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1. november 2018

Meddelelse nr. 17 2018

Delårsrapport for Q3 2018

Omsætning og EBITA i Q3 var en smule lavere end forventet på grund af udviklingen i Solar Sverige og Solar Norge. Vi ændrer vores forventninger, da genopretningen i både Solar Sverige og Solar Norge går langsommere end forventet.

CEO Jens Andersen udtaler:

”Vi er stadig udfordrede af udviklingen i Solar Sverige forårsaget af tidligere strukturelle ændringer i salgsorganisationen. Derfor ændrede vi strukturen i den svenske salgsorganisation i tredje kvartal. Vi tror på, at vi nu har den rette struktur på plads, men det vil tage noget tid, før effekten vil afspejle sig i resultaterne. I Solar Norge har vi ligeledes oplevet negativ organisk vækst hovedsageligt på grund af en mistet kontrakt. På trods af god fremdrift er det endnu ikke lykkedes os at kompensere fuldt ud for dette. Til gengæld ser vi fortsat en god udvikling inden for vores tre strategiske fokusområder.”

Udvalgte hovedtal (DKK mio.)*	Q3 2018	Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Omsætning	2.546	2.604	8.118	8.126
EBITA	90	93	208	210
Resultat før skat	67	69	172	216
Pengestrømme fra driftsaktivitet	-23	-4	-101	-270
Udvalgte nøgletal (%)				
Organisk vækst justeret for antal arbejdsdage	-0,3	8,8	2,0	6,7
EBITA-margin	3,5	3,6	2,6	2,6
Nettoarbejdskapital, ultimo/omsætning (LTM)	11,8	11,6	11,8	11,6
Gearing (NIBD/EBITDA), antal gange	2,1	1,9	2,1	1,9

* Grundet frasalget af vores østrigske og belgiske forretningsaktiviteter, GFI GmbH og Claessen ELGB NV, relaterer tallene for 2017 og 2018 i denne meddelelse sig til vores fortsættende aktiviteter.

Omsætning i Q3 2018

- Justeret organisk vækst udgjorde -0,3% mod 8,8% i Q3 2017. Vores relaterede forretning genererede en justeret organisk vækst på 23,7%, mens justeret organisk vækst for kerneforretningen udgjorde -1,4%.

EBITA i Q3 2018

- Sammenlignet med Q3 2017 faldt EBITA for kerneforretningen til DKK 99 mio. fra DKK 103 mio. Dette var en smule under det forventede, primært henført til udviklingen i Solar Sverige.
- EBITA for den relaterede forretning udgjorde DKK -9 mio. mod DKK -10 mio. i Q3 2017.

Forventninger til 2018

- Vores forventninger til omsætningen ligger nu på ca. DKK 11,1 mia., svarende til en organisk vækst på 2%, og vores forventninger til EBITA ligger på ca. DKK 315 mio. mod en tidligere forventet omsætning på ca. DKK 11,4 mia. og en tidligere forventet EBITA på ca. DKK 345 mio. Se detaljer i tabellerne.
- For kerneforretningen ændrer vi vores forventninger til omsætningen fra ca. DKK 10,8 mia. til ca. DKK 10,5 mia., og vores forventninger til EBITA ændres fra ca. DKK 375 mio. til ca. DKK 345 mio.
- Genopretningen i Solar Sverige har vist sig at gå langsommere end først antaget, hvilket sammen med udviklingen i Solar Norge vil have en negativ indvirkning på omsætningen på ca. DKK 0,2 mia.
- Lavere forventninger til omsætningen kombineret med en forventet negativ effekt af det geografiske mix og kundemix forventes at have en negativ indvirkning på EBITA på ca. DKK 40 mio.
- Vi har formået at accelerere vores program til begrænsning af omkostninger og derved opnået en yderligere besparelse på ca. DKK 15 mio.

Omsætning, DKK million	Kerne-forretning	Relateret forretning	Solar Group
Forventninger offentliggjort 09.08.2018	10.800	600	11.400
Forventet vækstreduktion	-200	-	-200
Valutakursreguleringer	-100	-	-100
Forventninger 01.11.2018	10.500	600	11.100

EBITA, DKK million	Kerne-forretning	Relateret forretning	Solar Group
Forventninger offentliggjort 09.08.2018	375	-30	345
Forventet vækstreduktion og ændring i mix	-40	-	-40
Program til begrænsning af omkostninger	15	-	15
Valutakursreguleringer	-5	-	-5
Forventninger 01.11.2018	345	-30	315

Audio webcast og telekonference i dag

Præsentationen af Delårsrapport Q3 2018 foregår på engelsk den 1. november 2018 kl. 11.00. Præsentationen bliver transmitteret som en audio webcast og kan følges på www.solar.eu. Deltagelse er mulig via den tilknyttede telekonference.

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Med venlig hilsen
Solar A/S

Jens Andersen

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Bilag: Delårsrapport Q3 2018, side 1-33.

Fakta om Solar

Solar-koncernen er en førende sourcing- og servicevirksomhed. Vores kerneforretning centrerer sig om sourcing af produkter, værdiskabende service og optimering af vores kunders forretning.

Som sourcing- og servicevirksomhed fokuserer vi på den enkelte kunde. Vi bestræber os altid på at forstå vores kunders unikke og reelle behov, så vi kan yde en vedkommende, personlig og værdiskabende service og dermed gøre vores kunder til vindere.

Solar-koncernen, der har hovedsæde i Danmark, havde i 2017 en omsætning på over 11 mia. kroner og beskæftiger ca. 3.000 medarbejdere. Solar er noteret på Nasdaq Copenhagen med kortnavn SOLAR B. Flere oplysninger kan findes på: www.solar.eu.

Ansvarsfraskrivelse

Denne meddelelse er offentliggjort dags dato på dansk og engelsk via Nasdaq Copenhagen. I tilfælde af uoverensstemmelse mellem de to versioner er det den danske version, der er gældende.



Solar A/S

CVR NO.: 15 90 84 16

Quarterly Report Q3 2018



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Financial highlights

Consolidated (DKK million)	Q3		Q1-Q3		Year
	2018	2017	2018	2017	2017
Revenue	2,546	2,604	8,118	8,126	11,105
Earnings before interest, tax, depreciation and amortisation (EBITDA)	103	106	248	249	347
Earnings before interest, tax and amortisation (EBITA)	90	93	208	210	295
Earnings before interest and tax (EBIT)	61	74	139	156	126
Earnings before tax (EBT)	67	69	172	216	126
Net profit for the period	49	42	123	153	19
Balance sheet total	4,693	5,014	4,693	5,014	4,717
Equity	1,645	1,745	1,645	1,745	1,591
Interest-bearing liabilities, net	712	728	712	728	489
Cash flow from operating activities, continuing operations	-23	-4	-101	-270	12
Net investments in property, plant and equipment	-10	7	-33	-10	-15

Employees

Number of employees (FTEs), end of the period	2,961	2,920	2,961	2,920	2,959
Average number of employees (FTEs), LTM	2,979	2,875	2,979	2,875	2,901

Financial ratios (% unless otherwise stated)	Q3		Q1-Q3		Year
	2018	2017	2018	2017	2017
Organic growth adjusted for number of working days	-0.3	8.8	2.0	6.7	6.9
Gross profit	20.4	20.9	20.6	21.1	21.0
EBITDA margin	4.0	4.1	3.1	3.1	3.1
EBITA margin	3.5	3.6	2.6	2.6	2.7
Net working capital (NWC at end of period)/revenue (LTM)	11.8	11.6	11.8	11.6	9.7
Gearing (net interest-bearing liabilities/EBITDA), no. of times	2.1	1.9	2.1	1.9	1.4
Equity ratio	35.1	34.8	35.1	34.8	33.7

Share ratios (DKK)

Earnings per share outstanding (EPS)	6.71	5.75	16.85	20.96	2.60
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Overall, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015".



