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9 August 2018

Announcement no. 16 2018

Quarterly Report Q2 2018

We reconfirm our expectations for the full year even though Q2 revenue and EBITA were slightly below expectations.

CEO Jens Andersen says:

"We still pursue opportunities within our three strategic focus areas and see good progress. At the same time, we have taken several initiatives to get the overall business back on track. Therefore, our full-year expectations are unchanged despite the fact that we experienced negative growth in some markets in the second quarter, and the results were slightly below our expectations."

Financial highlights (DKK million)*	Q2 2018	Q2 2017	H1 2018	H1 2017
Revenue	2,744	2,684	5,572	5,522
EBITA	52	50	118	117
Earnings before tax	6	2	105	147
Cash flow from operating activities	-39	-180	-78	-266
Financial ratios (%)				
Organic growth adj. for number of working days	1.6	7.4	3.1	5.8
EBITA margin	1.9	1.9	2.1	2.1
Net working capital, period-end/revenue (LTM)	10.7	10.9	10.7	10.9
Net working capital, average/revenue (LTM)**	10.5	9.8	10.5	9.8
Gearing (NIBD/EBITDA), no. of times	1.9	2.0	1.9	2.0

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

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

Q2 2018 Revenue

- Adjusted organic growth amounted to 1.6% against 7.4% in Q2 2017. Related business saw growth of 27.8%, while growth in core business amounted to 0.5%.

Q2 2018 EBITA

- Compared to Q2 2017, EBITA from core business amounted to an unchanged DKK 62m. This was slightly below expectations mainly due to developments in Solar Sverige and restructuring costs in Solar Norge owing to a lost contract.
- EBITA for related business amounted to DKK -10m against DKK -12m in Q2 2017. Revenue for Scandinavian Technology Institute and Solar Polaris came out lower than expected. Due to the disappointing results, restructuring took place at these companies leading to one-off costs in Q2 2018.

2018 outlook

- We expect revenue of approx. DKK 11.4bn corresponding to organic growth of approx. 4%. Within core business we expect growth of approx. 3%, which is on par with or below the expected market growth. Related business is expected to show growth of approx. 25%.
- We maintain our EBITA expectations at approx. DKK 345m. For core business we increase our EBITA expectations from approx. DKK 365m to approx. DKK 375m. For related business we lower our EBITA expectations from approx. DKK -20m to approx. DKK -30m.
- If the current exchange rates remain unchanged this will have a negative impact on core business of close to DKK 100m on revenue and approx. DKK 4m on EBITA.

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 operations	340	-45	295
Overhead costs*	-10	-	-10
Planned improvements	35	25	60
2018 guidance published 09.02.2018	365	-20	345
Impact from cost-reducing initiatives	10	-	10
Impact from lower revenue and gross profit	-	-10	-10
2018 guidance, updated	375	-30	345

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

Audio webcast and teleconference today

The presentation of Quarterly Report Q2 2018 will be conducted in English on 9 August 2018 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu. Participation will be possible via a teleconference.

Teleconference call-in numbers:

DK: tel. +45 354 455 83

UK: tel. +44 203 194 0544

US: tel. +1 855 269 2604

Yours faithfully,
Solar A/S

Jens Andersen

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Enclosure: Quarterly Report Q2 2018, pages 1-32.

Facts about Solar

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

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

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

Disclaimer

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



Solar A/S

CVR NO.: 15 90 84 16

Quarterly Report Q2 2018



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Financial highlights

Consolidated (DKK million)	Q2		H1		Year
	2018	2017	2018	2017	2017
Revenue	2,744	2,684	5,572	5,522	11,105
Earnings before interest, tax, depreciation and amortisation (EBITDA)	66	63	145	143	347
Earnings before interest, tax and amortisation (EBITA)	52	50	118	117	295
Earnings before interest and tax (EBIT)	32	32	78	82	126
Earnings before tax (EBT)	6	2	105	147	126
Net profit for the period	-7	-12	74	111	19
Balance sheet total	4,588	4,903	4,588	4,903	4,717
Equity	1,584	1,696	1,584	1,696	1,591
Interest-bearing liabilities, net	662	712	662	712	489
Cash flow from operating activities	-39	-180	-78	-266	12
Net investments in property, plant and equipment	-7	-3	-23	-17	-15

