliably estimated, the construction contract is measured at selling price of the work performed up until the balance sheet date (percentage of completion method) less the on account invoicing and write-down made to parry expected losses.

The selling price is measured on the basis of the stage of completion at the balance sheet date and the total expected revenue on the individual construction contract.

The stage of completion of the individual project is usually calculated as the proportion of actually consumed resources compared to the total estimated consumption of resources. For individual projects where the consumption of resources cannot be used as a basis, the proportion of the finalised sub-activities compared to the total project is used.

The individual ongoing construction contract is included in the balance sheet under receivables or liabilities, depending on whether the net value is a receivable or a liability.

New accounting standards implemented during the period

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

New accounting standards to be implemented in coming accounting periods

For information on new accounting standards, reference is made to note 28 on page 88 in Annual Report 2016. No new or amended standards have been issued in 2017 other than those stated in the annual report.

On audit

This quarterly report has not been audited or reviewed.

Quarterly figures

Income statement (DKK million)	Q1		Q2		Q3		Q4	
	2017	2016	2016	2015	2016	2015	2016	2015
Revenue	2,996	2,656	2,811	2,674	2,595	2,449	3,010	2,819
Earnings before interest, tax, depreciation and amortisation (EBITDA)	70	67	72	64	74	104	117	117
Earnings before interest, tax and amortisation (EBITA)	56	52	57	48	67	89	102	99
Earnings before interest and tax (EBIT)	39	39	43	37	53	77	87	87
Financials, net	95	-11	-6	-7	-9	-12	-8	-21
Earnings before tax (EBT)	134	28	37	30	44	65	79	66
Net profit or loss for the quarter	123	21	27	23	29	48	48	34

Balance sheet (DKK million)	2017	2016	2016	2015	2016	2015	2016	2015
Non-current assets	1,698	1,324	1,316	1,310	1,399	1,281	1,397	1,250
Current assets	3,217	3,285	3,221	3,358	3,172	3,201	3,109	3,421
Balance sheet total	4,915	4,609	4,537	4,668	4,571	4,482	4,506	4,671
Equity	1,723	1,813	1,740	1,798	1,631	1,812	1,683	1,831
Non-current liabilities	371	394	387	644	407	623	375	592
Current liabilities	2,821	2,402	2,410	2,226	2,533	2,047	2,448	2,248
Interest-bearing liabilities, net	458	156	231	221	476	294	43	-184
Invested capital	1,899	1,984	1,986	2,133	2,122	2,219	1,744	1,662
Net working capital, end of period	1,132	1,232	1,196	1,307	1,323	1,403	998	989
Net working capital, average	1,162	1,233	1,205	1,302	1,185	1,282	1,187	1,252

Quarterly figures

- continued

	Q1		Q2		Q3		Q4	
	2017	2016	2016	2015	2016	2015	2016	2015
Cash flows (DKK million)								
Cash flow from operating activities	-96	-251	40	58	-7	-68	437	524
Cash flow from investing activities	-231	-33	-28	-10	-83	-17	-3	-19
Cash flow from financing activities	-93	-80	-137	-69	-159	-12	-12	-30
Net investments in intangible assets	-28	-12	-19	-10	-22	-10	-35	-10
Net investments in property, plant and equipment	-14	32	-9	-5	-4	-7	37	-9
Acquisition and disposal of subsidiaries, net	-10	-53	0	5	-44	0	0	0
Financial ratios (% unless otherwise stated)								
Revenue growth	12.8	0.4	5.1	8.0	6.0	1.3	6.8	1.6
Organic growth	10.7	-0.3	3.8	9.4	3.0	3.8	4.4	3.2
Organic growth adjusted for number of working days	4.6	1.2	-1.8	10.1	3.1	3.8	4.3	1.5
Gross profit margin	21.1	21.0	20.5	20.5	20.8	20.8	21.1	20.5
EBITDA margin	2.3	2.5	2.6	2.4	2.9	4.2	3.9	4.2
EBITA margin	1.9	2.0	2.0	1.8	2.6	3.6	3.4	3.5
EBIT margin	1.3	1.5	1.5	1.4	2.0	3.1	2.9	3.1
Net working capital (NWC end of period)/revenue (LTM)	9.9	11.6	11.1	12.4	12.2	13.3	9.0	9.3
Net working capital (NWC average)/revenue (LTM)	10.2	11.6	11.2	12.0	10.9	12.2	10.7	11.8
Gearing (interest-bearing liabilities, net/EBITDA), no. of times	1.4	0.4	0.6	0.8	1.4	1.0	0.1	-0.5
Return on equity (ROE)	13.3	6.9	7.3	-5.8	6.6	-5.0	7.5	9.2
Return on invested capital (ROIC)	7.4	8.2	8.4	0.5	7.5	2.0	7.5	8.5
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	10.3	9.3	8.6	16.2	11.8	17.8	9.4	10.6
Equity ratio	35.1	39.3	38.4	38.5	35.7	40.4	37.4	39.2

Quarterly figures

- continued

Share ratios (DKK)

Earnings in DKK per share outstanding (EPS)	16.85	2.71	3.51	2.93	3.84	6.11	6.58	4.33
Intrinsic value in DKK per share outstanding	236.08	233.91	225.93	229.03	216.10	230.81	230.60	234.43
Share price in DKK	383	329	307	363	374	409	362	432
Share price/intrinsic value	1.62	1.41	1.36	1.59	1.73	1.77	1.57	1.84

Employees

Average number of employees (FTE)	3,062	2,968	3,024	2,886	3,051	2,840	3,083	2,864
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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. Activities where our equity interest is <20% 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 2017 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 2017 as well as of the results of the group's activities and cash flow for Q1 2017.

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, 3 May 2017

EXECUTIVE BOARD

Anders Wilhjelm
CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

BOARD OF DIRECTORS

Jens Borum
Chairman

Ulf Gundemark
Vice-chairman

Lars Lange Andersen

Niels Borum

Jesper Dalsgaard

Ulrik Damgaard

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