Business update

We are delivering on our strategic focus areas

We constantly strive to improve our customers' productivity and profitability.

Strategic suppliers

Peter Pedersen, our SVP, Commercial Market, has joined Solar Group Management to drive concept sales and other strategic initiatives.

We continue to pursue growth opportunities and align our approach to concept sales across all our markets. We are seeing a positive effect in the Netherlands, where we have increased our share of concept sales. This has arisen, however, from a low starting point.

Parallel with this, we enter into new cooperation agreements with strategic suppliers on a regular basis.

In Sweden, we have signed an agreement with Honeywell Eltek. The agreement means that Solar will keep their entire fire alarm product portfolio in stock. Thus, we continue to develop our strong position in the security market. The agreement is based on Solar's knowhow, best-in-class logistics and webshop.

In Norway, we have embarked on a strategic partnership with Otovo, the leading supplier of solar panels in the B2C market. The agreement covers sourcing, inventory and logistics services for solar panels and roof tiles, inverters and fixing equipment for photovoltaic systems.

Solar will provide the logistics solutions for the many installer companies that work with Otovo. Additionally, Solar will supply solar panels and roof tiles for Otovo's customers in the B2B market.

Industry focus

A new collaboration between Solar and Lapp Group, a leading provider of industry cables, will give Scandinavian industry customers easier access to the right assortment of cables and electrical components. A mix of high-quality products and logistics services will help deliver increased efficiency to industry customers.

The collaboration means that customers will be able to consolidate their purchases with fewer suppliers, which goes hand in hand with Solar's TCO mindset. Moreover, customers will have the option to combine Lapp's wide assortment of high-quality products with Solar's knowledge, services and logistics.

Due to the broad representation in Scandinavia, the new collaboration will have positive impact on availability and will enable customers to make Scandinavian-based agreements.

Solar has a strong position within utilities and infrastructure, supported by our best-in-class logistics. We have recently made an 8-year agreement with Ørsted, a large Danish company focusing on renewable energy and also working within utilities. The agreement will enhance Ørsted's flexibility in terms of its sourcing, including operations on the electricity network in Radius Elnet's area, covering the Copenhagen area, Northern Zealand and parts of central Zealand. Solar will handle an extended part of purchasing, inventory and logistics for Ørsted's vast number of operational and project functions. The agreement will also improve operational efficiency in the utility company.

Digitalisation and improved efficiency

Denmark's largest installation contractor, Kemp & Lauritzen, recently decided to rent their technicians' tools through Solar.

The tools are available via an app whereby the technicians can rent the equipment they need and get the tools delivered via our Fastbox service. This means that they can utilise their time and skills in a smarter way and avoid wasting time on sourcing and replacing tools. As a result, they are able to offer their customers more added value.



Operational excellence

In order to strengthen our position in a competitive market, we are constantly looking for ways to optimise the way we do business.

We have a keen focus on optimising systems and processes that support and facilitate changing business requirements.

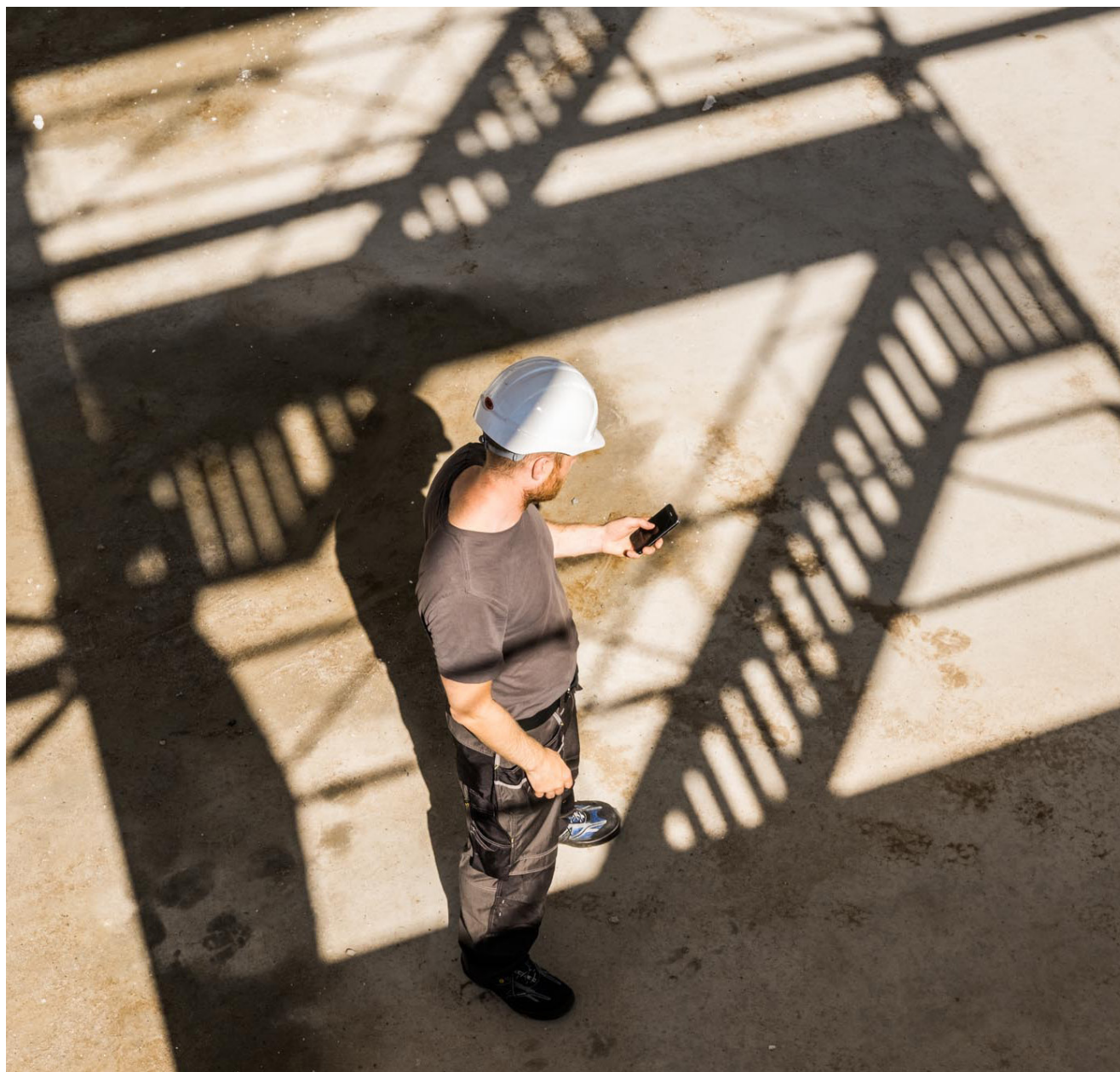
At our Shared Services Centre in Poland, we have established a support function for lighting and ventilation calculations so as to offer technical support. In total, we now employ more than 100 FTEs at our Shared Services Centre.

In IT, we have entered into a strategic partnership with LTI, a global technology consulting and digital solutions company.

The partnership allows tasks related to development within eWM – extended warehouse management – and other areas to be solved from India. This will help to improve efficiency and free up resources within our own IT organisation to solve tasks related to projects. Furthermore, we will have access to a resource pool of IT specialists.

With regard to our training services, we have reorganised and reestablished Solar School, which has once again become part of our core business and sales organisation. We offer skills development to match our customers' needs, which, in turn, cements our customer relationships.

The rest of the Scandinavian Technology Institute has been downsized and the team are now refocusing their core skills and expertise.





