

Nasdaq Copenhagen A/S  
GlobeNewswire  
<https://cns.omxgroup.com>

## Announcement no. 25 2016

### Contacts:

CEO Anders Wilhjelm – tel. +45 79 30 02 01  
CFO Michael H. Jeppesen – tel. +45 79 30 02 62  
Director, Stakeholder Relations Charlotte Risskov Kræfting – tel. +45 40 34 29 08



### Solar A/S

Executive Board  
Industrivej Vest 43  
DK - 6600 Vejen  
Denmark  
Tel. +45 79 30 00 00  
[www.solar.eu](http://www.solar.eu)

Ref. AW/crk  
CVR no. 15908416

27 April 2016

## Quarterly Report Q1 2016

*Solar Group revenue and EBITA for Q1 2016 exceeded our expectations slightly. Our outlook for 2016 remains unchanged.*

### CEO Anders Wilhjelm says:

"Q1 revenue and EBITA exceeded our expectations slightly, and we are pleased to see organic growth in Q1 despite headwinds in certain markets. We are also pleased to see a continuous improvement of our working capital position. During Q1, we have started to deliver on our digital promise. One example is the launch of a new Solar Light website in Denmark. This new website focuses on simplifying the work of electrical contractors, consulting engineers and architects."

Financial highlights (DKK million)*	Q1 2016	Q1 2015	2015
Revenue	2,656	2,645	10,587
EBITA	52	60	296
Earnings before tax	28	40	201
Cash flow from operating activities	-251	-183	331
Financial ratios (%)			
Organic growth adj. for number of working days	1.2	5.8	5.2
EBITA margin	2.0	2.3	2.8
Net working capital, period-end/revenue (LTM)	11.6	12.7	9.3
Net working capital, average/revenue (LTM)**	11.6	12.4	11.8

\* Due to our divestment of the assets of Solar Deutschland GmbH, 2015 and 2016 figures in this announcement relate to our continuing operations.  
\*\* Calculated as an average of the past four quarters' inventories, trade receivables and trade payables.

### **Q1 2016 revenue**

- Q1 revenue exceeded our expectations slightly.
- Actual organic growth landed at 1.2% against 5.8% in Q1 2015 when we adjust for the number of working days.

### **Q1 2016 EBITA**

- Q1 EBITA exceeded our expectations slightly.
- Q1 results were negatively impacted by this year's early timing of Easter compared to Q1 2015.

### **2016 outlook**

- Our outlook for 2016 remains unchanged compared to Annual Report 2015.
- The MAG45 acquisition's impact on revenue is expected to be in the range of DKK 310m but limited on EBITA.
- We expect neither market growth nor organic revenue growth in 2016, and we expect EBITA to remain at 2015 levels less the positive one-off of DKK 9m from a change in pension plans in the Netherlands that we saw in 2015.
- As previously announced, we plan to invest in our digital platforms to strengthen the customer experience. This will have a negative impact on 2016 profitability, and our present outlook recognises this.

### **Audio webcast and teleconference today**

The presentation of Quarterly Report Q1 2016 will be made in English on 27 April 2016 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be accessible via [www.solar.eu](http://www.solar.eu). Participation will be possible via a teleconference.

Teleconference call-in numbers:

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

Yours faithfully  
Solar A/S

Anders Wilhjelm

Enclosure: Quarterly Report Q1 2016, pages 1-24.

### **Facts about Solar**

Solar Group is a leading European sourcing and services company, operating primarily within the electrical, heating and plumbing, and ventilation technology sectors. 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 10.6bn in 2015 and has some 3,000 employees. Solar has been listed on Nasdaq Copenhagen since 1953, and operates under the short designation SOLAR B. For more information, please visit [www.solar.eu](http://www.solar.eu).

### **Disclaimer**

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



CVR NO.: 15 90 84 16

# SOLAR A/S QUARTERLY REPORT Q1 2016



*stronger together*

# CONTENTS

## Management's review

- 03 Financial highlights
- 04 Segments
- 05 Financial review
- 07 Outlook 2016
- 08 Strategy
- 09 Shareholder information

## Financial statements

- 11 Statement of comprehensive income
- 12 Balance sheet
- 13 Cash flow statement
- 14 Statement of changes in equity
- 15 Notes
- 20 Quarterly figures
- 23 Statement by the Executive Board and Board of Directors



# FINANCIAL HIGHLIGHTS

Consolidated (DKK million)	Q1		Year
	2016	2015	2015
Revenue	2,656	2,645	10,587
Earnings before interest, tax, depreciation and amortisation (EBITDA)	67	77	362
Earnings before interest, tax and amortisation (EBITA)	52	60	296
Earnings before interest and tax (EBIT)	39	48	249
Earnings before tax (EBT)	28	40	201
Net profit for the period	21	62	167
Balance sheet total	4,609	4,687	4,671
Equity	1,813	1,754	1,831
Interest-bearing liabilities, net	156	240	-184
Cash flow from operating activities, continuing operations	-251	-183	331
Net investments in property, plant and equipment	32	-4	-25

## Employees

Average number of employees (FTEs), continuing operations	2,968	2,892	2,871
---	-------	-------	-------

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

In general, restatements have been made of income statements, cash flow and key ratios for the discontinued operations in Solar Deutschland GmbH for 2014. In accordance with IFRS, the balance sheet has not been restated. No adjustments have been made for acquired enterprises.

