Solar A/S
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Tlf. 79 30 00 00 ■ CVR-nr. 15 90 84 16 ■ Web: www.solar.eu

LEI: 21380031XTLI9X5MTY92

7. februar 2019

Meddelelse nr. 1 2019

Årsrapport 2018

Vores kerneforretning leverede vækst og EBITA over 2017-niveau. Vores relaterede forretning leverede også vækst, men udvandede dog indtjeningen. Bestyrelsen vil indstille til generalforsamlingens godkendelse, at der udbetales udbytte for 2018 på DKK 14 pr. aktie.

CEO Jens Andersen udtaler:
"I 2018 var vi nødt til at justere vores forventninger. Dog leverede vores kerneforretning det bedste EBITA-resultat siden 2010. Derudover bekræfter vores forventninger til 2019, at vi forventer løbende forbedringer af vores forretning for at nå vores finansielle mål frem mod 2020. Digitalisering, grøn omstilling og urbanisering gavner vores forretning, og vi bestræber os på at levere førsteklasses løsninger, som sikrer en bæredygtig og ansvarlig brug af ressourcer. I 2019 kan Solar fejre 100-års jubilæum. Gennem alle årene har Solar tilpasset sig forandringerne og udfordret branchen, og lige præcis dét vil vi blive ved med."

Udvalgte hovedtal (DKK mio.)*	**Q4 2018**	**Q4 2017**	**2018**	**2017**
Omsætning	3.009	2.967	11.098	11.061
EBITA	109	90	327	310
Resultat før skat	54	-50	237	176
Pengestrømme fra driftsaktivitet	327	279	224	7
Udvalgte nøgletal (%)				
Organisk vækst justeret for antal arbejdsdage	2,5	7,1	2,2	7,0
EBITA-margin	3,6	3,0	2,9	2,8
Nettoarbejdskapital, ultimo/omsætning (LTM)	9,8	9,7	9,8	9,7
Gearing (NIBD/EBITDA), antal gange	1,2	1,3	1,2	1,3

* Som følge af frasalget af vores belgiske og østrigske forretningsaktiviteter, GFI GmbH og Claessen ELGB NV, samt det planlagte frasalg af vores norske træningsvirksomhed, STI, vedrører de anførte tal for både 2017 og 2018 i denne meddelelse de fortsættende aktiviteter.

Omsætning i 2018

- I 2018 udgjorde justeret organisk vækst 2,2% (7,0%).
- Den relaterede forretning oplevede justeret organisk vækst på over 28%, mens justeret organisk vækst for kerneforretningen udgjorde 1,1%.

EBITA i 2018

- EBITA fra kerneforretningen udgjorde DKK 348 mio. (DKK 340 mio.), mens den relaterede forretning udvandede EBITA med DKK -21 mio. (DKK -30 mio.).
- På trods af løninflation blev de totale omkostninger reduceret med DKK 53 mio. Heraf kan ca. DKK 33 mio. henføres til udviklingen i valutakurser. MAG45 øgede omkostningerne med i alt DKK 25 mio. for at understøtte vækst. Vores program til begrænsning af omkostninger har dermed leveret besparelser på DKK 45 mio.

Udbetaling af udbytte

- Bestyrelsen vil indstille til generalforsamlingens godkendelse, at der udbetales udbytte på DKK 14,00 pr. aktie, mod DKK 10,00 udbetalt i 2018.

Forventninger til 2019

- I 2019 forventer vi en omsætning på ca. DKK 11,35 mia., svarende til en organisk vækst på ca. 2% og EBITA på ca. DKK 365 mio.
- For kerneforretningen forventer vi en omsætning på ca. DKK 10,7 mia., svarende til en organisk vækst på ca. 1,5% og EBITA på ca. DKK 370 mio.
- For den relaterede forretning forventer vi en omsætning på ca. DKK 650 mio., svarende til organisk vækst på ca. 15% og EBITA på ca. DKK -5 mio.

Forventninger til 2019 DKK mio.	Kerne-forretning	Relateret forretning	Solar-koncernen
Omsætning	10.700	650	11.350
EBITA	370	-5	365

Finansielle mål

- På grund af kravet om implementering af IFRS 16, Leasing per 1. januar 2019 har vi foretaget en teknisk genberegning af vores finansielle mål for 2020, som kan findes i årsrapporten.

Audio webcast og telekonference i dag

Præsentationen af Årsrapport 2018 foregår på engelsk den 7. februar 2019 kl. 11.00. Præsentationen bliver transmitteret som en audio webcast og kan følges på www.solar.eu. Deltagelse er mulig via den tilknyttede telekonference.

Indkaldsnumre til telekonferencen:

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Med venlig hilsen
Solar A/S

Jens Andersen

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Bilag: Årsrapport 2018, side 1-146, inkl. kvartalsinformation for Q4 2018 (på engelsk).

Fakta om Solar
Solar-koncernen er en førende europæisk 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 2018 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.

Annual Report
2018

Solar A/S
Cvr nr. 15 90 84 16

solar
stronger together

Contents

At a glance

A digital sourcing and services company

Solar Group is a leading European sourcing and services company mainly within electrical, heating and plumbing, ventilation and climate and energy solutions.

We serve professionals operating within the area of technical installation and a variety of industrial customers. Our core business focus is product sourcing, value-adding services and optimising our customers' businesses. We have a presence in Denmark, Norway, Sweden, the Netherlands, Poland and the Faroe Islands.

Our related business focus is integrated supply and industrial supply solutions through MAG45, represented in China, Singapore, the US and Continental Europe.

Our digital business focus is digital business development together with our digital partners; BIMobject (Building Information Modelling within digital construction) GenieBelt (dynamic project management), Minuba (online job and resource management) and Viva Labs (smart home platform).

Solar Group is headquartered in Vejen, Denmark, and listed on Nasdaq Copenhagen.

>6bn DKK

Revenue from digital sales
In 2018, more than DKK 6bn of our approx. DKK 11bn annual revenue came from digital sales.

66,736

Order lines per working day
In 2018, our warehouse employees handled 66,736 order lines per working day.

97.4%

Service degree
In 2018, our average ability to deliver products to our customers was 97.4% measured on order lines.

OUR CORE BUSINESS

INSTALLATION
We serve customers, such as service firms within electrical, heating and plumbing, that carry out minor installation or repair jobs, and installation firms, working as subcontractors on large renovation or new construction projects.

INDUSTRY
We serve customers such as small, medium-sized and large industrial companies working within selected verticals.

OTHER
We serve customers within other small areas such as DIY and retail.

RELATED BUSINESS

INTEGRATED SUPPLY
We serve manufacturers within various industries.

SOLAR PANELS
We serve companies, public institutions, housing associations and home owners.

ASSOCIATED BUSINESS

DIGITAL, CONSTRUCTION & SERVICES
New digital services for our customers are constantly being developed in collaboration with our digital partners; BIMobject, GenieBelt, Minuba and Viva Labs.

Statement from the CEO

We passionately challenge to add value

For nearly 100 years, Solar has been adapting to change and challenging the industry. Through our values, Courage, Glow and SmartFun, we have found ways of working smarter and being stronger together. We passionately challenge to add value to all aspects of our business.

In 2019, Solar will celebrate its 100th anniversary. We see this as a new start in a new reality. With the changes in our broader value chain, decision-makers, buying criteria and sourcing channels are shifting. At the same time, new disruptive services and business models are entering the market.

We aim to bring our products and services into new contexts and open up new business opportunities for our customers. Innovation often emerges from the core business, when we dare to challenge.

Meeting our customers' needs and supporting them in running their businesses more efficiently are among the driving factors of our business.

Being a sourcing and services company, we focus on the individual customer. We strive to understand their specific requirements in order to provide relevant, personal and value-adding services.

We provide best in class solutions to ensure sustainable and responsible use of resources and we are part of the solution in an industry challenged on productivity.

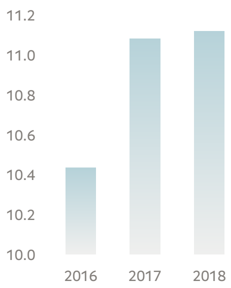
We believe that an optimal sourcing and services solution should be in reach for all customers. We take the entire value chain into account and look for opportunities both upstream and downstream.

We are a true digital company with more than DKK 6bn in digital sales. It requires a high level of logistical expertise to support our large digital business.

In other words, we use our sourcing, services and operational excellence and take digital leadership to create customer, shareholder and employee value.

Jens Andersen
CEO

Financial highlights 2018



11.1bn

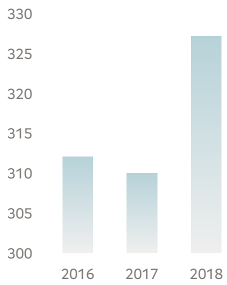
REVENUE

DKK

Growth was at a lower pace in 2018 compared to 2017.

Within core business, we saw growth in Solar Danmark, Solar Nederland, and Solar Polska. However, the development in Solar Sverige and Solar Norge was disappointing with these countries showing negative growth in 2018.

Related business saw two-digit growth in 2018 as well as in previous years.



327m

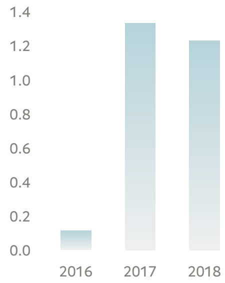
EBITA

DKK

In 2018, EBITA increased by DKK 17m mainly due to our successful cost containment programme which delivered savings of DKK 45m.

With EBITA of DKK 348m, core business delivered the best result since 2010. However, developments in Solar Sverige and Solar Norge were disappointing as EBITA decreased by a total of DKK 50m for these two countries in 2018.

Related business improved its results but still diluted earnings by delivering EBITA of DKK -21m.



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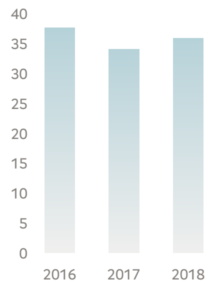
GEARING

times EBITDA

At year-end gearing showed 1.2 times EBITDA. Calculated as an average gearing showed 1.6 times EBITDA in 2018. The average gearing was within our gearing target of 1.5-2.5 times EBITDA.

Net interest-bearing debt decreased even though we paid dividend of DKK 73m and invested DKK 88m in digital improvements. However, we also received DKK 60m from the divestment of our Austrian and Belgian businesses.



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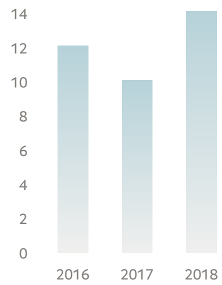
EQUITY RATIO

%

We have a strong balance sheet with an equity ratio of 35.4% for 2018. This is within our target equity ratio of 35-40%.

The Board of Directors regularly assesses the company's capital and share structure to ensure that these are appropriate for both shareholders and the company.



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DIVIDEND PER SHARE

DKK

Our target for payout ratio is 35-45% of profit after tax. However, the Board of Directors will submit a proposal to the Annual General Meeting for paying out dividend of DKK 14 per share corresponding to a payout ratio of 77%.

In 2016 and 2017, we also exceeded our target as the dividend payment of DKK 12 and DKK 10 per share corresponded to a payout ratio of 70% and 386% respectively.

Investment proposition

A TRUE DIGITAL COMPANY

Our Installation and Industry customers are making increasing use of mobile apps and digital tools in their work. Together with the digital transformation of the construction industry, this provides us with opportunities for new services to drive productivity and cost savings in collaboration with our customers. With an e-business share above 50% - in Denmark up to 80% - we use our platform, including our webshop, website and digital marketing, to support a personalised customer experience.

>50%

DIVIDENDS AND SHARE BUY-BACK

The Board of Directors regularly assesses the company's capital and share structure to ensure that these are appropriate for both our shareholders and the company. We use dividends and share buy-back programmes as instruments to adjust our financial capital. Between 2014-2018, we paid out DKK 387m in dividends and spent DKK 216m on share buy-back, meaning DKK 603m in total was paid back to our shareholders.

>600 DKK million

DIGITAL BUSINESS DEVELOPMENT

We hold a dual track investment in four digital startups. This is partly a financial investment and partly a way to strengthen our core business via these collaborations where we gain further insight into the rapid digital transformation of the construction value chain. Since we invested in the four digital startups, the value creation has been approx. DKK 100m. Solar, however, is not necessarily a long-term owner of the four digital startups.

100 DKK million

STRONG CASH FLOW GENERATION

Historically, Solar has succeeded in generating a strong and stable cash flow. We aim to increase our profitability and thereby strengthen our margin. At the same time, we do not foresee the same need for investments as was the case in 2017-18. All things being equal, this will generate capital, which is in line with our previously stated aim of avoiding cash hoarding. On average for 2014-2018, our cash conversion rate was approx. 70% and we expect increasing cash flow generation over the years ahead.

70%

Events of the year

Progress on our strategic focus areas and divestments

STRATEGIC SUPPLIERS

During the year, we held two workshops to pursue growth opportunities within concept sales. Our focus was on strengthening each concept for both near term sales growth and strategic market positioning in each country. Furthermore, we focused on concept alignment and supplier consolidation across countries.

By hosting CPH Summit 2018, we assumed digital leadership and established a new format and level of dialogue. The conference was targeted towards our strategic suppliers to clarify the opportunities and demands arising from digital construction.

INDUSTRY FOCUS

Our Scandinavian industry organisation was centred on Total Cost of Ownership, approaching industry customers with cross-national solutions and working with them to deliver tailored solutions for optimising their businesses.

Our intensified focus on the industry segment paid off. We attracted new industry customers as well as extended contracts with existing customers. Our Industry segment including MAG45 saw revenue growth of more than 8% in 2018.

OPERATIONAL EXCELLENCE

To leverage our expertise across countries, we have a Shared Services Centre in Poland and transferred additional tasks throughout 2018. In total, we now employ more than 100 FTEs at our Shared Services Centre in Poland.

We implemented SAP eWM (extended Warehouse Management) at our central warehouse in Halmstad in Sweden. We will continue the implementation at our other central warehouses. eWM replaces our in-house developed warehouse management system, SGS. Furthermore, we initiated the optimisation of the central warehouse in Norway by implementing AutoStore, an automated storage and retrieval system.

DIVESTMENTS

We divested our Austrian and Belgian business activities as a consequence of our focus on profitable growth.

We decided to divest our Norwegian training business, Scandinavian Technology Institute, through a management buyout. Instead we want to focus our efforts on the re-established Solar School.

Financial performance

5 year summary

Consolidated (DKK million)	2018	2017	2016	2015	2014
Revenue	11,098	11,061	10,420	10,587	10,252
Earnings before interest, tax, depreciation and amortisation (EBITDA)	379	362	368	362	227
Earnings before interest, tax and amortisation (EBITA)	327	310	312	296	117
Earnings before interest and tax (EBIT)	224	176	256	249	-73
Earnings before tax (EBT)	237	176	223	201	-122
Net profit for the year	133	19	125	167	-234
Balance sheet total	4,633	4,717	4,506	4,671	4,574
Equity	1,638	1,591	1,683	1,831	1,732
Interest-bearing liabilities, net	461	489	43	-184	302
Cash flow from operating activities, continuing operations	224	7	203	331	187
Net investments in property, plant and equipment	-59	-14	51	-25	-41

Employees					
Average number of employees (FTEs), continuing operations	2,941	2,870	2,814	2,871	2,898

Financial ratios (% unless otherwise stated)	2018	2017	2016	2015	2014
Organic growth adjusted for number of working days	2.2	7.0	2.3	5.2	0.1
Gross profit margin	20.2	20.7	21.1	20.8	21.2
EBITDA margin	3.4	3.3	3.5	3.4	2.2
EBITA margin	2.9	2.8	3.0	2.8	1.1
Effective tax rate	23.3	17.0	28.3	33.2	-47.2
Net working capital (year-end NWC)/revenue (LTM)	9.8	9.7	8.4	9.3	10.8
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.2	1.3	0.1	-0.5	1.3
Return on equity (ROE)	8.2	1.2	7.1	9.4	-12.1
Return on invested capital (ROIC)	8.1	6.3	10.0	8.5	-4.3
Equity ratio	35.4	33.7	37.4	39.2	37.9

Share ratios (DKK unless otherwise stated)					
Earnings per share outstanding (EPS)	18.22	2.60	16.50	21.26	-29.79
Dividends per share	14.00	10.00	12.00	10.00	7.00
Dividend in % of net profit for the year (payout ratio)	76.7	385.6	70.2	46.8	-

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 STI for 2017 and 2018, Claessen ELGB N.V. and GFI GmbH for 2016 and 2017 and for Solar Deutschland GmbH for 2014, whereas these have not been adjusted for previous years. 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.

Guidance follow-up 2018

	Original guidance 2018	Updated guidance as at 1 November 2018	Updated guidance as at 20 December 2018 due to deconsolidation of STI	Actual 2018
REVENUE DKKm	11,400	11,100	11,060	11,098
ORGANIC GROWTH %	4	2	2	2.2
EBITA DKKm	345	315	327	327
EBITA MARGIN %	3.0	2.8	3.0	2.9

STRONGER THAN EXPECTED

Cost containment
Total costs were reduced by DKK 53m at group level. Approx. 33m is ascribed to the development in exchange rates. Costs in MAG45 increased by DKK 25m in order to generate growth both organically and through the acquisition of Savone in Italy. Despite salary inflation, total cost savings - excluding the MAG45 increase and the impact from exchange rates - amounted to DKK 45m corresponding to an 0.4% improvement of the margin.

We will retain our focus on cost containment, but we expect the rate of improvement to decelerate.

AS EXPECTED

eWM implementation
Over the weekend of 16-17th June, we implemented SAP eWM at our central warehouse in Halmstad, Sweden. The go-live was successful with only minor disturbances experienced in the following weeks. Overall, the negative impact was below 0.1% on EBITA.

Strategic suppliers and concept sales
During 2018, we pursued growth opportunities in concept sales. Our focus was on strengthening each concept for both near term sales growth and strategic market positioning in each country as well as concept alignment and supplier consolidation across countries. As expected we did not experience any financial impact from this during 2018.

WEAKER THAN EXPECTED

Sales development
In Solar Sverige, we saw negative organic growth in 2018 due to previous structural changes in the sales organisation. Consequently, we implemented a new structure in the sales organisation in Q3 2018. With organic growth in Q4, it seems like this is now beginning to show in the results.

Solar Norge also saw negative organic growth mainly due to the loss of a contract with a purchasing association. Despite good progress in H2 2018, we did not manage to fully compensate for this loss of revenue.

Overall, the negative impact was approx. 0.5% on EBITA compared to 2017.

Industry
During 2018, we intensified our focus on industry customers. We identified significant market potential and invested in strengthening our industry sales organisation. It became clear that the ramp-up will be a more time-consuming process than originally anticipated but we had many wins.

Freight costs
Compared to 2017, we saw an unexpected rise in freight costs. Increased fuel costs and lack of capacity were the main reasons for the rise. We are renegotiating several contracts. In addition, we are working to optimise the setup.

Overall the negative impact was 0.2% on EBITA.

Financial review
(Figures in brackets are corresponding figures from 2017)

EBITA increased by DKK 17m mainly due to successful cost containment programme

Revenue from continuing operations was unchanged at DKK 11.1bn while EBITA from continuing operations was up at DKK 327m (DKK 310m) mainly due to our cost containment programme which delivered net savings of DKK 45m in 2018.

Our comments on core and related business and disclosures in note 4 are to be considered as supplementary information. Information on the segments installation, industry and other is included in the consolidated financial statements, note 4.

Core business showed 1.1% (6.5%) in adjusted organic growth and an EBITA of DKK 348m (DKK 340m). Solar Danmark and to a lesser extent Solar Nederland showed solid positive earnings development. However, developments in Solar Sverige and Solar Norge were disappointing as EBITA decreased by a total of DKK 50m for these two entities in 2018.

Related business showed strong organic growth of more than 28% (22%) when adjusted for the number of working days but diluted earnings by delivering EBITA of DKK -21m (DKK -30m).

Revenue and EBITA were on par with our latest published expectations.

At the end of December 2018, Solar initiated the process of a management buyout of our Norwegian training business Scandinavian Technology Institute (STI), part of our related business, cf. company announcement no. 21 2018.

The divestment is expected to constitute a loss of approx. DKK 17m, which is recognised in the Solar Group's income statement as part of the loss from discontinued operations.

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. The divestment constituted a loss of DKK 47m, which was recognised in the Solar Group's income statement as part of the loss from discontinued operations in 2017.

Consequently, in this report GFI GmbH, Austria, Claessen ELGB NV, Belgium, and STI, Norway, are presented as discontinued operations for both 2018 and 2017. Unless otherwise stated, this report recognises Solar's continuing operations only.

REVENUE

In 2018, adjusted organic growth amounted to 2.2% (7.0%) and revenue ended unchanged at DKK 11.1bn.

Related business saw adjusted organic growth of more than 28%, while adjusted organic growth in core business amounted to 1.1%.

For core business, Solar Danmark saw adjusted organic growth of 2.3% and Solar Nederland saw adjusted organic growth of 3.8%, while Solar Sverige and Solar Norge saw negative adjusted organic growth of 2.5% and 1.3%, respectively.

With regard to Solar Sverige, our assessment is that the development was the result of structural changes in the Swedish sales organisation at the beginning of Q3 2017. In Q3 2018, we implemented a new sales organisation structure and we believe that we now have the right structure in place. Solar Sverige saw positive adjusted organic growth in Q4 2018, but it will take some time before the effect is reflected in the results even though Solar Sverige is operating in a healthy market.

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 decreased to 20.2% (20.7%). Within core business, gross profit margin decreased by 0.4 percentage points. In Solar Sverige the drop in the gross profit margin had a negative effect of approx. 0.1 percentage points at group level. Furthermore, several countries saw

Financial review

a change in customer mix towards low margin customers.

Freight costs also negatively impacted the gross profit margin by 0.2 percentage points due to increased fuel costs and lack of capacity. We are renegotiating several freight contracts and we are working to optimise the setup.

EBITA

EBITA increased to DKK 327m (DKK 310m) and EBITA margin was up at 2.9% (2.8%).

Despite salary inflation, total costs were reduced by DKK 53m. Of this, approx. DKK 33m can be explained by the development in exchange rates. MAG45 increased costs by a total of DKK 25m to support growth. Our cost containment programme thereby delivered savings of DKK 45m. We have launched several initiatives in core business to reduce costs and additional tasks have been moved to our Shared Services Centre in Poland.

EBITA from core business amounted to DKK 348m (DKK 340m) while related business diluted EBITA by DKK -21m (DKK -30m).

AMORTISATION

Review of goodwill, customer lists and other intangible assets resulted in an impairment loss of DKK 17m of which DKK 8m related to goodwill in Solar Polska and MAG45. Shutting down a loss-making activity and general assessment of digital projects, led to an impairment loss on software in Solar Danmark of DKK 9m.

Furthermore, as part of our focus on digital improvement projects, our investments in software resulted in increased amortisation.

In 2017, amortisation of DKK 55m related to impairment of goodwill and customer lists in respect of the company's activities in MAG45 and Solar Polaris.

Furthermore, the divestment of the Austrian and Belgian businesses initiated an impairment on software of DKK 10m.

Amortisation thus totalled DKK 103m (DKK 134m).

DKK million	2018	2017
Core business, amortisation	83	66
Core business, impairment loss	14	10
Related business, amortisation	3	3
Related business, impairment loss	3	55
Amortisation and impairment of intangible assets	103	134

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction and services associates amounted to an unchanged DKK -11m.

IMPAIRMENT ON ASSOCIATES

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

FINANCIALS

Net financials totalled DKK -35m (DKK 70m). 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 22m was included as financial costs.

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 in 2017.

Net financials were also affected by a reassessment of the earn-out liability concerning STI resulting in a DKK 15m reversal in 2017.

Adjusted for these items, net financials totalled DKK -24m (DKK -24m).

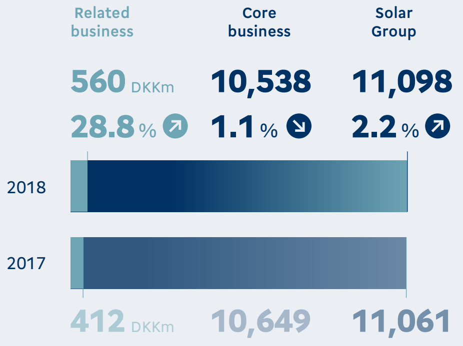
EARNINGS BEFORE TAX

Earnings before tax were up at DKK 237m (DKK 176m).

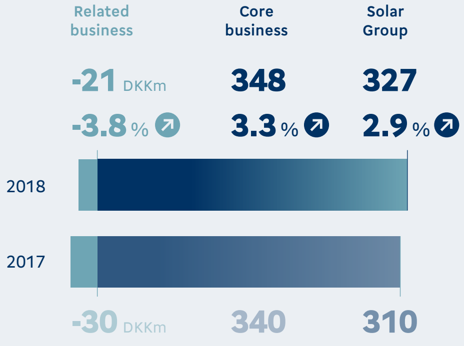
However, earnings before tax were affected by share of net profit from associates, impairment loss etc., see table on following page.

When adjusted for these items, earnings before tax were unchanged at DKK 217m.

Revenue and adj. organic growth



EBITA and EBITA margin



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

Related business includes MAG45 and Solar Polaris.

Financial review

DKK million	2018	2017
Earnings before tax	**237**	**176**
Share of net profit from associates	11	11
Fair value adjustment, recognised under financials	-11	0
Impact due to market value changes in BIMobject:		
Impairment on associates	-59	59
Fair value adjustment, recognised under financials	0	-79
Earnings before tax, adjusted for impact from associates	**178**	**167**
Impairment loss, other intangible assets	9	10
Impairment loss, goodwill	8	33
Impairment loss, customer-related assets	0	22
Earn-out provision reversed	0	-15
Earn-out receivable reversed	22	0
Adjusted earnings before tax	**217**	**217**

INCOME TAX

Income tax totalled DKK 55m (DKK 30m) which corresponds to an effective tax rate of 23.3% (17.0%). Adjusted for a change to the tax base of non-capitalised losses in subsidiaries, the effective tax rate was 20.3% (25.9%).

NET PROFIT

Profit from continuing operations came to DKK 182m (DKK 146m). Loss from discontinued operations amounted to DKK 49m (DKK -127m) including the expected loss on divestments of DKK 17m (DKK 47m). Net profit for the Solar Group thus totalled DKK 133m (DKK 19m).

INVESTMENTS IN ASSOCIATES

Investments in associates came to DKK 251m (DKK 203m), of which DKK 239m (DKK 188m) relates to BIMobject. Year-end 2018, Solar's share of the market value of BIMobject amounted to DKK 259m. Solar acquired the shares at a price of DKK 171m in 2017.

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 has been reduced from 20% to 17%.

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

Net working capital calculated as an average of the previous four quarters amounted to 10.6% (10.2%) of revenue. Net working capital at the end 2018 was almost unchanged at 9.8% (9.7%) of revenue.

Cash flow from operating activities totalled DKK 224m (DKK 7m). Changes to inventories had a DKK -97m (DKK -226m) impact on cash flow, while changes to receivables had an impact of DKK -20m (DKK -230m). 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 -112m (DKK -342m). The divestment of GFI GmbH, Austria, and the activities in Claessen ELGB NV, Belgium, had a positive impact of DKK 60m. In 2017, cash flow from investing activities saw a DKK 222m negative impact from the investment in activities and associated businesses.

Cash flow from financing activities amounted to DKK -108m (DKK 99m) and was affected by dividend distributions of DKK 73m (DKK 88m). In 2017, a new loan of DKK 135m had a positive impact on cash flow. Furthermore, a change in presentation of the cash flow statement implies that repayment of current interest-bearing debt is now presented as part of financing activities in 2017 and 2018.

Cash flow from discontinued operations amounted to DKK -11m (DKK -13m). Consequently, total cash flow amounted to DKK -7m (DKK -249m).

Net interest-bearing liabilities decreased by DKK 28m to DKK 461m. In 2018, we invested DKK 88m in digital improvements, paid dividend of DKK 73m and received DKK 60m from the divestment of our Austrian and Belgian businesses. By the end 2018, gearing was almost unchanged at 1.2 (1.3) times EBITDA. Calculated as an average our gearing was 1.6. Our gearing target is 1.5-2.5 times EBITDA.

At year-end 2018, Solar had undrawn credit facilities of DKK 502m.

ROIC amounted to 8.1% (6.3%) while ROIC on core business amounted to 10.3% (11.4%), negatively affected by an impairment loss on other intangible assets.

Invested capital for the Solar Group was almost unchanged and totalled DKK 1,797m (DKK 1,790m).

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 at the time of granting. 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.

For more information, please see this report's note 24 on share-based payment. General information on Solar's incentive scheme is available on our website: www.solar.eu/investor/policies/.