Financial review

EBITA was slightly below our expectations due to challenges in Solar Sverige and Solar Norge

In Q1-Q3, Solar's continuing operations generated organic growth of 2.0% adjusted for the number of working days, while EBITA amounted to DKK 208m against DKK 210m in Q1-Q3 2017.

For core business, revenue and EBITA were slightly below our expectations due to challenges in Solar Sverige and Solar Norge. For related business, total revenue and EBITA were on par with our expectations.

Core business showed 1.0% in adjusted organic growth and an EBITA of DKK 235m. Related business showed strong organic growth of more than 27% when adjusted for the number of working days but diluted earnings by delivering EBITA of DKK -27m.

At the end of January 2018, Solar entered into an agreement with Sonepar concerning the divestment of activities in the loss-making subsidiaries GFI GmbH, Austria, and Claessen ELGB NV, Belgium, cf. company announcements nos. 3, 12 and 14 2018.

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

Q3 2018

Revenue

In Q3 2018, adjusted organic growth amounted to -0.3% against 8.8% in Q3 2017. Revenue amounted to DKK 2.5bn compared to DKK 2.6bn in Q3 2017.

Related business saw adjusted organic growth of 23.7%, while adjusted organic growth in core business amounted to -1.4%. Within core business, only Solar Nederland saw positive adjusted organic growth of 0.4%, while Solar Danmark, Solar Sverige, and Solar Norge saw negative adjusted organic growth. Despite a healthy market, Solar Sverige saw negative adjusted organic growth of 5.8%. In our assessment, this remains the result of structural changes in the Swedish sales organisation at the beginning of Q3 2017. In Q3 2018, we implemented a new structure in this sales organisation. We believe that we now have the right structure in place, but it will take some time before the effect is reflected in the results.

Revenue is slightly below expectations, mainly due to the development in Solar Sverige.

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.

Q3	Revenue		EBITA		Invested capital	
DKK million	2018	2017	2018	2017	2018	2017
Core business	2,402	2,492	99	103	1,922	2,005
Related business	144	112	-9	-10	133	185
Digital, construction & services	-	-	-	-	305	302
Eliminations	-	-	-	-	-305	-302
Total	2,546	2,604	90	93	2,055	2,190

Q1-Q3

Core business	7,678	7,794	235	239	1,922	2,005
Related business	440	332	-27	-29	133	185
Digital, construction & services	-	-	-	-	305	302
Eliminations	-	-	-	-	-305	-302
Total	8,118	8,126	208	210	2,055	2,190

Q3	Adj. organic growth		EBITA margin		ROIC	
%	2018	2017	2018	2017	2018	2017
Core business	-1.4	8.3	4.1	4.1	10.1	13.6
Related business	23.7	21.5	-6.3	-8.0	N/A	N/A
Total	-0.3	8.8	3.5	3.6	2.8	10.1

Q1-Q3

Core business	1.0	6.7	3.1	3.1	10.1	13.6
Related business	27.4	-	-6.1	-8.7	N/A	N/A
Total	2.0	6.7	2.6	2.6	2.8	10.1



Gross profit margin

Gross profit margin amounted to 20.4%, down from 20.9% in Q3 2017 mainly due to a changed customer mix to low margin customers in Solar Danmark and changed product mix in Solar Norge. Furthermore, gross profit margin for core business was negatively impacted by increased freight costs. In MAG45, the gross profit margin was below Q3 2017 level but above H1 2018 level.

EBITA

EBITA amounted to DKK 90m against DKK 93m in Q3 2017. EBITA margin decreased to 3.5% of revenue from 3.6% in Q3 2017.

Compared to Q3 2017, EBITA from core business was down to DKK 99m from DKK 103m. This was slightly below expectations mainly due to the development in Solar Sverige.

EBITA for related business amounted to DKK -9m against DKK -10m in Q3 2017.

Amortisation

In Q3, Solar Danmark shut down a loss-making activity, which led to an impairment on software of DKK 7m. Furthermore, as part of our focus on digital improvement projects, our investments in software led to increased amortisation. Amortisation totalled DKK 29m against DKK 19m in Q3 2017.

Share of net profit from associates

In Q3 2018, DKK -2m was included as our share of earnings from our digital, construction and services associates.

Impairment on associates

By the end of Q3 2018, the share price of BIMobject AB had increased and we reversed the write-down of DKK 15m entered in Q2 2018.

Financials

Net financials totalled DKK -7m against DKK -4m in Q3 2017.

A fair value adjustment of the investment in Geniebelt of DKK 11m was included as financial income and an adjustment of an earn-out of DKK 11m was included in financial costs.

DKK million	Q3 2018	Q3 2017	FY 2017
Earnings before tax	67	69	126
Share of net profit from associates	2	1	11
Fair value adjustment, recognised under financials	-11		-
<i>Impact due to market value changes in BIMobject:</i>			
Impairment on associates	-15		59
Fair value adjustment, recognised under financials			-79
Earnings before tax, adjusted for associates	43	70	117
Impairment loss, other intangible assets	7		10
Impairment loss, goodwill			65
Impairment loss, customer-related assets			22
Earn-out adjustments	11		-15
Adjusted earnings before tax	61	70	199

Earnings before tax

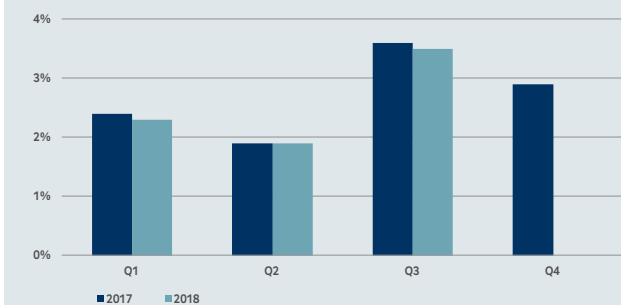
Earnings before tax amounted to DKK 67m against DKK 69m in Q3 2017. However, when adjusted for the impact from associates in terms of share of net profit, impairment, fair value adjustments, and a restatement of an earn-out receivable, earnings before tax amounted to DKK 61m in Q3 2018 against DKK 70m in Q3 2017.

Organic growth in %

(adjusted for the number of working days)



EBITA margin in %





Net profit

Profit from continuing operations came to DKK 51m against DKK 50m in Q3 2017. Losses from discontinued operations amounted to DKK -2m against DKK -8m in Q3 2017. Net profit for the Solar Group thus totalled DKK 49m in Q3 2018 against DKK 42m in Q3 2017.

Q1-Q3 2018

Revenue

In Q1-Q3 2018, adjusted organic growth amounted to 2.0% against 6.7% in Q1-Q3 2017. Compared to Q1-Q3 2017, revenue ended unchanged at DKK 8.1bn.

Related business saw adjusted organic growth of more than 27%, while adjusted organic growth in core business amounted to 1.0%. For core business, Solar Danmark saw adjusted organic growth of 2.3% and Solar Nederland saw adjusted organic growth of 5.3% while Solar Sverige and Solar Norge saw negative adjusted organic growth of 3.7% and 2.9% respectively. As mentioned above, Solar Sverige saw negative revenue impact from structural changes in the sales organisation and Solar Norge's revenue was, among other things, adversely affected by the loss of a contract with a purchasing association.

Gross profit margin

The gross profit margin amounted to 20.6%, down from 21.1% in Q1-Q3 2017.

Gross profit margin within core business decreased by 0.4 percentage points. The margin was negatively affected by a change in geographical mix, amounting to approx. 0.1 percentage points. In Solar Danmark, the change in customer mix had a negative effect of approx. 0.1 percentage points at group level. Furthermore, freight costs also impacted the gross profit margin negatively.