Financial ratios (% unless otherwise stated)	Q1		Year
	2016	2015	2015
Organic growth adjusted for number of working days	1.2	5.8	5.2
Gross profit	21.0	21.2	20.8
EBITDA margin	2.5	2.9	3.4
EBITA margin	2.0	2.3	2.8
Net working capital (end of period NWC)/revenue (LTM)	11.6	12.7	9.3
Gearing (net interest-bearing liabilities/EBITDA), no. of times	0.4	1.0	-0.5
Return on equity (ROE)	6.9	-9.2	9.4
Return on invested capital (ROIC)	8.2	-3.3	8.5
Equity ratio	39.3	37.4	39.2

## Share ratios (DKK unless otherwise stated)

Earnings per share outstanding (EPS)	2.71	7.89	21.26
--------------------------------------	------	------	-------

## SEGMENTS

# TRENDS IN Q1 – INSTALLATION AND INDUSTRY

**SEGMENT REPORTING**

Our segment reporting is divided into these three business segments: Installation, Industry and Others.

**TRENDS IN THE INSTALLATION SECTOR IN Q1**

Low construction activity levels still characterised a number of our markets in Q1, which had an overall negative impact on installation sector results. Solar's total organic growth in Installation came to around 1%\* as growth in our remaining markets offset downwards trends in Benelux.

The decline in Benelux is partly attributable to the loss of some customers, who were lost as a consequence of the Conelgro integration into Solar Nederland.

**TRENDS IN THE INDUSTRY SECTOR IN Q1**

A similar slowdown also characterised the industry sector in our operating markets in Q1. The North Sea offshore industry is still feeling the effects of the energy market price decreases, leading to significantly reduced activity levels in this sector. Solar's total organic growth in Industry came to around -2%\*.

Industry sector growth matched that of the Installation segment when we make adjustments for the negative trend in the offshore market.

Overall, we retained our market share in the two business segments.

\* Organic growth adjusted for number of working days.



## FINANCIAL REVIEW

## RESULTS EXCEEDED EXPECTATIONS SLIGHTLY

## Q1 2016

Solar generated organic growth of 1.2%, adjusted for working days, while EBITA was down DKK 8m at DKK 52m in Q1 2016. Revenue and results for the quarter were negatively impacted by the early timing of Easter compared to Q1 2015.

Revenue and EBITA exceeded our expectations slightly.

Solar's acquisition of MAG45, a Dutch integrated supply company, on 1 February 2016 only had a minimal impact on Q1 revenue and results.

As we published in company announcement no. 6 2015, Solar finalised the sale of the assets of Solar Deutschland in Q1 2015, and the resulting DKK 50m profit is recognised under profit of discontinued operations.

Following the divestment, Solar Deutschland is presented as discontinued operations, similar to its treatment in Annual Report 2015, and this report only recognises Solar's continuing operations unless otherwise stated.

## REVENUE

Revenue totalled DKK 2,656m, up from DKK 2,645m in Q1 2015, and organic growth dropped to -0.3% from 4.6% in Q1 2015. Actual organic growth landed at 1.2% against 5.8% in Q1 2015 when we adjust for the number of working days.

Q1 revenue exceeded our expectations slightly.

## EBITA

EBITA amounted to DKK 52m, equalling 2.0% of revenue, compared to DKK 60m or 2.3% of revenue in Q1 2015. Q1 results were negatively impacted by this year's early timing of Easter compared to Q1 2015.

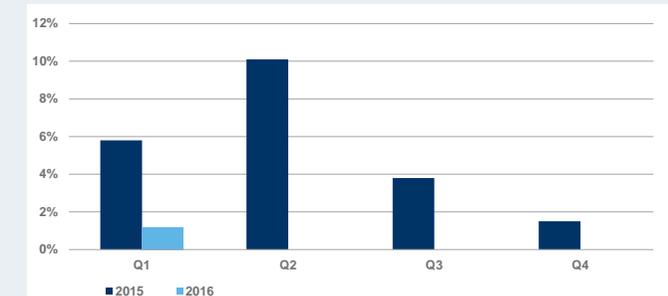
Loss on trade receivables made up 0.2% of revenue in Q1 2016. In Q1 2015, a sizeable loss on a single debtor resulted in total losses on debtors reaching 0.5% of revenue.

Write-down and depreciation on property, plant and equipment dropped to DKK 15m in Q1 2016 from DKK 17m in Q1 2015. As mentioned in Annual Report 2015, Solar sold a property in Denmark with handing-over on 1 February 2016. In Q1, we also sold three small buildings in the Netherlands, while a property in Sweden was written down to fair value. The net impact of the capital gain and subsequent write-down to fair value was insignificant.

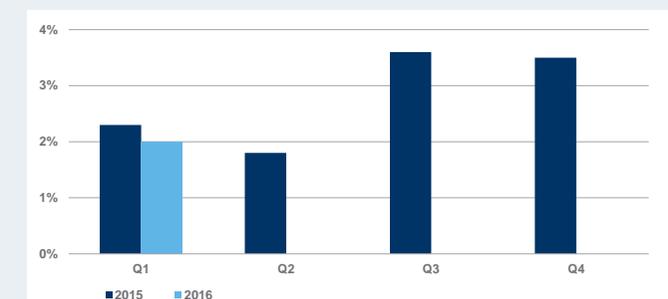
The write-down of the Swedish property relates to a project recently launched that aims to merge our Swedish warehouse activities, thereby making our warehouse in Alvesta redundant. Our ultimate goal with this project is operational excellence in Solar Sverige's supply chain.

Part of Aurora Group's 2013 selling price was variable and, accordingly, an adjustment of DKK 2m was made to this in Q1 2015. This amount is included under other operating income and costs.

Q1 EBITA exceeded our expectations slightly.

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

EBITA margin in %



**NET PROFIT FOR THE PERIOD**

The results of continuing operations ended at DKK 21m, down from DKK 29m in Q1 2015. Net profit for the period totalled DKK 21m, down from DKK 62m in Q1 2015.

Results of discontinued operations amounted to DKK 33m in Q1 2015, with the DKK 50m profit from the divestment of the total assets of Solar Deutschland included in this figure.