Employees

Number of employees (FTEs), end of the period	3,001	2,882	3,001	2,882	2,959
Average number of employees (FTEs), LTM	2,968	2,861	2,968	2,861	2,901

Financial ratios (% unless otherwise stated)	Q2		H1		Year
	2018	2017	2018	2017	2017
Organic growth adjusted for number of working days	1.6	7.4	3.1	5.8	6.9
Gross profit margin	20.7	20.9	20.7	21.2	21.0
EBITDA margin	2.4	2.3	2.6	2.6	3.1
EBITA margin	1.9	1.9	2.1	2.1	2.7
Net working capital (NWC at end of period)/ revenue (LTM)	10.7	10.9	10.7	10.9	9.7
Gearing (net interest-bearing liabilities/EBITDA), no. of times	1.9	2.0	1.9	2.0	1.4
Return on equity (ROE)	-1.1	11.0	-1.1	11.0	1.2
Equity ratio	34.5	34.6	34.5	34.6	33.7

Share ratios (DKK)

Earnings per share outstanding (EPS)	-0.96	-1.64	10.14	15.21	2.60
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Overall, financial ratios are calculated in accordance with the Danish Finance Society's "Recommendations & Financial Ratios 2015".

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



Business update

We remain focused on strategic suppliers, industry and operational excellence

We aim for profitable growth by innovating our business. This is based on our three strategic focus areas.

Strategic suppliers

We continue to pursue growth opportunities within concept sales. Concepts are Solar curated product assortments addressing specific market segment needs. Raising our share of concept sales increases overall profitability and allows us to consolidate our suppliers.

In Q2 we therefore launched a new initiative to further expand and align our approach to concept sales across all our markets. This was kicked off with cross-country initiatives and continues in assigned working groups, each responsible for a specific product category. Their focus is 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.

Industry focus

We have intensified our focus on Industry and have identified significant market potential. With a Total Cost of Ownership (TCO) mindset, we are continually expanding our position by approaching new and existing customers with cross-national solutions and working with them to deliver tailored solutions for optimising their businesses.

A recent example is our partnership with the world's largest pork exporter and Europe's largest pork processor, Danish Crown. Danish Crown in Denmark is one of Solar's long-standing customers. The new contract, however, ensures that all Danish Crown

factories in Denmark, Sweden and Poland will use Solar as their sourcing and services partner.

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

In parallel, we continue to develop the collaboration between Solar and MAG45. MAG45 specialises in integrated supply and has adopted an integral approach to optimising the total cost of ownership of its customers' tail supply chain within sourcing, logistics and processes.

Whenever we meet an industry customer who would be better served by MAG45 than by Solar, we collaborate to ensure a smooth transition and a great customer experience.

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.

Our warehouse management system is the heart of our central warehouses and by digitising the whole supply chain setup, we become more flexible and are much

better equipped to further develop our business and meet our customers' future demands.

Over the weekend of 16-17th June, we implemented SAP eWM (extended Warehouse Management) at our central warehouse in Halmstad in Sweden. eWM replaces our current in-house developed warehouse management system, SGS. Overall, the go-live was successful with only minor disruptions experienced in the following weeks. We will continue the implementation at other central warehouses.

Optimisation of processes is also the reason why we are moving parts of Material Planning to our Shared Services Centre in Poland. In Q2, we initiated the transfer of responsibilities from Denmark. We expect Sweden, Norway and the Netherlands to follow shortly. In total, we expect to transfer tasks equivalent to 40 FTEs within Material Planning to Poland.

With the transfer of responsibilities from Material Planning, our Shared Services Centre in Poland is now servicing tasks from Finance, Tax, Risk Management, IT, Master Data and Material Planning across Denmark, Sweden, Norway and the Netherlands.

The benefits we gain 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



Financial review

H1 result for core business was on par with expectations while H1 result for related business disappointed

In H1, Solar's continuing operations generated organic growth of 3.1% adjusted for the number of working days, while EBITA amounted to DKK 118m against DKK 117m in H1 2017.

For core business, revenue and EBITA were on par with our expectations despite a slightly disappointing development in Q2. For related business, total revenue was on par despite a disappointing development in STI while EBITA did not meet our expectations.

Core business showed 2.1% in adjusted organic growth and compared to H1 2017, an unchanged EBITA of DKK 136m. Related business showed strong organic growth of more than 28% when adjusted for number of working days but diluted earnings by delivering EBITA of DKK -18m.