Related business also had a negative impact of 1 percentage point on margin. MAG45 saw an unexpected

decline in margin during the first months of H1 leading to a Q1-Q3 decline of 1 percentage point, corresponding to approx. -0.1 percentage points in margin effect at group level. MAG45 is currently focusing on regaining the margin. We are seeing gradual progress but still below the margin level from last year.

EBITA

Compared to Q1-Q3 2017, EBITA amounted to an unchanged 2.6% of revenue, corresponding to DKK 208m in Q1-Q3 2018 against DKK 210m in Q1-Q3 2017.

On group level, total costs have been reduced by DKK 36m. Of this, approx. 25m are explained by development in exchange rates. Costs in MAG45 increased by DKK 20m in order to generate growth both organically and through the acquisition of Savone in Italy. Despite salary inflation, total costs - excluding the MAG45 increase and the impact from exchange rates - amounted to DKK 30m.

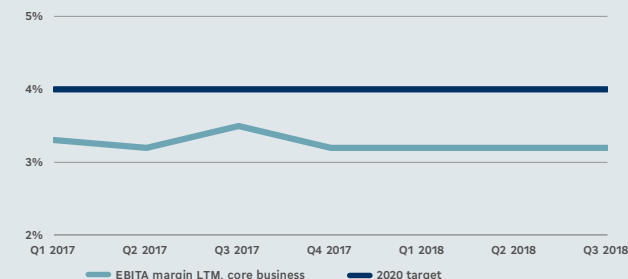
We have launched several initiatives in core business to reduce costs. As mentioned in our Q2 report, we are in the process of moving Material Planning to our Shared Services Centre in Poland.

EBITA from core business amounted to DKK 235m against DKK 239m in Q1-Q3 2017. Related business diluted EBITA by DKK -27m in Q1-Q3 2018 against DKK -29m in Q1-Q3 2017.

Amortisation

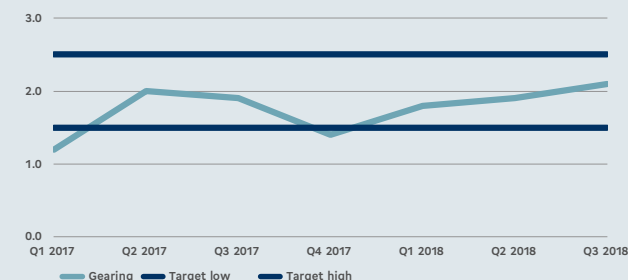
In Q3, Solar Danmark shut down a loss-making activity, which led to an impairment loss on software of DKK 7m. Furthermore, as part of our focus on digital improvement projects, our investments in software led to increased amortisation. Amortisation thus totalled DKK 69m against DKK 54m in Q1-Q3 2017.

EBITA margin LTM , core business



Gearing, no. of times

(interest-bearing liabilities, net / EBITDA)





Share of net profit from associates

In Q1-Q3 2018, DKK -7m was included as our share of earnings from our digital, construction and services associates against DKK -1m in Q1-Q3 2017.

Impairment on associates

At year-end 2017, Solar identified the need for writedown of DKK 59m on BIMobject AB based on the share price. By the end of Q1 2018, the BIMobject share price had increased and we therefore reversed the writedown of DKK 59m. By the end of Q2 2018, the share price had decreased and the need for writedown of DKK 15m was identified. However, by the end of Q3 the share price had increased again and the writedown of DKK 15m in Q2 was reversed. In Q1-Q3 2018, reversal of impairment of associates thus amounted to DKK 59m.

Financials

Net financials totalled DKK -19m against DKK 61m in Q1-Q3 2017. Up until the end of May 2017, Solar's equity interest in BIMobject was classified as an investment and for that reason, a fair value adjustment of DKK 79m was recognised in the income statement as financial income.

Adjusted for the fair value adjustment of BIMobject, net financials Q1-Q3 2017 totalled DKK -18m.

In Q1-Q3 2018, a fair value adjustment of the investment in Geniebelt of DKK 11m was included as financial income and an adjustment of an earn-out of DKK 11m was included as financial costs.

Earnings before tax

Earnings before tax were down at DKK 172m from DKK 216m in Q1-Q3 2017. However, when adjusted for the impact from associates in terms of share of net profit, impairment, fair value adjustments, and adjustment of an earn-out receivable, earnings before tax amounted to DKK 127m in Q1-Q3 2018 against DKK 138m in Q1-Q3 2017.



DKK million	Q1-Q3 2018	Q1-Q3 2017	FY 2017
Earnings before tax	172	216	126
Share of net profit from associates	7	1	11
Fair value adjustment, recognised under financials	-11		-
<i>Impact due to market value changes in BIMobject:</i>			
Impairment on associates	-59		59
Fair value adjustment, recognised under financials		-79	-79
Earnings before tax, adjusted for associates	109	138	117
Impairment loss, other intangible assets	7		10
Impairment loss, goodwill			65
Impairment loss, customer-related assets			22
Earn-out adjustments	11		-15
Adjusted earnings before tax	127	138	199

Net profit

Profit from continuing operations came to DKK 139m against DKK 178m in Q1-Q3 2017. Loss from discontinued operations amounted to DKK 16m against DKK 25m in Q1-Q3 2017. Net profit for the Solar Group thus totalled DKK 123m in Q1-Q3 2018 against DKK 153m in Q1-Q3 2017.

Investments in associates

In 2017, we increased our investments in BIMobject and other associates. At the end of Q3 2018, investments in associates came to DKK 258m, of which DKK 242m relates to BIMobject. As at 30 September 2018, Solar's share of the market value of BIMobject amounted to DKK 483m. In 2017, Solar acquired the shares at a price of DKK 171m.

On 11 July 2018, BIMobject AB announced the implementation of a directed new share issue of approx. SEK 240m to EQT Ventures Fund. The directed share issue has resulted in dilution of about 13% for BIMobject's existing shareholders. Consequently, Solar's equity interest in BIMobject is reduced from 20.01% to 17.4%. However, as Solar remains a large shareholder in BIMobject and is represented on the Board of Directors,



we continue to assess our influence as significant. For that reason, the reduction of our equity interest has not resulted in any changes in our accounting policy for BIMObject.

Cash flows

Compared to the end of Q3 2017, net working capital calculated as an average of the previous four quarters amounted to 10.7% of revenue, up from 9.8%. Net working capital at the end of Q3 2018 amounted to 11.8% of revenue, up from 11.6% at the end of Q3 2017. However, the fact that the last day of Q3 2018 was a non-working day affected net working capital negatively by approx. 0.5 percentage points.

Cash flow from operating activities totalled DKK -101m against DKK -270m in Q1-Q3 2017. In Q1-Q3 2018, changes to inventories had a DKK -11m impact on cash flow from operating activities, while changes to receivables had an impact of DKK -164m compared to DKK -363m in Q1-Q3 2017. The development in receivables was affected by the negative growth in Solar Sverige and Solar Norge. Furthermore, as part of a contract with a major customer, Solar Danmark entered into a factoring agreement, which reduced trade receivables by approx. DKK 40m.

Total cash flow from investing activities amounted to DKK -46m against DKK -306m in Q1-Q3 2017. The divestment of GFI GmbH, Austria, and the activities in Claessen ELGB NV, Belgium, had a positive impact of DKK 60m. In Q1-Q3 2017, cash flow from investing activities saw a DKK 214m 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-Q3 2017.

Cash flow from discontinued operations amounted to DKK -5m against DKK -14m in Q1-Q3 2017. Consequently, total cash flow in Q1-Q3 2018 amounted to DKK -232m against DKK -696m in Q1-Q3 2017.

Compared to end Q3 2017, net interest-bearing liabilities decreased by DKK 16m to DKK 712m. Over the past 12 months, we have invested DKK 101m in digital improvements, paid dividend of DKK 73m and received DKK 60m from the divestment of our Austrian and Belgian businesses. By the end of Q3 2018, gearing had increased from 1.9 to 2.1 times EBITDA. Our gearing target is 1.5-2.5 times EBITDA.