**CASH FLOWS**

We keep our focus on improving net working capital, which dropped to 11.6% of revenue from 12.4% in Q1 2015 calculated as an average of four quarters. Net working capital on 31 March was also 11.6% of revenue, down from 12.7% at the end of Q1 in 2015. Part of this decrease is attributable to the early timing of Easter this year.

Cash flow from operating activities amounted to DKK -251m against DKK -183m in Q1 2015. In Q1 2016, changes to receivables and to non-interest-bearing liabilities reduced cash flow from operating activities by DKK -184m and DKK -87m, respectively. Normal seasonal fluctuations were the cause of the negative changes to receivables.

Cash flow from investing activities saw a DKK 53m negative impact from the acquisition of MAG45 and positive impacts from the sale of properties. In Q1 2015, Solar received the final part of the fixed transfer price from the divestment of Aurora Group in 2013 which had a DKK 32m positive impact on cash flow from investing activities. Overall, cash flow from investing activities totalled DKK -33m, down from DKK 22m in Q1 2015.

Cash flow from financing activities saw a DKK -33m impact from Solar's current share buy-back programme and a DKK -25m impact from the repayment of a loan in connection with the sale of property in Denmark. Thus, total cash flow from financing activities came to DKK -80m against DKK -14m in Q1 2015.

As Solar divested its assets in Solar Deutschland in Q1 2015, the company also settled its trade payables. Thus, cash flow from operating activities for discontinued operations came to DKK -68m in Q1 2015. The total divestment consideration is recognised under cash flow from investing activities from discontinued operations which totalled DKK 328m in Q1 2015.

Consequently, total cash flow in Q1 2016 amounted to DKK -364m against DKK 85m in Q1 2015.

Compared to Q1 2015, net interest-bearing liabilities were reduced by DKK 84m to DKK 156m. Gearing dropped to 0.4 times EBITDA from 1.0 in Q1 2015.

The composition of long-term and short-term interest-bearing liabilities changed in Q1 2016 as two loans fall due on 31 March 2017.

As at 31 March 2016, Solar had undrawn credit facilities of DKK 748m. Solar's agreement with its main banker is not subject to any covenants.

**REMUNERATION OF EXECUTIVE BOARD AND MANAGEMENT TEAM**

In March 2016, Solar's Executive Board and management team were granted 28,398 additional share options to be exercised 10 banking days after the publication of the annual reports in 2019 or 2020. In addition, 27,026 and 14,239 share options were exercised from the 2012 and 2013 granting, respectively. For more information, please see company announcements no. 14 and 15 of 9 March 2016 and this report's note on share option plans.

The share option plan is in line with Solar's general guidelines for incentive programmes. These guidelines are available on Solar's website under [www.solar.eu/menu/investor/downloads/policies](http://www.solar.eu/menu/investor/downloads/policies).

**EVENTS AFTER THE ACCOUNTS WERE CLOSED**

In April, Solar distributed dividends of DKK 77m, corresponding to DKK 10.00 per share, following approval by the Annual General Meeting on 1 April 2016. The total dividend distribution was adjusted for the dividends from treasury shares bought under the share buy-back programme in Q1 2016, making it differ from the proposed dividends included in Annual Report 2015.

**KEY RISKS**

Solar's Annual Report 2015 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 2016

## OUTLOOK 2016

## OUTLOOK FOR SOLAR'S BUSINESS AREAS

Q1 went slightly better than expected. We do, however, see some uncertain market trends. The offshore sector in Norway is expected to stay at the current low level.

We do not see any major changes to the market conditions compared to that mentioned in Annual Report 2015.

## INSTALLATION

Overall, we expect Installation activity levels in 2016 to match 2015 levels.

In the Danish market, new construction and renovation activities remain low, and our expectations are in line with market forecasts of only minor improvement compared to 2015.

We still expect positive growth in the Swedish market but at a lower level than in 2015, partly due to recent changes in a Swedish subsidy scheme.

In Norway, there may be some negative spillover effect from the slowdown in offshore activities, but we still expect the installation segment to generate slightly positive growth.

Market signs in the Dutch market remain mixed. The number of available commercial leases remains high, while we see a continued drop in planning permissions for commercial buildings. On the other hand, planning permissions for private housing are slightly up compared with last quarter. Overall, our outlook is for modest positive market growth.

We expect the Polish market to produce positive growth, while the general outlook for our remaining markets is modest market growth.

## INDUSTRY

We expect positive growth for Industry excluding the offshore segment.

We maintain our outlook for a slightly positive trend in the Danish market, excluding offshore, and the Swedish market should also see positive growth.

Norwegian market trends remain unclear. Uncertainty particularly relates to the expected low investment levels within offshore and marine, where we expect the low activity levels seen at the end of 2015 to continue throughout 2016.

The positive Polish market trend is expected to continue throughout 2016, while the overall outlook for our remaining markets is low growth.

## FINANCIAL OUTLOOK

Our outlook for 2016 remains unchanged compared to Annual Report 2015.

The MAG45 acquisition's impact on revenue is expected to be in the range of DKK 310m but limited on EBITA.

We expect neither market growth nor organic revenue growth in 2016, and we expect EBITA to remain at 2015 levels less the positive one-off of DKK 9m from a change in pension plans in the Netherlands that we saw in 2015.

As previously announced, we plan to invest in our digital platforms to strengthen the customer experience. This will have a negative impact on 2016 profitability, and our present outlook recognises this.

## STRATEGY

## WE INVEST IN OUR DIGITAL PLATFORMS TO STRENGTHEN THE CUSTOMER EXPERIENCE

We invest in digital development and have made it a strategic priority to focus on development activities that give customers an improved user experience and facilitate their routines.