Outlook and financial targets

Guidance 2019 and financial targets 2020

Actual 2018

REVENUE DKKm	11,098
ORGANIC GROWTH %	2.2
EBITA DKKm	327
EBITA MARGIN %	2.9

Guidance 2019

REVENUE DKKm	11,350
ORGANIC GROWTH %	2
EBITA DKKm	365
EBITA MARGIN %	3.2

Financial targets 2020 (recalculated), see page 16

GROWTH, CORE BUSINESS
We aim to generate profitable growth above market levels.

GROWTH, RELATED BUSINESS
Organic growth of at least 15% per year.

EBITA MARGIN, CORE BUSINESS
At least 4% by 2020, corresponding to a ROIC of at least 12% after tax.

EQUITY RATIO %	35-40
GEARING (NIBD/ EBITDA)	1.5-3.0
PAYOUT RATIO %, at least	35

MARKET OUTLOOK FOR SOLAR'S BUSINESS AREAS

Installation
Overall, we expect the installation market to grow in 2019 albeit at a slower pace than in 2018.

Compared to 2018, we expect new construction and renovation activities in the Danish market to grow, mainly in H1 whereas we are more uncertain about the development in H2.

In Sweden, we have seen a decline in the number of building permits in several quarters. However, this trend seems to have stabilised at the 2016 level.

We do not expect to see growth rates at the same level as in 2018. There is a risk of a slowdown in the Swedish market. If so, we expect a soft landing.

In Norway we continue to expect the installation segment to generate modest growth, partly driven by the ongoing electrification.

We expect the positive trends in the Dutch market to continue. Consequently, we expect stable growth in 2019.

In general, our outlook for 2019 is for moderate, positive market growth.

Industry
For 2019, 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.

Outlook and financial targets

FINANCIAL OUTLOOK 2019

Core business, revenue guidance

For core business, we expect revenue of approx. DKK 10.7bn corresponding to organic growth of approx. 1.5%.

In general, core business delivered low organic growth in 2018 with a slow recovery in Q4 2018.

Core business, EBITA guidance

During 2019, we will continue roll out of our eWM solution in Sweden and then Norway. In addition, we are investing in optimising the central warehouse in Norway by implementing AutoStore, an automated storage and retrieval system. We expect the roll out costs and temporary loss of efficiency to have a negative impact of approx. 0.1% on EBITA in 2019.

We expect both Solar Sverige and Solar Norge to gradually improve, but remain below the level of 2017. For core business, we expect an EBITA of approx. DKK 370m.

Related business, guidance

For the related business, we expect revenue of approx. DKK 650m corresponding to an organic growth of approx. 15% and an EBITA of approx. DKK -5m.

Solar Group, guidance

Our total revenue guidance is approx. DKK 11.35bn corresponding to organic growth of approx. 2%. Total EBITA guidance is approx. DKK 365m.

The table below bridges our 2017 result to our result for 2018 and our guidance for 2019.

EBITA (DKK million)	Core business	Related business	Solar Group
2017, actual, published 12.01.2018	**309**	**-45**	**264**
Divestment of Austrian and Belgian businesses	31	-	31
2017, actual, continuing activities	**340**	**-45**	**295**
Overhead costs*	-10	-	-10
EBITA loss Solar Sverige & Solar Norge	-50	-	-50
Improvements	68	12	80
Divestment of Norwegian training business	-	12	12
2018, actual, continuing activities	**348**	**-21**	**327**
eWM roll out costs	-10	-	-10
Expected improvements	32	16	48
2019, guidance	**370**	**-5**	**365**

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

Guidance 2019

Core Business

REVENUE DKKm	10,700
EBITA DKKm	370

Related Business

REVENUE DKKm	650
EBITA DKKm	-5

Solar Group

REVENUE DKKm	11,350
EBITA DKKm	365

Outlook and financial targets

2020 targets

Due to the required implementation of IFRS 16, leases, as at 1 January 2019, we performed a technical recalculation of our financial targets for 2020.

We have therefore adjusted our total gearing target from 1.5-2.5 to 1.5-3.0 times EBITDA. We have maintained the lower part of the gearing range as we want a higher degree of freedom in order to have sufficient capital in the company for the continued development of the business.

Based on our historically payout ratios we decided to change the payout target from a range of 35-45% to at least 35%.

Moreover, we adjusted our target for ROIC within core business.

CORE BUSINESS

We aim for an EBITA margin of at least 4% by 2020, corresponding to ROIC of at least 15% after tax. Adjusted for the impact of implementing IFRS 16, leases, the target for our EBITA margin is unchanged at least 4% corresponding to ROIC of at least 12% after tax.

For 2019, we expect an EBITA margin of 3.6%, excluding the impact from eWM roll out. Gradually returning Solar Sverige and Solar Norge to the profitability level of 2017 will add approx. 0.2% compared to 2018.

As described under strategy update, we worked on our three strategic focus areas during 2018 and this work will continue as we head towards 2020. We expect these areas to deliver the remaining lift of net 0.2 percentage points, mainly driven by our focus on strategic suppliers and industry and to a lesser extent operational excellence. The net 0.2 percentage points also include gross profit margin erosion and salary inflation.

1. Strategic suppliers

We will continue to pursue growth opportunities in concept sales. Solar offers the market a number of concepts that meet different customer needs. These are offered with a combination of high quality, value-adding services and market-oriented pricing. We will continue to build on long-term cooperation with our suppliers, and by consolidating our customers' sourcing needs, we will strengthen the margin throughout the supply chain. We can see an upside potential by expanding our product categories and our concept offerings, mainly in the Netherlands, Sweden, Norway and, to a lesser extent, in Denmark

2. Industry focus

With industry sales being the most profitable of our main segments, we will continue to strengthen our focus on this business area. The industry sales organisation will continue to approach our customers with cross-national solutions in order to identify individual solutions for optimising their businesses. We currently offer a broad range of services to our industry customers.

3. Operational excellence

We will continue to invest in productivity improvements in order to continuously grow the business and expand the services to our customers. We will exercise a strict management of our cost base. At the same time, we will reallocate costs to growth areas and the further digitalisation of the business.

A prerequisite for achieving our targets for 2020 is that the markets in Denmark, Norway, Sweden and the Netherlands remain stable.

RELATED BUSINESS

Related business is a high growth area. We expect organic growth of at least 15% per year. In the short term, this will lead to a dilution of margins. However, the target is for each company to deliver a positive EBITA within 2-3 years after the acquisition.

DIGITAL, CONSTRUCTION & SERVICES

We currently hold a substantial investment in companies within digital, construction & services. Towards 2020, we expect to invest a maximum of DKK 25m within this segment.

In 2018, we invested an additional DKK 11m in our current portfolio, leaving DKK 14m for investments towards 2020. However, we do not currently foresee new investments.

2020 targets	Present	Adjusted 2020 targets
Growth core business	We aim to generate profitable growth above market levels	Unchanged
Growth related business	Organic growth of at least 15% per year	Unchanged
EBITA margin core business	At least 4% by 2020, corresponding to a ROIC of at least 15% after tax	At least 4% by 2020, corresponding to a ROIC of at least 12% after tax
Equity ratio	35-40%	Unchanged
Gearing (NIBD/EBITDA)	1.5-2.5	1.5*-3.0
Payout ratio	35-45%	At least 35%**

* We maintain the lower part of the range as we want a higher degree of freedom in order to have sufficient capital in the company for continued development of the business. ** Changed due to our historical payout ratios.

Our business

Strategy update

Our business model

KEY RESOURCES

HUMAN RESOURCES
Our 3,000 'can-do' people use market insight to develop new business areas and move our business forward.

INNOVATION CULTURE
Our people have both the right and duty to challenge our customers, suppliers and each other to create innovative solutions.

TECHNOLOGICAL KNOWHOW
Our people have thorough knowledge about products and technologies.

STAKEHOLDER ENGAGEMENT
We engage with a number of different stakeholders to keep developing our business and create an understanding of our productivity agenda.

FINANCIAL CAPITAL
Our financial situation is sound and our collaboration with the capital market helps to ensure the continuous development of our business.

CORE ACTIVITIES

Sourcing excellence	Services excellence	Operational excellence	Digital leadership
We build on long-term cooperation with our strategic suppliers, and by consolidating our customers' sourcing needs, we aim to increase efficiency throughout the supply chain.	We work closely with our customers to offer tailored, value-adding services that optimise their businesses and make them more productive.	Central and regional warehousing, common lean processes, integrated IT systems and shared services across our local operating companies support our business.	With an e-business share above 50%, we are a true digital company and use our platform, including webshop, website and digital marketing, to support a personalised customer experience.
Based on our understanding of our customers' needs we work both with brand manufacturers and proactively seek alternatives.	Our services range from product engineering, advisory services and technical support to customer logistics and Fastbox.	We drive continuous improvement within a broad range of disciplines, and we effectively leverage our regional footprint to reduce costs and improve efficiency.	We assume digital leadership and drive business development in collaboration with our digital partners.
We offer a number of Solar concepts that meet different customer needs. We have concepts suitable for both installation and industry customers.	Our broad range of services are suitable for both installation and industry customers.	We strive to keep our costs low to protect our margins in a market with increasing price transparency. We exercise strict management over our cost base.	We use the digital transformation of the construction industry to develop new services to drive productivity and cost savings in collaboration with our customers.

BUSINESS SEGMENTS: Installation, Industry and Other

VALUE CREATION

CUSTOMER VALUE
We create customer productivity by helping our customers to run their businesses more efficiently.

SHAREHOLDER VALUE
We strive to create value for our shareholders by constantly optimising our business to increase the value of the company.

EMPLOYEE VALUE
We create value for our employees by giving them responsibility, trust, exciting jobs and career opportunities.

Strategy update

We help our customers to run efficient businesses

Sourcing excellence is based on our strategic suppliers as a focus area to increase our share of concept sales. Services excellence includes industry focus, and operational excellence ensures continuous improvement of our business.

SOURCING EXCELLENCE

As a sourcing and services company, sourcing excellence is crucial. We build on long-term cooperation with our strategic suppliers, and by consolidating our customers' sourcing needs, we increase efficiency throughout the supply chain.

We proactively seek alternatives, based on our understanding of our customers' needs and we bundle customer spend within selected product categories.

We pursue growth opportunities within concept sales. In close cooperation with our strategic suppliers, we offer a number of concepts to the market that meet different customer needs. We offer these concepts as a combination of high quality, value-adding services and market-oriented pricing.

We align the concepts across countries to ensure a common approach to the market and increase our share of concept sales and we continuously expand our product categories and concept offerings.

Our concept assortments cover multiple areas. To complement Solar Plus, Solar Netto, Solar Light and Solar Cable, we developed Solar Project, Solar Tools and Solar Heat during 2018. The latter covers all products related to heating, e.g. our Thermrad radiators, heat pumps and floor heating.

SERVICES EXCELLENCE

We work closely with our customers to offer tailored, value-adding services that optimise their businesses and increase productivity.

Our services range from product engineering, advisory services and technical support to customer logistics and Fastbox. Our broad range of services are suited for both installation and industry customers.

However, with industry sales being the most profitable of our main segments, we have strengthened our focus on this business area.

Solar is an industry specialist engaging with a Total Cost of Ownership (TCO) approach and managing non-strategic procurement, warehousing and logistics.

We have established a Scandinavian industry sales organisation and approach our customers with cross-national solutions in order to identify individual solutions for optimising their businesses.

Our dedicated regional resources build strong insights and focus efforts in selected verticals. This structure enables us to leverage resources, capabilities and our business platform.

Furthermore, the cooperation with our related business MAG45, which operates in a high growth area, fully matches our requirements. Together, we have strengthened our TCO-based offering to both existing and new industry customers.

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.

We drive continuous improvement within a broad range of disciplines, and we effectively leverage our regional footprint to reduce costs and improve efficiency.

Central and regional warehousing, common lean processes, integrated IT systems and shared services across our local operating companies support our business.

Our strong e-business focus combined with digital and logistics services increases customer productivity and reduces the need for drive-in visits. In this way, we reduce costs and inventory at the same time.

We strive to keep our costs low to protect our margins in a market with increasing price transparency. We exercise strict management over our cost base and have launched several initiatives to reduce costs.

In 2018, a new governance structure was established in order to ensure better cost containment, and we succeeded in accelerating our cost containment programme, which delivered additional savings of DKK 45m.

Case: Sourcing excellence

Our TCO approach appeals to Danish Crown and many other customers

Via our Total Cost of Ownership (TCO) approach, we provide customers with a full and documented view of total costs. This ensures a consistent and better sourcing and services solution and allows them to focus on their core business.

Within our Scandinavian industry organisation our TCO approach positions Solar as a strong sourcing and logistics partner for industry customers.

When our customers buy products, e.g. material for machines in production, installation materials or lighting for the factory floor, price and quality are essential factors. However, when calculating total costs in addition to the acquisition price, costs relating to invoicing, implementation, operation, service, maintenance, lifespan, downtime and disposal are also factored in.

We are continuously expanding our position by approaching new and existing customers with cross-national solutions and work with them to deliver tailored solutions to optimise their businesses. We target those industry customers who work to optimise their businesses and costs by offering their long tail spend to relevant suppliers. We want to support our customers by optimising value-adding processes and ensuring strategic management of sourcing, logistics and stock.

We serve different industries but have a strong footprint in the Food and Beverage sector, e.g. our partnership with the world's largest pork exporter and Europe's largest pork processor, Danish Crown.

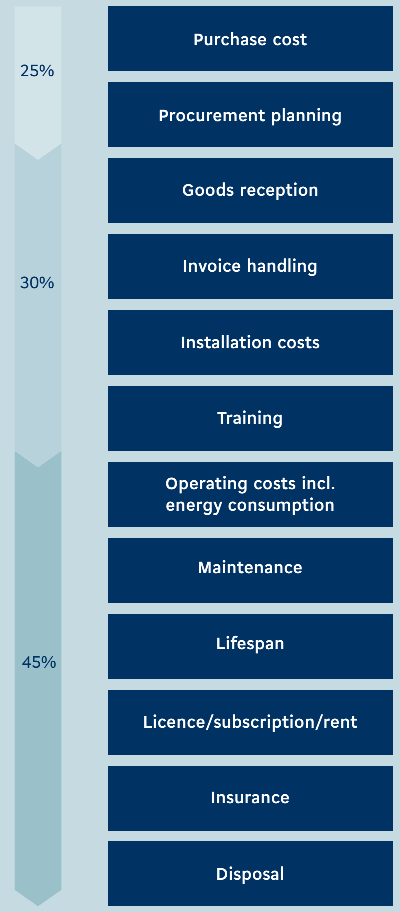
Danish Crown has an innovative view on TCO and works with Solar to identify cross-border opportunities and benefits related to tail spend, supplier consolidation and logistics services.

Danish Crown in Denmark is one of Solar's long-standing customers. However, the contract we signed in 2018 ensures that all Danish Crown factories in Denmark, Sweden and Poland use Solar as their sourcing and services partner.

CALCULATING TCO

Total Cost of Ownership (TCO) is the accumulated costs during the lifespan of a product, right from initial purchase, operation and maintenance to disposal. Illustrated by the figure, different elements can make up a TCO calculation. How large a part of the total costs the different elements represent varies significantly. Solar wishes to highlight some of the essential points of TCO in order to support our customers in becoming more efficient.

ELEMENTS OF A TCO CALCULATION



The percentages exemplify how costs may be distributed.

Case: Services excellence

Our tool rental service increases efficiency

We are firmly focused on productivity improvement in order to help our customers run their businesses more efficiently. Digital solutions and strong logistics are some of our specialities.

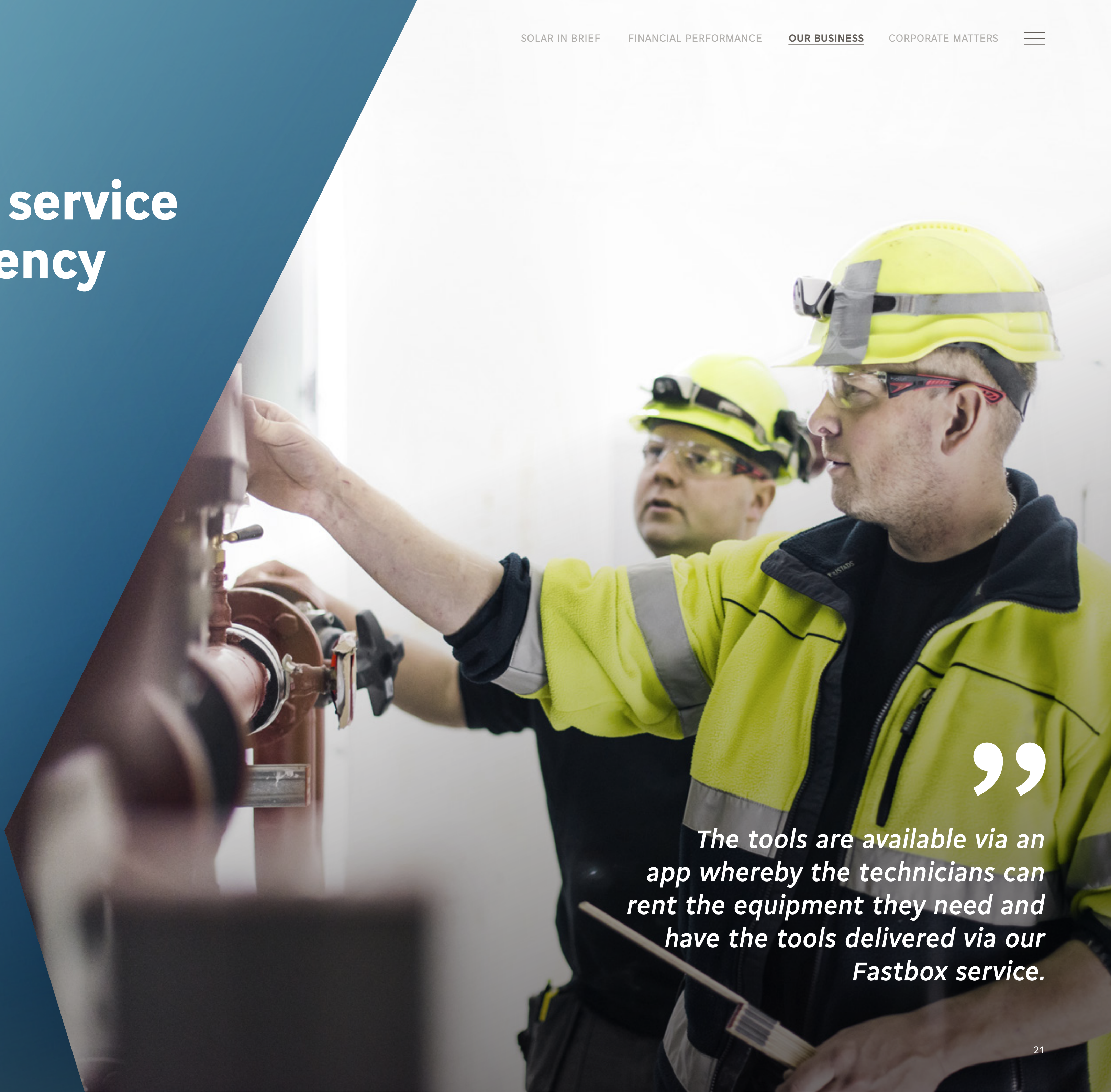
Thus, we are continually expanding our services to our customers and try to connect digital tools wherever it makes sense to do so. Our tool rental service is an example of that.

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

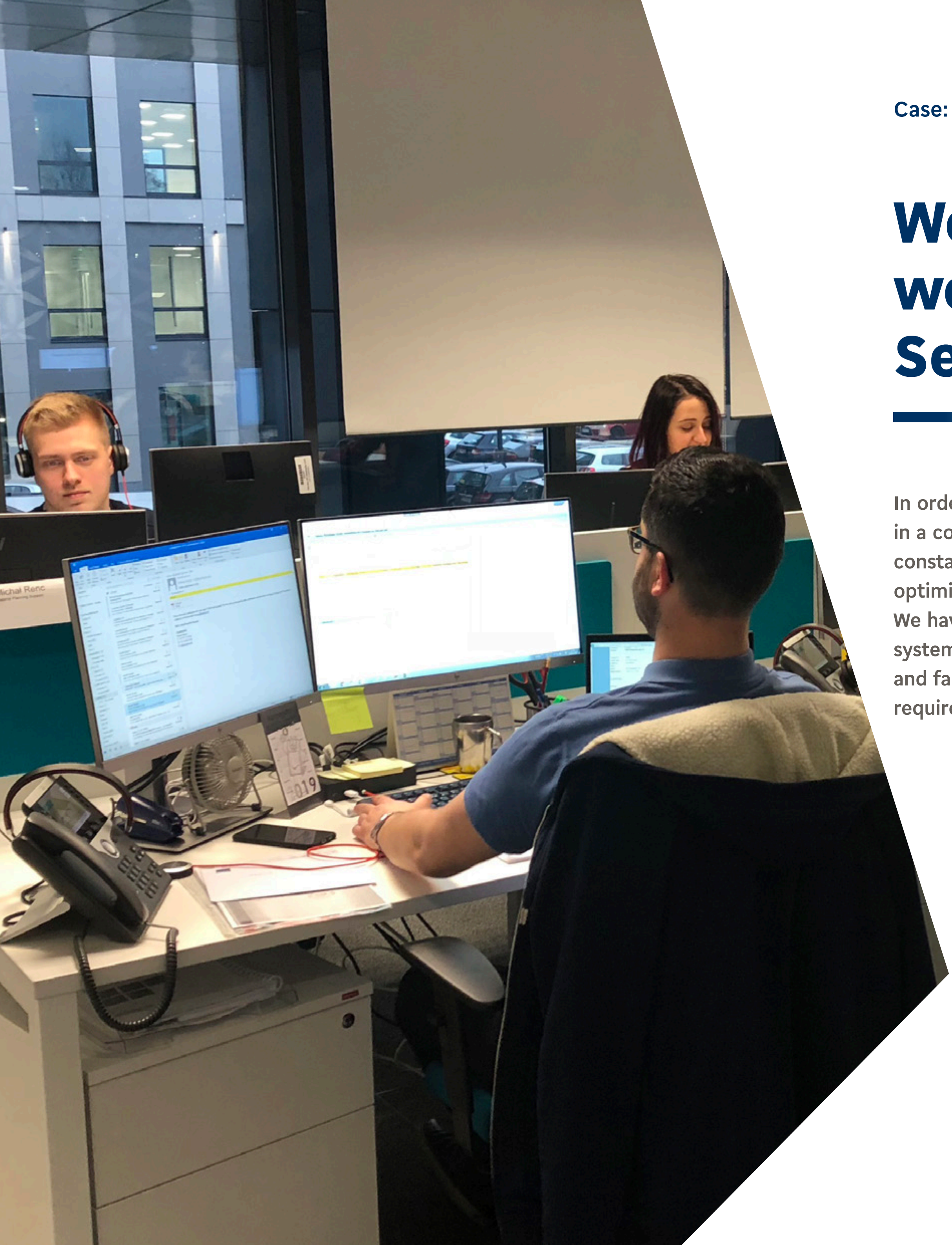
The purpose is to increase efficiency and utilise resources better. Tool rental offers a number of benefits for both customers and employees alike and increases productivity.

The tools are available via an app, which means that technicians can rent the equipment they need and have the tools delivered via our Fastbox service.

This means that technicians 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.



> ***"The tools are available via an app whereby the technicians can rent the equipment they need and have the tools delivered via our Fastbox service.***



Case: Operational excellence

We have established a well-functioning Shared Services Centre in Poland

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.

To leverage our expertise across countries we have a Shared Services Centre in Poland and transferred additional tasks during 2018.

Our Shared Services Centre in Poland services tasks ranging from Product Management, Finance, Tax, Risk Management, IT, Master Data, Material Planning to technical support within lighting and ventilation calculations.

In total, we now employ more than 100 FTEs at our Shared Services Centre in Poland.

The benefits we have gained from transferring and centralising operations at our Shared Services Centre are:

- Improved ability to handle varying workloads across the Solar business
- Improved process excellence and optimised use of our IT platforms
- More opportunities to train and deploy new skills and to do so faster
- Reduced operating costs

Strategy update

We create digital business development

As Installation and Industry customers are increasingly making use of mobile apps and digital tools in their work, digital transformation is providing us with new opportunities. Our digital investments continue to drive business development in our core business and we are acquiring new sourcing and services opportunities as well as access to new customers.

DIGITAL LEADERSHIP

Digital innovation through partnerships

Increasing digitalisation continues to disrupt the traditional value chain and sales channels. A high share of e-business and digital tools to improve our customers' productivity ensure Solar a strong position. However, to ensure we stay at the forefront of the rapid digital transformation, we collaborate with leading innovators within construction technologies.

At Solar we see this as an opportunity to further strengthen our digital leadership and deliver new innovative services to increase efficiency, productivity and cost savings for our customers. Achieving this requires both strong internal focus on digital development and the willingness to look outside Solar for cutting edge expertise and innovation. Successful examples of external digital partnerships include our early-stage minority investments in BIMobject, GenieBelt, Minuba and Viva Labs. Read more about their digital tools at www.solar.eu/products-solutions/digital-tools.

BIMobject is the market leader in offering unique solutions for users - typically architects, specifiers and contractors - to find and use digital copies of actual building components and create as detailed a digital copy of a building as possible. The future digitalisation of the construction industry is driven by Building Information Models (BIM). Our partnership with BIMobject keeps us at the cutting edge of BIM development and the impact it has on the traditional value chain and sales channels. Together with BIMobject Solar is currently launching the Solar Project concept, an assortment of construction materials supporting the new digital sourcing workflows.

GenieBelt focuses on dynamic project management with the clear aim of improving productivity in the construction industry. Together with GenieBelt, Solar is currently engaged in pilot projects, supporting advanced, productivity-enhancing construction site logistics delivered by Solar. These pilots serve to clarify Solar's value-add as a supplier and partner on large construction projects.

Minuba specialises in online job and resource management for craftsmen. Together with Minuba, Solar has recently developed a solution supporting vendor managed inventory (VMI) in installer vans, with automatic replenishment. The solution is an integral part of the Minuba job management workflow. By investing in Minuba Solar has ceased to invest in our own developed job management system.

Viva Labs offers a smart home software platform capturing sensor and GPS data, then uses artificial intelligence to analyse the patterns and routines of the household. Solar aims to play an enabling role making it easy for our customers, suppliers and partners within security, energy and telecommunications to engage in the smart home opportunity and to deliver the products needed.

Stand-alone value creation of minority investments

In addition to strengthening our competencies and digital leadership, our minority investments have led to significant stand-alone value creation.

Our investment in BIMobject has increased by DKK 90m from the initial acquisition date and a fair value adjustment of Solar's share of GenieBelt by DKK 10m was carried out based on a pre-money valuation. Furthermore, we continuously see third party interests that indicate significant value increase for Minuba and Viva Labs as well.

Continued future potential of minority investments

BIMobject has become the clear market leader and continues to develop additional services, business models and spinoffs. The number of users has increased from 279,000 since our initial investment in January 2017 to more than one million users by

Strategy update

early December 2018.

Another example is Minuba, which recently launched an ambitious joint venture with Nordea, the largest bank in Scandinavia, to provide innovative financial services for craftsmen. The service uses information from the Minuba system to calculate on-the-spot credit facilities for residential renovation and construction projects. This makes it simple and quick for home-owners and craftsmen to make decisions as to whether to proceed.

GenieBelt has demonstrated their unique ability to improve construction productivity and transparency. GenieBelt has the potential to become the European leader in their field. In January, GenieBelt announced a merger with Brussels based APROPLAN. The two companies have agreed to merge all their activities to form a new company, LetsBuild, in order to deliver an end-to-end solution to the global construction industry. The merger follows a consolidation trend in the ConTech industry in recent years.

Viva Labs continues to land large channel partners across the European continent.

We continue to see potential for further synergies and business opportunities and stand-alone value creation from our minority investments. However, in the long term, we do not necessarily regard Solar as a strategic owner of these four digital startups as they move into a more expansive growth-stage of their life cycle. Thus, we will consider any interest from parties aiming to take these digital front-runners to the next level.

Case: Digital leadership

Our CPH Summit gave valuable insights within digital construction

As a sourcing and services company we passionately challenge to add value. This was also the reason behind our CPH Summit in the autumn. The newly established conference was targeted at our strategic suppliers to clarify the opportunities and demands arising from digital construction.

Disruption happens when established value chains are being reconfigured. With that in mind, we invited the most innovative executives and digital frontrunners from across the entire construction value chain to share their perspectives through high-quality presentations and panel discussions.

The importance of product data to support digitalisation and the rapid progress of Building Information Modelling (BIM) became clear. To collaborate digitally we need manufacturers to expose their products in digital form just as the data behind all the technical installations is critical to a well-functioning and cost-effective building.

At the summit, we demonstrated BIMobject, GenieBelt, Minuba and Solar solutions and shared some insights into the business development between the startups and our core business in the areas of digital sourcing, construction site logistics and products as a service.