As at 30 September 2018, Solar had undrawn credit facilities of DKK 284m.

End Q3 2018, ROIC was negatively impacted by the impairment loss on related business in Q4 2017 and amounted to 2.8% against 10.1% end Q3 2017. ROIC on core business was down from 13.6% to 10.1%, negatively impacted by an impairment loss on other intangible assets in Q4 2017 and in Q3 2018.

Invested capital for the Solar Group totalled DKK 2,055m against DKK 2,190m at the end of Q3 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 February 2018. Overall, the grant of shares is covered by the same terms as the previous grants of share options. 3,423 restricted shares were 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.

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/.

Key risks

Solar's Annual Report 2017 details the commercial and financial risks associated with 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

Development in the installation and industry segments

In Q3 2018, organic growth* amounted to -0.3%.

The installation sector

The slowdown we have seen in Scandinavia since Q4 2017 continued in Q3 and we are now seeing negative growth in all Scandinavian countries, see page 6. However, we continue to experience strong growth in Poland and solid growth in the Netherlands but not sufficient to offset the negative growth in Scandinavia.

Solar's overall organic growth* for Installation was negative at 4% for Q3 2018.

The industry sector

In Q3, we saw continued industrial growth in our markets, apart from Norway. Solar's overall organic growth* for Industry was around 5%. Growth was particularly significant in Poland and MAG45, where we saw double-digit growth - Denmark, Sweden and the Netherlands also posted solid growth.

Norway saw negative growth in Q3, albeit less negative than in Q2. We saw the same pattern here as in previous quarters, i.e. the North Sea offshore industry and related industries continue to improve but not sufficiently to offset the decline within Utilities.

Compared to Q3 2017, the segment margin was slightly down, mainly due to a decline in the gross profit margin. This was largely related to strong growth in Denmark within low margin areas but also to a declining margin for MAG45.

Other

Our segment, Other, covers smaller areas within core business. It also includes the Scandinavian Technology Institute (STI) and Solar Polaris. In Q3, STI and Solar Polaris delivered revenue of DKK 13m, corresponding to approx. 5% of the segment's revenue.

* Organic growth adjusted for the number of working days.

DKK million	Revenue		Segment profit		Segment margin in %	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2017
Installation	1,482	1,605	116	135	7.8	8.4
Industry	829	746	123	111	14.8	14.9
Other	235	253	30	45	12.8	17.8
Total	2,546	2,604	269	291	10.6	11.2

DKK million	Revenue		Adjusted organic growth in %	
	Q3 2018	Q3 2017	Q3 2018	Q3 2017
Denmark	807	824	-2.0	13.8
Sweden	506	585	-5.8	6.9
Norway	430	444	-0.7	1.8
The Netherlands	594	590	0.4	10.6
Other markets	226	186	20.1	12.2
Eliminations	-17	-25		
Total	2,546	2,604	-0.3	8.8



Q1-Q3 2018

In Q1-Q3, we saw a negative development in installation overall, with negative growth primarily in Sweden but also in Norway and Denmark. Growth in the Netherlands and Poland was solid.

Within Industry, we saw strong growth in Denmark, the Netherlands, Poland and MAG45. We saw a decline in the gross profit margin of 0.5 percentage points mainly due to an unexpected decline in MAG45's gross profit margin in Q1. Despite several margin improving initiatives, it remained below Q1-Q3 2017 level. This had an impact of approx. 0.2 percentage points for Industry at group level. In addition, there was a diluting effect from growth within low margin areas in Denmark.

Compared to Q1-Q3 2017, non-allocated costs decreased from 7.8% of revenue to 7.3 % in 2018 despite the growth costs for MAG45.

DKK million	Revenue		Segment profit		Segment margin in %	
	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Installation	4,912	5,115	396	424	8.1	8.3
Industry	2,556	2,348	375	353	14.7	15.0
Other	650	663	67	109	10.3	16.4
Total	8,118	8,126	838	886	10.3	10.9

DKK million	Revenue		Adjusted organic growth in %	
	Q1-Q3 2018	Q1-Q3 2017	Q1-Q3 2018	Q1-Q3 2017
Denmark	2,482	2,449	2.3	11.5
Sweden	1,709	1,891	-3.7	6.6
Norway	1,333	1,433	-2.9	4.6
The Netherlands	1,986	1,882	5.3	4.8
Other markets	671	541	20.9	-2.2
Eliminations	-63	-70		
Total	8,118	8,126	2.0	6.7





Outlook 2018

We change our guidance due to a slower recovery than expected

Market outlook for Solar's business areas

Installation

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

New construction and renovation activities in the Danish market are expected to improve compared to 2017, particularly in Q4.

In Sweden, we saw an unexpected decline in the number of building permits in late 2017. However, in 2018, this trend seems to have stabilised at the 2016 level. We expect the growth we saw in Q1-Q3 to continue into Q4, albeit at a slower pace. We reconfirm our overall expectations for 2018 with market growth on par with or above the 2017 level.

Despite a weak start in Norway in 2018, we continue to expect the installation segment to generate modest growth.

The positive trends in the Dutch market are expected to continue. Consequently, 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 the rest of the year and we anticipate substantial growth.

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

Industry

As stated 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

Core business, revenue guidance

For core business, we change our revenue guidance from approx. DKK 10.8bn to approx. DKK 10.5bn.

In general, core business has delivered a low organic growth year-to-date.

In Solar Sverige, we saw negative organic growth, and due to previous structural changes in the sales organisation, Solar Sverige did not succeed in getting sales back on track in Q3 2018. A new structure in the Swedish sales organisation is now in place but it will take some time before the effect is reflected in the results.

Also in Solar Norge, we have seen negative organic growth mainly due to loss of a contract with a purchasing association. Despite good progress, we have not yet managed to compensate entirely for this loss of revenue.

The recovery in Solar Sverige has turned out to be slower than originally assumed, which together with the development in Solar Norge will contribute to a negative effect of approx. DKK 0.2bn.



Furthermore, if the current exchange rates remain unchanged, this will have a negative impact of approx. DKK 0.1bn.

Consequently, the above-mentioned will lead to an expected core business revenue of approx. DKK 10.5bn, corresponding to an organic growth of approx. 1%.

Core business, EBITA guidance

For core business, we change our EBITA guidance from approx. DKK 375m to approx. DKK 345m.

The lowered revenue expectations combined with an expected negative impact from geographical and customer mix have a negative impact of approx. DKK 40m on EBITA.

We have managed to accelerate our cost containment programme delivering additional savings of approx. DKK 15m.

If the current exchange rates remain unchanged, this will have a negative impact of approx. DKK 5m on EBITA.

Consequently, the above-mentioned will lead to an expected core business EBITA of approx. DKK 345m.

Related business, guidance

For the related business, our expectations in terms of revenue and EBITA remain unchanged with revenue of approx. DKK 600m corresponding to an organic growth of approx. 25% and EBITA of approx. DKK -30m.

With regard to STI and Solar Polaris, we have initiated several steps to reduce costs in order to compensate for the lack of revenue. STI delivered a positive EBITA in September, whereas both MAG45 and Polaris remained negative.

Solar Group, guidance

Our total revenue guidance is now DKK 11.1bn corresponding to an organic growth of approx. 2%, and the total EBITA guidance is DKK 315m versus our previous revenue guidance of DKK 11.4bn and EBITA guidance of DKK 345m.