A new cloud-based mobile CRM system launched in Q1 now underpins the work of the sales organisations in our four major countries (Norway, Sweden, Denmark and the Netherlands). This significantly improves our ability to service our customers as we have mobile access to real-time data when we visit them. It also gives our customer service personnel complete insight into all our interactions with any customer, which again heightens our ability to provide excellent service and a rewarding experience whenever a customer contacts us.

Moreover, we have introduced a completely new Solar Light website ([www.solarlight.dk](http://www.solarlight.dk)) in Denmark. Solar Light is Solar's exclusive light offering, and a leading technical lighting brand for both interior and exterior lighting. This new website focuses on simplifying the work of electrical contractors, consulting engineers and architects. Firstly, contractors can easily make tailored product lists and catalogues for their quotations, which improves their efficiency and hit rate. Secondly, engineers and architects have easy access to product choices and light calculations.

---

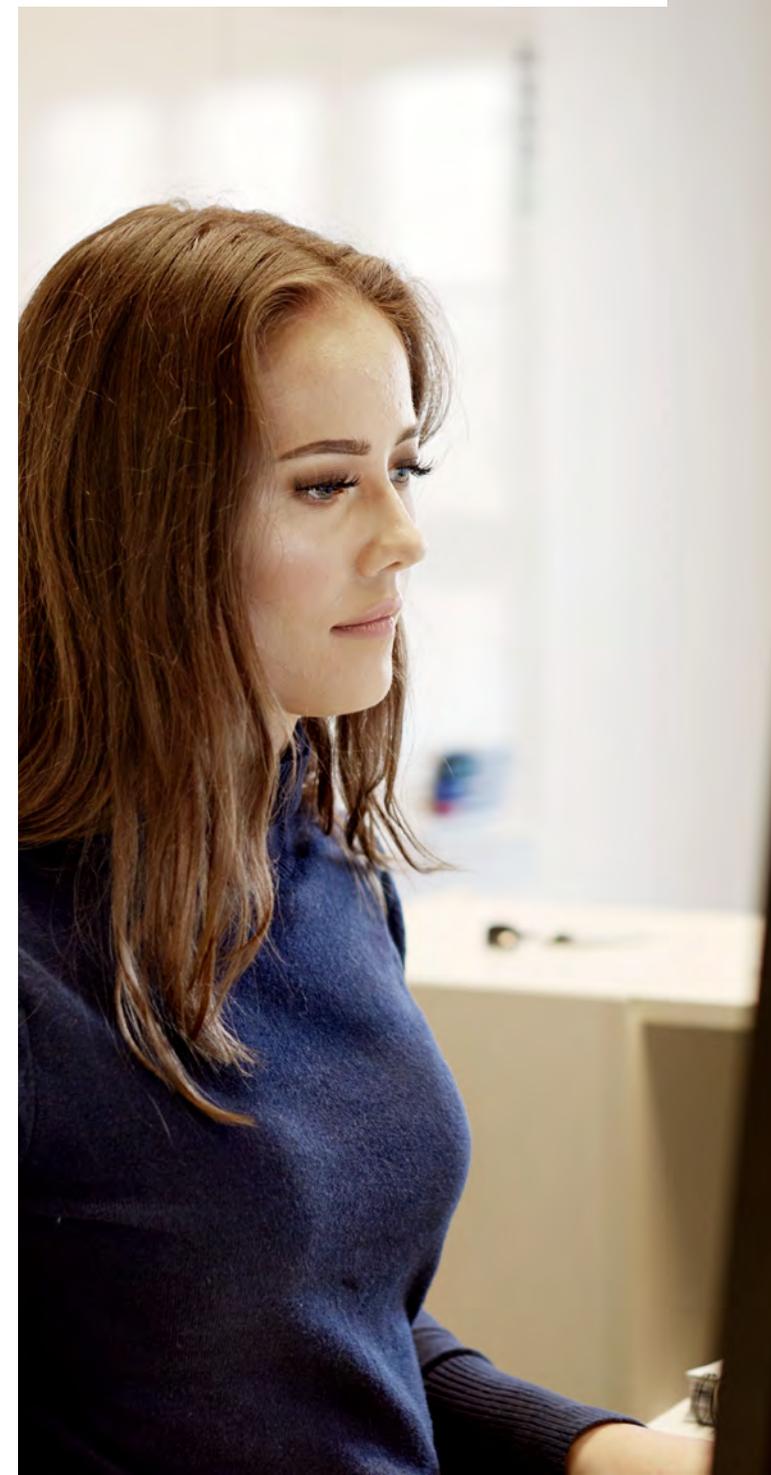
*We want to focus our customers' attention on adding the most value to their businesses – just like we do.*

---

Finally, we have launched our Fastbox concept in Poland and Austria\*. So now, customers in six countries can improve their efficiency as Solar delivers their products at their location within one hour in a Fastbox, instead of the customers spending valuable time leaving a work site to pick up products at a branch.

Our customers' productivity and profitability are closely linked. And we want to focus our customers' attention on adding the most value to their businesses – just like we do.

\* In Austria, our Fastbox service is called 'GFI express'.



## SHAREHOLDER INFORMATION

SOLAR VALUES  
OPENNESS

## STATUS ON THE SHARE BUY-BACK PROGRAMME

On 23 November 2015, Solar launched a share buy-back programme with an upper limit of DKK 70m. We aim to adjust our capital structure through this programme.

The Board of Directors' authority to acquire treasury shares was renewed at Solar's annual general meeting on 1 April 2016, enabling us to continue the programme. The programme will end by 30 June 2016 or sooner if we reach the limit of DKK 70m before that date.

Buy-back of DKK 17.9m remained under the programme as at 31 March 2016.

## CAPITAL STRUCTURE

The Board of Directors continuously work to ensure that we, on one hand, keep our flexibility when it comes to our ability to act on business opportunities and maintain our independence from the group's bankers while, on the other hand, ensuring that Solar does not become overcapitalised.