With CPH Summit 2018 Solar established a new format and level of executive dialogue in our business. Several large suppliers specifically followed up after the summit, with their top executives reaching out to work more closely with Solar and BIMobject on digital initiatives.

Business trends

Digitalisation, the green transition and urbanisation benefit our business

Solar is a digital and green sourcing and services company. We see future perspectives for our company within trends such as digitalisation, the green transition and urbanisation, which all play essential roles in our business.

DIGITALISATION

Internet of Things and technologies related to the construction value chain, such as Building Information Modelling, are maturing rapidly.

Digital transformation provides us with opportunities since customers within Installation and Industry are making increasing use of mobile apps and digital tools in their work.

More than DKK 6bn of our approx. DKK 11bn annual revenue comes from digital sales. This puts us among the Danish companies with the highest e-business share. Consequently, e-business and digitalisation are key elements in our business.

In Denmark up to 80% of our business goes through our webshop, mobile and Electronic Data Interchange (EDI). And in general, we are seeing continued growth in our e-business share, especially in mobile. Solar is well positioned for the digital transformation of our industry. Our new customer experience platform is much more than a webshop. We are upgrading and integrating our entire customer platform and use big data in order to provide personalised campaigns and marketing content to ensure an excellent digital customer experience and more cost-effective sales and marketing.

Our high share of e-business demands excellent logistics competences. We offer various digital tools and logistics solutions to improve our customers' productivity.

Professionals spending time in traffic just to pick up goods is also inefficient. Instead, as a means of increasing efficiency and reducing stress, the availability and use of intelligent digital tools to order products and services allows them to plan and manage their working day and to digitalise or outsource their administrative tasks.

Furthermore, our digital investments keep driving business development in our core business. We acquire new sourcing and services opportunities and access to new customers.

GREEN TRANSITION

Climate change is a major threat to our environment, society and economy but a low-carbon world is possible.

As a large company, we believe Solar has an obligation to drive the green transition. However, in our opinion the green transition is only sustainable if it benefits both the environment and the economy.

We take part in the global climate agenda and provide best in class solutions to ensure sustainable and responsible use of resources.

Our energy-efficient solutions match the green transition. The process of electrification will play a particularly important role in the future.

We work with many advanced technologies to support energy efficiency, including ventilation, LED lighting, heat pumps and solar power and we are experiencing growth within climate and energy.

We wish to promote a greener society based on economic pragmatism and wish to increase the production of renewable energy.

At group headquarters, we are mounting a solar cell panel on the roof of a parking lot to ensure our own electricity supply and showcase an obvious solution to potential customers.

Business trends

Under the name FyrFyret, Solar offers heat as a service via a subscription model with a fixed monthly charge. The idea is to replace oil burners and gas furnaces with energy-efficient heat pumps. FyrFyret takes care of the whole process of removing the oil burner and installing a heat pump instead. Typically, monthly heating costs will be approx. 25% lower than before. And customers avoid unforeseen repair and service costs as the heat pump is serviced by FyrFyret.

URBANISATION

By 2050, almost 84 percent of Europe's population is expected to live in urban areas* and the increasing urbanisation will lead to major changes.

At the same time construction and demolition waste is one of the heaviest and most voluminous waste streams generated in the EU. It accounts for approximately 25-30% of all waste generated in the EU.**

We work to reduce waste in all aspects as a part of our productivity agenda. And our well-established Fastbox concept has not only proved itself as a means of responding to labour shortages within the construction industry. It also responds to growing urbanisation and the increasing traffic congestion in our cities.

Over time, we expect municipalities to set requirements for vans in cities. They will only be allowed to operate for certain periods of the day and only fully loaded. This goes hand in hand with our idea of consolidating deliveries.

*Source: UN Department of Economic and Social Affairs
**Source: European Commission

Our people

Our people embody our company values

The most valuable parts of our company are not equipment, the physical plant, data, technology, or intellectual property. Human capital is, in fact, Solar's most important asset.

Our people are the ones who move our business forward and develop new business areas.

To do that, they embody our company values, Glow, Courage and SmartFun. We encourage our people to be innovative. We need people who have the courage to challenge our customers, suppliers and each other to create a good business: We passionately challenge to add value.

WE LINK PERFORMANCE AND LEARNING

During the year under review, we used our new and improved platform to support our performance development processes for the first time. Our mission was to find a process that is intuitive, encourages dialogue and makes it easy to follow up on progress and agreed plans and targets.

As a result, we have made it easier to link performance and learning, to set goals, and assign learning programmes from our training facilities. In our employee performance appraisals, we will continue to focus on performance, competence development, development potential, mobility and career plans.

DIVERSITY

The Solar Group's approach is for all employees to be treated equally regardless of gender, age, race and religion. All employees have equal opportunities when it comes to employment, terms of employment, training and promotion.

We aim for a high degree of diversity because we believe that this will make us a better and stronger business. However, we do not compromise on qualifications. We will continue to employ the most qualified candidates regardless of their gender, political, religious or personal orientation.

We believe it is important that the Board of Directors represents a wide diversity of skills, age and gender, and that we maintain a dynamic balance between continuity and renewal through a periodic turnover of board members.

Our diversity policy sets out our objective regarding the composition of the board. Solar wishes its board to be as diverse as possible, including with equal participation of women and men, while still ensuring that the board represents the overall skills set required. Our aim is for neither gender to be underrepresented on the Board of Directors after Solar's Annual General Meeting in 2019. Consequently, women must make up at least 40% of the board members elected by the Annual General Meeting, which is deemed a fair distribution.

At the Annual General Meeting in 2018, a new member of the Board of Directors was elected. As this did not change the distribution, women still make up 20% of Solar's board members elected by the Annual General Meeting as was the case last year.

At Solar, we operate with two upper management levels: Solar Group Management (SGM) and senior level management. The latter includes vice presidents or directors who report to an SGM member. Solar's aim is for an overall distribution of women and men of 25% and 75% respectively by 2020.

In 2018, we continued to focus on raising the proportion of women in upper management levels. However, we acknowledge that we operate in a field historically dominated by men. This is also evident at entry-level positions for white-collar, where 25% of new hires are women. To counteract this reality, we have run internal management training programmes that promote management and leadership competences, allowing our managers to grow. The programme is targeted at newly appointed managers to generate a pipeline of both male and female candidates for upper management levels in the future.

In 2018, we continued to require that both genders were represented among the final candidates for senior management positions and this requirement will remain in place in 2019.

Despite our efforts, the overall gender distribution in the two upper management levels was 16% women and 84% men as at 31 December 2018.

> ”
> *We need people who have the courage to challenge our customers, suppliers and each other to create a good business.*

Corporate matters

Risk management

Solar's risk management is based on Enterprise Risk Management (ERM) and the Board of Directors' rules of procedure, which place the responsibility for risk management with the Executive Board.

The Executive Board is responsible for ensuring that the necessary policies and procedures are in place, that efficient risk management systems have been established for all relevant areas and are improved continuously.

The overall purpose of the risk management initiative is to support the running of a robust business that is able to react quickly and flexibly when conditions change.

Solar's risk management efforts cover almost all Solar companies in Denmark, Norway, Sweden, the Netherlands, Poland and MAG45. The process supports national management teams in taking a structured approach towards risk management, with regular risk self-assessments anchored in the annual cycle. The data is consolidated at group level, and the findings are presented to the Board of Directors for approval.

The individual risk owners are responsible for mitigating risks to a level within Solar's risk appetite and tolerance. Throughout the year, Solar's Group Risk Management and local risk managers actively monitor the progress of this mitigation to ensure that risks are at an acceptable level.

THREE LINES OF DEFENCE

Solar's risk management is organised according to the three lines of defence model which demonstrates and structures roles, responsibilities and accountabilities for risks, decision-making and control to achieve effective governance, risk management and assurance.

Board of Directors / Audit Committee

Approve and accept risk policy including risk appetite and tolerance

Executive Board

Monitor the risk management framework and effectiveness

First line of defence	Second line of defence	Third line of defence
Business Management & Risk Owners	**Group Risk Management & Risk Managers**	**Internal Audit**
Own risks and risk management activities	Establish policies and frameworks, facilitate risk identification and monitoring	Test, validate and assess efficiency in risk management processes and activities

Risk management

RISK DEFINITION

The focus of Solar's risk management is to identify and assess operational risks and operational aspects of strategic risks throughout the Solar Group. Solar defines these risks as events or developments that could significantly reduce Solar's ability to:

1) Meet profit expectations,
2) Execute the strategy, and/or
3) Maintain a licence to operate.

Solar works with the concepts of gross risk (inherent risk) and net risk (residual risk).

The gross risk effect is defined as the product of the impact and the probability of the risk materialising without any change in current risk mitigation.

The net risk effect is defined as the risk level when considering current as well as planned mitigation activities regarding both impact and probability.

RISK APPETITE AND TOLERANCE

Solar's risk appetite and risk tolerance articulate the extent to which Solar is willing to accept risks in five overarching categories: Governance, Strategy and Planning, Operations/Infrastructure, Compliance and Reporting.

Accordingly, the risk appetite outlines Solar's strategic outlook towards risk and defines the degree to which Solar is risk-seeking or risk-avoiding, while the risk tolerance, as an indicative parameter, outlines the level of net risk that Solar is willing to accept for a given measure of reward.

Risk appetite and risk tolerance are set by the Board of Directors and are reviewed annually.

RISK SELF-ASSESSMENT

Solar evaluates the effect of a risk based on a product of the probability of the risk materialising and the gross impact if the risk does materialise. In detail, the probability of the risk is defined as the expected frequency with which the risk may occur, while the impact is divided into three dimensions:

1) Effect on earnings
2) Reputational damage
3) Compliance (licence to operate)

RISK HANDLING

The purpose of identifying and then handling risk is at all times to bring it to an acceptable level, which is in line with risk appetite and tolerance. In Solar, we work with four different risk treatment strategies when handling risks.

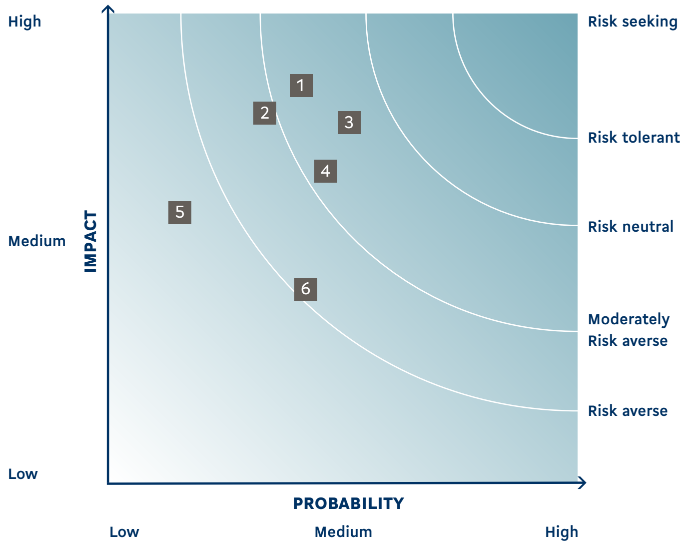
- Avoid – seeking to eliminate uncertainty by changing circumstances.
- Transfer – seeking to transfer ownership and/or liability of the risk to a third party.
- Accept – recognising residual risks and devising responses to monitor and control these.
- Mitigate – seeking to minimise risk exposure to below acceptable threshold.

The above strategies provide a number of formal responses to identified risks to help risk owners manage these.

RISK APPETITE AND TOLERANCE PER RISK CATEGORY

RISK CATEGORY	RISK APPETITE					RISK TOLERANCE
	Risk averse	Moderately Risk Averse	Risk neutral	Risk tolerant	Risk seeking	
Governance	■					Low
Strategy and planning		■	■	■		Low-medium
Operations / Infrastructure		■	■	■		Low-medium
Compliance	■					Low
Reporting	■					Low

SOLAR RISK MAP 2018



Solar's top risks are mapped out in terms of probability and impact in the risk map. The overall risk picture is relatively stable compared to the previous year.

1 Cyber risk
2 IT interruption
3 Change management
4 Central warehouse breakdown
5 General Data Protection Regulation
6 Webshop upgrade

EXPOSURE TO POTENTIAL TOP RISKS AND MITIGATION

RISK	1. Cyber risk	2. IT interruption	3. Change management	4. Central warehouse breakdown	5. General Data Protection Regulation	6. Webshop upgrade
SCENARIO	Risk of exposure to IT break-down and/or data breach due to cyberattack.	Generic risk of business interruption due to unforeseen events affecting IT operations.	Risk of failure to execute the sourcing and services strategy at a sufficient pace as a result of inappropriate mindset and/or a lack of competences.	Generic risk of unforeseen system and equipment's interruption or events such as fire, power outage, flooding or other natural or manmade disasters.	Risk of not meeting the requirements of the General Data Protection Regulation (GDPR) at an acceptable level. Although the regulation came into force in May 2018, it requires strong governance and continuous monitoring.	Risk of failure to harvest expected benefits from the implementation and development of the new e-business platform.
IMPACT	Business interruptions in the shape of data breaches, intellectual property theft and regulatory consequences as well as loss of reputation are among the consequences of cyberattack incidents, ultimately leading to financial losses. Despite the impact severity, the probability of the worst case scenario is assessed as relatively low.	Potential interruptions in the IT solutions area may result in financial losses and/or lead to reputational damage. Despite the impact severity, the probability of the worst case scenario is assessed as relatively low.	Currently, the assumed impact of this risk would be low revenue and profits from services sales. Further interruptions or delays in the area of strategy execution may lead to loss of competitiveness, a decrease in quality and customer trust as well as a loss of internal competence. All these factors will lead to a failure to meet profit estimates and, therefore, can influence Solar's position on the market.	Unwanted events may potentially lead to partial or complete warehouse breakdown. Accordingly, materialisation of this risk can result in financial losses as well as loss of reputation.	GDPR non-compliance may lead to severe financial and/or reputational consequences.	Failure to meet customer expectations, and/or failure to transfer customers from the current platform to the new one may affect the benefits assumed by Solar, and ultimately lead to the loss of competitiveness and decrease in profitability.
MITIGATION	Solar continuously strives to communicate appropriate internal information about security policies to uphold organisational awareness. Monitoring policies and procedures are in place for the main networks and systems. By ensuring new security tools or upgrading the existing ones, Solar continues to reduce vulnerabilities and monitors the network in search of unusual behaviours. Furthermore, external studies are performed regularly to assess the maturity level of Solar's cyber-resilience.	IT area is continuously monitored and evaluated. To lower the probability of the risk materialising, business-critical applications are mirrored at two central data centres in order to enable the business to run if one of these centres experiences downtime. Project teams improved through anchoring risk management in the project plans and defining relevant mitigating activities.	Solar's Executive Board continues to communicate how the main focus areas correspond with strategy execution and expected benefits. A series of initiatives were carried out to ensure clear priorities regarding daily business, adequate organisational structure and expected competences.	To reduce the probability of the risk materialising, Solar aimed to ensure the optimal warehouse management system. Experiences from successful implementation in one of the central warehouses were considered in planning and preparation for the next implementations. Additionally, external audits are conducted, the warehouse equipment's state is monitored regularly, and Group IT controls the overall performance. Several procedures are in place in case of a potential central warehouse breakdown.	Necessary precautions were taken in order to ensure organisational readiness before 25 May 2018. Solar ensured an adequate governance model for handling the risk in order to maintain customers' and investors' trust in the Solar brand. Increased efforts in the communications area have been initiated and will be continued in order to increase organisational awareness of the GDPR requirements.	Solar's mitigation efforts include recovery planning, product data enrichment, transparency in communication and testing. Further to feedback obtained from test customers, priorities were set and relevant actions were taken. Solar decided to onboard customers to the new platform in part to ensure the best possible customer experience. Until reaching full readiness for transferring customers from one webshop to another, two platforms will be in operation.

Corporate social responsibility

Turning energy efficiency into profitable business

Solar Group is dedicated to turning energy efficiency into a profitable and responsible business for our customers. As such, we have a green profile by nature, working to promote sustainable energy solutions and encouraging initiatives to the benefit of our society.

We acknowledge the fact that, in a number of ways, our success comes at a cost to the world around us. Therefore, we have made a formal decision to conduct business ethically and to contribute to sustainable development. We work to embed CSR thinking into our projects and operational processes to make sure that CSR is not a stand-alone discipline, but a natural part of our way of doing business.

Therefore, we implement socially responsible activities where it makes sense and where we see that we can create value. Some of these activities are a product of major projects, while others are small, everyday activities, which nevertheless are equally important in terms of defining Solar as a socially responsible company.

GLOBAL COMPACT

Solar is a registered partner to the UN's Global Compact and is committed to honouring the Global Compact's 10 principles, which encompass human rights, working environment/labour, environment and anti-corruption.

As an active participant of the UN Global Compact, Solar Group communicates our CSR activities via an annual communication on progress (COP). Our COP report also represents Solar Group's compliance with sections 99a and 99b of the Danish Financial Statements Act.

In addition to expressing our continued support for the programme, the report outlines our efforts to reduce CO2 emissions and our compliance with ethical standards.

The report is accessible at www.solar.eu/our-company/corporate-social-responsibility/ and at the Global Compact's website www.unglobalcompact.org/what-is-gc/participants/10987-Solar-A-S#cop

RESPONSIBLE SUPPLIER MANAGEMENT

Solar is committed to ethical business practices and we hold our suppliers to the same high standards. It is Solar Group policy to comply with all applicable laws and regulations of the countries and regions in which we operate and to conduct our business activities in an honest and ethical manner.

Therefore, we have initiated a partnership with our suppliers, calling on them to sign our updated Code of Conduct. Our Code of Conduct states that Solar Group expects its suppliers to uphold the policies of Solar Group concerning compliance with all applicable laws, respect for human rights, environmental conservation and the safety of products and services.

To support our efforts in relation to our Code of Conduct we are implementing a new contract system to support and improve the process of on-boarding new suppliers and updating the policy going forward. Implementation of the system will be finalised before the end of Q2 2019.

CARBON DISCLOSURE PROJECT (CDP)

Our business activities leave their imprint on the environment, i.e. when we transport products from A to B. To minimise the inconvenience that comes from our business activities, reducing our carbon emission is a CSR priority. Since 2010, Solar has reported data to the Carbon Disclosure Project. In addition to monitoring our emission, we focus on finding ways to further reduce emission in our daily business. Our CDP work is described in a CDP strategy, which is available to all employees on our intranet. Due to the implementation of a new reporting system, the deadline for our CDP report is rescheduled for Q3 2019.

COLLABORATION WITH SOS CHILDREN'S VILLAGES

Our collaboration with the SOS Children's Villages and Engineers without Borders is a five-year commitment. As the idea is to create sustainable children's villages, the projects are closely aligned to our core business. This means that we are able to support them with our technical knowledge, product expertise and to deliver quality products. Read about our partnership with SOS Children's Villages at www.solar.eu/our-company/corporate-social-responsibility.

Photo credits: SOS Children's Villages

Corporate governance

Overall, Solar complies with corporate governance recommendations

In general, Solar considers the 2017 recommendations of the Danish Committee on Corporate Governance a valuable tool for exercising sound management, good transparency for shareholders and other stakeholders, and efficient risk management. Solar therefore complies with the recommendations wherever they are relevant to the company.

A full description of Solar's views on the individual items of the corporate governance recommendations is available at: www.solar.eu/investor/corporate-governance

DEVIATIONS

Solar complies with 41 of 47 recommendations but deviates from:

Recommendation on nomination of candidates for the Board of Directors

The Board of Directors neither selects nor nominates candidates to the Board of Directors as it is the Fund of 20th December which is the majority shareholder that submits proposals for the composition of the Board of Directors. In this connection, importance is attached to the board members representing relevant skills in relation to the company's needs. The aim is to continuously ensure a balance between the Board of Directors' continuity and renewal.

Recommendation on the annual evaluation procedure, including an evaluation of what is regarded as a reasonable level for the number of other management functions

This recommendation is not followed as the Board of Directors finds that the individual

Corporate governance

board member is best equipped to evaluate what constitutes a reasonable level for the number of other management functions in relation to the resources and competences available to the board member. The company expects and ensures that board members have the necessary time to prepare for and participate in the board's work.

Recommendation on independence of a majority of the members of a board committee

To the extent that the present necessary competences are available, we strive for a majority of independent board members in the board committee. The majority of members in the remuneration committee are independent, while one of the three audit committee members is independent.

Recommendation on establishment of a nomination committee

The Fund of 20th December, the majority shareholder, makes proposals for the composition of the Board of Directors. Due to this ownership structure with a majority shareholder, Solar has not established a permanent nomination committee tasked with nominating members of the Board of Directors. However, every year, the board evaluates the skills' requirements of the Board of Directors. In connection with the appointment of members of the Executive Board, a temporary nomination committee is established.

Recommendation on the procedure for evaluating the board of directors

The Board of Directors undertakes an annual evaluation of the work of the board and the interaction between the Board of Directors and the Executive Board. This includes an evaluation of the chairman's leadership of the board's work. The evaluation is based on a number of questions covering all subjects included in the board's work. The questions are the same every year in order to detect trends and are rarely changed. The Board of Directors finds that the repetitive format is preferable rather than occasional external assistance. The chairman is in charge of the evaluation, which is discussed by the Board of Directors. If a need for skills development becomes apparent, members of the Board of Directors will participate in relevant courses and supplementary training as agreed.

The evaluation procedure and overall conclusions are described in the annual report and at www.solar.eu.

Recommendation on preparation of a remuneration report

Solar does not prepare remuneration reports. The remunerations/fees of the individual members of the Executive Board and the Board of Directors are included in the annual report, just as the company has prepared and published a remuneration policy. Solar assesses that resources spent on preparing an annual remuneration report can create better value elsewhere to the benefit of the company and its shareholders.

EVALUATION

The chairman is in charge of the evaluation of the Board of Directors' work by means of a questionnaire. The purpose is to assess whether the overall skills of the Board of Directors match the company's current needs, the quality of material distributed to the board and the holding of the meetings themselves as well as the relevance of issues discussed as regards legal requirements, risk factors and the company's development potential. The 2018 evaluation did not give rise to the introduction of additional measures.

STATUTORY CORPORATE GOVERNANCE STATEMENT

Solar has chosen to make the statutory corporate governance statement, cf. Danish Financial Statements Act section 107b, available on the company's website.

Please use this link to find the statutory corporate governance statement 2018: www.solar.eu/investor/corporate-governance.

THE AUDIT COMMITTEE AND INTERNAL AUDIT

Descriptions about the roles and responsibilities of the Audit Committee and Internal Audit respectively are available at: www.solar.eu/investor/corporate-governance.

Shareholder information

We are in constant contact with investors and analysts

Solar aims at transparency by giving investors and analysts the best possible insight into relevant issues.

INVESTOR RELATIONS POLICY

The publication of information that may affect the share price must be issued in good time and in compliance with the stock exchange's rules of ethics. Everyone must have access to such information at the same time. We ensure this by publishing relevant information via Nasdaq Copenhagen and on www.solar.eu.

We hold meetings with investors and financial analysts. Investor meetings or similar events cannot be held during our IR quiet periods. These periods start on the 4th of every month following a closed quarter and end with the publication of the next quarterly report. At year-end, the IR quiet period starts on the 10th of the next month following the closed year and ends with the publication of the annual report. During such periods, no comments on financial results, expectations or market outlook will be issued by the company. The IR quiet periods are listed in the financial calendar.

COMMUNICATING WITH INVESTORS

Solar wants to be visible and accessible to both existing and potential institutional and private shareholders. It is important that we know our target groups in order to have the best possible dialogue with them. This is why we recommend that shareholders register by name and e-mail in the register of shareholders.

We communicate with shareholders at general meetings, through frequent announcements via Nasdaq Copenhagen and our website www.solar.eu as well as via web presentations.

Relevant investor relations material is published on www.solar.eu, where Solar's shareholders and other stakeholders can also sign up to receive company announcements by e-mail.

INVESTOR RELATIONS ACTIVITIES

We hold audio webcasts in connection with the publication of annual and quarterly reports.

ANNUAL GENERAL MEETING

Solar will hold its Annual General Meeting on Friday 15 March 2018 at 11.00 at our premises: Solar A/S, Industrivej Vest 43, DK-6600 Vejen, Denmark.

Shareholders can register for the Annual General Meeting on the investor portal, accessible via www.solar.eu.

The Board of Directors will submit the following proposals for approval by the Annual General Meeting:

- Payment of DKK 14.00 in return per share outstanding of DKK 100.
- Authority to make the decision to distribute extraordinary dividends of up to DKK 15.00 per share.
- Authority to acquire treasury shares valued at up to 10% of share capital.
- Reduction of the share capital by nominally DKK 38,562,500 by cancelling part of the holding of treasury shares and in consequence changing the articles of association § 3.1 and § 3.2.
- Renewed authority to increase the share capital until 1 April 2023 as the existing authority expires 1 April 2019. Furthermore, the authority is changed to DKK 64,600,000 in consequence of cancelling part of the holding of treasury shares leading to changing articles of association § 9.1, § 9.2 and § 9.4.
- Approval of the Board of Directors' unchanged remuneration in 2019.

Please find a presentation of our Board of Directors on pages 39-41.

Shareholder information

In addition, Solar is also available for individual meetings with investors and analysts in Denmark and abroad. In 2018, Solar took part in 50 investor and analyst meetings.

In 2018, Solar attended roadshows in Copenhagen and Paris. We also took part in other events, including SEB Nordic Seminar and Danske Bank Markets Copenhagen Winter Seminar.

AUDIO WEBCAST

The presentation of the Annual Report 2018 will be transmitted online on 7 February 2019 at 11:00 CET and will be available at www.solar.eu.

SOLAR'S CAPITAL AND SHARE STRUCTURE

The Board of Directors regularly assesses the company's capital and share structures to ensure that these are appropriate for both the shareholders and the company.

As a result, the Board of Directors has decided to submit a proposal at the Annual General Meeting for distributing DKK 102m as dividend, corresponding to DKK 14.00 per share outstanding of DKK 100.

SOLAR'S SHARES

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

Share capital includes 900,000 A shares and 6,845,625 B shares. A shares have 10 votes per share amount of DKK 100, while B shares have 1 vote for each share amount of DKK 100. To be entitled to vote, shares must be registered in Solar's register of shareholders no later than one week before the date of the Annual General Meeting.

To approve any resolutions on alterations to the articles of association, the resolution must be approved by at least 2/3 of both the votes cast and the voting capital represented at the general meeting, and – as quorum – at least 2/3 of the votes of the voting share capital must be represented at the general meeting.

SHARE PRICE DEVELOPMENT

On 31 December 2018, the price of Solar's B share was DKK 284, down from the 2018 starting price of DKK 415. This is a decrease of approx. 31% in Solar's share price over the year.

In comparison, the MidCap index decreased approx. 10% in 2018.

Similar to many other listed companies exposed to the construction industry, Solar experienced a drop in the share price in late 2018 despite our core business delivering the best EBITA since 2010.

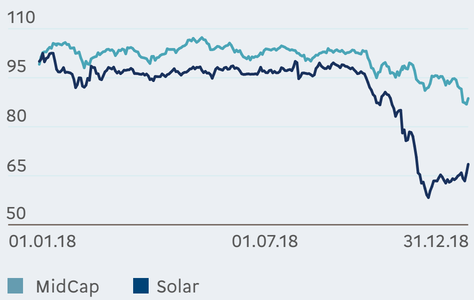
SHAREHOLDERS

As at 31 December 2018, registered share capital totalled 93.7%, distributed across 3,554 shareholders. Solar's portfolio of treasury shares totalled 447,333 B shares or 5.8% of share capital as at 31 December 2018.

SOLAR'S MARKET VALUE

Solar holds a 17% equity interest in BIMobject AB, which is a listed company on First North. This is an illustration of the impact of BIMobject's market value on Solar's market value.