Revenue, DKK million	Core business	Related business	Solar Group
Guidance 09.08.2018	10,800	600	11,400
Expected growth reduction	-200		-200
Exchange rate adjustments	-100		-100
Guidance 01.11.2018	10,500	600	11,100

EBITA, DKK million	Core business	Related business	Solar Group
Guidance 09.08.2018	375	-30	345
Expected growth reduction and change of mix	-40		-40
Cost containment programme	15		15
Exchange rate adjustments	-5		-5
Guidance 01.11.2018	345	-30	315





Shareholder information

Share and webcast information

Solar's shares

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

The A shares are not listed. The B shares are listed on Nasdaq Copenhagen under the ID code DK0010274844, with the short designation SOLAR B, and 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 30 September 2018.

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

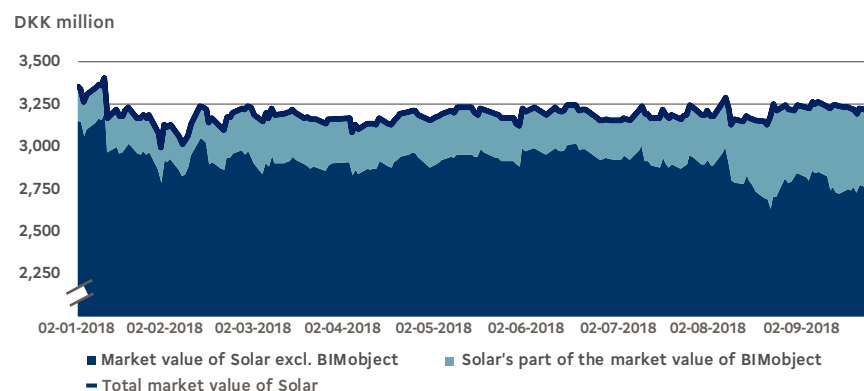
Audio webcast

The presentation of the Quarterly Report Q3 2018 will be conducted in English on 1 November 2018 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu.

Solar's market value

Solar holds a 17.4% equity interest in BIMObject AB, which is a listed company on First North. In June 2018, BIMObject initiated the process of listing the company's shares at Nasdaq Stockholm with an ambition of being listed within 16-20 months.

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 30 September 2018 in %

Holdings of 5% or more of share capital	Share capital	Votes
The Fund of 20 th December, Vejen, Denmark	16.0%	58.1%
RWC Asset Management LLP, London, England	12.6%	6.2%
Chr. Augustinus Fabrikker A/S, Copenhagen, Denmark	10.3%	5.0%
Nordea Funds Oy, Danish Branch, Copenhagen, Denmark ¹	10.2%	<5%
Solar A/S, Vejen, Denmark	5.8%	2.8%

¹ Cf. company announcement no. 15 2018, dated 9 July 2018, which is the latest public information.

Financial calendar 2019

10 January - 7 February	IR quiet period
7 February	Annual Report 2018
15 March	Annual General meeting
4 April - 8 May	IR quiet period
8 May	Quarterly Report Q1 2019
4 July - 8 August	IR quiet period
8 August	Quarterly Report Q2 2019
4 October - 31 October	IR quiet period
31 October	Quarterly Report Q3 2019



Consolidated financial statements



Statement of comprehensive income

Income statement

DKK million	Q3		Q1-Q3		Year
	2018	2017	2018	2017	2017
Revenue	2,546	2,604	8,118	8,126	11,105
Cost of sales	-2,026	-2,059	-6,444	-6,412	-8,776
Gross profit	520	545	1,674	1,714	2,329
External operating costs	-98	-109	-350	-372	-482
Staff costs	-315	-324	-1,066	-1,080	-1,484
Loss on trade receivables	-4	-6	-10	-13	-16
Earnings before interest, tax, depreciation and amortisation (EBITDA)	103	106	248	249	347
Write-down and depreciation on property, plant and equipment	-13	-13	-40	-39	-52
Earnings before interest, tax and amortisation (EBITA)	90	93	208	210	295
Amortisation of intangible assets	-29	-19	-69	-54	-169
Earnings before interest and tax (EBIT)	61	74	139	156	126
Share of net profit from associates	-2	-1	-7	-1	-11
Impairment on associates	15	0	59	0	-59
Financial income	14	4	25	90	110
Financial costs	-21	-8	-44	-29	-40
Earnings before tax (EBT)	67	69	172	216	126
Income tax	-16	-19	-33	-38	-25
Net profit from continuing operations	51	50	139	178	101
Profit from discontinued operations	-2	-8	-16	-25	-82
Net profit for the period	49	42	123	153	19
Earnings in DKK per share outstanding (EPS)	6.71	5.75	16.85	20.96	2.60
Diluted earnings in DKK per share outstanding (EPS-D)	6.70	5.75	16.83	20.94	2.60
Earnings in DKK per share outstanding (EPS) of continued operations	6.99	6.85	19.05	24.39	13.84
Diluted earnings in DKK per share outstanding (EPS-D) of continued operations	6.98	6.84	19.02	24.36	13.82

Other comprehensive income

DKK million	Q3		Q1-Q3		Year
	2018	2017	2018	2017	2017
Net profit for the period	49	42	123	153	19
Other income and costs recognised:					
Items that can be reclassified for the income statement					
Foreign currency translation adjustments of foreign subsidiaries	9	5	-1	-15	-35
Value adjustments of hedging instruments before tax	4	2	6	15	16
Tax on value adjustments of hedging instruments	-1	0	-1	-3	-4
Other income and costs recognised after tax	12	7	4	-3	-23
Total comprehensive income for the period	61	49	127	150	-4



Balance sheet

as at 30 September

Consolidated (DKK million)	30.09		31.12
	2018	2017	2017
ASSETS			
Intangible assets	423	505	427
Property, plant and equipment	810	829	814
Deferred tax assets	16	10	18
Investments in associates	258	273	203
Other non-current assets	65	58	60
Non-current assets	1,572	1,675	1,522
Inventories	1,441	1,504	1,437
Trade receivables	1,610	1,755	1,492
Income tax receivable	0	5	5
Receivables from construction contracts	1	1	1
Other receivables	12	13	13
Prepayments	44	44	45
Cash at bank and in hand	13	17	77
Assets held for sale	0	0	125
Current assets	3,121	3,339	3,195
Total assets	4,693	5,014	4,717

DKK million	30.09		31.12
	2018	2017	2017
EQUITY AND LIABILITIES			
Share capital	775	775	775
Reserves	-154	-138	-158
Retained earnings	1,024	1,108	901
Proposed dividend for the year	0	0	73
Equity	1,645	1,745	1,591
Interest-bearing liabilities	411	177	423
Provision for pension obligations	3	19	3
Provision for deferred tax	98	125	107
Other provisions	24	41	24
Non-current liabilities	536	362	557
Interest-bearing liabilities	314	568	143
Trade payables	1,739	1,861	1,848
Income tax payable	20	17	19
Payables from construction contracts	1	3	1
Other payables	431	441	482
Prepayments	3	1	1
Other provisions	4	16	7
Liabilities held for sale	0	0	68
Current liabilities	2,512	2,907	2,569
Liabilities	3,048	3,269	3,126
Total equity and liabilities	4,693	5,014	4,717