## SOLAR'S SHARES

Solar's share capital is divided into nominally DKK 90 million A shares and nominally DKK 702 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.

Share capital includes 900,000 A shares and 7,020,607 B

shares. Solar's portfolio of treasury shares totalled 197,094 B shares or 2.5% of share capital as at 31 March 2016.

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

## AUDIO WEBCAST

The presentation of Quarterly Report Q1 2016 will be transmitted online on 27 April 2016 at 11:00 CET and will be accessible via [www.solar.eu](http://www.solar.eu).

Distribution of share capital and votes  
as at 31 March 2016 in %

Shareholders with 5% or more of share capital	Share capital	Votes
The Fund of 20 December Kolding, Denmark	15.6%	57.5%
Nordea Funds Oy, Danish Branch Copenhagen, Denmark	11.6%	5.7%
Chr. Augustinus Fabrikker A/S Copenhagen, Denmark	10.3%	5.1%
RWC Asset Management LLP London, England	8.4%	4.2%

## FINANCIAL CALENDAR 2016

10 July - 11 August

**IR quiet period**

11 August

**Quarterly Report Q2 2016**

10 October - 28 October

**IR quiet period**

28 October

**Quarterly Report Q3 2016**



# CONSOLIDATED FINANCIAL STATEMENTS

# STATEMENT OF COMPREHENSIVE INCOME

## Income statement

DKK million	Q1		Year
	2016	2015	2015
<b>Revenue</b>	<b>2,656</b>	<b>2,645</b>	<b>10,587</b>
Cost of sales	-2,099	-2,083	-8,388
<b>Gross profit</b>	<b>557</b>	<b>562</b>	<b>2,199</b>
Other operating income and costs	0	2	2
External operating costs	-125	-116	-421
Staff costs	-360	-359	-1,396
Loss on trade receivables	-5	-12	-22
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>	<b>67</b>	<b>77</b>	<b>362</b>
Write-down and depreciation on property, plant and equipment	-15	-17	-66
<b>Earnings before interest, tax and amortisation (EBITA)</b>	<b>52</b>	<b>60</b>	<b>296</b>
Amortisation of intangible assets	-13	-12	-47
<b>Earnings before interest and tax (EBIT)</b>	<b>39</b>	<b>48</b>	<b>249</b>
Financial income	5	12	22
Financial expenses	-16	-20	-70
<b>Earnings before tax (EBT)</b>	<b>28</b>	<b>40</b>	<b>201</b>
Income tax	-7	-11	-67
<b>Net profit of continuing operations</b>	<b>21</b>	<b>29</b>	<b>134</b>
Profit of discontinued operations	0	33	33
<b>Net profit for the period</b>	<b>21</b>	<b>62</b>	<b>167</b>
Earnings in DKK per share outstanding (EPS)	2.71	7.89	21.26
Diluted earnings in DKK per share outstanding (EPS-D)	2.71	7.89	21.21
Earnings in DKK per share outstanding (EPS) of continuing operations	2.71	3.69	17.06
Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations	2.71	3.69	17.02

## Other comprehensive income

DKK million	Q1		Year
	2016	2015	2015
<b>Net profit for the period</b>	<b>21</b>	<b>62</b>	<b>167</b>
<b>Other income and costs recognised:</b>			
<b>Items that cannot be reclassified for the income statement</b>			
Actuarial gains / losses on defined benefit plans	0	0	-13
<b>Items that can be reclassified for the income statement</b>			
Foreign currency translation adjustments of foreign subsidiaries	3	24	-7
Value adjustments of hedging instruments before tax	-11	-12	35
Tax on value adjustments of hedging instruments	2	3	-9
<b>Other income and costs recognised after tax</b>	<b>-6</b>	<b>15</b>	<b>6</b>
<b>Total comprehensive income for the period</b>	<b>15</b>	<b>77</b>	<b>173</b>

# BALANCE SHEET

DKK million	31.03		31.12
	2016	2015	2015
<b>ASSETS</b>			
Intangible assets	425	338	333
Property, plant and equipment	864	936	882
Deferred tax asset	28	43	28
Other non-current assets	7	5	7
<b>Non-current assets</b>	<b>1,324</b>	<b>1,322</b>	<b>1,250</b>
Inventories	1,337	1,282	1,302
Trade receivables	1,490	1,538	1,295
Income tax receivable	9	24	4
Other receivables	26	68	10
Prepayments	40	44	23
Cash at bank and in hand	321	332	699
Assets held for sale	62	77	88
<b>Current assets</b>	<b>3,285</b>	<b>3,365</b>	<b>3,421</b>
<b>Total assets</b>	<b>4,609</b>	<b>4,687</b>	<b>4,671</b>

DKK million	31.03		31.12
	2016	2015	2015
<b>EQUITY AND LIABILITIES</b>			
Share capital	792	792	792
Reserves	-149	-147	-143
Retained earnings	1,093	1,109	1,104
Proposed dividends	77	0	78
<b>Equity</b>	<b>1,813</b>	<b>1,754</b>	<b>1,831</b>
Interest-bearing liabilities	215	494	430
Provision for pension obligations	15	19	15
Provision for deferred tax	127	120	128
Other provisions	37	16	19
<b>Non-current liabilities</b>	<b>394</b>	<b>649</b>	<b>592</b>
Interest-bearing liabilities	262	78	60
Trade payables	1,595	1,513	1,608
Income tax payable	1	22	11
Other payables	517	592	516
Prepayments	0	5	0
Other provisions	27	74	28
Liabilities held for sale	0	0	25
<b>Current liabilities</b>	<b>2,402</b>	<b>2,284</b>	<b>2,248</b>
<b>Liabilities</b>	<b>2,796</b>	<b>2,933</b>	<b>2,840</b>
<b>Total equity and liabilities</b>	<b>4,609</b>	<b>4,687</b>	<b>4,671</b>