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

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

Q2 2018

Revenue

In Q2 2018, adjusted organic growth amounted to 1.6%

against 7.4% in Q2 2017. Revenue amounted to unchanged DKK 2.7bn compared to Q2 2017.

Related business saw adjusted organic growth of 27.8%, while adjusted organic growth in core business amounted to 0.5%. Within core business, Solar Danmark and Solar Nederland saw adjusted organic growth of 5.2% and 3.2%, respectively. Solar Sverige saw negative adjusted organic growth of 5.2% despite a healthy market. In our assessment, this is the result of structural changes in the sales organisation at the beginning of Q3 2017. We are currently working to get sales back on track. Solar Norge lost a contract with a purchasing association, which was the main reason for the negative adjusted organic growth of 3.9%.

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

Gross profit margin

Gross profit margin amounted to 20.7%, down from 20.9% in Q2 2017 mainly due to increased freight costs. The dilution of the gross profit margin we saw in Q1 owing to write-down on inventory normalised in Q2 whereas the gross profit margin in MAG45 remained below Q2 2017 level but was above Q1 2018 level.

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

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

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

Q2	Revenue		EBITA		Invested capital	
DKK million	2018	2017	2018	2017	2018	2017
Core business	2,599	2,577	62	62	1,859	1,948
Related business	145	107	-10	-12	113	181
Digital, construction & services	-	-	-	-	277	294
Eliminations	-	-	-	-	-277	-294
Total	2,744	2,684	52	50	1,972	2,129

H1						
	2018	2017	2018	2017	2018	2017
Core business	5,276	5,302	136	136	1,859	1,948
Related business	296	220	-18	-19	113	181
Digital, construction & services	-	-	-	-	277	294
Eliminations	-	-	-	-	-277	-294
Total	5,572	5,522	118	117	1,972	2,129

Q2	Adj. organic growth		EBITA margin		ROIC	
%	2018	2017	2018	2017	2018	2017
Core business	0.5	7.4	2.4	2.4	10.9	12.4
Related business	27.8	7.9	-6.9	-11.2	N/A	N/A
Total	1.6	7.4	1.9	1.9	3.7	9.2

H1						
	2018	2017	2018	2017	2018	2017
Core business	2.1	5.8	2.6	2.6	10.9	12.4
Related business	28.8	-	-6.1	-8.6	N/A	N/A
Total	3.1	5.8	2.1	2.1	3.7	9.2



EBITA

EBITA increased to DKK 52m against DKK 50m in Q2 2017. As in Q2 2017, EBITA margin amounted to 1.9% of revenue.

Compared to Q2 2017, EBITA from core business amounted to unchanged DKK 62m. This was slightly below expectations mainly due to developments in Solar Sverige and restructuring costs in Solar Norge owing to a lost contract.

EBITA for related business amounted to DKK -10m against DKK -12m in Q2 2017. Revenue for Scandinavian Technology Institute and Solar Polaris came out lower than expected. Due to the disappointing results, restructuring took place at these two companies.

Amortisation

As part of our focus on digital improvement projects, our investments in software led to increased amortisation. Amortisation totalled DKK 20m against DKK 18m in Q2 2017.

Share of net profit from associates

In Q2 2018, DKK -4m was included as our share of earnings from our digital, construction and services associates.

Impairment on associates

By the end of Q2 2018, the share price of BIMobject AB had decreased and we identified a need for a write-down of DKK 15m.

Financials

Net financials totalled DKK -7m against DKK -30m in Q2 2017 when the DKK -24m fair value adjustment of associated businesses relating to BIMobject is taken into account. Up until the end of May 2017, Solar's equity

interest in BIMobject was less than 20% and for that reason the fair value adjustment was recognised in the income statement as financial income.

Earnings before tax

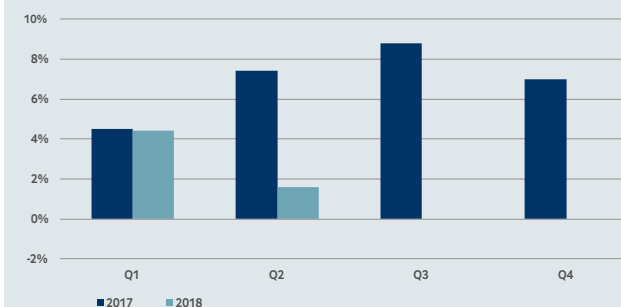
Earnings before tax amounted to DKK 6m against DKK 2m in Q2 2017. However, if adjusted for the impact from associates in terms of share of net profit, impairment and fair value adjustments, earnings before tax amounted to DKK 25m in Q2 2018 against DKK 26m in Q2 2017.