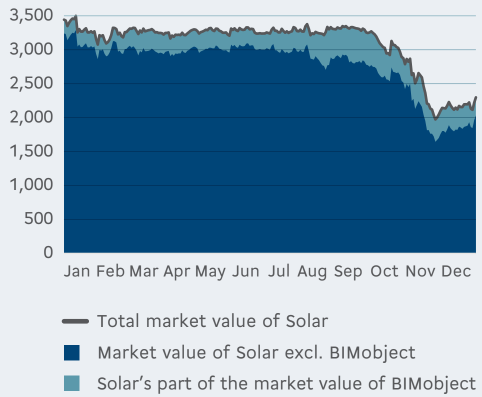
Share price development (index)



Distribution of share capital and votes based on the latest public information

Holdings of 5% or more of share capital	Share capital in %	Votes in %
The Fund of 20th December, Vejen, Denmark	16.0%	58.1%
RWC Asset Management LLP, London, England	15.0%	7.3%
Chr. Augustinus Fabrikker A/S, Copenhagen, Denmark	10.3%	5.0%
Nordea Funds Oy, Danish Branch,Copenhagen,Denmark	10.3%	5.0%
Solar A/S, Vejen, Denmark	5.8%	2.8%
FIL Limited, Pembroke, Bermuda	5.0%	2.5%

Solar's market value



Shareholder information

COMPANY ANNOUNCEMENTS 2018
(excl. insider announcements)

Date	No.	Announcement
28.12	22	Major shareholder announcement
20.12	21	Solar plans to divest STI through a management buyout
03.12	20	Major shareholder announcement
05.11	19	Major shareholder announcement
01.11	18	Financial calendar 2019 for Solar A/S
01.11	17	Quarterly Report Q3 2018
09.08	16	Quarterly Report Q2 2018
09.07	15	Major shareholder announcement
01.05	14	Solar A/S completes divestment of Belgian business activities
24.04	13	Quarterly Report Q1 2018
05.04	12	Solar A/S has divested all shares in GFI GmbH in Austria
16.03	10	Course of Annual General Meeting (AGM)
02.03	9	Election of employee representatives for the Board of Directors of Solar A/S
23.02	8	Grant of restricted shares to the Executive Board and management team in Solar A/S
23.02	7	Exercise of share options in Solar A/S
20.02	5	Notice of Annual General Meeting
09.02	4	Annual Report 2017
31,01	3	Solar A/S enters into agreements concerning divestment of the groups' Austrian and Belgian business activities
12.01	2	Solar discloses the preliminary results for 2017 and writes down goodwill and customer lists
12.01	1	Major shareholder announcement

ANALYSTS
The following financial institutions cover the Solar share:

- Carnegie Bank
- Danske Bank
- Nordea Bank
- SEB

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Director, Stakeholder Relations
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E-mail: crk@solar.dk

FINANCIAL CALENDAR 2019

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

Board of directors

Jens Borum

Born 1953, joined 1982
Chairman

- M.Sc. 1980, PhD 1985.
- Has long-standing experience as chairman.
- Remuneration 2018: DKK 725,000
- Holds 6,900 Solar A shares and 118,520 Solar B shares. Did not trade Solar shares in 2018.
- Holds 38,000 BIMobject shares acquired in 2017.

Ulf Gundemark

Born 1951, joined 2014
Vice Chairman

- Holds an electrical engineering degree (1975) and has since gotten supplementary education at, among others, IFL and INSEAD.
- Chairman of the board of directors of Nordic Waterproofing Holding A/S.
- Member of the boards of directors of Optigroup AB, Lantmännen Ekonomisk Förening, AQ Group AB and Ripasso Energy AB.
- Represents managerial experience from global and local businesses and holds significant knowledge of the trade and markets.
- Remuneration 2018: DKK 393,750
- Holds 1,500 B shares. Has not traded Solar shares in 2018.

Lars Lange Andersen

Born 1968, joined 2010
Employee-elected member

- Head of F&B Scandinavia.
- Remuneration 2018: DKK 175,000.
- Holds 93 Solar B shares. Did not trade Solar shares in 2018.

BOARD OF DIRECTORS' AFFILIATION WITH SOLAR

Ulf Gundemark, Louise Knauer, Peter Bang and Jens Peter Toft are independent of the company pursuant to the definition in the recommendations on corporate governance in Denmark. Jens Borum has been a member of the Board of Directors for more than 12 years. Jesper Dalsgaard is affiliated with the Fund of 20th December, which is the majority shareholder in Solar A/S.

Jesper Dalsgaard and Jens Peter Toft are members of the Audit Committee together with the Chairman of the Board of Directors Jens Borum. Jens Peter Toft chairs the Audit Committee and has special accounting qualifications.

Jens Peter Toft and Ulf Gundemark are members of the Remuneration Committee together with the Chairman of the Board of Directors Jens Borum. Ulf Gundemark chairs the Remuneration committee.

Board of directors

MEMBERS OF THE BOARD OF DIRECTORS

Peter Bang

Born 1969, joined 2018

- Group Director and CFO, VELUX.
- Cand.oecon. (1994) from Aarhus University, specialising in business economics and financing.
- Experience within construction, climate/energy, globalisation, digitalisation, organisational development, change management, communication as well as finance and performance management.
- Remuneration 2018: DKK 218,750.
- Holds 400 Solar B shares acquired in 2018.

Ulrik Damgaard

Born 1973, joined 2014
Employee-elected member

- Regional Director.
- Remuneration 2018: DKK 175,000.
- Holds 60 Solar B shares. Did not trade Solar shares in 2018.

Bent H. Frisk

Born 1961, joined 2006
Employee-elected member

- Central Warehouse Manager.
- Remuneration 2018: DKK 175,000.
- Holds 60 Solar B shares. Did not trade Solar shares in 2018.

Election of employee representatives

The most recent ordinary election of employee representatives took place electronically on 22 February - 1 March 2018. The participation rate in the election was 70.9%. Under the law, employee representatives have the same rights, duties and responsibilities as the other members of the board. Under Danish law, employees have the right to elect a number of representatives and alternates, corresponding to half of the representatives elected by the Annual General Meeting at the time of calling the election of employee representatives.

Election period

All board members elected at the Annual General Meeting are up for election each year, whereas employee representatives are elected by and from among the company's employees for four-year terms.

Activities

A minimum of six ordinary board meetings as well as one conference for the Board of Directors are held each year. In 2018, we had seven board meetings and one conference for the Board of Directors.

Board of directors

MEMBERS OF THE BOARD OF DIRECTORS

Jesper Dalsgaard Jensen

Born 1968, joined 2017

- Managing Director, Rambøll Buildings, Rambøll Group A/S
- M.Sc. in Law and Business Administration 1993
- Member of the board of directors of the Fund of 20th December.
- Possesses experience of companies managed by funds and companies affiliated to the construction industry and has experience with strategy and business development as well as establishing new business models.
- Remuneration 2018: DKK 350,000.
- Holds 250 Solar B shares. Did not trade Solar shares in 2018.

Louise Knauer

Born 1983, joined 2017

- BSc in business administration and commercial law, 2006, and MSc in finance and strategic management, 2008.
- Member of the boards of directors of DoGood.dk ApS and CubeIO A/S
- Possesses experience of developing strategies and companies both nationally and internationally as well as with technologically-driven innovation and business development. She also has experience of cyber security.
- Remuneration 2018: DKK 256,250.
- Holds 381 Solar B shares. Did not trade Solar shares in 2018.

Jens Peter Toft

Born 1954, joined 2009

- CED of Selskabet af 11. december 2008 ApS and one subsidiary hereof.
- Graduate Diploma in Business Administration (Financial and Management Accounting) 1983, the Executive Program, University of Michigan Business School.
- Chairman of the boards of directors of Mipsalus Holding ApS and one subsidiary hereof.
- Vice chairman of the board of directors of M. Goldschmidt Holding A/S.
- Member of the boards of directors of Bitten og Mads Clausens Fond, the unit trusts Danske Invest, Danske Invest Select, Profil Invest, Procapture and the capital units Danske Invest Institutional and AP Invest, Civilingeniør N.T. Rasmussens Fond, Enid Ingemanns Fond, Fondet for Dansk Norsk Samarbejde, six subsidiaries of M. Goldschmidt Holding A/S, Dansk Vækstkapital II, Dagrofa ApS and Mahia 17 ApS, and Selskabet af 11. December 2008 ApS.
- Member of the investment committee of GRO Capital I.
- Possesses experience of capital market transactions, financial matters, investments, organisation, general management and stock exchange matters.
- Remuneration 2018: DKK 462,500.
- Holds 1,250 Solar B shares. Did not trade Solar shares in 2018.

ATTENDANCE AT MEETINGS IN 2018

Board member	A	B	C	D
Jens Borum	7	1	6	2
Ulf Gundemark	7	1	-	2
Lars Lange Andersen	7	1	-	-
Peter Bang	5	1	-	-
Ulrik Damgaard	7	1	-	-
Jesper Dalsgaard	7	1	6	-
Bent Frisk	7	1	-	-
Louise Knauer	5	1	-	-
Jens Peter Toft	7	1	6	2
Niels Borum (resigned at AGM 2018)	3	-	-	-

A: Board Meetings
B: Board Conference
C: Audit Committee
D: Remuneration Committee

Executive management

Executive management and Solar group management

EXECUTIVE BOARD

Jens E. Andersen

Born 1968
CEO and MD Denmark

- Chairman of the boards of directors of 10 Solar Group subsidiaries.
- Member of the boards of directors of VELTEK and Associated Danish Ports A/S.
- Holds no BIMobject shares. Sold 10,360 BIMobject shares in 2018.
- Holds 4,480 Solar B shares. Purchased 2,000 Solar B shares in 2018.
- Holds 8,588 share options and 997 restricted share units. The restricted share units were granted in 2018. Exercised 2,601 share options in 2018.

- Remuneration: DKK 6m.

Hugo Dorph

Born 1965
CCO

- Member of the boards of directors of 5 Solar Group subsidiaries.
- Chairman of the board of directors of Flexya Innovations A/S and HomeBob A/S.
- Member of the boards of directors of Flexya A/S, Viva Labs AS and GenieBelt A/S.
- Holds no Solar shares.
- Holds 11,597 share options and 576 restricted share units. The restricted share units were granted in 2018.

- Remuneration: DKK 3m.

Michael H. Jeppesen

Born 1966
CFO

- Member of the boards of directors of all Solar Group subsidiaries.
- Holds 1,269 Solar B shares. Did not trade Solar shares in 2018.
- Holds 7,079 share options and 484 restricted share units. The restricted share units were granted in 2018. Exercised 1,951 share options in 2018.

- Remuneration: DKK 3m.

SOLAR GROUP MANAGEMENT

Solar Group Management is made up of the Executive Board, our senior vice presidents and the MDs of the Solar Group subsidiaries.

Marco de Bos
Born 1971
Senior Vice President & MD Benelux

Jan Willy Fjellvær
Born 1961
Senior Vice President & MD Norway

Lars Goth
Born 1961
Senior Vice President, Supply Chain

Anders Koppel
Born 1969
Senior Vice President & MD Sweden

Peter Pedersen
Born 1970
Senior Vice President, Commercial Market

Ole Sørensen
Born 1971
Senior Vice President, Industry Sales

Dariusz Targosz
Born 1969
Senior Vice President & MD Poland

Bauke Zeinstra
Born 1966
Senior Vice President & MD MAG45

Financial statements

Consolidated financial statements

Contents

Summary for the Solar Group

2014-2018

Income statement (DKK million)	2018	2017	2016	2015	2014
Revenue	11,098	11,061	10,420	10,587	10,252
Earnings before interest, tax, depreciation and amortisation (EBITDA)	379	362	368	362	227
Earnings before interest, tax and amortisation (EBITA)	327	310	312	296	117
Earnings before interest and tax (EBIT)	224	176	256	249	-73
Financials, net	-35	70	-33	-48	-49
Earnings before tax (EBT)	237	176	223	201	-122
Net profit for the year	133	19	125	167	-234

Balance sheet (DKK million)	2018	2017	2016	2015	2014
Non-current assets	1,516	1,522	1,397	1,250	1,324
Current assets	3,117	3,195	3,109	3,421	3,250
Balance sheet total	4,633	4,717	4,506	4,671	4,574
Equity	1,638	1,591	1,683	1,831	1,732
Non-current liabilities	543	557	375	592	655
Current liabilities	2,452	2,569	2,448	2,248	2,187
Interest-bearing liabilities, net	461	489	43	-184	302
Invested capital	1,797	1,790	1,744	1,662	2,172
Net working capital, year-end	1,090	1,081	998	989	1,111
Net working capital, average	1,182	1,133	1,187	1,252	1,267

Cash flow (DKK million)	2018	2017	2016	2015	2014
Cash flow from operating activities, continuing operations	224	7	203	331	187
Cash flow from investing activities, continuing operations	-112	-342	-152	-24	-58
Cash flow from financing activities, continuing operations	-108	99	-388	-125	-151
Net investments in intangible assets	-88	-106	-88	-36	-18
Net investments in property, plant and equipment	-59	-14	51	-25	-41
Acquisition and divestment of subsidiaries and operations, net	50	-16	-97	37	1

Financial ratios (% unless otherwise stated)	2018	2017	2016	2015	2014
Revenue growth	0.3	6.4	5.2	3.3	-2.0
Organic growth	1.8	6.4	3.2	5.2	0.4
Organic growth adjusted for number of working days	2.2	7.0	2.3	5.2	0.1
Gross profit margin	20.2	20.7	21.1	20.8	21.2
EBITDA margin	3.4	3.3	3.5	3.4	2.2
EBITA margin	2.9	2.8	3.0	2.8	1.1
EBIT margin	2.0	1.6	2.5	2.4	-0.7
Effective tax rate	23.3	17.0	28.3	33.2	-47.2
Net working capital (year-end NWC)/revenue (LTM)	9.8	9.7	8.4	9.3	10.8
Net working capital (average NWC)/revenue (LTM)	10.6	10.2	10.1	11.8	12.4
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.2	1.3	0.1	-0.5	1.3
Return on equity (ROE)	8.2	1.2	7.1	9.4	-12.1
Return on invested capital (ROIC)	8.1	6.3	10.0	8.5	-4.3
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	6.8	10.4	8.8	10.6	21.7
Equity ratio	35.4	33.7	37.4	39.2	37.9

Summary for the Solar Group

2014-2018 – continued

Share ratios (DKK unless otherwise stated)	2018	2017	2016	2015	2014
Earnings per share outstanding (EPS)	18.22	2.60	16.50	21.26	-29.79
Intrinsic value per share outstanding	224.44	218.00	230.60	234.43	220.62
Cash flow from operating activities per share outstanding	30.67	0.96	26.77	42.05	23.77
Share price	284.12	414.52	361.80	431.69	287.51
Share price/intrinsic value	1.27	1.90	1.57	1.84	1.30
Dividends per share	14.00	10.00	12.00	10.00	7.00
Dividend in % of net profit for the year (payout ratio)	76.7	385.6	70.2	46.8	-
Price Earnings (P/E)	15.6	159.2	21.9	20.3	-9.7

Employees					
Average number of employees (FTEs), continuing operations	2,941	2,870	2,814	2,871	2,898

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.

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 STI for 2017 and 2018, Claessen ELGB N.V. and GFI GmbH for 2016 and 2017 and for Solar Deutschland GmbH for 2014, whereas these are not adjusted for previous years. 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.

Statement of comprehensive income

Income statement

Note	DKK million	2018	2017
4	Revenue	11,098	11,061
	Cost of sales	-8,851	-8,776
	Gross profit	**2,247**	**2,285**
	Other operating income and costs	0	0
27	External operating costs	-448	-472
5	Staff costs	-1,406	-1,435
6	Loss on trade receivables	-14	-16
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**379**	**362**
7	Depreciation and write-down on property, plant and equipment	-52	-52
	Earnings before interest, tax and amortisation (EBITA)	**327**	**310**
7	Amortisation and impairment of intangible assets	-103	-134
	Earnings before interest and tax (EBIT)	**224**	**176**
12	Share of net profit from associates	-11	-11
12	Impairment on associates	59	-59
22	Financial income	28	110
23	Financial expenses	-63	-40
	Earnings before tax (EBT)	**237**	**176**
8	Income tax	-55	-30
	Profit of continuing operations	**182**	**146**
18	Loss of discontinued operations	-49	-127
9	**Net profit for the year**	**133**	**19**
20	Earnings in DKK per share outstanding (EPS) for the year	18.22	2.60
20	Diluted earnings in DKK per share outstanding (EPS-D) for the year	18.21	2.60
20	Earnings in DKK per share outstanding (EPS) of continuing operations for the year	24.94	20.00
20	Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations for the year	24.92	19.98

Please see note 18 on discontinued operations for earnings per share outstanding (EPS) from discontinued operations.

Other comprehensive income

DKK million	2018	2017
Net profit for the year	**133**	**19**
Other income and costs recognised:		
Items that cannot be reclassified for the income statement		
Actuarial gains / losses on defined benefit plans	0	0
Tax on acturial gains/losses on defined benefit plans	0	0
Items that can be reclassified for the income statement		
Foreign currency translation adjustments of foreign subsidiaries	-16	-35
Fair value adjustments of hedging instruments before tax	4	16
Tax on fair value adjustments of hedging instruments	-1	-4
Other income and costs recognised after tax	**-13**	**-23**
Total comprehensive income for the year	**120**	**-4**

Balance sheet

as at 31 December

Notes	DKK million	2018	2017
	ASSETS		
10	Intangible assets	382	427
11	Property, plant and equipment	812	814
8	Deferred tax asset	10	18
12	Investments in associates	251	203
	Other non-current assets	61	60
	Non-current assets	**1,516**	**1,522**
13	Inventories	1,521	1,437
14	Trade receivables	1,452	1,492
	Income tax receivable	7	5
	Other receivables	12	14
	Prepayments	45	45
	Cash at bank and in hand	65	77
18	Assets held for sale	15	125
	Current assets	**3,117**	**3,195**
	Total assets	**4,633**	**4,717**

Notes	DKK million	2018	2017
	EQUITY AND LIABILITIES		
19	Share capital	775	775
	Reserves	-171	-158
	Retained earnings	932	901
	Proposed dividends for the financial year	102	73
	Equity	**1,638**	**1,591**
21	Interest-bearing liabilities	409	423
	Provision for pension obligations	2	3
8	Provision for deferred tax	113	107
15	Other provisions	19	24
	Non-current liabilities	**543**	**557**
21	Interest-bearing liabilities	117	143
	Trade payables	1,883	1,848
	Income tax payable	3	19
16	Other payables	428	483
	Prepayments	5	1
15	Other provisions	2	7
18	Liabilities held for sale	14	68
	Current liabilities	**2,452**	**2,569**
	Liabilities	**2,995**	**3,126**
	Total equity and liabilities	**4,633**	**4,717**

Cash flow statement

Notes	DKK million	2018	2017
	Net profit or loss of continuing operations for the year	182	146
7	Depreciation, write-down and amortisation	155	186
	Impairment on associates	-59	59
	Changes to provisions and other adjustments	0	-12
	Share of net profit from associates	11	11
22,23	Financials, net	35	-70
	Income tax	55	30
22	Financial income, received	8	6
23	Financial expenses, settled	-29	-28
	Income tax, settled	-52	-52
	Cash flow before working capital changes	**306**	**276**
	Working capital changes		
	Inventory changes	-97	-226
	Receivables changes	-24	-230
	Non-interest-bearing liabilities changes	39	187
	Cash flow from operating activities, continuing operations	**224**	**7**
	Cash flow from operating activities, discontinued operations	-11	-8
	Cash flow from operating activities	**213**	**-1**
	Investing activities		
10	Purchase of intangible assets	-88	-106
	Purchase of property, plant and equipment	-59	-36
	Disposal of property, plant and equipment	0	22
17	Acquisition of subsidaries and activities	-10	-16
	Acquisition of associates	0	-16
	Divestment of subsidiaries and activities	60	0
	Other financial investments[1]	-15	-190
	Cash flow from investing activities, continuing operations	**-112**	**-342**
	Cash flow from investing activities, discontinued operations	0	-5
	Cash flow from investing activities	**-112**	**-347**

Notes	DKK million	2018	2017
	Financing activities		
	Repayment of non-current interest-bearing debt	-20	-69
	Raising of non-current interest-bearing liabilities	0	135
	Change in current interest-bearing debt[2]	-15	121
	Dividends distributed	-73	-88
	Cash flow from financing activities, continuing operations	**-108**	**99**
	Cash flow from financing activities, discontinued operations	0	0
	Cash flow from financing activities	**-108**	**99**
	Total cash flow	**-7**	**-249**
	Cash at bank and in hand at the beginning of the year	77	343
18	Assumed on disposal of subsidaries	-5	0
	Foreign currency translation adjustments	0	-17
	Cash at bank and in hand at the end of the year	**65**	**77**
	Cash at bank and in hand at the end of the year[2]		
	Cash at bank and in hand	65	77
	Cash at bank and in hand at the end of the year	**65**	**77**

1. Investment in BIMobject in 2017 amounted to DKK 171m.
2. A change in presentation of the cash flow statement implies that repayment of current interest-bearing debt is now presented as part of financing activities.

Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	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			-16			-16
Fair value adjustments of hedging instruments before tax		4				4
Tax on fair value adjustments		-1				-1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	3	-16	0	0	-13
Net profit for the year				31	102	133
Comprehensive income	**0**	**3**	**-16**	**31**	**102**	**120**
Distribution of dividends (DKK 10.00 per share)					-73	-73
Transactions with the owners	**0**	**0**	**0**	**0**	**-73**	**-73**
Equity as at 31 December	**775**	**-58**	**-113**	**932**	**102**	**1,638**

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

Statement of changes in equity

– continued

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Retained earnings	Proposed dividends	Total
2017						
Equity as at 1 January	**792**	**-73**	**-62**	**938**	**88**	**1,683**
Foreign currency translation adjustments of foreign subsidiaries			-35			-35
Fair value adjustments of hedging instruments before tax		16				16
Tax on fair value adjustments		-4				-4
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	12	-35	0	0	-23
Net profit for the year				-54	73	19
Comprehensive income	**0**	**12**	**-35**	**-54**	**73**	**-4**
Distribution of dividends (DKK 12.00 per share)					-88	-88
Reduction in share capital	-17			17		0
Transactions with the owners	**-17**	**0**	**0**	**17**	**-88**	**-88**
Equity as at 31 December	**775**	**-61**	**-97**	**901**	**73**	**1,591**

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

1

General accounting policies

The consolidated financial statements of Solar A/S for 2018 are presented in accordance with the International Financial Reporting Standards (IFRSs) as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies cf. Nasdaq Copenhagen's disclosure requirements for annual reports of listed companies and the IFRS executive order issued in accordance with the Danish Financial Statements Act.

The consolidated financial statements have been prepared using the historical cost formula with the exception of derivative financial instruments and investments in equity instruments, which are measured at fair value, as well as non-current assets and groups of assets held for sale, which are measured at the lowest value of the book value before changes in classification or fair value less sales costs.

The accounting policies described below have been applied consistently in the financial year and to the comparative figures.

Implementation of new financial reporting standards
As of 1 January 2018, Solar implemented those new standards and interpretations approved by the EU that became effective in the financial year 2018 as well as any annual improvements on applicable IFRSs. This included:

- IFRS 9 on financial instruments which introduced a new model for impairment of receivables based on expected losses. Further, IFRS 9 relaxed the requirements for applying hedge accounting.
- IFRS 15 on revenue from contracts with customers which introduced a comprehensive model for recognition of revenue. Revenue from sale of goods is recognised along with transfer of control.

The changes have no effect on Solar.

Note 28 includes a description of new standards and interpretations that have not yet become effective.

Presentation currency
The annual report is presented in Danish kroner rounded off to the nearest 1,000,000 Danish kroner. Danish kroner is the parent company's functional currency.

Translation of foreign currency items
A functional currency has been set for each reporting group entity. The functional currencies are the currencies used in the primary economic environments in which each individual reporting entity operates. Transactions in other currencies than the functional currency are considered transactions in foreign currencies.

Transactions in foreign currency are translated at first recognition to the functional currency at the exchange rate prevailing at the date of the transaction. Differences between the exchange rate prevailing on the date of the transaction and the exchange rate on the payment date are recognised in the income statement as items under financial income and expenses.

All monetary items in foreign currencies that have not been settled on the balance sheet date are translated into the functional currencies using the exchange rates on the balance sheet date. Any difference between the exchange rate prevailing on the date of the transaction and the balance sheet date exchange rate are recognised in the income statement as items under financial income and expenses.

When recognising entities with different functional currencies than Danish kroner in the consolidated financial statements, the income statements are translated at the exchange rate prevailing on the date of the transaction and balance sheet items are translated at the balance sheet date exchange rates. The average rate of exchange for the individual months is used as exchange rate prevailing on the date of the transaction when this does not result in a considerably different presentation. Exchange rate differences, from translation of these entities' equity at the beginning of the year at the balance sheet date exchange rates and in connection with the translation of income statements from the exchange rate prevailing at the date of transaction to the balance sheet date exchange rates, are recognised directly in other comprehensive income as a separate reserve for foreign currency translation adjustments.

When translating investments in associates with a functional currency other than Danish kroner in the consolidated financial statement, the group's share of comprehensive income is translated at the average exchange rates and the share of equity, including goodwill, is translated at the exchange rate on the balance sheet date.

The exchange rate difference resulting from the translation of the share of foreign associates' equity at the beginning of the year at the exchange rate on the balance sheet date and the translation of the share of comprehensive income from the average exchange rates to the exchange rate prevailing on the balance sheet date is recognised in other comprehensive income and presented in a separate reserve for foreign currency translation adjustments under equity. The cumulative currency translation adjustment is recycled to the income statement upon disposal of the investment.

1

General accounting policies – continued

Consolidated financial statements
The consolidated financial statements include the financial statements of the parent company Solar A/S and subsidiaries in which Solar A/S has power over the investee, exposure to variable returns and the ability to use its power over the investee to affect the returns.

The consolidated financial statements have been prepared as an aggregation of the parent company and the individual subsidiaries' financial statements and in accordance with the group's accounting policies. Intercompany revenue, other intercompany operating items, intercompany balances, profit and loss from transactions between the consolidated entities as well as internal equity investments are eliminated.

Entities over which the group has significant influence but not control over operational and financial decisions are classified as associates. Significant influence typically exists when the group directly or indirectly holds more than 20% of voting rights, but less than 50%. However, for each investment an individual assessment on the classification will be performed. The assessment will be based on our part of the voting rights and our representation on Board of Directors. If such an assessment concludes that we have insignificant influence then the investment is classified as other non-current assets.

The group's share of the associates' earnings after tax and the elimination of the proportional share of internal profit/loss is recognised in the income statement. The group's share of the associates' other comprehensive income is recognised in other comprehensive income.

When obtaining significant influence over an entity in which the group has previously held an interest accounted for as a financial asset, the fair value as of the date when the group obtained significant influence is deemed as cost under the equity method.

Statement of comprehensive income
Solar A/S presents the statement of comprehensive income in two statements. An income statement and a statement of comprehensive income that show the year's results and income that forms part of other comprehensive income. Other comprehensive income includes exchange rate adjustments, actuarial gains and losses, adjustments of investments in associates and hedging transactions.

Presentation of discontinued operations
Discontinued operations consists of geographical areas where activities and cash flow can be clearly separated in an operational and accounting sense from the other parts of the entity and when the entity has either been divested or separated as held for sale.

Earnings after tax of discontinued operations as well as write-down to fair value less costs to sell and gains / losses from any sale are presented in a separate line in the income statement with adjustment of the comparative figures. Notes include information on revenue, costs, value adjustments, financials and tax for any discontinued operations. Assets and related liabilities of discontinued operations are presented separately in the balance sheet without adjustments to comparative figures.

Cash flow statement
The cash flow statement shows cash flow distributed on operating, investing and financing activities for the year, changes in cash and cash equivalents, and cash at bank and in hand at the beginning and end of the year.

The effect of cash flow on the acquisition and divestment of entities is shown separately under cash flow from investing activities. Cash flow from acquired entities is recognised in the cash flow statement from the date of acquisition and cash flow from divested entities is recognised until the time of divestment. Cash flow from discontinued operations is presented separately under operating, investing and financing activities.

Cash flow from operating activities is determined using the indirect method as earnings before tax adjusted for non-cash operating items, changes in working capital, interest received and paid, and income tax paid. Cash flow from investing activities includes payments in connection with the acquisition and sale of intangibles, property, plant and equipment and investments, and acquisition and divestment of entities. Cash flow from financing activities includes acquisition and sale of treasury shares, dividends distribution and incurrence or repayment of non-current and current interest-bearing liabilities. Cash at bank and in hand includes cash holdings and deposits with banks.

Financial ratios
Earnings per share (EPS) and diluted earnings per share (EPS-D) are determined in accordance with IAS 33. In general, financial ratios are calculated in accordance with the "Recommendations and Financial Ratios 2015" of the Danish Finance Society.

1

General accounting policies – continued

Description of accounting policies in notes
Descriptions of accounting policies in the notes form part of the overall description of accounting policies.

These descriptions are found in the following notes:

Note 4	Segment information
Note 8	Income tax
Note 9	Net profit for the year
Note 10	Intangible assets
Note 11	Property, plant and equipment
Note 12	Associates
Note 13	Inventories
Note 14	Trade receivables
Note 15	Other provisions
Note 17	Acquisitions of subsidiaries
Note 18	Assets and liabilities held for sale
Note 19	Share capital
Note 21	Interest-bearing liabilities and maturity statement
Note 24	Share-based payment
Note 25	Contingent liabilities and other financial liabilities

2

Significant accounting estimates and assessments

When preparing the annual report in accordance with generally applicable principles, management make estimates and assumptions that affect the reported assets and liabilities. Management base their estimates on historic experience and expectations for future events. Therefore, actual results may differ from these estimates.