# CASH FLOW STATEMENT

DKK million	Q1		Year
	2016	2015	2015
<b>Net profit of continuing operations</b>	<b>21</b>	<b>29</b>	<b>134</b>
Write-down, depreciation and amortisation	28	29	113
Changes to provisions and other adjustments	0	-1	-64
Financials, net	11	8	48
Income tax	7	11	67
Financial income, received	1	2	4
Financial expenses, settled	-22	-11	-42
Income tax, settled	-22	-20	-55
<b>Cash flow before working capital changes</b>	<b>24</b>	<b>47</b>	<b>205</b>
<b>Working capital changes</b>			
Changes to inventory	-4	-24	-61
Changes to receivables	-184	-282	-28
Changes to non-interest-bearing liabilities	-87	76	215
<b>Cash flow from operating activities, continuing operations</b>	<b>-251</b>	<b>-183</b>	<b>331</b>
Cash flow from operating activities, discontinued operations	0	-68	-53
<b>Cash flow from operating activities</b>	<b>-251</b>	<b>-251</b>	<b>278</b>
<b>Investing activities</b>			
Purchase of intangible assets	-12	-6	-36
Purchase of property, plant and equipment	-6	-4	-28
Disposal of property, plant and equipment	38	0	3
Acquisition of subsidiaries and activities	-53	0	0
Divestment of subsidiary <sup>1</sup>	0	32	37
<b>Cash flow from investing activities, continuing operations</b>	<b>-33</b>	<b>22</b>	<b>-24</b>
Cash flow from investing activities, discontinued operations	0	328	345
<b>Cash flow from investing activities</b>	<b>-33</b>	<b>350</b>	<b>321</b>

DKK million	Q1		Year
	2016	2015	2015
<b>Financing activities</b>			
Repayment of non-current interest-bearing debt	-47	-14	-51
Treasury share purchases and sales	-33	-	-19
Dividends distributed	0	0	-55
<b>Cash flow from financing activities, continuing operations</b>	<b>-80</b>	<b>-14</b>	<b>-125</b>
Cash flow from financing activities, discontinued operations	0	0	0
<b>Cash flow from financing activities</b>	<b>-80</b>	<b>-14</b>	<b>-125</b>
<b>Total cash flow</b>	<b>-364</b>	<b>85</b>	<b>474</b>
Cash at bank and in hand at the beginning of the period	639	167	167
Assumed on acquisition of subsidiaries	-3	0	0
Foreign currency translation adjustments	0	2	-2
<b>Cash at bank and in hand at the end of the period</b>	<b>272</b>	<b>254</b>	<b>639</b>
<b>Cash at bank and in hand at the end of the period</b>			
Cash at bank and in hand	321	332	699
Current interest-bearing liabilities <sup>2</sup>	-49	-78	-60
<b>Cash at bank and in hand at the end of the period</b>	<b>272</b>	<b>254</b>	<b>639</b>

1) Instalments of the variable and fixed parts of the selling price of Aurora Group Danmark A/S.

2) Not including the short-term part of long-term liabilities that falls due in March 2017.

## STATEMENT OF CHANGES IN EQUITY

DKK million	Share capital	Reserves for hedging transactions	Reserves for foreign currency translation adjustments	Retained earnings	Proposed dividends	Total
<b>2016</b>						
<b>Equity as at 1 January</b>	<b>792</b>	<b>-79</b>	<b>-64</b>	<b>1,104</b>	<b>78</b>	<b>1,831</b>
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
<b>Comprehensive income</b>	<b>0</b>	<b>-9</b>	<b>3</b>	<b>21</b>	<b>0</b>	<b>15</b>
Buy-back of treasury shares				-32	-1	-33
<b>Transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-32</b>	<b>-1</b>	<b>-33</b>
<b>Equity as at 31 March</b>	<b>792</b>	<b>-88</b>	<b>-61</b>	<b>1,093</b>	<b>77</b>	<b>1,813</b>
<b>2015</b>						
<b>Equity as at 1 January</b>	<b>792</b>	<b>-105</b>	<b>-57</b>	<b>1,047</b>	<b>55</b>	<b>1,732</b>
Foreign currency translation adjustments of foreign subsidiaries			24			24
Value adjustments of hedging instruments before tax		-12				-12
Tax on value adjustments		3				3
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-9	24	0	0	15
Net profit for the period				62		62
<b>Comprehensive income</b>	<b>0</b>	<b>-9</b>	<b>24</b>	<b>62</b>	<b>0</b>	<b>77</b>
Approval of dividends					-55	-55
<b>Transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-55</b>	<b>-55</b>
<b>Equity as at 31 March</b>	<b>792</b>	<b>-114</b>	<b>-33</b>	<b>1,109</b>	<b>0</b>	<b>1,754</b>

## NOTES Segment information

Solar's business segments are Installation, Industry and Others 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. Others 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	Others	Total
<b>Q1 2016</b>				
Revenue	1,755	704	197	2,656
Cost of sales	-1,397	-537	-165	-2,099
<b>Gross profit</b>	<b>358</b>	<b>167</b>	<b>32</b>	<b>557</b>
Direct costs	-75	-24	-4	-103
<b>Earnings before indirect costs</b>	<b>283</b>	<b>143</b>	<b>28</b>	<b>454</b>
Indirect costs	-143	-40	-13	-196
<b>Segment profit</b>	<b>140</b>	<b>103</b>	<b>15</b>	<b>258</b>
Non-allocated costs <sup>1</sup>				-191
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>				<b>67</b>
Depreciation and amortisation				-28
<b>Earnings before interest and tax (EBIT)</b>				<b>39</b>
Financials, net				-11
<b>Earnings before tax (EBT)</b>				<b>28</b>