Cash flow statement

DKK million	Q3		Q1-Q3		Year
	2018	2017	2018	2017	2017
Net profit from continuing operations for the period	51	50	139	178	101
Depreciation, write-down and amortisation	42	32	109	93	221
Impairment on associates	-15	0	-59	0	59
Changes to provisions and other adjustments	-4	2	-1	-3	-9
Share of net profit from associates	2	1	7	1	11
Financials, net	6	4	19	-61	-70
Income tax	16	20	33	38	25
Financial income, received	2	2	6	5	6
Financial expenses, settled	-9	-7	-24	-22	-28
Income tax, settled	-4	-6	-34	-34	-49
Cash flow before working capital changes	87	98	195	195	267
Working capital changes					
Inventory changes	-9	-75	-11	-203	-226
Receivables changes	-96	-56	-164	-363	-226
Non-interest-bearing liabilities changes	-5	29	-121	101	197
Cash flow from operating activities, continuing operations	-23	-4	-101	-270	12
Cash flow from operating activities, discontinued operations	3	13	-5	-14	-13
Cash flow from operating activities	-20	9	-106	-284	-1
Investing activities					
Purchase of intangible assets	-20	-27	-73	-82	-110
Purchase of property, plant and equipment	-10	-11	-33	-29	-37
Disposal of property, plant and equipment	0	18	0	19	22
Acquisition of subsidiaries and activities	0	0	0	-10	-16
Acquisition of associates	0	-6	0	-16	-16
Divestment of subsidiaries and activities	0	0	60	0	0
Other financial investments ¹	0	1	0	-188	-190
Cash flow from investing activities, continuing operations	-30	-25	-46	-306	-347
Cash flow from investing activities, discontinued operations	0	0	0	0	0
Cash flow from investing activities	-30	-25	-46	-306	-347

DKK million	Q3		Q1-Q3		Year
	2018	2017	2018	2017	2017
Financing activities					
Repayment of non-current interest-bearing debt	-2	-6	-7	-18	-69
Raising of non-current interest-bearing liabilities	0	0	0	0	135
Dividends distributed	0	0	-73	-88	-88
Cash flow from financing activities, continuing operations	-2	-6	-80	-106	-22
Cash flow from financing activities, discontinued operations	0	0	0	0	0
Cash flow from financing activities	-2	-6	-80	-106	-22
Total cash flow	-52	-22	-232	-696	-370
Cash at bank and in hand at the beginning of the period	-250	-363	-66	321	321
Assumed on divestment of subsidiaries	0	0	-5	0	0
Foreign currency translation adjustments	1	0	2	-10	-17
Cash at bank and in hand at the end of the period	-301	-385	-301	-385	-66
Cash at bank and in hand at the end of the period					
Cash at bank and in hand	13	17	13	17	77
Current interest-bearing liabilities ²	-314	-402	-314	-402	-143
Cash at bank and in hand at the end of the period	-301	-385	-301	-385	-66

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
2018						
Equity as at 1 January	775	-61	-97	901	73	1,591
Foreign currency translation adjustments of foreign subsidiaries			-1			-1
Fair value adjustments of hedging instruments before tax		6				6
Tax on value adjustments		-1				-1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	5	-1	0	0	4
Net profit for the period				123		123
Comprehensive income	0	5	-1	123	0	127
Distribution of dividends (DKK 10.00 per share)					-73	-73
Transactions with the owners	0	0	0	0	-73	-73
Equity as at 30 September	775	-56	-98	1,024	0	1,645



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			-15			-15
Fair value adjustments of hedging instruments before tax		15				15
Tax on value adjustments		-3				-3
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	12	-15	0	0	-3
Net profit for the period				153		153
Comprehensive income	0	12	-15	153	0	150
Distribution of dividends (DKK 12.00 per share)					-88	-88
Deduction in share capital	-17			17		0
Transactions with the owners	-17	0	0	17	-88	-88
Equity as at 30 September	775	-61	-77	1,108	0	1,745



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
Q3 2018				
Revenue	1,482	829	235	2,546
Cost of sales	-1,197	-642	-187	-2,026
Gross profit	285	187	48	520
Direct costs	-59	-23	-5	-87
Earnings before indirect costs	226	164	43	433
Indirect costs	-110	-41	-13	-164
Segment profit	116	123	30	269
Non-allocated costs				-166
Earnings before interest, tax, depreciation and amortisation (EBITDA)				103
Depreciation and amortisation				-42
Earnings before interest and tax (EBIT)				61
Financials, net				6
Earnings before tax (EBT)				67

DKK million	Installation	Industry	Other	Total
Q3 2017				
Revenue	1,605	746	253	2,604
Cost of sales	-1,297	-576	-186	-2,059
Gross profit	308	170	67	545
Direct costs	-56	-19	-7	-82
Earnings before indirect costs	252	151	60	463
Indirect costs	-117	-40	-15	-172
Segment profit	135	111	45	291
Non-allocated costs				-185
Earnings before interest, tax, depreciation and amortisation (EBITDA)				106
Depreciation and amortisation				-32
Earnings before interest and tax (EBIT)				74
Financials, net				-5
Earnings before tax (EBT)				69



Notes

Segment information - continued

DKK million	Installation	Industry	Other	Total
Q1-Q3 2018				
Revenue	4,912	2,556	650	8,118
Cost of sales	-3,949	-1,973	-522	-6,444
Gross profit	963	583	128	1,674
Direct costs	-188	-76	-21	-285
Earnings before indirect costs	775	507	107	1,389
Indirect costs	-379	-132	-40	-551
Segment profit	396	375	67	838
Non-allocated costs				-590
Earnings before interest, tax, depreciation and amortisation (EBITDA)				248
Depreciation and amortisation				-109
Earnings before interest and tax (EBIT)				139
Financials, net				33
Earnings before tax (EBT)				172

DKK million	Installation	Industry	Other	Total
Q1-Q3 2017				
Revenue	5,115	2,348	663	8,126
Cost of sales	-4,120	-1,800	-492	-6,412
Gross profit	995	548	171	1,714
Direct costs	-185	-68	-21	-274
Earnings before indirect costs	810	480	150	1,440
Indirect costs	-386	-127	-41	-554
Segment profit	424	353	109	886
Non-allocated costs				-637
Earnings before interest, tax, depreciation and amortisation (EBITDA)				249
Depreciation and amortisation				-93
Earnings before interest and tax (EBIT)				156
Financials, net				60
Earnings before tax (EBT)				216



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
Q3 2018					
Revenue	2,402	144	-	-	2,546
Gross profit	483	37	-	-	520
EBITA	99	-9	-	-	90
Invested capital	1,922	133	305	-305	2,055
Adj. organic growth in %	-1.4	23.7	-	-	-0.3
Gross profit margin	20.1	25.7	-	-	20.4
EBITA margin	4.1	-6.3	-	-	3.5
ROIC in %	10.1	N/A	-	-	2.8

Q3 2017					
Revenue	2,492	112	-	-	2,604
Gross profit	514	31	-	-	545
EBITA	103	-10	-	-	93
Invested capital	2,005	185	302	-302	2,190
Adj. organic growth in %	8.3	21.5	-	-	8.8
Gross profit margin	20.6	27.7	-	-	20.9
EBITA margin	4.1	-8.0	-	-	3.6
ROIC in %	13.6	N/A	-	-	10.1

DKK million (unless otherwise stated)	Core business	Related business	Digital, Construction & Services	Eliminations	Total
Q1-Q3 2018					
Revenue	7,678	440	-	-	8,118
Gross profit	1,556	118	-	-	1,674
EBITA	235	-27	-	-	208
Invested capital	1,922	133	305	-305	2,055
Adj. organic growth in %	1.0	27.4	-	-	2.0
Gross profit margin	20.3	26.8	-	-	20.6
EBITA margin	3.1	-6.1	-	-	2.6
ROIC in %	10.1	N/A	-	-	2.8

Q1-Q3 2017					
Revenue	7,794	332	-	-	8,126
Gross profit	1,617	97	-	-	1,714
EBITA	239	-29	-	-	210
Invested capital	2,005	185	302	-302	2,190
Adj. organic growth in %	6.7	-	-	-	6.7
Gross profit margin	20.7	29.2	-	-	21.1
EBITA margin	3.1	-8.7	-	-	2.6
ROIC in %	13.6	N/A	-	-	10.1