The following estimates and accompanying assessments are deemed material for the preparation of the financial statements:

- Impairment test of goodwill
- Capitalisation of software
- Inventory write-down
- Write-down for meeting of loss on doubtful receivables
- Provision for deferred tax

These estimates and assessments are described in the following notes:

Note 8	Income tax
Note 10	Intangible assets
Note 13	Inventories
Note 14	Trade receivables

3

Financial risks

Results and equity are affected by a range of financial risks. All financial transactions are based on commercial activities, and no speculative transactions are made. Financial instruments are solely used for hedging of financial risks.

The financial risks are described in the following notes:

Note 14 Trade receivables
Note 21 Interest-bearing liabilities and maturity statement

For description of Solar's other business related risks and our approach to risk management, see the management's review on pages 30-32.

4

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
2018				
Revenue	6,742	3,443	913	11,098
Cost of sales	-5,431	-2,655	-765	-8,851
Gross profit	**1,311**	**788**	**148**	**2,247**
Direct costs	-254	-103	-28	-385
Earnings before indirect costs	**1,057**	**685**	**120**	**1,862**
Indirect costs	-520	-179	-54	-753
Segment profit	**537**	**506**	**66**	**1,109**
Non-allocated costs				-730
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**379**
Depreciation and amortisation				-155
Earnings before interest and tax (EBIT)				**224**
Financials, net				13
Earnings before tax (EBT)				**237**

Accounting policies

The reporting on business segments follows the structure of Solar's internal management reporting to chief operating decision makers, the group Executive Board. The group Executive Board uses business segmentation when allocating resources and following up on results.

No single customer makes up more than 10% of the total revenue.

Furthermore, Solar presents the geographical distribution of revenue and non-current assets divided on Denmark, Sweden, Norway, the Netherlands and Other markets. The geographical distribution is based on the business units operating in these geographical areas.

Revenue
Revenue includes goods for resale recognised in the income statement if the transfer of control to the customer according to the agreed delivery terms 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.

Cost of sales
Cost of sales includes the year's purchases and change in inventory of goods for resale. This includes shrinkage and any write-down resulting from obsolescence.

4

Segment information – continued

DKK million	Installation	Industry	Other	Total
2017				
Revenue	6,976	3,179	906	11,061
Cost of sales	-5,631	-2,442	-703	-8,776
Gross profit	**1,345**	**737**	**203**	**2,285**
Direct costs	-252	-93	-27	-372
Earnings before indirect costs	**1,093**	**644**	**176**	**1,913**
Indirect costs	-525	-172	-53	-750
Segment profit	**568**	**472**	**123**	**1,163**
Non-allocated costs				-801
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**362**
Depreciation and amortisation				-186
Earnings before interest and tax (EBIT)				**176**
Financials, net				0
Earnings before tax (EBT)				**176**

4

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 companies overview available on page 129. The below allocation has been made based on the products' place of sale.

DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
2018					
Denmark	3,381	2.5	214	6.3	1,906
Sweden	2,354	-2.5	52	2.2	242
Norway	1,809	-1.3	35	1.9	145
The Netherlands	2,728	3.8	41	1.5	282
Other markets	917	19.5	-15	-1.6	64
Eliminations	-91		-	-	-1,123
Total	**11,098**	**2.2**	**327**	**2.9**	**1,516**
2017					
Denmark	3,338	10.7	161	4.8	1,987
Sweden	2,579	5.7	84	3.3	256
Norway	1,882	3.7	53	2.8	156
The Netherlands	2,612	6.6	34	1.3	293
Other markets	745	13.6	-22	-3.0	71
Eliminations	-95		-	-	-1,241
Total	**11,061**	**7.0**	**310**	**2.8**	**1,522**

4

Segment information – continued

The information on core business and related business is to be considered as supplementary information.
Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, and P/F Solar Føroyar.
Related business includes MAG45 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
2018					
Revenue	10,538	560	-	-	11,098
Gross profit	2,126	121	-	-	2,247
EBITA	348	-21	-	-	327
Invested capital	1,672	125	303	-303	1,797
Adj. organic growth	1.1%	28.9%	-	-	2.2%
Gross profit margin	20.2%	21.6%	-	-	20.2%
EBITA margin	3.3%	-3.8%	-	-	2.9%
ROIC	10.3%	N/A	-	-	8.1%

DKK million – unless otherwise stated	Core business	Related business	Digital, Construction & Services	Eliminations	Total
2017					
Revenue	10,649	412	-	-	11,061
Gross profit	2,191	94	-	-	2,285
EBITA	340	-30	-	-	310
Invested capital	1,682	108	236	-236	1,790
Adj. organic growth	6.5%	22.0%	-	-	7.0%
Gross profit margin	20.6%	22.8%	-	-	20.7%
EBITA margin	3.2%	-7.3%	-	-	2.8%
ROIC	11.4%	N/A	-	-	6.3%

5

Staff costs

DKK million	2018	2017
Salaries and wages etc.	1,171	1,189
Pensions, defined contribution	92	93
Pensions, defined benefit	0	0
Costs related to social security	147	151
Share-based payment	-4	2
Total	**1,406**	**1,435**
Average number of employees (FTEs)	2,941	2,870
Number of employees at year-end (FTEs)	2,955	2,905
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Remuneration and bonus	13	14
Share-based payment[1]	-1	1
Severance pay	0	10
Total	**12**	**25**

1. See note 24 share-based payment.

We have prepared a remuneration policy that describes guidelines for determining and approving remuneration of the Board of Directors and Executive Board. The annual general meeting adopts the Board of Directors' remuneration for one year ahead at a time. The Executive Board's remuneration is assessed every two years. The Board of Directors jointly approve the elements that make up the Executive Board's salary package as well as all major adjustments to this package following previous discussions and recommendations of the chairman and vice-chairman of the Board of Directors. Under section 139 of the Danish Companies Act, a complete remuneration policy for the Board of Directors and Executive Board is presented for adoption at the annual general meeting.

Terms of notice for members of the Executive Board is 12 months. When stepping down, the CEO is entitled to 6 months' remuneration.

In 2017 a provision of DKK 10m has been made for severance pay in connection with the change in CEO announced in October 2017. The amount was paid out during the notice period.

6

Loss on trade receivables

DKK million	2018	2017
Recognised losses	24	23
Received on trade receivables previously written off	-3	-2
	21	21
Change in write-down for bad and doubtful debts	-7	-5
Total	**14**	**16**

Relevant accounting policies are described in note 14, trade receivables.

7

Depreciation, write-down, amortisation and impairment

DKK million	2018	2017
Buildings	26	27
Plant, operating equipment, tools and equipment	23	23
Leasehold improvements	3	2
Total depreciation and write-down on property, plant and equipment	**52**	**52**
Customer-related assets	5	8
Software	81	61
Impairment of intangible assets	17	65
Total amortisation and impairment of intangible assets	**103**	**134**

Relevant accounting policies are described in note 10, intangible assets, and note 11, property, plant and equipment.

8

Income tax

DKK million	2018	2017
Current tax	43	62
Deferred tax	14	-8
Tax on profit for the year	**57**	**54**
Tax on taxable profit previous year	-1	1
Adjustment of deferred tax for previous years	-1	-25
Total	**55**	**30**
Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Tax base change for non-capitalised loss in subsidiaries	3.0%	-8.9%
Change to tax rates in Norway	0.0%	0.0%
Non-taxable/deductible items in parent company	-3.1%	-0.5%
Non-taxable/deductible items and differing tax rates compared to Danish tax rate in foreign subsidiaries	1.7%	4.4%
Tax for previous years	-0.3%	0.0%
Effective tax rate	**23.3%**	**17.0%**

Accounting policies

Tax for the year is recognised with the share attributable to results for the year in the income statement and with the share attributable to other recognised income and costs in the statement of comprehensive income. Tax consists of current tax and changes to deferred tax.

8

Income tax – continued

DKK million	2018	2017
Provision for deferred tax		
1/1	89	112
Foreign currency translation adjustments	-1	-1
Acquired or divested enterprises	2	2
Recognised in other comprehensive income	1	4
Ordinary tax recognised in income statement	13	-33
Other items, including reduction of Norwegian income tax rates	-1	5
Total 31/12	**103**	**89**
Specified as follows:		
Deferred tax liabilities	113	107
Deferred tax assets	-10	-18
Total deferred tax, net	**103**	**89**
Further specified as follows:		
Expected use within 1 year	-12	-11
Expected use after 1 year	115	100
Total, net	**103**	**89**
Not recognised in balance sheet:		
Deferred tax assets	39	50

Deferred tax assets not recognised in the balance sheet are the part of tax losses where it is not considered sufficiently certain that the tax losses can be realised within a short time frame based on the same assumptions as described in note 10, intangible assets. Non-recognised tax assets can in all material respects be attributed to tax losses in the Netherlands, where the non-recognised tax assets may be exercised until 2027 (2026).

Accounting policies

Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax on the year's taxable income, adjusted for tax on previous year's taxable income and for tax paid on account.

Deferred tax is measured in accordance with the balance sheet liability method of all temporary differentials between accounting and tax-related amounts and provisions. Deferred tax is recognised at the local tax rate that any temporary differentials are expected to be realised at based on the adopted or expected adopted tax legislation on the balance sheet date.

Deferred tax assets, including the tax value of tax loss allowed for carryforward, are measured at the value at which the asset is expected to be realised, either by elimination in tax of future earnings or by offsetting against deferred tax liabilities.

Deferred tax assets are assessed annually and only recognised to the extent that it is probable that they will be utilised.

Deferred tax is also recognised for the covering of the retaxation of losses in former foreign subsidiaries participating in joint taxation assessed as becoming current.

Accounting estimates and assesments

Deferred tax assets
Deferred tax assets are not recognised if it is not deemed sufficiently safe that these can reduce future taxable income. In this connection, management assess expected future taxable income.

8

Income tax – continued

DKK million	1/1	Foreign currency translation adjustments	Divested enterprises	Change in tax rate	Other adjustments	2018	2017
Specification by balance sheet items							
Property, plant and equipment	34	0	0	0	8	42	34
Inventories	-3	0	0	0	0	-3	-3
Provisions for loss on receivables	-3	0	0	0	-1	-4	-3
Pension obligations	-1	0	0	0	0	-1	-1
Other items[1]	62	-1	2	0	6	69	62
Total, net	**89**	**-1**	**2**	**0**	**13**	**103**	**89**

1. Other items particularly cover intangible assets and loss balances in jointly taxed entities.

9

Net profit for the year

DKK million	2018	2017
Proposed distribution of net profit for the year:		
Proposed dividends, parent	102	73
Retained earnings	31	-54
Net profit for the year	**133**	**19**
Dividends in DKK per share of DKK 100[1]	14.00	10.00

1. Calculations are based on proposed dividends.

Accounting policies

Dividends
Proposed dividends are recognised as a liability at the time of adoption of the general meeting.

10

Intangible assets

DKK million	Goodwill	Customer-related assets	Software	Total
2018				
Cost 1/1	342	853	550	1,745
Foreign currency translation adjustment	-7	-7	0	-14
Additions during the year	0	0	88	88
Acquired enterprises	0	5	0	5
Reclassified to assets held for sale	-50	0	-10	-60
Additions during the year related to discontinuing operations	0	0	2	2
Disposals during the year	-15	-281	-22	-318
Cost 31/12	**270**	**570**	**608**	**1,448**
Amortisation 1/1	174	842	302	1,318
Foreign currency translation adjustment	0	-7	0	-7
Amortisation during the year	0	5	81	86
Reversed amortisation and impairments related to assets held for sale	-49	0	-7	-56
Amortisation and impairments during the year related to assets held for sale	17	0	4	21
Impairments during the year	8	0	9	17
Amortisation of abandoned assets	-10	-281	-22	-313
Amortisation 31/12	**140**	**559**	**367**	**1,066**
Carrying amount 31/12	**130**	**11**	**241**	**382**
Remaining amortisation period in number of years	**-**	**1-6**	**1-8**	**-**

Accounting policies

Customer-related intangible assets
Customer-related intangible assets acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment loss.

Customer-related intangible assets are amortised using the straight-line principle over the expected useful life. Typically, the amortisation period is 5-7 years.

Goodwill
Goodwill is initially recognised in the balance sheet as the positive balance between the acquisition consideration of an enterprise on one side and the fair value of the assets, liabilities and contingent liabilities acquired on the other side. In cases of measurement uncertainty, the goodwill amount can be adjusted until 12 months after the date of the acquisition. Goodwill is not amortised but an impairment test is done annually. The first impairment test is done by the end of the year of acquisition. Subsequently, goodwill is measured at this value less accumulated impairment losses.
On acquisition, goodwill is assigned to the cashgenerating units that form the basis of the impairment test subsequently. The determination of cashgenerating units follows the managerial structure and management control.

Software
Software is measured at cost less accumulated amortisation and writedown. Cost includes both direct internal and external costs. Software is amortised using the straight-line principle over 4-8 years. The basis of amortisation is reduced by any write-down.

10

Intangible assets – continued

DKK million	Goodwill	Customer-related assets	Software	Total
2017				
Cost 1/1	334	848	444	1,626
Foreign currency translation adjustment	-8	-1	-1	-10
Additions during the year	0	0	107	107
Acquired enterprises	16	6	0	22
Cost 31/12	**342**	**853**	**550**	**1,745**
Amortisation 1/1	110	813	228	1,151
Foreign currency translation adjustment	0	-2	0	-2
Amortisation during the year	0	8	64	72
Impairments during the year	64	23	10	97
Amortisation 31/12	**174**	**842**	**302**	**1,318**
Carrying amount 31/12	**168**	**11**	**248**	**427**
Remaining amortisation period in number of years	**-**	**1-7**	**1-8**	**-**

Accounting policies

Impairment of intangible assets
Goodwill is tested yearly for impairment and at first before the end of the year of acquisition.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit to which goodwill is allocated, and is written down to the recoverable amount via the income statement, provided that the carrying amount is larger. Generally, the recoverable amount is determined as the present value of the expected future net cash flow from the company or activity (cash-generating unit) that the goodwill is affiliated to. Write-down of goodwill is recognised in the income statement as part of amortisation of intangible assets.

The carrying amount of intangible assets is assessed annually to determine whether there is any indication of impairment.

When such an indication is present, the asset's recoverable amount is calculated, which is the highest of the asset's fair value less expected costs of disposal or value in use. Value in use is calculated as the present value of expected cash flow from the smallest cash flow-generating unit to which the asset belongs.

Impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. Impairment loss is recognised in the income statement.

Impairment loss relating to goodwill is not reversed. Impairment on other intangible assets are reversed to the extent that changes have been made to the assumptions and estimates that led to the write-down.

10

Intangible assets – continued

Goodwill, customer-related assets and other intangible assets
(Comparative figures for 2017 in brackets)
Management has completed an impairment test of the carrying amount of goodwill, customer-related assets, and other intangible assets. The impairment test was based on the estimates and expectations as well as other assumptions approved by the Executive Board and Board of Directors with the necessary adjustments under IAS 36.

When performing an impairment test of cash-generating units, the recoverable amount (value in use), determined as the discounted value of expected future cash flow, is compared to the carrying amounts of the individual cash-generating units. Non-allocated costs are proportionately distributed between the individual segments and thus affect the individual impairment tests by the estimated total costs.

Overall, impairment tests made are based on the strategy approved by the Executive Board and Board of Directors. A budget period of 6 years has been applied to ensure that the entire impact from strategic initiatives is included. This reduces the dependency of the terminal value and thereby also the volatility. Budgets and expectations for the next 6 years (6 years) are based on Solar's current, ongoing, and contract investments, in which risks of the material parameters have been assessed and recognised in future expected cash flow. In general, expected growth for the core business is based on a conservative outlook for market growth in the coming years.

Management's final assessment of the impairment tests made is based on an assessment of probable changes to the basic assumptions and that these will not result in the carrying amount of goodwill and Software exceeding the recoverable amount.

Accounting estimates and assessments

Impairment test for goodwill
In connection with the annual impairment test of goodwill, or when there is an indication of impairment, an estimate is made of how the parts of the business (cash-generating units), that goodwill is linked to, will be able to generate sufficient positive cash flow in future to support the value of goodwill and other net assets in the relevant part of the business.

Due to the nature of the business, estimates must be made of expected cash flow for many years ahead which, naturally, results in a certain level of uncertainty. This uncertainty is reflected in the discount rate determined. The impairment test and the very sensitive related aspects are described in more detail in the comments section.

Software
Software is evaluated annually for indicators of a need for impairment. If a need to perform impairment is identified, an impairment test for the software is performed.

The impairment test is made on the basis of different factors, including the software's future application, the present value of the expected cost saving as well as interest and risks.

10

Intangible assets – continued

Alvesta V.V.S.-Material AB
The carrying amount of goodwill of DKK 130m results from the acquisition of the Swedish enterprise Alvesta V.V.S.-Material AB in 2007 by Solar Sverige AB. The impairment test is based on the installation segment in Sweden, which we estimate to be the lowest level of cash-generating units to which we can allocate.

The growth rate used in the impairment test for 2019 is 4% (4%), while the growth rate used in impairment tests for the years succeeding 2019 is 2-2.5% (2-4%). Expected growth for 2019 shows a trend shift compared to the growth rates seen in 2018. Is should be noted that Solar Sverige AB experienced negative growth despite a favourable market due to an unsuccessful change in the sales organisation, see financial review on pages 11-13. We only expect to regain the lost marked share partially. The trends until the terminal period should be regarded as a normalisation of growth expectations.

The terminal value after 6 years is determined while taking general expectations for growth into consideration. Expected growth is by considerations of realistic assumptions determined at 2% (2%).

The discount rate (WACC) used to calculate the recoverable amount is 8.5%. Cash flow used includes any effect of related future risks, and therefore, such risks have not been added to the applied discount rates.

Based on the above and other impairment tests completed there is no need for impairment in relation to the carrying amount of goodwill related to Alvesta V.V.S.-Material AB.

11

Property, plant and equipment

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2018					
Cost 1/1	1,169	509	66	4	1,748
Foreign currency translation adjustments	-7	-5	0	0	-12
Reclassified to assets held for sale	0	-2	0	0	-2
Acquired enterprises	0	0	0	0	0
Additions during the year	7	22	3	34	66
Disposals during the year	-13	-5	-1	-7	-26
Cost 31/12	**1,156**	**519**	**68**	**31**	**1,774**
Write-down and depreciation 1/1	414	466	54	0	934
Foreign currency translation adjustments	-1	-5	0	0	-6
Reversed write-down and depreciation related to assets held for sale	0	-1	0	0	-1
Write-down during the year related to assets held for sale	0	0	0	0	0
Write-down and depreciation during the year	26	23	3	0	52
Write-down and depreciation of abandoned assets	-12	-5	0	0	-17
Write-down and depreciation 31/12	**427**	**478**	**57**	**0**	**962**
Carrying amount 31/12	**729**	**41**	**11**	**31**	**812**

Accounting policies

Property, plant and equipment
Land and buildings as well as other plant, operating equipment, and tools and equipment are measured at cost less accumulated depreciation and write-down.

Cost includes the purchase price and costs directly attributable to the acquisition until the time when the asset is ready for use. Cost of a combined asset is disaggregated into separate components which are depreciated separately if the useful lives of the individual components differ.

Subsequent expenditure, for example in connection with the replacement of components of property, plant or equipment, is recognised in the carrying amount of the relevant asset when it is probable that the incurrence will result in future economic benefits for the group.

The replaced components cease to be recognised in the balance sheet and the carrying amount is transferred to the income statement. All other general repair and maintenance costs are recognised in the income statement when these are incurred.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives which are:

- Buildings 40 years
- Technical installations 20 years
- Plant, operating equipment, and tools and equipment 2-5 years

There are a few differences from the mentioned depreciation periods in which useful life is estimated as shorter. Leasehold improvements are depreciated over the lease term, however, maximum 5 years.

Land is not depreciated.

11

Property, plant and equipment – continued

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Assets under construction	Total
2017					
Cost 1/1	1,210	522	71	17	1,820
Foreign currency translation adjustments	-14	-9	-1	0	-24
Reclassified to assets held for sale	0	-15	-7	0	-22
Acquired enterprises	0	1	0	0	1
Additions during the year	22	24	4	22	72
Disposals during the year	-49	-14	-1	-35	-99
Cost 31/12	**1,169**	**509**	**66**	**4**	**1,748**
Write-down and depreciation 1/1	421	475	59	0	955
Foreign currency translation adjustments	-4	-8	-1	0	-13
Reversed write-down and depreciation related to assets held for sale	0	-15	-7	0	-22
Write-down during the year related to assets held for sale	0	2	1	0	3
Write-down and depreciation during the year	27	23	2	0	52
Write-down and depreciation of abandoned assets	-30	-11	0	0	-41
Write-down and depreciation 31/12	**414**	**466**	**54**	**0**	**934**
Carrying amount 31/12	**755**	**43**	**12**	**4**	**814**

Accounting policies – continued

The basis of depreciation is determined in consideration of the asset's residual value and reduced by any impairment. Residual value is determined at the time of acquisition and reassessed annually. If residual value exceeds the asset's carrying amount, depreciation will cease.

By changing the depreciation period or residual value, the effect of future depreciation is recognised as a change to accounting estimates.

Impairment of property, plant and equipment
The carrying amount of property, plant and equipment is assessed annually to determine whether there is any indication of impairment.

When such an indication is present, the asset's recoverable amount is calculated, which is the highest of the asset's fair value less expected costs of disposal or value in use. Value in use is calculated as the present value of expected cash flow from the smallest cash flow-generating unit to which the asset belongs.

Impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. Impairment loss is recognised in the income statement. Write-down on property, plant and equipment is reversed to the extent that changes have been made to the assumptions and estimates that led to the write-down.

12

Associates[1]

Investments in associates, DKK million	2018	2017
Cost 1/1	273	0
Transferred from other investments[2]	0	254
Additions during the year	0	19
Disposals during the year	0	0
Cost 31/12	**273**	**273**
Adjustments 1/1	-70	0
Profit from associates	-11	-11
Fair value adjustment recognised under impairment on associates[3]	59	-59
Value adjustment 31/12	**-22**	**-70**
Carrying amount 31/12	**251**	**203**

1. Associates include the following investments:
- BIMobject where Solar owns 17.2% of the share capital is included as Solar is the largest shareholder and represented on the Board of Directors. We therefore assess our influence as significant.
- Monterra where Solar owns 30.0%
- HomeBob where Solar owns 44.5%
- VivaLabs where Solar owns 20.0%.

Although our ownership share of GenieBelt is 20.6% this company is classified as other investment as Solar is not the only large shareholder and a significant amount of share options have been issued reducing our actual ownership share.

2. Of this DKK 171m relates to acquisition of shares in BIMobject and DKK 79m to fair value adjustment recognised in financial income before reclassification to associate after futher acquistion of shares.

3. As of 31 December 2017, the traded price for the BIMobject share on the First North Exchange was significantly lower than the carrying amount determined under the equity method. Management considers this as an indicator of impairment and has assessed that the best estimate of value in use of the investment is fair value as of 31 December 2017 based on the traded price of the BIMobject share. However, during 2018 the traded price for the BIMobject share increased and was significantly higher than the carrying amount. For that reason the fair value adjustment performed in 2017 was reversed in 2018.

Accounting policies

Investment in associates
Investments in associates are accounted for by using the equity method of accounting, by which the investments are measured at the proportional share of the entities' equity determined according to the group's accounting policies reduced by the proportional share of unrealised gains on transaction between the group and the associates and increased by goodwill determined as of the date when the investment became an associate.

Investments in associates are tested for impairment when there is an indication of impairment.

Associates with a negative equity are accounted for at DKK 0. If the group has a legal or actual obligation to cover the negative balance of the associate, this obligation is recognised under liabilities.

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Associates – continued

Below is a specification on Solar's ownership in BIMobject AB, which is 17.20% (20.01%). Key figures according to 9 months' interim financial statement of 30 September 2018 (30 September 2017) for BIMobject AB.

BIMobject AB

DKK million	2018	2017
Current assets	261	122
Non-current assets	12	6
Current and non-current liabilities	45	27
Revenue	57	34
Net loss for the period	-44	-35
Other comprehensive income	0	0
Total comprehensive income for the period	-43	-35
Equity	**228**	**101**
Solar's share of net profit from associates regarding the 12 months period from 1 October 2017 - 30 September 2018 (ownership period 1 June - 30 September 2017) as to reporting from BIMobject AB	**-8**	**-3**

Investments in associates

DKK million	2018	2017
Solar A/S ownership share of equity in BIMobject AB	40	20
Goodwill	**199**	168
Booked value, investment BIMobject AB	**239**	**188**
Other associates	12	15
Total	**251**	**203**
Fair value according to First North Exchange (level 1) 31/12, investment BIMobject AB	**259**	**188**

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Inventories

DKK million	2018	2017
End products	**1,521**	**1,437**
Recognised write-down	-9	-4

The main reasons for the recognised write-downs are sales and scrapping of previously written-down products.

Accounting policies

Inventories are measured at cost according to the FIFO method or at net realisable value, if this is lower.

Cost of inventories includes purchase price with addition of delivery costs.

The net realisable value of inventories is determined as selling price less costs incurred to make the sale and is determined in consideration of marketability, obsolescence and development of expected selling price.

Accounting estimates and assesments

Write-down of inventories
Write-down of inventories is made due to the obsolescence of products.

Management specifically assess inventories, including the products' turnover rate, current economic trends and product development when deciding whether the write-down is sufficient.

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Trade receivables

DKK million	2018	2017
Maturity statement, trade receivables		
Not due	1,212	1,329
Past due for 1-30 day(s)	220	159
Past due for 31-90 days	25	16
Past due for 91+ days	16	16
	1,473	1,520
Write-down	-21	-28
Total	**1,452**	**1,492**
Write-down based on:		
Age distribution	5	5
Individual assessment	16	23
Total	**21**	**28**
Write-down 1/1	28	40
Foreign currency translation adjustment	1	-1
Discontinued operations	-1	-6
Write-down for the year	13	6
Losses realised during the year	-12	-6
Reversed for the year	-8	-5
Write-down 31/12	**21**	**28**

Accounting policies

Trade receivables are measured at fair value at acquisition and at amortised cost subsequently. Based on an individual assessment of the loss risk, write-down to amortised cost less expected credit losses is made, if this is lower.

Accounting estimates and assesments

Write-down for meeting of loss on doubtful trade receivables
The IFRS 9 simplified approach is applied to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the day past invoicing.

As the vast majority of our companies generally takes out insurance to hedge against loss to the extent possible, the write-down based on age distribution amounts to less than 0.5% (0.5%) of gross trade receivables. Individual assessment of write-down is performed by management specifically analysing trade receivables, including the customers' credit rating and current economic trends to ensure that write-down is sufficient. Write-down based on individual assessment amounts to 1.1% (1.5%) of gross trade receivables. As the total write-down on trade receivables amounts to less than 2% (2%) of gross trade receivables, no maturity statement of the write-down is included. However, the majority of the provision relates to receivables overdue by more than 31 (31) days.

Financial risks

Credit risk
Solar is subject to credit risks in respect of trade receivables and cash at bank. No credit risk is deemed to exist in respect of cash as the counterparts are banks with good credit ratings. Solar A/S' main banker is Nordea Bank Danmark A/S.

As a result of customer diversification, trade receivables are distributed so that there is no significant concentration of risk. Credit granting to customers is regarded as a natural and important element in Solar's business operations. Solar conducts efficient credit management at all times. The vast majority of our companies generally takes out insurance to hedge against loss to the extent possible. As a result, 81% of trade receivables is covered by insurance against 73% at year-end 2017.

Loss due to credit granting is considered a normal business risk and, therefore, will occur.

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Other provisions

DKK million	2018	2017
Non-current		
Other provisions	19	24
Total 31/12	**19**	**24**
Specification, non-current		
1/1	24	41
Discontinued operations	-7	0
Reversed during the year	-1	-18
Provisions of the year	3	1
Total 31/12	**19**	**24**
Current		
Other provisions	2	7
Total 31/12	**2**	**7**
Specification, current		
1/1	7	18
Reversed during the year	-7	-18
Provisions of the year	2	7
Total 31/12	**2**	**7**

Accounting policies

Provisions are measured in accordance with management's best estimate of the amount required to settle a liability.

Restructuring expenses are recognised as liabilities when a detailed official plan for the restructuring has been published to the parties affected by the plan on the balance sheet date at the latest.

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Other payables

DKK million	2018	2017
Staff costs	212	226
Taxes and charges	70	95
Interest rate swaps	75	78
Other payables and amounts payable	71	84
Total	**428**	**483**

Relevant accounting policies for derivative financial instruments are described in note 21 on interest-bearing liabilities and maturity statement.

17

Acquisitions of subsidiaries and activities

2018

Acquisition in 2018 consists of the business activities of KC Light A/S in Denmark.

Total purchase price of the acquisition amounts to DKK 10m and has had no significant impact on revenue or EBITA in 2018.