DKK million	Installation	Industry	Others	Total
<b>Q1 2015</b>				
Revenue	1,791	690	164	2,645
Cost of sales	-1,427	-528	-128	-2,083
<b>Gross profit</b>	<b>364</b>	<b>162</b>	<b>36</b>	<b>562</b>
Direct costs	-75	-23	-3	-101
<b>Earnings before indirect costs</b>	<b>289</b>	<b>139</b>	<b>33</b>	<b>461</b>
Indirect costs	-144	-37	-15	-196
<b>Segment profit</b>	<b>145</b>	<b>102</b>	<b>18</b>	<b>265</b>
Non-allocated costs <sup>1</sup>				-188
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA)</b>				<b>77</b>
Depreciation and amortisation				-29
<b>Earnings before interest and tax (EBIT)</b>				<b>48</b>
Financials, net				-8
<b>Earnings before tax (EBT)</b>				<b>40</b>

1) Allocated costs cover costs directly or indirectly attributable to a specific sale, which facilitates profitability measurements for the respective segment. Non-allocated costs cover costs for administrative staff and various costs for joint expenses that cannot be attributed to any specific sale.

In Q3 2015, we made a more detailed classification of all customers onto our business segments. This led to changes between the various segments, and the effect of this is shown in the appendix to Quarterly Report Q3 2015. The appendix includes previously published information, changes to this and updated information per quarter for the first half-year of 2015.

## 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 19 of Annual Report 2015 or on [www.solar.eu](http://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
<b>Q1 2016</b>			
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
<b>Total</b>	<b>2,656</b>	<b>1.2</b>	<b>1,324</b>
<b>Q1 2015</b>			
Denmark <sup>1</sup>	705	7.4	1,634
Sweden	581	5.8	283
Norway	491	2.7	161
Benelux	716	5.2	336
Other markets	167	10.6	46
Eliminations <sup>1</sup>	-15	-	-1,138
<b>Total</b>	<b>2,645</b>	<b>5.8</b>	<b>1,322</b>

1) Denmark's figures include non-current assets determined for Solar A/S, the parent company. In 2016, the parent company switched accounting policies from cost method to equity value method. As a result, non-current assets for Q1 2015 were restated, from DKK 1,839m to DKK 1,634m, changing the eliminations figures from DKK -1,343m to DKK -1,138m.

## NOTES Discontinued operations and assets held for sale

On 16 March 2015, Solar A/S finalised the divestment of the assets of Solar Deutschland GmbH to Sonepar Group with an accounting profit of DKK 50m.

The discontinued operations impacted the income statement as follows:

DKK million	Q1	
	2016	2015
Revenue		185
Cost of sales		-160
<b>Gross profit</b>		<b>25</b>
Costs		8
<b>Earnings before interest and tax (EBIT)</b>		<b>33</b>
Financials		0
<b>Earnings before tax (EBT)</b>		<b>33</b>
Tax on net profit or loss for the period		0
<b>Net profit or loss for the period</b>		<b>33</b>
Earnings of discontinued operations in DKK per share outstanding (EPS)		4.20
Diluted earnings of discontinued operations in DKK per share outstanding (EPS-D)		4.20
Cash flow from operating activities		-68
Cash flow from investing activities		328
Cash flow from financing activities		0
<b>Total cash flow</b>		<b>260</b>

Divestment of the discontinued operations may be specified as follows:

Accounting gain of net assets	298
Gain on divestment	50
<b>Total consideration</b>	<b>348</b>

Assets held for sale may be divided into the following main items:

DKK million	Q1	
	2016	2015
Property, plant and equipment, Solar Deutschland	16	16
Property, plant and equipment, Solar Nederland	46	61
<b>Non-current assets</b>	<b>62</b>	<b>77</b>
<b>Assets held for sale</b>	<b>62</b>	<b>77</b>

## NOTES Acquisition 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 will total DKK 160m at the most. 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 76m on a net debt-free basis (normalised approx. DKK 80m). The expected total price, including earn-out, will be approximately DKK 100m on a net debt-free basis. The preliminary assessment of the earn-out is DKK 20m.

The acquisition is expected to increase Solar Group's 2016 revenue by approx. DKK 310m, but to have a limited impact on EBITA.

Transaction costs related to the acquisition totalled DKK 2m.

### 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	-1
Other non-current liabilities, interest-bearing	-21
Current liabilities	-91
<b>Net assets acquired</b>	<b>-21</b>
Goodwill	59
Customer-related intangible assets	30
Other intangible assets	5
<b>Acquisition cost</b>	<b>73</b>
Of this, net cash	3
<b>Acquisition price on net debt-free basis</b>	<b>76</b>

## NOTES Share option plans

Description and specification of Solar's share option plans are found in Annual Report 2015 and at [www.solar.eu/menu/investor/downloads/policies](http://www.solar.eu/menu/investor/downloads/policies). In March 2016, Solar granted 28,398 additional share options (March 2015: 38,372 share options) to the Executive Board and senior management employees. In addition, 27,026 share options from the 2012 granting and 14,239 share options from the 2013 granting were exercised, respectively. So, outstanding share options now total 108.976.

2016 granting	Share options
Executive Board	7,297
Others	21,101
<b>Total</b>	<b>28,398</b>

### Exercise period:

10 banking days following publication of the annual reports in 2019 / 2020

### DKK million

Market value estimated at time of granting using the Black-Scholes model	1
Conditions applying to the statement of market value at the time of granting using the Black-Scholes model:	
Average share price in DKK	342.60
Exercise price in DKK	342.60
Expected volatility	28.6%
Expected dividends in proportion to market value	2.9%
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 2015.