Notes

Segment information - continued

Geographical information

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

DKK million	Q3		Q1-Q3		Non-current assets
	Revenue	Adjusted organic growth	Revenue	Adjusted organic growth	
2018					
Denmark	807	-2.0	2,482	2.3	1,820
Sweden	506	-5.8	1,709	-3.7	241
Norway	430	-0.7	1,333	-2.9	165
The Netherlands	594	0.4	1,986	5.3	289
Other markets	226	20.1	671	20.9	72
Eliminations	-17	-	-63	-	-1,015
Total	2,546	-0.3	8,118	2.0	1,572
2017					
Denmark	824	13.8	2,449	11.5	2,185
Sweden	585	6.9	1,891	6.6	264
Norway	444	1.8	1,433	4.6	197
The Netherlands	590	10.6	1,882	4.8	283
Other markets	186	12.2	541	-2.2	104
Eliminations	-25	-	-70	-	-1,358
Total	2,604	8.8	8,126	6.7	1,675



Notes

Discontinued operation

As of 5 April 2018, Solar A/S finalised the divestment of all shares in GFI GmbH, and as of 1 May, the 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	Q3		Q1-Q3		Year
	2018	2017	2018	2017	2017
Revenue	0	169	157	504	664
Cost of sales	-2	-144	-132	-429	-566
Gross profit	-2	25	25	75	98
Costs	0	-33	-39	-100	-129
Earnings before interest and tax (EBIT)	-2	-8	-14	-25	-31
Financials	0	1	-1	0	-2
Earnings before tax (EBT)	-2	-7	-15	-25	-33
Tax on net profit or loss for the period	0	-1	-1	0	-2
Net profit or loss for the period	-2	-8	-16	-25	-35
Write-down to fair value less costs to sell	0	0	0	0	-47
Net profit or loss for discontinued operations	-2	-8	-16	-25	-82

Earnings from discontinued operations in DKK per share outstanding (EPS)	-0.27	-1.10	-2.19	-3.43	-11.24
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	-0.27	-1.10	-2.19	-3.42	-11.24



Notes

Grant of restricted shares

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 on 23 February 2018, outstanding share options totalled 74,935.

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

Contingent liabilities

Litigation

In July 2018, Solar received a writ of summons from the main former shareholder of MAG45 B.V. (the company that Solar acquired in February 2016) claiming payment of the maximum amount of the earn-out agreed in the share purchase agreement with the sellers totalling DKK 120m. Prior to the initiation of the proceedings Solar notified the sellers that it had a claim under the same earn-out provisions as well as a warranty claim jointly totalling DKK 26m. It is our assessment that the claim against Solar has no merit and has only been put forward as a reaction to Solar's claim. Solar will pursue its claims at the court of Amsterdam, the same court that will rule on the claim instituted against Solar.

The claim from the main former owner of MAG45 B.V. is not expected to have any effect on Solar's financial position or future earnings.



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	2018	2017	2018	2017	2017	2016
Revenue	2,828	2,838	2,744	2,684	2,546	2,604	2,979	2,851
Earnings before interest, tax, depreciation and amortisation (EBITDA)	79	80	66	63	103	106	98	139
Earnings before interest, tax and amortisation (EBITA)	66	67	52	50	90	93	85	125
Earnings before interest and tax (EBIT)	46	50	32	32	61	74	-30	110
Financials, net	-5	95	-7	-30	-7	-4	9	-8
Earnings before tax (EBT)	99	145	6	2	67	69	-90	102
Net profit or loss for the quarter	81	123	-7	-12	49	42	-134	48

Balance sheet (DKK million)	2018	2017	2018	2017	2018	2017	2017	2016
Non-current assets	1,580	1,698	1,561	1,681	1,572	1,675	1,522	1,397
Current assets	3,254	3,217	3,027	3,222	3,121	3,339	3,195	3,109
Balance sheet total	4,834	4,915	4,588	4,903	4,693	5,014	4,717	4,506
Equity	1,594	1,723	1,584	1,696	1,645	1,745	1,591	1,683
Non-current liabilities	546	371	540	366	536	362	557	375
Current liabilities	2,694	2,821	2,464	2,841	2,512	2,907	2,569	2,448
Interest-bearing liabilities, net	632	458	662	712	712	728	489	43
Invested capital	1,895	1,899	1,972	2,129	2,055	2,190	1,790	1,744
Net working capital, end of period	1,145	1,132	1,196	1,309	1,312	1,398	1,081	998
Net working capital, average	1,168	1,162	1,173	1,191	1,184	1,209	1,133	1,187



Quarterly figures

- continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	2018	2017	2018	2017	2018	2017	2017	2016
Cash flow from operating activities	-39	-86	-39	-180	-23	-4	282	415
Cash flow from investing activities	-41	-231	25	-50	-30	-25	-41	-4
Cash flow from financing activities	-75	-93	-3	-7	-2	-6	84	-12
Net investments in intangible assets	-25	-28	-28	-27	-20	-27	-28	-36
Net investments in property, plant and equipment	-16	-14	-7	-3	-10	7	-5	37
Acquisition and disposal of subsidiaries, net	0	-10	0	0	0	0	-6	0

Financial ratios (% unless otherwise stated)

Revenue growth	-0.4	13.5	2.2	1.6	-2.2	7.3	4.5	8.1
Organic growth	1.3	11.0	3.6	2.1	-0.3	7.3	5.3	5.5
Organic growth adjusted for number of working days	4.4	4.5	1.6	7.4	-0.3	8.8	7.0	5.4
Gross profit margin	20.7	21.4	20.7	20.9	20.4	20.9	20.6	21.4
EBITDA margin	2.8	2.8	2.4	2.3	4.0	4.1	3.3	4.9
EBITA margin	2.3	2.4	1.9	1.9	3.5	3.6	2.9	4.4
EBIT margin	1.6	1.8	1.2	1.2	2.4	2.8	-1.0	3.9
Net working capital (NWC end of period)/revenue (LTM)	10.3	9.3	10.7	10.9	11.8	11.6	9.7	8.4
Net working capital (NWC average)/revenue (LTM)	10.5	9.6	10.5	9.8	10.7	9.8	10.2	10.1
Gearing (interest-bearing liabilities, net/EBITDA), no. of times	1.8	1.2	1.9	2.0	2.1	1.9	1.4	0.1
Return on equity (ROE)	-1.4	13.3	-1.1	11.0	-0.7	11.7	1.1	7.5
Return on invested capital (ROIC)	3.9	10.1	3.7	9.2	2.8	10.1	3.8	10.0
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	10.9	9.1	11.0	10.2	11.3	9.5	11.0	8.8
Equity ratio	33.0	35.1	34.5	34.6	35.1	34.8	33.7	37.4



Quarterly figures

- continued

	Q1		Q2		Q3		Q4	
	2018	2017	2018	2017	2018	2017	2017	2016
Share ratios (DKK)								
Earnings in DKK per share outstanding (EPS)	11.10	16.85	-0.96	-1.64	6.71	5.75	-18.36	6.58
Intrinsic value in DKK per share outstanding	218.41	236.08	217.04	232.38	225.40	239.10	218.00	230.60
Share price in DKK	398.53	382.88	398.72	376.73	401.55	381.25	414.52	361.80
Share price/intrinsic value	1.82	1.62	1.84	1.62	1.78	1.59	1.90	1.57

Employees

Number of employees (FTEs), end of the period	2,994	2,864	3,001	2,882	2,961	2,920	2,959	2,834
Average number of employees (FTEs), LTM	2,939	2,843	2,968	2,861	2,979	2,875	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. 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 Q3 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 30 September 2018 as well as of the results of the group's activities and cash flow for Q3 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, 1 November 2018

EXECUTIVE BOARD

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CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

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Ulf Gundemark
Vice chairman

Lars Lange Andersen

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Ulrik Damgaard

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