2017

Acquisitions in 2017 consists of Solar Polaris A/S in Denmark and by MAG45 purchase of the industrial business activities of Savone Global Services S.r.l. in Italy.

Total purchase price of the acquisitions amounts to DKK 16m and has had no significant impact on revenue or EBITA in 2017.

Accounting policies

Newly acquired or newly founded subsidiaries are recognised in the consolidated financial statements from the date of acquisition.

For acquisitions of subsidiaries, cost is stated as the fair value of the assets transferred, obligations undertaken and shares issued. Cost includes the fair value of any earn outs. Acquisition-related costs are recognised in the period in which they are incurred. Identifiable assets, liabilities and contingent liabilities (net assets) relating to the enterprise acquired are recognised at fair value at the date of acquisition calculated in accordance with group accounting policies. Intangible assets are recognised if they are separately recognisable or originate in a contractual right. Deferred tax related to all temporary differentials except taxable temporary differentials on goodwill is recognised.

For business combinations, positive balances (goodwill) between the acquisition consideration of the enterprise on one side and the fair value of the assets, liabilities and contingent liabilities acquired on the other side, are recognised as goodwill under intangible assets. In cases of measurement uncertainty, goodwill can be adjusted until 12 months after the acquisition. Goodwill is not amortised but an impairment test is done annually. The first impairment test is done by the end of the year of acquisition. On acquisition, goodwill is assigned to the cashgenerating units that form the basis of the impairment test subsequently.

Comparative figures are not restated for newly acquired enterprises.

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Assets and liabilities held for sale

2018

Discontinued operations

On 20 December 2018, Solar A/S has initiated the process of a management buyout of our Norwegian training business Scandinavian Technology Institute (STI), a part of our related business. Expected accounting loss of DKK 17m has been included in the financial statement for 2018.

2017

Discontinued operations

On 31 January 2018, Solar A/S finalised the divestment of all shares of GFI GmbH and assets in Claessen ELGB N.V. to Sonepar Group with an accounting loss of DKK 47m, which was included in the financial statement for 2017.

The discontinued operations impacted the income statement as follows:

DKK million	2018	2017
Revenue	197	708
Cost of sales	-132	-558
Gross profit	**65**	**150**
Costs	-97	-231
Earnings before interest and tax (EBIT)	**-32**	**-81**
Financials	-2	-2
Earnings before tax (EBT)	**-34**	**-83**
Tax on net loss for the period	2	3
Net loss for the period	**-32**	**-80**
Write-down to fair value less costs to sell	-17	-47
Net loss of discontinued operations	**-49**	**-127**
Earnings from discontinued operations in DKK per share outstanding (EPS)	-6.71	-17.40
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	-6.71	-17.40

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Assets and liabilities held for sale – continued

DKK million	2018	2017
Property, plant and equipment	1	0
Other non-current assets	5	2
Non-current assets	**6**	**2**
Inventories	0	59
Trade receivables	7	64
Other current assets	2	0
Current assets	**9**	**123**
Assets held for sale	**15**	**125**
Other non-current liabilities	7	13
Non-current liabilities	**7**	**13**
Interest-bearing liabilities	0	0
Trade payables	1	40
Other current liabilities	6	15
Current liabilities	**7**	**55**
Liabilities held for sale	**14**	**68**

Deferred tax assets not recognised in the balance sheet of GFI GmbH, Claessen ELGB NV (both divested in 2018) and Solar Deutschland GmbH (divested in 2015) amounted to DKK 96m (DKK 110m) at the end of the period.

Accounting policies

Assets held for sale are saleable assets with expected sale within 1 year. Write-down to a reduced fair value less sales costs is made.

19

Share capital

DKK million	2018	2017
Share capital 1/1	775	792
Reduction of share capital	0	-17
Share capital 31/12	**775**	**775**
Share capital is fully paid in and divided into the following classes:		
A shares, 40 shares at DKK 10,000	0	0
A shares, 2,240 shares at DKK 40,000	90	90
A shares total	90	90
B shares 6,845,625 at DKK 100	685	685
Total	**775**	**775**

Share capital remained unchanged from 2014 to 2016. In 2017 the share capital was reduced by 174.982 B shares, hereafter unchanged in 2018.

	Number of shares		Nominal value (DKK million)	
	2018	2017	2018	2017
A shares outstanding 31/12[1]	**900,000**	**900,000**	**90**	**90**
B shares outstanding				
Outstanding 1/1	6,398,292	6,398,292	640	640
Purchase of treasury shares	0	0	0	0
B shares outstanding 31/12	**6,398,292**	**6,398,292**	**640**	**640**
Total shares outstanding 31/12	**7,298,292**	**7,298,292**	**730**	**730**

1. A shares have been included in the calculation in units of DKK 100.

Accounting policies

Treasury shares
Acquisition and disposal sums related to treasury shares are recognised directly in transactions with the owners.

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Share capital – continued

Treasury shares (B shares)

	Number of shares		Nominal value (DKK million)		Cost (DKK million)		Percentage of share capital	
	2018	2017	2018	2017	2018	2017	2018	2017
Holding 1/1	447,333	622,315	45	62	176	242	5.8%	7.9%
Cancellation	0	-174,982	0	-17	0	-66	0.0%	-2.1%
Holding 31/12	447,333	447,333	45	45	176	176	5.8%	5.8%

Solar A/S's annual general meeting passed a resolution on 17 March 2017 to reduce the company's B share capital by nominally DKK 17,498,200 by cancelling treasury B shares. This corresponds to a reduction of the B share capital of 174,982 B shares of DKK 100.

All treasury shares are held by the parent company.

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Earnings per share in DKK per share outstanding for the year

DKK million	2018	2017
Net profit for the year in DKK million	133	19
Average number of shares	7,745,625	7,802,674
Average number of treasury shares	-447,333	-504,382
Average number of shares outstanding	7,298,292	7,298,292
Dilution effect of share options	6,349	9,658
Diluted number of shares outstanding	**7,304,641**	**7,307,950**
Earnings per share in DKK per share outstanding for the year	18.22	2.60
Diluted earnings per share in DKK per share outstanding for the year	18.21	2.60
Earnings per share from continuing operations in DKK per share outstanding for the year	24.94	20.00
Diluted earnings per share from continuing activities in DKK per share outstanding for the year	24.92	19.98

A shares have been included in the calculation in units of DKK 100.

21

Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2018	2017
Debt to mortgage credit institutions	Fixed[1]	174	183
Debt to credit institutions	Floating	244	260
Bank loans and overdrafts	Floating	108	123
Interest-bearing liabilities		**526**	**566**
Trade payables		1,883	1,848
Other payables		438	510
Financial liabilities		**2,847**	**2,924**
Cash at bank and in hand		65	77
Trade receivables		1,452	1,492
Other receivables		64	64
Financial assets		1,581	1,633
Total, net		**1,266**	**1,291**

1. Interest swaps have been used to hedge floating-rate loans, converting these loans to fixed-rate loans.

Reconciliation of development in interest-bearing debt to mortgage and credit institutions to financing activities in the cash flow statement:

Interest rate DKK million	2018	2017
Debt to mortgage and credit institutions 1/1	443	384
Repayment of debt to mortgage and credit institutions	-20	-69
Raising of debt to mortgage and credit institutions	0	135
Foreign currency translation adjustment	-5	-7
Debt to mortgage and credit institutions 31/12	**418**	**443**

Accounting policies

Financial liabilities
Debt to credit institutions is recognised initially at the proceeds received net of transaction costs incurred.

In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method, meaning that the difference between the proceeds and the nominal value is recognised in the income statement under financials for the term of the loan.

Financial risks

Interest rate risk
Solar monitors and adjusts interest-bearing liabilities on an ongoing basis. Loans are only raised in the currencies of the countries where Solar operates. Of total interest-bearing liabilities, Solar endeavours to ensure that a maximum of half is based on variable payment of interest fixed in accordance with current money market rates. The remaining interest-bearing liabilities are fixed-rate. Solar Group has no significant non-current interest-bearing assets.

As a result of Solar's policies, a certain interest rate risk exists.

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Interest-bearing liabilities and maturity statement – continued

DKK million	2018	2017
Maturity < 1 year		
Debt to mortgage credit institutions	9	20
Debt to credit institutions	0	0
Bank loans and overdrafts	108	123
Current interest-bearing liabilities	**117**	**143**
Other financial liabilities	2,321	2,358
Financial liabilities	**2,438**	**2,501**
Financial assets	**1,581**	**1,633**
Total, net	**857**	**868**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	36	36
Debt to credit institutions	244	249
Total	**280**	**285**
Maturity > 5 years		
Debt to mortgage credit institutions	129	138
Total	**129**	**138**
Total non-current liabilities	**409**	**423**
Maturity, until year	**2037**	**2037**

The carrying amount of financial liabilities corresponds to fair value.

Financial risks - continued

Currency risk
Solar is exposed to currency risks in the form of translation risks since a substantial proportion of revenue derives from currencies other than Danish kroner. The currencies used are euro, Danish kroner, Swedish kroner, Norwegian kroner and, to a lesser extent, Polish zloty, Swiss Franc, US dollar and British pound.

Effect on recognition of subsidiaries of any change in foreign exchange rates of 10%

	Profit of the year		Equity	
DKK million	2018	2017	2018	2017
NOK	3.0	6.1	33.7	32.1
SEK	5.2	6.8	37.4	36.8
PLN	-0.4	-0.1	5.8	6.1
Total	7.8	12.8	76.9	75.0

The individual subsidiaries are not significantly affected by exchange rate fluctuations since revenue and costs in subsidiaries are mainly in the same currencies. Solar has a number of investments in foreign subsidiaries, where the translation of equity into Danish kroner depends on exchange rates. Investments in subsidiaries are not hedged as such investments are regarded as long-term and because hedging is seen as unlikely to create any long-term value.

Liquidity risks
Solar has an objective of substantial self-financing to minimise dependence on lenders and thus gain greater freedom of action. Financing is primarily controlled centrally based on the individual subsidiary's operating and investment cash requirements. Solar ensures that there are always sufficient and flexible cash reserves and diversification of maturities of both non-current and current credit facilities.

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Interest-bearing liabilities and maturity statement – continued

DKK million	2018	2017
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	12	13
1-5 year(s)	33	38
> 5 years	48	55
Total	**93**	**106**
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	204	214
Interest rate in % for outstanding interest swaps	5.2	5.2-5.8
Fair value recognised as other payables under current liabilities	-74	-78

Maturity for interest swaps follows the maturity for debt to mortgage credit institutions as stated on previous page.

Amounts recognised in other comprehensive income		
Adjustment to fair value for the year	-5	3
Realised during the year, recognised as financial income/expenses	9	13
Total	**4**	**16**
Effect of a 1% interest rate increase		
Effect on equity	**15**	**17**
Of this, earnings impact is	**-3**	**-3**
Undrawn credit facilities 31/12	**502**	**527**

Accounting policies

Derivatives
Derivatives are only used to hedge financial risks in the form of interest rate and currency risks.

Derivatives are initially recognised at cost and at fair value subsequently. Both realised and unrealised gains and losses are recognised in the income statement unless the derivatives are part of hedging of future transactions. Value adjustments of derivatives for hedging of future transactions are recognised directly in other comprehensive income.

As hedged transactions are realised, gains or losses are recognised in the hedging instrument from other comprehensive income in the same item as the hedged items. Any non-effective part of the financial instrument in question is recognised in the income statement.

Derivatives are recognised under other receivables or other payables.

Fair value measurement
The group uses the fair value concept for recognition of certain financial instruments and in connection with some disclosure requirements. Fair value is defined as the price that can be secured when selling an asset or that must be paid to transfer a liability in a standard transaction between market participants (exit price).

Fair value is a marked-based and not enterprise-specific valuation. The enterprise uses the assumptions that market participants would use when pricing an asset or liability based on existing market conditions, including assumptions relating to risks.

As far as possible, fair value measurement is based on market value in active markets (level 1) or alternatively on values derived from observable market information (level 2).

If such observable information is not available or cannot be used without significant modifications, recognised valuation methods and fair estimates are used as the basis of fair values (level 3).

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Interest-bearing liabilities and maturity statement – continued

Distribution on currencies

	Current liabilities		Non-current liabilities	
DKK million	2018	2017	2018	2017
EUR	23	20	165	174
DKK	80	113	135	135
NOK	0	0	0	1
PLN	13	10	0	0
SEK	1	0	109	113
Total	**117**	**143**	**409**	**423**
Interest rate in %	**1.1-5.2**	**1.1-5.8**	**1.1-5.2**	**1.1-5.8**

Fair value of Solar's respective interest-bearing liabilities is seen as fair value measurement at level 2. Mortgage loans are valued based on underlying securities, while bank debt is calculated based on models for discounting to net present value. Non-observable market data is primarily made up of credit risks, which are seen as insignificant in Solar's case.

The fair value of Solar's derived financial instruments (interest rate instruments) is fixed as fair value measurement at level 2, since fair value can be determined directly based on the actual forward rates and instalments on the balance sheet date. Outstanding interest rate swaps for hedging of floating-rate loans expire over the period until 2037 (2037).

The group's enterprises have raised loans in their respective functional currencies, while the parent company has also raised loans in euro.

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Financial income

DKK million	2018	2017
Interest income	8	6
Foreign exchange gains	9	10
Fair value adjustments investments	11	79
Other financial income[1]	0	15
Total	**28**	**110**
Financial income, received	**8**	**6**

1. Reassessment of earn-out liability concerning STI has resulted in a DKK 15m reversal in 2017.

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Financial expenses

DKK million	2018	2017
Interest expenses	29	28
Foreign exchange losses	10	12
Other financial expenses[1]	24	0
Total	**63**	**40**
Financial expenses, settled	**29**	**28**

1. Adjustment of earn-out DKK 22m regarding MAG45 in 2018.

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Share-based payment

Share option plans

DKK million	Executive Board	Others	Total
No. of share options at year-end 2018			
Outstanding at the beginning of 2018	31,816	78,458	110,274
Granted in 2018	0	2,322	2,322
Forfeited on resignation of management employees	0	-1,635	-1,635
Exercised[1]	-4,552	-33,109	-37,661
Outstanding at year-end 2018	**27,264**	**46,036**	**73,300**
No. of share options at year-end 2017			
Outstanding at the beginning of 2017	25,525	83,451	108,976
Granted in 2017	9,261	14,457	23,718
Transferred on change to the Executive Board	-2,970	2,970	0
Exercised[1]	0	-22,420	-22,420
Outstanding at year-end 2017	**31,816**	**78,458**	**110,274**

DKK million	2018	2017
Market value estimated using the Black-Scholes model, recognised under other liabilities	0	6

Conditions applying to the statement of market value using the Black-Scholes model:		
Expected volatility	26%	28%
Expected dividends in proportion to market value	4%	2%
Risk-free interest rate	0%	0%

1. In Q1 2017, 22,420 share options were exercised. The share price at the exercise date was DKK 381.23.
   In Q1 2018, 37,661 share options were exercised. The share price at the exercise date was DKK 399.19.

Accounting policies

Share options and restricted share units are measured at fair value at the grant date and are recognised in the income statement under staff costs over the period when the final right to the options and/or the restricted share units is vested. The set-off to this is recognised under other payables, as the employees have the right to choose cash settlement. This liability is regularly adjusted to fair value and fair value adjustments are recognised in financials.

The fair value of the granted share options is estimated using the Black-Scholes model. Allowance is made for the conditions and terms related to the granted share options when performing the calculation.

The fair value of the granted restricted share units is estimated using the market price at closing date.

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Share-based payment – continued

Specification of share option plans

	Year of granting				
No. of shares	2018	2017	2016	2015	2014
Executive Board					
Granted	0	9,261	7,297	7,383	5,892
Transferred on change to the Executive Board	0	-1,663	975	4,011	-1,340
Exercised	0	0	0	0	-4,552
Total	**0**	**7,598**	**8,272**	**11,394**	**0**
Others					
Granted	2,322	14,457	21,101	30,989	18,200
Transferred on change to the Executive Board	0	1,663	-975	-4,011	1,340
Forfeited on resignation of management employees	0	-1,635	0	0	0
Exercised	0	0	0	-17,875	-19,540
Total	**2,322**	**14,485**	**20,126**	**9,103**	**0**
Exercise price[1]	**391.80**	**373.84**	**335.21**	**320.87**	**373.64**
Exercise period					
10 banking days following the publication of the annual report in	2021/2022	2020/2021	2019/2020	2018/2019	2017/2018

1. Exercise price was adjusted by DKK -7.00 in 2015 and by DKK -7.39 in 2018 as dividends distributed in 2015 and in 2018 exceeded the years' results.

Restricted share units

No. of restricted share units	Executive Board	Others	Total
Outstanding at the beginning of 2018	0	0	0
Granted in 2018	2,006	1,333	3,339
Forfeited on resignation of management employees	0	-269	-269
Adjustment due to dividend distribution	51	33	84
Outstanding at year-end 2018	**2,057**	**1,097**	**3,154**

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. 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.

The number of granted shares was adjusted by +84 shares in 2018 due to dividend distribution.

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

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Contingent liabilities and other financial liabilities

DKK million	2018	2017
Operational leases and rent contracts		
Non-cancellable minimum lease payments are to be made within the following periods from the balance sheet date:		
< 1 year	98	114
> 1 year < 5 years	182	264
> 5 years	18	37
Total	**298**	**415**
Operational leases and rent recognised in the income statement:		
Total	**123**	**137**
Company cars and office furniture and equipment are leased under operating leases. The typical lease period is:		
No. of years	**1-5**	**1-5**
Rent obligations with non-cancellation periods:		
No. of years up to:	**10**	**10**
Collateral		
Assets have been pledged as collateral for bank and mortgage arrangements at a carrying amount of:		
Land and buildings	479	491
Current assets	413	392
Total	**892**	**883**

In 2013, Solar Nederland B.V. closed its defined benefit pension plan and transferred all risks that in 2013 amounted to DKK 373m to an insurance company. In 2016 the Conelgro B.V. closed its defined benefit pension plan and transferred all risks that in 2016 amounted to DKK 250m to an insurance company. Solar is liable for payment of the benefit vs. the participants and has consequently a credit risk vs. the insurance company. Based on the insurance company's current rating, this risk is determined to be limited.

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.

Accounting policies

Leasing
Leasing agreements, in which the most important aspects of the asset's risks and benefits remain with the lessor, are classified as operational leasing agreements. Leasing agreements, in which the most important aspects of the asset's risks and benefits are transferred to enterprises in the Solar Group, are classified as financial leases. As at the balance sheet date, no leasing agreement is classified as a financial lease. Leasing payments concerning operational leasing are recognised in the income statement on a straight-line basis throughout the leasing period.

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Related parties

Group and parent Solar A/S are subject to control by the Fund of 20th December (registered as a commercial foundation in Denmark), which owns 16,0% of the shares and holds 58,1% of the voting rights. The remaining shares are owned by a widely combined group of shareholders.

Other related parties include the company's Board of Directors and Executive Board. There have been no transactions in the financial year with members of the Board of Directors and Executive Board other than those which appear from note 5 and note 24.

Solar invoices the Fund of 20th December for the performance of administrative services at DKK 20,000. Balances with the Fund of 20th December total 0 on balance sheet date.

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Auditors' fees

DKK million	2018	2017
PricewaterhouseCoopers		
Statutory audit	3	3
Other assurance engagements	0	0
Tax consulting	0	1
Other services[1]	1	3
Total	**4**	**7**
Other auditors		
Statutory audit	1	1
Other services	0	0
Total	**1**	**1**

1. Other services mainly consists of IT-related services (IT-related services and services related to business combinations).

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New financial reporting standards

IASB has issued the following new or amended standards which are not yet effective and which are relevant for Solar:

- IFRS 16, Leases

IFRS 16, Leases
(superseding IAS 17) will be effective for the financial year beginning on 1 January 2019.

The new standard significantly changes the accounting treatment of leases currently treated as operating leases, in that lessees, with a few exceptions, should recognise all types of leases as right-of-use assets in the balance sheet and the related lease obligations as liabilities.

The annual cost of the lease, which will comprise two elements – depreciation and interest expense – will be charged to the lessee's income statement. Currently, operating lease cost is recognised in a single amount within external operating costs.

Similarly, operating lease payments will be presented in the cash flow statement in two lines as financial expenses, settled, within cash flow from operating activities and as other financial payments within cash flow from financing activities. Currently, operating lease payments are presented as part of cash flow from operating activities as they are included in EBITDA.

At 31 December 2018, Solar was party to more than 700 lease agreements. The majority of the lease agreements relates to cars, while the majority of the total lease obligation relates to property.

In adopting IFRS 16, we will apply the modified retrospective approach, whereby the cumulative effect is recognised at the date of initial application, 1 January 2019, and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures will not be restated.

In 2018, we carried out an analysis of all assets under operating leases to evaluate the impact on recognition and measurement of the new standard.

Based on the analysis, it is our assessment that the implementation of IFRS 16 will have a limited impact on the Solar's consolidated financial statements. For an illustrative statement showing the impact of implementing IFRS 16, Leases, see next page.

Other standards and interpretations
EU Endorsed:
- IFRIC 23, Uncertainty over income tax treatments, effective date 1 January 2019.

Not EU Endorsed:
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures, effective date 1 January 2019.
- Annual improvements to IFRSs 2015-2017 cycle, effective date 1 January 2019.
- Amendments to IFRS 3, Business combinations (definition of a business), effective date 1 January 2020
- Amendments to IAS 1 and IAS 8: Definition of Material, effective date 1 January 2020

Except as mentioned for IFRS 16, Leases, none of the amendments and interpretations are expected to have an impact on the recognition and measurement in the consolidated financial statements of the Solar.

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New financial reporting standards – continued

Illustrative statement showing the impact of implementing IFRS 16, Leases.

DKK million	2018	IFRS 16 impact	Adj. 2018
Income statement			
Revenue	11,098	-	11,098
Cost of sales	-8,851	-	-8,851
Gross profit	**2,247**	**-**	**2,247**
External operating costs	-448	122	-326
Staff costs	-1,406	-	-1,406
Loss on trade receivables	-14	-	-14
EBITDA	**379**	**122**	**501**
Depreciation and write-down on property, plant and equipment	-52	-120	-172
EBITA	**327**	**2**	**329**
Amortisation and impairment of intangible assets	-103	-	-103
EBIT	**224**	**2**	**226**
Share of net profit associates	-11	-	-11
Impairment on associates	59	-	59
Financial income	28	-	28
Financial expenses	-63	-5	-68
EBT	**237**	**-3**	**234**
Balance sheet			
Right-of-use assets	-	280	280
Non-current lease liabilities	-	174	174
Current lease liabilities	-	109	109
Cash flow statement			
Cash flow from operating activities, continuing operations	224	117	341
Cash flow from financing activities, continuing operations	-108	-117	-225

The shown impact on the 2018 result is only for illustrative purposes as Solar's implementation according to the modified retrospective model implies that no restatement of comparative figures will take place.

Separate financial statements

Contents

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Statement of comprehensive income

Income statement

Note	DKK million	2018	2017
	Revenue	3,356	3,321
	Cost of sales	-2,574	-2,537
	Gross profit	**782**	**784**
	Other operating income and costs	46	44
21	External operating costs	-70	-96
3	Staff costs	-474	-495
4	Loss on trade receivables	-6	-6
	Earnings before interest, tax, depreciation and amortisation (EBITDA)	**278**	**231**
5	Depreciation and write-down on property, plant and equipment	-19	-19
	Earnings before interest, tax and amortisation (EBITA)	**259**	**212**
5	Amortisation and impairment of intangible assets	-90	-76
	Earnings before interest and tax (EBIT)	**169**	**136**
	Profit from subsidiaries	-6	-52
	Write-down of subsidiaries to fair value	-17	-47
	Share of net profit from associates	-11	-11
	Impairment on associates	59	-59
17	Financial income	29	112
18	Financial expenses	-55	-27
	Earnings before tax (EBT)	**168**	**52**
6	Income tax	-35	-33
7	**Net profit for the year**	**133**	**19**

Other comprehensive income

DKK million	2018	2017
Net profit for the year	**133**	**19**
Other income and costs recognised:		
Items that cannot be reclassified for the income statement		
Actuarial gains / losses on defined benefit plans, subsidiaries	0	0
Tax, subsidiaries	0	0
Items that can be reclassified for the income statement		
Foreign currency translation adjustments of foreign subsidiaries	-16	-35
Fair value adjustments of hedging instruments before tax, parent company	4	14
Fair value adjustments of hedging instruments before tax, subsidiaries	0	2
Tax on fair value adjustments of hedging instruments, parent company	-1	-4
Tax on fair value adjustments of hedging instruments, subsidiaries	0	0
Other income and costs recognised after tax	**-13**	**-23**
Total comprehensive income for the year	**120**	**-4**

Balance sheet

as at 31 December

Notes	DKK million	2018	2017
	ASSETS		
8	Intangible assets	220	229
9	Property, plant and equipment	247	254
10	Investments measured at equity value	1,539	1,429
10	Other non-current assets	60	58
	Non-current assets	**2,066**	**1,970**
11	Inventories	532	524
12	Trade receivables	396	392
	Receivables from subsidiaries	236	379
	Income tax receivable	4	0
	Other receivables	4	6
	Prepayments	25	30
	Cash at bank and in hand	0	0
	Assets held for sale	7	45
	Current assets	**1,204**	**1,376**
	Total assets	**3,270**	**3,346**

Notes	DKK million	2018	2017
	EQUITY AND LIABILITIES		
15	Share capital	775	775
	Reserves	-30	-39
	Retained earnings	791	782
	Proposed dividends for the financial year	102	73
	Equity	**1,638**	**1,591**
16	Interest-bearing liabilities	300	309
6	Provision for deferred tax	88	80
13	Other provisions	2	0
	Non-current liabilities	**390**	**389**
16	Interest-bearing liabilities	80	133
	Trade payables	812	776
	Amounts owed to subsidiaries	147	216
	Income tax payable	0	4
14	Other payables	203	236
13	Other provisions	0	1
	Current liabilities	**1,242**	**1,366**
	Liabilities	**1,632**	**1,755**
	Total equity and liabilities	**3,270**	**3,346**

Cash flow statement

Notes	DKK million	2018	2017
	Net profit for the year	133	19
5	Depreciation, write-down and amortisation	109	95
	Impairment on associates	-59	59
	Changes to provisions and other adjustments	-15	0
	Profit from subsidiaries	6	52
	Write-down of subsidiaries to fair value	17	47
	Share of net profit from associates	11	11
17, 18	Financials, net	26	-85
	Income tax	35	33
17	Financial income, received	12	12
18	Financial expenses, settled	-27	-23
	Income tax, settled	-35	-24
	Cash flow before working capital changes	**213**	**196**
	Working capital changes		
	Inventory changes	-4	-141
	Receivables changes	8	-59
	Non-interest-bearing liabilities changes	3	178
	Cash flow from operating activities	**220**	**174**
	Investing activities		
8	Purchase of intangible assets	-76	-99
	Purchase of property, plant and equipment	-12	-9
	Acquisition of subsidiaries and activities	-10	-1
	Acquisition of associates	0	-16
	Capital increase subsidiaries	-94	-79
	Divestment of subsidiaries and activities	47	0
	Other financial investments[1]	-15	-190
	Cash flow from investing activities	**-160**	**-394**

Notes	DKK million	2018	2017
	Financing activities		
	Repayment of non-current interest-bearing debt	-20	-19
	Raising of non-current interest-bearing liabilities	0	135
	Change in current interest-bearing liabilities[2]	-41	113
	Changes to loans to subsidiaries	73	-196
	Dividends from subsidiaries	1	48
	Dividends distributed	-73	-88
	Cash flow from financing activities, continuing operations	**-60**	**-7**
	Total cash flow	**0**	**-227**
	Cash at bank and in hand at the beginning of the year	0	227
	Cash at bank and in hand at the end of the year	**0**	**0**
	Cash at bank and in hand at the end of the year[2]		
	Cash at bank and in hand	0	0
	Cash at bank and in hand at the end of the year	**0**	**0**

1. Investment in BIMobject in 2017 amounts to DKK 171m.
2. A change in presentation of the cash flow statement implies that repayment of current interest-bearing debt is now presented as part of financing activities.

Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Reserves for development costs[1]	Retained earnings	Proposed dividends	Total
2018							
Equity as at 1 January	**775**	**-61**	**-97**	**119**	**782**	**73**	**1,591**
Foreign currency translation adjustments of foreign subsidiaries			-16				-16
Fair value adjustments of hedging instruments before tax		4					4
Tax on fair value adjustments		-1					-1
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	3	-16	0	0	0	-13
Net profit for the year				22	9	102	133
Comprehensive income	**0**	**3**	**-16**	**22**	**9**	**102**	**120**
Distribution of dividends (DKK 10.00 per share)						-73	-73
Transactions with the owners	**0**	**0**	**0**	**0**	**0**	**-73**	**-73**
Equity as at 31 December	**775**	**-58**	**-113**	**141**	**791**	**102**	**1,638**

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

Statement of changes in equity

– continued

DKK million	Share capital	Reserves for hedging transactions[1]	Reserves for foreign currency translation adjustments[1]	Reserves for development costs[1]	Retained earnings	Proposed dividends	Total
2017							
Equity as at 1 January	**792**	**-73**	**-62**	**60**	**878**	**88**	**1,683**
Foreign currency translation adjustments of foreign subsidiaries			-35				-35
Fair value adjustments of hedging instruments before tax		16					16
Tax on fair value adjustments		-4			0		-4
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	12	-35	0	0	0	-23
Net profit for the year				59	-113	73	19
Comprehensive income	**0**	**12**	**-35**	**59**	**-113**	**73**	**-4**
Distribution of dividends (DKK 12.00 per share)						-88	-88
Reduction in share capital	-17				17		0
Transactions with the owners	**-17**	**0**	**0**	**0**	**17**	**-88**	**-88**
Equity as at 31 December	**775**	**-61**	**-97**	**119**	**782**	**73**	**1,591**

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

1

General accounting policies

A general description of accounting policies can be found in the consolidated financial statements on pages 53-54, note 1, Accounting policies.

Descriptions of accounting policies in notes
Descriptions of accounting policies in the notes form part of the overall description of accounting policies. Parent-specific descriptions are found in the following notes:

Note 6 Income tax
Note 7 Net profit for the year
Note 8 Intangible assets
Note 9 Property, plant and equipment
Note 10 Investments measured at equity value and other non-current assets
Note 11 Inventories
Note 12 Trade receivables
Note 13 Other provisions
Note 15 Share capital
Note 16 Interest-bearing liabilities
Note 19 Contingent liabilities and other financial liabilities

2

Significant accounting estimates and assessments

When preparing the annual report in accordance with generally applicable principles, management make estimates and assumptions that affect the reported assets and liabilities. Management base their estimates on historic experience and expectations for future events. Therefore, actual results may differ from these estimates.

The following estimates and accompanying assessments are deemed material for the preparation of the financial statements:

- Impairment test for goodwill
- Software
- Inventory write-down
- Write-down for meeting of loss on doubtful receivables
- Provision for deferred tax

These estimates and assessments are described in the following notes:
Note 8 Intangible assets
Note 11 Inventories
Note 12 Trade receivables

3

Staff costs

DKK million	2018	2017
Salaries and wages etc.	439	452
Pensions, defined contribution	30	30
Costs related to social security	10	11
Share-based payment	-5	2
Total	**474**	**495**
Average number of employees (FTEs)	770	785
Number of employees at year-end (FTEs)	759	788
Remuneration of Board of Directors		
Remuneration of Board of Directors	3	3
Remuneration of Executive Board		
Remuneration and bonus	13	14
Share-based payment	-1	1
Severance pay	0	10
Total	**12**	**25**

We have a remuneration policy that describes guidelines for determining and approving remuneration of the Board of Directors and Executive Board. The annual general meeting adopts the Board of Directors' remuneration for one year ahead at a time. The Executive Board's remuneration is assessed every two years. The Board of Directors jointly approve the elements that make up the Executive Board's salary package as well as all major adjustments to this package following previous discussions and recommendations of the chairman and vice-chairman of the Board of Directors. Under section 139 of the Danish Companies Act, a complete remuneration policy for the Board of Directors and Executive Board is presented for adoption at the annual general meeting.

Terms of notice for members of the Executive Board is 12 months. When stepping down, the CEO is entitled to 6 months' remuneration.

In 2017, a provision of DKK 10m has been made for severance pay in connection with the change in CEO announced in October. The amount was paid out during the notice period.

4

Loss on trade receivables

DKK million	2018	2017
Recognised losses	7	6
Received on trade receivables previously written off	-1	0
	6	6
Change in write-down for bad and doubtful debts	0	0
Total	**6**	**6**

Relevant accounting policies are described in note 12, trade receivables.

5

Depreciation, write-down, amortisation and impairment

DKK million	2018	2017
Buildings	10	10
Plant, operating equipment, tools and equipment	9	9
Total depreciation and write-down on property, plant and equipment	**19**	**19**
Customer-related assets	4	5
Software	77	61
Impairment of intangible assets	9	10
Total amortisation and impairment of intangible assets	**90**	**76**

Relevant accounting policies are described in note 8, intangible assets, and note 9, property, plant and equipment.

6

Income tax

DKK million	2018	2017
Current tax	28	34
Deferred tax	7	-2
Tax on profit or loss for the year	**35**	**32**
Tax on taxable profit previous year	0	1
Total	**35**	**33**

Statement of effective tax rate:		
Danish income tax rate	22.0%	22.0%
Profit from subsidiaries	1.1%	22.2%
Write-down of subsidiaries	2.2%	19.9%
Non-taxable/deductible items in parent	-4.4%	-0.6%
Tax regarding prevoius years	-0.1%	0.0%
Effective tax rate	**20.8%**	**63.5%**

Accounting policies

Tax for the year is recognised with the share attributable to results for the year in the income statement and with the share attributable to other recognised income and costs in the statement of comprehensive income. Tax consists of current tax and changes to deferred tax.

6

Income tax – continued

DKK million	2018	2017
Provision for deferred tax 1/1	80	78
Recognised in other comprehensive income	1	3
Ordinary tax recognised in income statement	7	-1
Provision for deferred tax 31/12	**88**	**80**
Specified as follows:		
Deferred tax	88	80
Deferred tax assets	0	0
Total deferred tax, net	**88**	**80**
Further specified as follows:		
Expected use within 1 year	0	0
Expected use after 1 year	88	80
Total, net	**88**	**80**

Accounting policies

Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax on the year's taxable income, adjusted for tax on previous year's taxable income and for tax paid on account.

Deferred tax is measured in accordance with the balance sheet liability method of all temporary differentials between accounting and tax-related amounts and provisions. Deferred tax is recognised at the local tax rate that any temporary differentials are expected to be realised at based on the adopted or expected adopted tax legislation on the balance sheet date.

Deferred tax assets, including the tax value of tax loss allowed for carryforward, are measured at the value at which the asset is expected to be realised, either by elimination in tax of future earnings or by offsetting against deferred tax liabilities.

Deferred tax assets are assessed annually and only recognised to the extent that it is probable that they will be utilised.

Deferred tax is also recognised for the covering of retaxation of losses in former foreign subsidiaries participating in joint taxation assessed as becoming current.

6

Income tax – continued

Specification by balance sheet items

DKK million	1/1	Other adjustments	2018	2017
Property, plant and equipment	18	1	19	18
Inventories	0	0	0	0
Provisions for loss on receivables	0	0	0	0
Other items[1]	62	7	69	62
Total, net	**80**	**8**	**88**	**80**

1. Other items particularly cover intangible assets and loss balances in jointly taxed entities.

7

Net profit for the year

DKK million	2018	2017
Proposed distribution of net profit for the year:		
Proposed dividends, parent	102	73
Reserves for development costs	22	59
Retained earnings	9	-113
Net profit for the year	**133**	**19**
Dividends in DKK per share of DKK 100[1]	14.00	10.00

1. Calculations are based on proposed dividends.

Accounting policies

Dividends
Proposed dividends are recognised as a liability at the time of adoption of the general meeting.

8

Intangible assets

DKK million	Goodwill	Customer-related assets	Software	Total
2018				
Cost 1/1	9	41	522	572
Additions during the year	0	0	76	76
Acquired during the year	0	5	0	5
Disposals during the year	0	0	-22	-22
Cost 31/12	**9**	**46**	**576**	**631**
Amortisation 1/1	9	37	297	343
Amortisation during the year	0	4	77	81
Impairments during the year	0	0	9	9
Amortisation of abandoned assets	0	0	-22	-22
Amortisation 31/12	**9**	**41**	**361**	**411**
Carrying amount 31/12	**0**	**5**	**215**	**220**
Remaining amortisation period in number of years	**-**	**1-7**	**1-8**	**-**

Accounting policies

Customer-related intangible assets
Customer-related intangible assets acquired in connection with business combinations are measured at cost less accumulated amortisation and impairment loss.

Customer-related intangible assets are amortised using the straight-line principle over the expected useful life. Typically, the amortisation period is 5-7 years.

Goodwill
Goodwill is initially recognised in the balance sheet as the positive balance between the acquisition consideration of an enterprise on one side and the fair value of the assets, liabilities and contingent liabilities acquired on the other side. In cases of measurement uncertainty, the goodwill amount can be adjusted until 12 months after the date of the acquisition. Goodwill is not amortised but an impairment test is done annually. The first impairment test is done by the end of the year of acquisition. Subsequently, goodwill is measured at this value less accumulated impairment losses. On acquisition, goodwill is assigned to the cashgenerating units that form the basis of the impairment test subsequently. The determination of cashgenerating units follows the managerial structure and management control.

Software
Software is measured at cost less accumulated amortisation and write-down. Cost includes both direct internal and external costs. Software is amortised using the straight-line principle over 4-8 years. The basis of amortisation is reduced by any write-down.

8

Intangible assets – continued

DKK million	Goodwill	Customer-related assets	Software	Total
2017				
Cost 1/1	9	41	426	476
Additions during the year	0	0	96	96
Cost 31/12	**9**	**41**	**522**	**572**
Amortisation 1/1	9	32	226	267
Amortisation during the year	0	5	61	66
Impairments during the year	0	0	10	10
Amortisation 31/12	**9**	**37**	**297**	**343**
Carrying amount 31/12	**0**	**4**	**225**	**229**
Remaining amortisation period in number of years	**-**	**1**	**1-8**	**-**

Accounting policies - continued

Impairment of intangible assets
The carrying amount of intangible assets is assessed annually to determine whether there is any indication of impairment.

When such an indication is present, the asset's recoverable amount is calculated, which is the highest of the asset's fair value less expected costs of disposal or value in use. Value in use is calculated as the present value of expected cash flow from the smallest cash flow-generating unit to which the asset belongs.

Impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. Impairment loss is recognised in the income statement.

Impairment loss on intangible assets is reversed if changes have been made to the assumptions and estimates that led to the impairment loss.

Accounting estimates and assesments

Software
Software is evaluated annually for indicators of a need for impairment. If a need to perform impairment is identified, an impairment test is performed for the software.

The impairment test is made on the basis of different factors, including the software's future application, the present value of the expected cost saving as well as interest and risks.

9

Property, plant and equipment

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Total
2018				
Cost 1/1	401	248	7	656
Additions during the year	3	9	0	12
Disposals during the year	0	-1	0	-1
Cost 31/12	**404**	**256**	**7**	**667**
Write-down and depreciation 1/1	163	232	7	402
Write-down and depreciation during the year	10	9	0	19
Write-down and depreciation of abandoned assets	0	-1	0	-1
Write-down and depreciation 31/12	**173**	**240**	**7**	**420**
Carrying amount 31/12	**231**	**16**	**0**	**247**

Accounting policies

Property, plant and equipment
Land and buildings as well as other plant, operating equipment, and tools and equipment are measured at cost less accumulated depreciation and write-down.

Cost includes the purchase price and costs directly attributable to the acquisition until the time when the asset is ready for use. Cost of a combined asset is disaggregated into separate components which are depreciated separately if the useful lives of the individual components differ.

Subsequent expenditure, for example in connection with the replacement of components of property, plant or equipment, is recognised in the carrying amount of the relevant asset when it is probable that the incurrence will result in future economic benefits for the group. The replaced components cease to be recognised in the balance sheet and the carrying amount is transferred to the income statement. All other general repair and maintenance costs are recognised in the income statement when these are incurred.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives which are:

- Buildings 40 years
- Technical installations 20 years
- Plant, operating equipment, and tools and equipment 2-5 years.

There are a few differences from the mentioned depreciation periods in which useful life is estimated as shorter. Leasehold improvements are depreciated over the lease term, however, maximum 5 years.

Land is not depreciated.

9

Property, plant and equipment – continued

DKK million	Land and buildings	Plant, operating equipment, tools and equipment	Leasehold improvements	Total
2017				
Cost 1/1	401	240	7	648
Additions during the year	0	9	0	9
Disposals during the year	0	-1	0	-1
Cost 31/12	**401**	**248**	**7**	**656**
Write-down and depreciation 1/1	153	224	7	384
Write-down and depreciation during the year	10	9	0	19
Write-down and depreciation of abandoned assets	0	-1	0	-1
Write-down and depreciation 31/12	**163**	**232**	**7**	**402**
Carrying amount 31/12	**238**	**16**	**0**	**254**

Accounting policies - continued

The basis of depreciation is determined in consideration of the asset's residual value and reduced by any impairment. Residual value is determined at the time of acquisition and reassessed annually. If residual value exceeds the asset's carrying amount, depreciation will cease.

By changing the depreciation period or residual value, the effect of future depreciation is recognised as a change to accounting estimates.

Impairment of property, plant and equipment
The carrying amount of property, plant and equipment is assessed annually to determine whether there is any indication of impairment.

When such an indication is present, the asset's recoverable amount is calculated, which is the highest of the asset's fair value less expected costs of disposal or value in use. Value in use is calculated as the present value of expected cash flow from the smallest cash flow-generating unit to which the asset belongs.

Impairment loss is recognised when the carrying amount of an asset exceeds the asset's recoverable amount. Impairment loss is recognised in the income statement.

Write-down on property, plant and equipment is reversed to the extent that changes have been made to the assumptions and estimates that led to the write-down.

10

Investments measured at equity value and other non-current assets

DKK million	Equity investments	Investments in associates	Other investments	Other receivables	Total
2018					
Cost 1/1	2,575	273	33	25	2,906
Additions during the year	94	0	4	11	109
Fair value adjustment recognised under financial income	0	0	11	0	11
Equity investments held for sale	-60	0	0	0	-60
Disposals during the year	0	0	0	0	0
Cost 31/12	**2,609**	**273**	**48**	**30**	**2,966**
Value adjustment 1/1	-1,349	-70	0	0	-1,419
Foreign currency translation adjustments	-16	0	0	0	-16
Dividends from subsidiaries / associates	-1	0	0	0	-1
Profit from subsidiaries	-6	-11	0	0	-17
Fair value adjustment recognised under impairment on associates	0	59	0	0	59
Fair value adjustment recognised under financial expenses	0	0	-2	-22	-24
Value adjustments related to investments held for sale	46	0	0	0	46
Other adjustments	5	0	0	0	5
Value adjustment 31/12	**-1,321**	**-22**	**-2**	**-22**	**-1,367**
Carrying amount 31/12	**1,288**	**251**	**46**	**14**	**1,599**

For further details on investments in associates please refer to the consolidated financial statements, note 12.

Accounting policies

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the parent company's share of the post-acquisition profits or losses of the subsdiary in profit or loss statement, and the parent company's share of movements in other comprehensive income of the investee in other comprehensive income.

Dividends received or receivable from subsidiaries are recognised as a reduction in the carrying amount of the investment.

Unrealised gains on transactions between the parent company and its subsidiaries are eliminated to the extent of the parent company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the parent company.

The carrying amount of equity-accounted investments is tested for impairment.

10

Investments measured at equity value and other non-current assets – continued

DKK million	Equity investments	Investments in associates	Other investments	Other receivables	Total
2017					
Cost 1/1	2,558	0	18	26	2,602
Additions during the year	80	19	190	0	289
Fair value adjustment recognised under financial income	0	0	79	0	79
Transferred by acquistion	0	254	-254	0	0
Equity investments held for sale	-63	0	0	0	-63
Disposals during the year	0	0	0	-1	-1
Cost 31/12	**2,575**	**273**	**33**	**25**	**2,906**
Value adjustment 1/1	-1,264	0	0	0	-1.264
Foreign currency translation adjustments	-35	0	0	0	-35
Dividends from subsidiaries	-48	0	0	0	-48
Profit from subsidiaries	-52	-11	0	0	-63
Fair value adjustment recognised under impairment on associates	0	-59	0	0	-59
Value adjustments related to investments held for sale	69	0	0	0	69
Write-down during the year related to investments held for sale	-21	0	0	0	-21
Other adjustments	2	0	0	0	2
Value adjustment 31/12	**-1,349**	**-70**	**0**	**0**	**-1,419**
Carrying amount 31/12	**1,226**	**203**	**33**	**25**	**1,487**

11

Inventories

DKK million	2018	2017
End products	**532**	**524**
Recognised write-down	5	2

The main reasons for the recognised write-down is an increase in write-down articles.

Accounting policies

Inventories are measured at cost according to the FIFO method or at net realisable value, if this is lower.

Cost of inventories includes purchase price with addition of delivery costs.

The net realisable value of inventories is determined as selling price less costs incurred to make the sale and is determined in consideration of marketability, obsolescence and development of expected selling price.

Accounting estimates and assesments

Write-down of inventories
Write-down of inventories is made due to the obsolescence of products.

Management specifically assess inventories, including the products' turnover rate, current economic trends and product development when deciding whether the write-down is sufficient.

12

Trade receivables

DKK million	2018	2017
Maturity statement, trade receivables		
Not due	355	365
Past due for 1-30 day(s)	40	23
Past due for 31-90 days	2	1
Past due for 91+ days	3	7
	400	396
Write-down	-4	-4
Total	**396**	**392**
Write-down based on:		
Age distribution	3	3
Individual assessment	1	1
Total	**4**	**4**
Write-down 1/1	4	4
Write-down for the year	3	2
Losses realised during the year	-1	0
Reversed for the year	-2	-2
Write-down 31/12	**4**	**4**

We refer to the consolidated accounts, note 14, trade receivables, for information on credit risk.

Accounting policies

Trade receivables are measured at fair value at acquisition and at amortised cost subsequently. Based on an individual assessment of the loss risk, write-down to amortised cost less expected credit losses is made, if this is lower.

Accounting estimates and assesments

Write-down for meeting of loss on doubtful trade receivables
The IFRS 9 simplified approach is applied to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the day past invoicing.

As the vast majority of our companies generally takes out insurance to hedge against loss to the extent possible, the write-down based on age distribution amounts to less than 0.8% (0.8%) of gross trade receivables.

Individual assessment of write-down is performed by management specifically analysing trade receivables, including the customers' credit rating and current economic trends to ensure that write-down is sufficient. Write-down based on individual assessment amounts to 0.3% (0.3%) of gross trade receivables. As the total write-down on trade receivables amounts to 1% (1%) of gross trade receivables, no maturity statement of the write-down is included. However, the majority of the provision relates to receivables overdue by more than 31 (31) days.

13

Other provisions

DKK million	2018	2017
Non-current		
Other provisions	2	0
Total 31/12	**2**	**0**
Specification, non-current		
1/1	0	16
Reversed during the year	0	-16
Provisions of the year	2	0
Total 31/12	**2**	**0**
Current		
Restructuring costs	0	1
Total 31/12	**0**	**1**
Specification, current		
1/1	1	2
Reversed during the year	-1	-2
Provisions of the year	0	1
Total 31/12	**0**	**1**

Accounting policies

Provisions are measured in accordance with management's best estimate of the amount required to settle a liability.

Restructuring expenses are recognised as liabilities when a detailed official plan for the restructuring has been published to the parties affected by the plan on the balance sheet date at the latest.

14

Other payables

DKK million	2018	2017
Staff costs	108	112
Taxes and charges	0	10
Hedging instruments	74	78
Other payables and amounts payable	21	36
Total	**203**	**236**

Accounting policies for hedging instruments are described in note 16 on interest-bearing liabilities and maturity statement.

15

Share capital

DKK million	2018	2017
Share capital 1/1	775	792
Reduction of share capital	0	-17
Share capital 31/12	**775**	**775**
Share capital is fully paid in and divided into the following classes:		
A shares, 40 shares at DKK 10,000	0	0
A shares, 2,240 shares at DKK 40,000	90	90
A shares total	90	90
B shares 6,845,625 at DKK 100	685	685
Total	**775**	**775**

Share capital remained unchanged from 2014 to 2016. In 2017 the share capital was reduced by 174,982 B shares, hereafter unchanged in 2018.

	Number of shares		Nominal value (DKK million)	
	2018	2017	2018	2017
A shares outstanding 31/12[1]	**900,000**	**900,000**	**90**	**90**
B shares outstanding				
Outstanding 1/1	6,398,292	6,398,292	640	640
Purchase of treasury shares	0	0	0	0
B shares outstanding 31/12	**6,398,292**	**6,398,292**	**640**	**640**
Total shares outstanding 31/12	**7,298,292**	**7,298,292**	**730**	**730**

1. A shares have been included in the calculation in units of DKK 100.

Accounting policies

Treasury shares
Acquisition and disposal sums related to treasury shares are recognised directly in transactions with the owners.

15

Share capital – continued

Treasury shares (B shares)

	Number of shares		Nominal value (DKK million)		Cost (DKK million)		Percentage of share capital	
	2018	2017	2018	2017	2018	2017	2018	2017
Holding 1/1	447,333	622,315	45	62	176	242	5.8%	7.9%
Cancellation	0	-174,982	0	-17	0	-66	0.0%	-2.1%
Holding 31/12	447,333	447,333	45	45	176	176	5.8%	5.8%

Solar A/S's annual general meeting passed a resolution on 17 March 2017 to reduce the company's B share capital by nominally DKK 17,498,200 by cancelling treasury B shares. This corresponds to a reduction of the B share capital of 174,982 B shares of DKK 100.

All treasury shares are held by the parent company.

16

Interest-bearing liabilities and maturity statement

DKK million	Interest rate	2018	2017
Debt to mortgage credit institutions	Fixed[1]	174	183
Debt to credit institutions	Floating	135	146
Bank loans and overdrafts	Floating	71	113
Interest-bearing liabilities		**380**	**442**
Trade payables		812	776
Other payables		350	442
Financial liabilities		**1,542**	**1,660**
Cash at bank and in hand		0	0
Trade receivables		396	392
Other receivables		269	415
Financial assets		**665**	**807**
Total, net		**877**	**853**

1. Interest swaps have been used to hedge floating-rate loans, converting these loans to fixed-rate loans.

Reconciliation of development in interest-bearing debt to mortgage and credit institutions to financing activities in the cash flow statement:

DKK million	2018	2017
Debt to mortgage and credit institutions 1/1	329	213
Repayment of debt to mortgage and credit institutions	-20	-19
Raising of debt to mortgage and credit instututions	0	135
Debt to mortgage and credit institutions 31/12	**309**	**329**

Accounting policies

Financial liabilities
Debt to credit institutions is recognised initially at the proceeds received net of transaction costs incurred.

In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method, meaning that the difference between the proceeds and the nominal value is recognised in the income statement under financials for the term of the loan.

16

Interest-bearing liabilities and maturity statement – continued

DKK million	2018	2017
Current interest-bearing liabilities		
Maturity < 1 year		
Debt to mortgage credit institutions	9	20
Debt to credit institutions	0	0
Bank loans and overdrafts	71	113
Current interest-bearing liabilities	**80**	**133**
Other financial liabilities	1,162	1,218
Financial liabilities	**1,242**	**1,351**
Financial assets	**665**	**807**
Total, net	**577**	**544**
Maturity 1-5 year(s)		
Debt to mortgage credit institutions	36	36
Debt to credit institutions	135	135
Total	**171**	**171**
Maturity > 5 years		
Debt to mortgage credit institutions	129	138
Total	**129**	**138**
Total non-current liabilities	**300**	**309**
Maturity, until year	**2037**	**2037**

The carrying amount of financial liabilities corresponds to fair value.

16

Interest-bearing liabilities and maturity statement – continued

DKK million	2018	2017
Interest-bearing liabilities and maturity statement for expected interest expense for the period		
< 1 year	11	11
1-5 year(s)	32	36
> 5 years	48	55
Total	**91**	**102**
Outstanding interest swaps made for hedging floating-rate loans		
Principal amount	204	214
Interest rate in % for outstanding interest swaps	5.2	5.2-5.8
Fair value	-74	-78

Maturity for interest swaps follows the maturity for debt to mortgage credit institutions as stated on previous page.

Amounts recognised in other comprehensive income		
Adjustment to fair value for the year	-5	4
Realised during the year, recognised as financial expenses	9	10
Total	**4**	**14**
Effect of a 1% interest rate increase		
Effect on equity	**16**	**18**
Of this, earnings impact is	**-2**	**-2**
Undrawn credit facilities 31/12	**396**	**394**

Accounting policies

Derivatives
Derivatives are only used to hedge financial risks in the form of interest rate and currency risks.

Derivatives are initially recognised at cost and at fair value subsequently. Both realised and unrealised gains and losses are recognised in the income statement unless the derivatives are part of hedging of future transactions. Value adjustments of derivatives for hedging of future transactions are recognised directly in other comprehensive income. As hedged transactions are realised, gains or losses are recognised in the hedging instrument from other comprehensive income in the same item as the hedged items. Any non-effective part of the financial instrument in question is recognised in the income statement.

Derivatives are recognised under other receivables or other payables.

Fair value measurement
The group uses the fair value concept for recognition of certain financial instruments and in connection with some disclosure requirements. Fair value is defined as the price that can be secured when selling an asset or that must be paid to transfer a liability in a standard transaction between market participants (exit price).

Fair value is a market-based and not enterprise-specific valuation. The enterprise uses the assumptions that market participants would use when pricing an asset or liability based on existing market conditions, including assumptions relating to risks.

As far as possible, fair value measurement is based on market value in active markets (level 1) or alternatively on values derived from observable market information (level 2).

If such observable information is not available or cannot be used without significant modifications, recognised valuation methods and fair estimates are used as the basis of fair values (level 3).

16

Interest-bearing liabilities and maturity statement – continued

Distribution on currencies

	Current liabilities		Non-current liabilities	
DKK million	2018	2017	2018	2017
EUR	9	21	165	174
DKK	71	112	135	135
Total	**80**	**133**	**300**	**309**
Interest rate in %	**1.1-5.2**	**1.1-5.8**	**1.1-5.2**	**1.1-5.8**

Fair value of Solar's respective interest-bearing liabilities is seen as fair value measurement at level 2. Mortgage loans are valued based on underlying securities, while bank debt is calculated based on models for discounting to net present value. Non-observable market data is primarily made up of credit risks, which are seen as insignificant in Solar's case.

The fair value of Solar's derived financial instruments (interest rate instruments) is fixed as fair value measurement at level 2, since fair value can be determined directly based on the actual forward rates and instalments on the balance sheet date. Outstanding interest rate swaps for hedging of floating-rate loans expire over the period until 2037 (2037).

The parent company has raised loans in Danish kroner and euro. We refer to the consolidated accounts, note 21, interest-bearing liabilities and maturity statement, for more information on liquidity risk, interest rate and currency risk management.

17

Financial income

DKK million	2018	2017
Interest income	5	3
Foreign exchange gains	6	5
Fair value adjustments on investments	11	79
Other financial income[1]	7	25
Total	**29**	**112**
Financial income, received	**12**	**12**

1. Reassessment of earn-out liability concerning STI has resulted in a DKK 15m reversal in 2017.

18

Financial expenses

DKK million	2018	2017
Interest expenses	22	21
Foreign exchange losses	6	4
Other financial expenses[1]	27	2
Total	**55**	**27**
Financial expenses, settled	**27**	**23**

1. Adjustment of earn-out DKK 22m regarding MAG45 in 2018.

19

Contingent liabilities and other financial liabilities

DKK million	2018	2017
Operational leases and rent contracts		
Non-cancellable minimum lease payments are to be made within the following periods from the balance sheet date:		
< 1 year	27	21
> 1 year < 5 years	33	30
> 5 years	0	2
Total	**60**	**53**
Operational leases and rent recognised in the income statement:		
Total	**24**	**25**
Company cars and office furniture and equipment are leased under operating leases. The typical lease period is:		
No. of years	**2-4**	**2-4**
Rent obligations with non-cancellation periods:		
No. of years up to:	**10**	**10**
Collateral		
Assets have been pledged as collateral for bank and mortgage arrangements at a carrying amount of:		
Land and buildings	232	239
Current assets	0	0
Total	**232**	**239**

Accounting policies

Leasing
Leasing agreements, in which the most important aspects of the asset's risks and benefits remain with the lessor, are classified as operational leasing agreements. Leasing agreements, in which the most important aspects of the asset's risks and benefits are transferred to enterprises in the Solar Group, are classified as financial leases. As at the balance sheet date, no leasing agreement is classified as a financial lease. Leasing payments concerning operational leasing are recognised in the income statement on a straight-line basis throughout the leasing period.

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Contingent liabilities and other financial liabilities – continued

DKK million	2018	2017
Mortgaging and guarantees		
As security of subsidiaires' bank arrangements, guarantees have been issued for:		
Total	**334**	**339**
As security of subsidiaires' liabilities, guarantees have been issued for:		
Total	**430**	**447**

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.

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Related parties

Group and parent Solar A/S are subject to control by the Fund of 20th December (registered as a commercial foundation in Denmark), which owns 16.0% of the shares and holds 58.1% of the voting rights. The remaining shares are owned by a widely combined group of shareholders.