## NOTES Accounting policies

### 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, accounting policies remain unchanged from Annual Report 2015, which holds a full description of these on pages 42-43 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

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 26 on page 77 in Annual Report 2015. No new or amended standards have been issued in 2016 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	
	2016	2015	2015	2014	2015	2014	2015	2014
Revenue	2,656	2,645	2,674	2,476	2,449	2,418	2,819	2,773
Earnings before interest, tax, depreciation and amortisation (EBITDA)	67	77	64	19	104	103	117	46
Earnings before interest, tax and amortisation (EBITA)	52	60	48	0	89	82	99	-3
Earnings before interest and tax (EBIT)	39	48	37	-13	77	69	87	-150
Financials, net	-11	-8	-7	-11	-12	-12	-21	-16
Earnings before tax (EBT)	28	40	30	-24	65	57	66	-166
Net profit or loss for the period	21	62	23	-35	48	35	34	-223

### Balance sheet (DKK million)

Non-current assets	1,324	1,322	1,310	1,734	1,281	1,724	1,250	1,324
Current assets	3,285	3,365	3,358	3,107	3,201	3,317	3,421	3,250
Balance sheet total	4,609	4,687	4,668	4,841	4,482	5,041	4,671	4,574
Equity	1,813	1,754	1,798	1,974	1,812	2,012	1,831	1,732
Non-current liabilities	394	649	644	729	623	717	592	655
Current liabilities	2,402	2,284	2,226	2,138	2,047	2,312	2,248	2,187
Interest-bearing liabilities, net	156	240	221	700	294	604	-184	302
Invested capital	1,984	2,101	2,133	2,823	2,219	2,760	1,662	2,172
Net working capital, period end	1,232	1,308	1,307	1,547	1,403	1,482	989	1,111
Net working capital, average	1,233	1,362	1,302	1,461	1,282	1,448	1,252	1,267

## QUARTERLY FIGURES (continued)

Cash flow (DKK million)	Q1		Q2		Q3		Q4	
	2016	2015	2015	2014	2015	2014	2015	2014
Cash flow from operating activities, continuing operations	-251	-183	58	-75	-68	128	524	306
Cash flow from investing activities, continuing operations	-33	22	-10	-21	-17	-11	-19	-6
Cash flow from financing activities, continuing operations	-80	-14	-69	-108	-12	-13	-30	-12
Net investments in intangible assets	-12	-6	-10	-6	-10	-4	-10	-4
Net investments in property, plant and equipment	32	-4	-5	-15	-7	-8	-9	-2
Acquisitions and divestments of subsidiaries, net	-53	32	5	0	0	1	0	0

### Financial ratios (% unless otherwise stated)

Revenue growth	0.4	2.3	8.0	-6.0	1.3	-2.8	1.6	0.3
Organic growth	-0.3	4.6	9.4	-3.4	3.8	-0.8	3.2	2.2
Organic growth adjusted for number of working days	1.2	5.8	10.1	-2.3	3.8	-0.8	1.5	1.2
Gross profit margin	21.0	21.2	20.5	21.1	20.8	20.9	20.5	21.1
EBITDA margin	2.5	2.9	2.4	0.8	4.2	4.3	4.2	1.7
EBITA margin	2.0	2.3	1.8	0.0	3.6	3.4	3.5	-0.1
EBIT margin	1.5	1.8	1.4	-0.5	3.1	2.9	3.1	-5.4
Net working capital (period-end NWC)/revenue (LTM)	11.6	12.7	12.4	13.3	13.3	12.7	9.3	10.8
Net working capital (average NWC)/revenue (LTM)	11.6	12.4	12.0	12.4	12.2	12.4	11.8	12.4
Gearing (interest-bearing liabilities, net/EBITDA), no. of times	0.4	1.0	0.8	1.7	1.0	1.4	-0.5	1.3
Return on equity (ROE)	6.9	-9.2	-5.8	1.8	-5.0	2.1	9.2	-12.5
Return on invested capital (ROIC)	8.2	-3.3	0.5	4.9	2.0	5.1	8.5	-4.3
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	9.3	19.4	16.2	16.4	17.8	11.4	10.6	21.7
Equity ratio	39.3	37.4	38.5	40.8	40.4	39.9	39.2	37.9

## QUARTERLY FIGURES (continued)

Share ratios (DKK unless otherwise stated)	Q1		Q2		Q3		Q4	
	2016	2015	2015	2014	2015	2014	2015	2014
Earnings per share outstanding (EPS)	2.71	7.89	2.93	-4.46	6.11	4.46	4.33	-28.39
Intrinsic value per share outstanding	233.91	223.28	229.03	251.45	230.81	256.29	234.43	220.62
Share price	329	318	363	429	409	293	432	288
Share price/intrinsic value	1.41	1.43	1.59	1.70	1.77	1.14	1.84	1.30

### Employees

Average number of employees (FTEs), continuing operations	2,968	2,892	2,886	2,910	2,840	2,885	2,864	2,893
---	-------	-------	-------	-------	-------	-------	-------	-------

### 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.

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

In general, restatements have been made of income statements, cash flow and key ratios for the discontinued operations in Solar Deutschland GmbH for 2014. In accordance with IFRS, the balance sheet has not been restated. The key ratio interest-bearing liabilities, net, has been adjusted for interest-bearing receivables relating to the divestment of Aurora Group Danmark A/S, up until the settlement in Q1 2015. No adjustments have been made for acquired enterprises.

# 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 2016 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 2016 as well as of the results of the group's activities and cash flow for Q1 2016.

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, 27 April 2016

## Executive Board

**Anders Wilhjem**  
CEO

**Michael H. Jeppesen**  
CFO

## Board of Directors

**Jens Borum**  
Chairman

**Agnete Raaschou-Nielsen**  
Vice-chairman

**Lars Lange Andersen**

**Niels Borum**

**Ulrik Damgaard**

**Bent H. Frisk**

**Ulf Gundemark**

**Jens Peter Toft**

**Steen Weirsøe**

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

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



*stronger together*