Other related parties include the company's Board of Directors and Executive Board. There have been no transactions in the financial year with members of the Board of Directors and Executive Board other than those which appear from note 3 and from the consolidated statement's note 24.

The parent company has had the following significant transactions with related parties:

DKK million	2018	2017
Sale of services to subsidiaries	**161**	**158**
Sale of goods to subsidiaries	**59**	**55**
Interest income from subsidiaries	**7**	**8**
Interest expense to subsidiaries	**2**	**2**

On the balance sheet date, the usual product balances derived from these transactions exist. These appear from the parent company's balance sheet.

Solar also invoices the Fund of 20th December for the performance of administrative services at DKK 20,000. Balances with the Fund of 20th December total 0 on balance sheet date.

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Auditors' fees

DKK million	2018	2017
PricewaterhouseCoopers		
Statutory audit	1	1
Other services[1]	1	3
Total	**2**	**4**
Other auditors		
Other services	0	0
Total	**0**	**0**

1. Other services mainly consists of IT-related services (IT-related services and services related to business combinations).

Group companies overview

Group companies overview

Companies fully owned by Solar A/S

Name	Reg. no.	Currency	Share capital	Country
Solar A/S	**15908416**	**DKK**	**792,060,700**	**DK**
Solar Sverige AB	**5562410406**	**SEK**	**100,000,000**	**SE**
Solar Norge AS	**980672891**	**NOK**	**70,000,000**	**NO**
Solar Nederland B.V.	**09013687**	**€**	**67,000,500**	**NL**
Eltechna B.V.	KvK 23066336	€	18,151	NL
MAG45 Holding B.V.	**17213145**	**€**	**27,571**	**NL**
MAG45 B.V.	17168649	€	18,000	NL
MAG45 Sp.z.oo	277409	PLN	50,000	PL
MAG45 GmbH	18354	€	25,000	DE
MAG45 Ltd	311859	€	152	IE
MAG45 (UK) Ltd	4092664	£	301	UK
MAG45 S.a.r.l.	CHE-265,557,148	CHF	20,000	CH
MAG45 INC	123858292	$	1,500	USA
MAG45 NV	0476603857	€	330,000	BE
MAG45 S.R.O	27697690	CZK	200,000	CZ
MAG45 Iss Co. Ltd	91320594693364287L	$	80,000	CN
MAG45 Ltd	39740334	$	1	HK
MAG45 Pte Ltd.	201709959H	SG$	100,000	SG
MAG45 Kft	01-09-300892	HUF	3,000,000	HU
MAG45 Srl	10053890967	€	20,000	IT
Solar Polska Sp.z.oo	**0000003924**	**PLN**	**65,050,000**	**PL**
Claessen Holding N.V	**0437.191.965**	**€**	**65,094**	**BE**
Claessen ELGB NV	0436.564.831	€	3,697,100	BE

Companies fully owned by Solar A/S – continued

Name	Reg. no.	Currency	Share capital	Country
P/F Solar Føroyar	**P/F 104**	**DKK**	**12,000,000**	**FO**
Scandinavian Technology Institute AS	**976094786**	**NOK**	**533,000**	**NO**
SD of 16 March GmbH	**HRB 516 NM**	**€**	**51,400,000**	**DE**
SD of 17 March Gesellschaft für Vermögensverwaltung mbH	HRB 16642 KI	€	25,000	DE
SD of 16 March Gesellschaft für Vermögensverwaltung mbH	HRB 16638 KI	€	2,556,500	DE
SD of 16 March Immobilienverwaltung GmbH	HRB 16616 KI	€	25,000	DE
Solar Invest A/S	**73316111**	**DKK**	**500,000**	**DK**
Solar Polaris A/S	**38378171**	**DKK**	**5,000,000**	**DK**
Fyrfyret IVS	**38560166**	**DKK**	**1**	**DK**

Companies, where Solar's equity interest is less than 50%

Name, equity interest	Reg. no.	Currency	Share capital	Country
GenieBelt ApS, 20.60%	**35231129**	**DKK**	**225,220**	**DK**
Minuba ApS, 19.98%	**33259336**	**DKK**	**100,275**	**DK**
Viva Labs AS, 20.00%	**898 444 392**	**NOK**	**104,174**	**NO**
BIMobject AB, 17.20%	**556856-7696**	**SEK**	**1,323,517**	**SE**
HomeBob A/S, 44.46%	**38832840**	**DKK**	**4,512,636**	**DK**
Monterra AB, 30.00%	**559103-4847**	**SEK**	**50,000**	**SE**

Statements and reports

Statement by the Executive Board and the Board of Directors

The group's Board of Directors and Executive Board have today discussed and approved Annual Report for the financial year 1 January – 31 December 2018.

The consolidated financial statements and financial statements have been presented in accordance with International Financial Reporting Standards as approved by the EU. Moreover, the consolidated financial statements and financial statements have been prepared in accordance with additional Danish disclosure requirements of listed companies. Management's review was also prepared in accordance with Danish disclosure requirements of listed companies.

In our opinion, the consolidated financial statements and the separate financial statements give a fair presentation of the group and parent company's assets, liabilities and equity, and financial position as at 31 December 2018 as well as the results of the group and parent company's activities and cash flow for the financial year 1 January – 31 December 2018.

Further, in our opinion, Management review gives a true and fair statement of the development of the group and parent company's activities and financial situation, net profit for the year and of the group and parent company's financial positions and describes the most significant risks and uncertainties pertaining to the group and parent company.

The annual report is recommended for approval by the annual general meeting.

Vejen, 7 February 2019

EXECUTIVE BOARD

Jens E. Andersen
CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

BOARD OF DIRECTORS

Jens Borum
Chairman

Ulf Gundemark
Vice-chairman

Lars Lange Andersen

Peter Bang

Jesper Dalsgaard

Ulrik Damgaard

Bent H. Frisk

Louise Knauer

Jens Peter Toft

Independent auditors' report

To the shareholders of Solar A/S

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited
The Consolidated Financial Statements and Parent Company Financial Statements of Solar A/S for the financial year 1 January to 31 December 2018 comprise statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment
We were first appointed auditors of Solar A/S before 1995 and are therefore required to resign as auditors of the Company at the General Meeting in 2021 at the latest. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of more than 24 years including the financial year 2018.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Goodwill and customer related assets The Group has recognised intangible assets totaling DKK 382 million at December 31, 2018, comprising customer related assets of DKK 11 million, goodwill of DKK 130 million and software of DKK 241 million. Goodwill is tested annually for impairment. Other intangibles are assessed for impairment annually, and if indicators exist, an impairment test is performed. The assessment of the carrying values of intangible assets is dependent on future cash flows and if these are below initial expectations, there is a risk that the assets will be impaired. The reviews of carrying values performed by the Group contain a number of significant judgements and estimates such as revenue growth, profit margins and discount rates. We focused on this area because the impairment assessments of these assets are dependent on complex and subjective judgements by Management. Refer to note 10 for detailed information of intangible assets and specification of the year-end impairment charge.	We have discussed with Management and evaluated the process for preparing the budget supporting the impairment test. In particular: • We have assessed whether the models applied by Management to calculate the value in use of the individual cash-generating units comply with the requirements of IFRS. We recalculated the model to ensure mathematical accuracy; • We have assessed the appropriateness of the discount rates applied and underlying assumptions and discussed Management judgement, as relevant. We used PwC valuation specialist to assess the discount rates used by Management; • We performed our own sensitivity analysis around these key estimates to ascertain the extent of change in those assumptions that either individually or collectively would be required for the intangible assets tested to be impaired. As a result of our procedures we did not propose any adjustments to the amount of impairment recognized in 2018. For those intangible assets where management determined that no impairment was required, we found that the assessments made by management were based upon reasonable assumptions, consistently applied.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Vejle, 7 February 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Lars Almskou Ohmeyer
State Authorised Public Accountant
mne24817

Jan Bunk Harbo Larsen
State Authorised Public Accountant
mne30224

Q4 2018

Quarterly information

The quarterly information has neither been audited nor reviewed

Quarterly figures

Consolidated

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2018	2017	2018	2017	2018	2017	2018	2017
Revenue	2,817	2,825	2,733	2,673	2,539	2,596	3,009	2,967
Earnings before interest, tax, depreciation and amortisation (EBITDA)	82	82	70	67	106	110	121	103
Earnings before interest, tax and amortisation (EBITA)	69	69	56	54	93	97	109	90
Earnings before interest and tax (EBIT)	50	52	36	36	64	78	74	10
Financials, net	-5	95	-7	-30	-7	-4	-16	9
Earnings before tax (EBT)	103	147	10	6	70	73	54	-50
Net profit or loss for the period	81	123	-7	-12	49	42	10	-134

Balance sheet (DKK million)								
Non-current assets	1,580	1,698	1,561	1,681	1,572	1,675	1,516	1,522
Current assets	3,254	3,217	3,027	3,222	3,121	3,339	3,117	3,195
Balance sheet total	4,834	4,915	4,588	4,903	4,693	5,014	4,633	4,717
Equity	1,594	1,723	1,584	1,696	1,645	1,745	1,638	1,591
Non-current liabilities	546	371	540	366	536	362	543	557
Current liabilities	2,694	2,821	2,464	2,841	2,512	2,907	2,452	2,569
Interest-bearing liabilities, net	632	458	662	712	712	728	461	489
Invested capital	1,895	1,899	1,972	2,129	2,055	2,190	1,797	1,790
Net working capital, end of period	1,145	1,132	1,196	1,309	1,312	1,398	1,090	1,081
Net working capital, average	1,168	1,162	1,173	1,191	1,184	1,209	1,182	1,133

Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Cash flow (DKK million)	2018	2017	2018	2017	2018	2017	2018	2017
Cash flow from operating activities, continuing operations	-39	-87	-41	-183	-23	-2	327	279
Cash flow from investing activities, continuing operations	-40	-229	26	-49	-30	-25	-68	-39
Cash flow from financing activities, continuing operations	21	39	35	221	35	14	-199	-175
Net investments in intangible assets	-24	-27	-27	-26	-20	-27	-17	-26
Net investments in property, plant and equipment	-16	-13	-7	-3	-10	7	-26	-5
Acquisition and disposal of subsidiaries, net	0	-10	60	0	0	0	-10	-6

Financial ratios (% unless otherwise stated)								
Revenue growth	-0.3	13.0	2.2	1.2	-2.2	7.3	1.4	4.6
Organic growth	1.4	11.0	3.6	2.1	-0.3	7.3	2.3	5.4
Organic growth adjusted for number of working days	4.5	4.5	1.6	7.4	-0.3	9.0	2.5	7.1
Gross profit margin	20.4	21.1	20.4	20.6	20.2	20.7	20.0	20.3
EBITDA margin	2.9	2.9	2.6	2.5	4.2	4.2	4.0	3.5
EBITA margin	2.4	2.4	2.0	2.0	3.7	3.7	3.6	3.0
EBIT margin	1.8	1.8	1.3	1.3	2.5	3.0	2.5	0.3
Net working capital (end of period NWC)/revenue (LTM)	10.3	9.3	10.7	10.9	11.8	11.5	9.8	9.7
Net working capital (average NWC)/revenue (LTM)	10.5	9.6	10.5	9.8	10.7	9.8	10.6	10.2
Gearing (interest-bearing liabilities, net/EBITDA), no. of times	1.7	1.2	1.8	1.9	2.0	1.8	1.2	1.3
Return on equity (ROE)	-1.4	13.3	-1.1	11.0	-0.7	11.7	8.1	1.1
Return on invested capital (ROIC)	6.4	10.4	6.2	9.6	5.6	10.6	8.1	6.3
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	10.3	9.2	10.4	10.2	10.7	9.3	6.8	10.4
Equity ratio	33.0	35.1	34.5	34.6	35.1	34.8	35.4	33.7

Quarterly figures

Consolidated – continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK unless otherwise stated)	2018	2017	2018	2017	2018	2017	2018	2017
Earnings per share outstanding (EPS)	11.10	16.85	-0.96	-1.64	6.71	5.75	1.37	-18.36
Intrinsic value per share outstanding	218.41	236.08	217.04	232.38	225.40	239.10	224.44	218.00
Share price	398.53	382.88	398.72	376.73	401.55	381.25	284.12	414.52
Share price/intrinsic value	1.82	1.62	1.84	1.62	1.78	1.59	1.27	1.90

Employees								
Average number of employees (FTEs), continuing operations	2,894	2,817	2,915	2,829	2,929	2,841	2,941	2,870

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.

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 STI, Claessen ELGB N.V. and GFI GmbH for 2017 and 2018. In accordance with IFRS, the balance sheet has not been restated.

Financial review
(Figures in brackets are corresponding figures from Q4 2017)

EBITA was up by DKK 19m thus with an EBITA margin of 3.6% in Q4

Revenue from continuing operations was unchanged at DKK 3.0bn, while EBITA from continuing operations was up at DKK 109m (DKK 90m), showing an EBITA margin of 3.6% (3.0%) in Q4.

At the end of December 2018, Solar initiated the process of a management buyout of our Norwegian training business Scandinavian Technology Institute (STI), part of our related business, cf. company announcement no. 21 2018. The divestment is expected to constitute a loss of approx. DKK 17m, which is recognised in the Solar Group's income statement as part of the loss from discontinued operations in Q4 2018.

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. The divestment constituted a loss of DKK 47m, which was recognised in the Solar Group's income statement as part of the loss from discontinued operations in Q4 2017.

Consequently, in this report GFI GmbH, Austria, Claessen ELGB NV, Belgium, and STI, Norway, are presented as discontinued operations for both 2017 and 2018. Unless otherwise stated, this report solely recognises Solar's continuing operations.

REVENUE
In Q4 2018, adjusted organic growth amounted to 2.5% (7.1%). Revenue amounted to unchanged DKK 3.0bn.

Related business saw adjusted organic growth of 24.1%, while adjusted organic growth in core business amounted to 1.6%. Within core business we saw positive adjusted organic growth in all entities except Solar Nederland, which showed no growth in Q4. Solar Sverige went from negative adjusted organic growth of 5.8% in Q3 to positive organic growth of 1.0% in Q4. The growth was to some extent related to increased project sales, which is not recurring revenue and has a low margin. It seems like the impact from the new structure in the sales organisation implemented in Q3 2018 is now beginning to show in the results even though growth is still at a low pace.

Revenue is on par with our expectations.

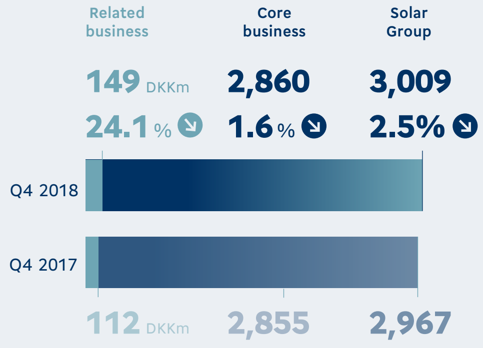
GROSS PROFIT MARGIN
Gross profit margin decreased to 20.0% (20.3%) in Q4 2018. Core business saw a drop in gross profit margin of 0.5 percentage points. In Solar Sverige, gross profit margin decreased partly due to increased project sales with lower margin. This had a negative effect of approx. 0.2 percentage points at group level. Increased freight costs also affected gross profit margin negatively due to increased fuel costs and lack of capacity. We are renegotiating several freight contracts and are working on optimising the freight setup.

EBITA
EBITA increased to DKK 109m (DKK 90m) corresponding to an EBITA margin of 3.6% (3.0%) of revenue.

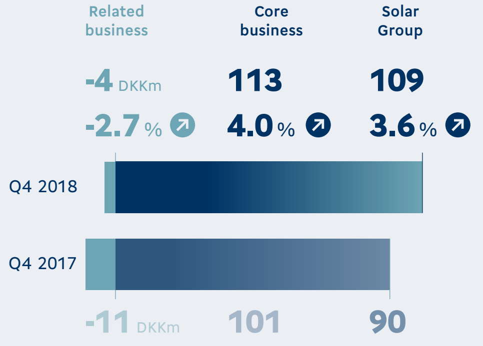
EBITA from core business was up at DKK 113m (DKK 101m), which was on par with our expectations.

EBITA from related business amounted to DKK -4m (DKK -11m). MAG45 saw loss in Q4 as revenue and gross profit margin were below expectations.

Revenue and adj. organic growth



EBITA and EBITA margin



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

Related business includes MAG45 and Solar Polaris.

Financial review

AMORTISATION

Amortisation amounted to DKK 35m (DKK 80m). Review of goodwill, customer lists and other intangible assets resulted in an impairment loss of DKK 10m mainly related to goodwill in Solar Polska and MAG45. In Q4 2017, amortisation of DKK 55m related to impairment of goodwill and customer lists in respect of the company's activities in MAG45 and Solar Polaris. Furthermore, the divestment of the Austrian and Belgian businesses resulted in an impairment on software of DKK 10m in Q4 2017.

SHARE OF NET PROFIT FROM ASSOCIATES

Our share of earnings from our digital, construction and services associates amounted to DKK -4m (DKK -10m).

IMPAIRMENT ON ASSOCIATES

in Q4 2018, no fair value adjustment was needed, but at year-end 2017, Solar identified a need for write-down of DKK 59m on BIMobject AB based on the share price.

FINANCIALS

Net financials totalled DKK -16m (DKK 9m). In Q4 2018, adjustment of an earn-out of DKK 11m was included as financial costs, while Q4 2017 was affected by a reassessment of an earn-out liability resulting in a DKK 15m reversal included as financial income.

EARNINGS BEFORE TAX

Earnings before tax amounted to DKK 54m (DKK -50m). However, when adjusted for the impact from associates in terms of share of net profit, impairment, fair value adjustments, and an adjustment of earn-outs and impairment losses, earnings before tax amounted to DKK 79m (DKK 69m).

DKK million	Q4 2018	Q4 2017
Earnings before tax	**54**	**-50**
Share of net profit from associates	4	10
Impact due to market value changes in BIMobject:		
Impairment on associates	0	59
Earnings before tax, adjusted for impact from associates	**58**	**19**
Impairment loss, other intangible assets	2	10
Impairment loss, goodwill	8	33
Impairment loss, customer-related assets	0	22
Earn-out provision reversed	0	-15
Earn-out receivable reversed	11	0
Adjusted earnings before tax	**79**	**69**

NET PROFIT

Profit from continuing operations came to DKK 32m (DKK -39m). Losses from discontinued operations amounted to DKK -22m (DKK -95m). Net profit for the Solar Group thus totalled DKK 10m (DKK -134m).

CASH FLOWS

Net working capital calculated as an average of the previous four quarters amounted to 10.6% (10.2%) of revenue. Net working capital at the end 2018 was almost unchanged at 9.8% (9.7%) of revenue.

Cash flow from operating activities totalled DKK 327m (DKK 279m). Changes to inventories had a DKK -86m (DKK -23m) impact on cash flow, while changes to receivables had an impact of DKK 146m (DKK 136m).

Total cash flow from investing activities amounted to DKK -68m (DKK -39m) impacted by a minor acquisition and other financial investments totalling DKK 25m.

Furthermore, Solar Norge began the implementation of AutoStore, an automated storage and retrieval system. This impacted the purchase of property, plant and equipment which amounted to DKK 26m (DKK 8m).

Cash flow from financing activities amounted to DKK -199m (DKK 175m). In 2017, a new loan of DKK 135m impacted cash flow positively. Furthermore, a change in the presentation of the cash flow statement means that repayment of current interest-bearing debt is now presented as part of the financing activities in 2017 and 2018.

Cash flow from discontinued operations amounted to DKK -6m (DKK 2m). Consequently, total cash flow amounted to DKK 54m (DKK 67m).

Net interest-bearing liabilities decreased by DKK 28m to DKK 461m. In 2018, we have invested DKK 88m in digital improvements, paid dividend of DKK 73m and received DKK 60m from the divestment of our Austrian and Belgian businesses. By the end 2018, gearing was almost unchanged at 1.2 (1.3) times EBITDA. Calculated as an average our gearing was unchanged 1.6. Our gearing target is 1.5-2.5 times EBITDA.

At year-end 2018, Solar had undrawn credit facilities of DKK 502m.

ROIC amounted to 8.1% (6.3%), while ROIC on core business amounted to 10.3% (11.4%), negatively affected by an impairment loss on other intangible assets.

Invested capital for the Solar Group totalled almost unchanged DKK 1,797m (DKK 1,790m).

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

Our comments on core and related business and disclosures under segment information are to be considered as supplementary information. Information on the segments installation, industry and other is included under segment information.

Statement of comprehensive income

Income statement

DKK million	Q4 2018	Q4 2017
Revenue	3,009	2,967
Cost of sales	-2,407	-2,364
Gross profit	**602**	**603**
Other operating income and costs	0	0
External operating costs	-111	-107
Staff costs	-366	-390
Loss on trade receivables	-4	-3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**121**	**103**
Depreciation and write-down on property, plant and equipment	-12	-13
Earnings before interest, tax and amortisation (EBITA)	**109**	**90**
Amortisation and impairment of intangible assets	-35	-80
Earnings before interest and tax (EBIT)	**74**	**10**
Share of net profit from associates	-4	-10
Impairment on associates	0	-59
Financial income	3	20
Financial expenses	-19	-11
Earnings before tax (EBT)	**54**	**-50**
Income tax	-22	11
Profit of continuing operations	**32**	**-39**
Profit of discontinued operations	-22	-95
Net profit for the period	**10**	**-134**
Earnings in DKK per share outstanding (EPS)	1.37	-18.36
Diluted earnings in DKK per share outstanding (EPS-D)	1.37	-18.36
Earnings in DKK per share outstanding (EPS) of continuing operations	4.38	-5.34
Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations	4.38	-5.34

Other comprehensive income

DKK million	Q4 2018	Q4 2017
Net profit for the period	**10**	**-134**
Other income and costs recognised:		
Items that cannot be reclassified for the income statement		
Actuarial gains / losses on defined benefit plans	0	0
Tax on actuarial gains/loses on defined benefit plans	0	0
Items that can be reclassified for the income statement		
Foreign currency translation adjustments of foreign subsidiaries	-15	-20
Fair value adjustments of hedging instruments before tax	-2	1
Tax on fair value adjustments of hedging instruments	0	-1
Other income and costs recognised after tax	**-17**	**-20**
Total comprehensive income for the period	**-7**	**-154**

Balance sheet

Consolidated

DKK million	31.12 2018	2017
ASSETS		
Intangible assets	382	427
Property, plant and equipment	812	814
Deferred tax assets	10	18
Investments in associates	251	203
Other non-current assets	61	60
Non-current assets	**1,516**	**1,522**
Inventories	1,521	1,437
Trade receivables	1,452	1,492
Income tax receivable	7	5
Other receivables	12	14
Prepayments	45	45
Cash at bank and in hand	65	77
Assets held for sale	15	125
Current assets	**3,117**	**3,195**
Total assets	**4,633**	**4,717**

DKK million	31.12 2018	2017
EQUITY AND LIABILITIES		
Share capital	775	775
Reserves	-171	-158
Retained earnings	932	901
Proposed dividend for the financial year	102	73
Equity	**1,638**	**1,591**
Interest-bearing liabilities	409	423
Provision for pension obligations	2	3
Provision for deferred tax	113	107
Other provisions	19	24
Non-current liabilities	**543**	**557**
Interest-bearing liabilities	117	143
Trade payables	1,883	1,848
Income tax payable	3	19
Other payables	428	483
Prepayments	5	1
Other provisions	2	7
Liabilities held for sale	14	68
Current liabilities	**2,452**	**2,569**
Liabilities	**2,995**	**3,126**
Total equity and liabilities	**4,633**	**4,717**

Cash flow statement

Consolidated

DKK million	Q4 2018	Q4 2017
Net profit or loss for the period from continuing operations	**32**	**-39**
Depreciation, write-down and amortisation	47	93
Impairment on associates	0	59
Changes to provisions and other adjustments	0	-8
Share of net profit from associates	4	10
Financials, net	16	-9
Income tax	22	-11
Financial income, received	2	1
Financial expenses, settled	-5	-6
Income tax, settled	-17	-18
Cash flow before working capital changes	**101**	**72**
Working capital changes		
Inventory changes	-86	-23
Receivables changes	142	136
Non-interest-bearing liabilities changes	170	94
Cash flow from operating activities, continuing operations	**327**	**279**
Cash flow from operating activities, discontinued operations	**-8**	**4**
Cash flow from operating activities	**319**	**283**
Investing activities		
Purchase of intangible assets	-17	-26
Purchase of property, plant and equipment	-26	-8
Disposal of property, plant and equipment	0	3
Acquisition of subsidaries and activities	-10	-6
Other financial investments	-15	-2
Cash flow from investing activities, continuing operations	**-68**	**-39**
Cash flow from investing activities, discontinued operations	**2**	**-2**
Cash flow from investing activities	**-66**	**-41**

DKK million	Q4 2018	Q4 2017
Financing activities		
Repayment of non-current, interest-bearing debt	-13	-51
Raising of non-current interest-bearing liabilities	0	135
Change in current interest-bearing debt[1]	-186	-259
Cash flow from financing activities, continuing operations	**-199**	**-175**
Cash flow from financing activities, discontinued operations	**0**	0
Cash flow from financing activities	**-199**	**-175**
Total cash flow	**54**	**67**
Cash at bank and in hand at the beginning of the period	13	17
Foreign currency translation adjustments	**-2**	-7
Cash at bank and in hand at the end of the period	**65**	**77**
Cash at bank and in hand at the end of the period[1]		
Cash at bank and in hand	65	77
Cash at bank and in hand at the end of the period	**65**	**77**

1. A change in presentation of the cash flow statement implies that repayment of current interest-bearing debt is now presented as part of financing activities.

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
Q4 2018				
Revenue	1.830	887	292	3,009
Cost of sales	-1,482	-682	-243	-2,407
Gross profit	**348**	**205**	**49**	**602**
Direct costs	-66	-27	-7	-100
Earnings before indirect costs	**282**	**178**	**42**	**502**
Indirect costs	-141	-47	-14	-202
Segment profit	**141**	**131**	**28**	**300**
Non-allocated costs				-179
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**121**
Depreciation and amortisation				-47
Earnings before interest and tax (EBIT)				**74**
Financials, net				-20
Earnings before tax (EBT)				**54**

DKK million	Installation	Industry	Other	Total
Q4 2017				
Revenue	1,861	831	275	2,967
Cost of sales	-1,511	-642	-211	-2,364
Gross profit	**350**	**189**	**64**	**603**
Direct costs	-67	-25	-6	-98
Earnings before indirect costs	**283**	**164**	**58**	**505**
Indirect costs	-139	-45	-12	-196
Segment profit	**144**	**119**	**46**	**309**
Non-allocated costs				-206
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**103**
Depreciation and amortisation				-93
Earnings before interest and tax (EBIT)				**10**
Financials, net				-60
Earnings before tax (EBT)				**-50**

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 companies overview available on page 129 of Annual Report 2018 or on www.solar.eu.

The below allocation has been made based on the products' place of sale.

Q4					
DKK million	Revenue	Adjusted organic growth	EBITA	EBITA margin	Non-current assets
2018					
Denmark	899	3.0	73	8.1	1,906
Sweden	645	1.0	13	2.0	242
Norway	505	2.5	15	3.0	145
The Netherlands	742	-0.1	12	1.6	282
Other markets	246	15.3	-4	-1.6	64
Eliminations	-28		-	-	-1,123
Total	**3,009**	**2.5**	**109**	**3.6**	**1,516**
2017					
Denmark	889	8.8	48	5.4	1,987
Sweden	688	3.5	24	3.5	256
Norway	481	1.1	15	3.1	156
The Netherlands	730	11.5	12	1.6	293
Other markets	204	16.1	-9	-4.4	71
Eliminations	-25	-	-	-	-1,241
Total	**2,967**	**7.1**	**90**	**3.0**	**1,522**

The information on core business and related business is to be considered as supplementary information.
Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, and P/F Solar Føroyar.
Related business includes MAG45 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
Q4 2018					
Revenue	2,860	149	-	-	3,009
Gross profit	570	32	-	-	602
EBITA	113	-4	-	-	109
Invested capital	1,672	125	303	-303	1,797
Adj. organic growth	1.6 %	24.1%	-	-	2.5 %
Gross profit margin	19.9%	21.5 %	-	-	20.0 %
EBITA margin	4.0 %	-2.7%	-	-	3.6 %
ROIC	10.3%	N/A	-	-	8.1%

DKK million – unless otherwise stated	Core business	Related business	Digital, Construction & Services	Eliminations	Total
Q4 2017					
Revenue	2,855	112	-	-	2,967
Gross profit	580	23	-	-	603
EBITA	101	-11	-	-	90
Invested capital	1,682	108	236	-236	1,790
Adj. organic growth	6.3%	38.6%	-	-	7.1%
Gross profit margin	20.4%	20.5%	-	-	20.3%
EBITA margin	3.5%	-9.8%	-	-	3.0%
ROIC	11.4%	N/A	-	-	6.3%

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