DKK million	Q2 2018	Q2 2017	FY 2017
Earnings before tax	6	2	126
Share of net profit from associates	4		11
<i>Impact due to market value changes in BIMobject:</i>			
Impairment on associates	15		59
Fair value adjustment, recognised under financials		24	-79
Earnings before tax, adjusted for associates	25	26	117
Impairment loss, other intangible assets			10
Impairment loss, goodwill			65
Impairment loss, customer-related assets			22
Earn-out provision reversed			-15
Adjusted earnings before tax	25	26	199

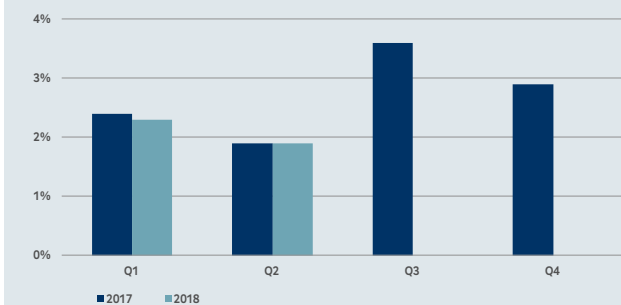
Net profit

Profit from continuing operations came to DKK -3m against DKK -5m in Q2 2017. Loss from discontinued operations amounted to DKK -4m against DKK -7m in Q2 2017. Net profit for the Solar Group thus totalled DKK -7m in Q2 2018 against DKK -12m in Q2 2017.

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



EBITA margin in %





H1 2018

Revenue

In H1 2018, adjusted organic growth amounted to 3.1% against 5.8% in H1 2017. Revenue amounted to DKK 5.6bn against DKK 5.5bn in H1 2017.

Related business saw adjusted organic growth of more than 28%, while adjusted organic growth in core business amounted to 2.1%. For core business, Solar Danmark saw adjusted organic growth of 4.5% and Solar Nederland saw adjusted organic growth of 7.5% while Solar Sverige and Solar Norge saw negative adjusted organic growth of 2.7% and 3.7%, respectively. As mentioned above, Solar Sverige saw negative revenue impact from structural changes in the sales organisation and Solar Norge's revenue was adversely affected by the loss of a contract with a purchasing association.

Gross profit margin

The gross profit margin amounted to 20.7%, down from 21.2% in H1 2017.

The margin was negatively affected by a change in geographical mix amounting to approx. 0.1 percentage points.

In Q1 2018, core business saw an extraordinary increase in write-down on inventories corresponding to a negative impact on the gross profit margin of approx. 0.3 percentage points. However, write-down normalised in Q2 and the net impact amounted to approx. -0.2 percentage points for H1.

Related business also had a negative impact on margins. MAG45 saw an unexpected decline in margin during the first months of H1 leading to a H1 decline of more than 1 percentage point and corresponding to approx. -0.1 percentage points in margin at group level. MAG45 is currently focusing on regaining the margin. We are seeing gradual progress but are still below the margin level from last year.

EBITA

Compared to H1 2017, EBITA amounted to an unchanged 2.1% of revenue corresponding to DKK 118m in H1 2018 against DKK 117m in H1 2017.

Despite that costs in MAG45 increased by DKK 13m in order to generate growth both organically and through the acquisition of Savone in Italy, the overall costs for the group remained flat taking the exchange rate adjustments into consideration.

We have launched several initiatives in core business to reduce costs. As mentioned in our business update, we are moving Material Planning and Master Data to our Shared Services Centre in Poland as part of our process optimisation. In H1 2018, these initiatives led to one-off costs slightly above the level in H1 2017.

In total we have managed to offset the salary inflation, the growth costs in MAG45 and the increase in one-off costs.

Compared to H1 2017, EBITA from core business amounted to unchanged DKK 136m. Related business diluted EBITA by DKK -18m in H1 2018 against DKK -19m in H1 2017. Results for related business did not meet our expectations.

Amortisation

As part of our focus on digital improvement projects, our investments in software led to increased amortisation. Amortisation totalled DKK 40m against DKK 35m in H1 2017.

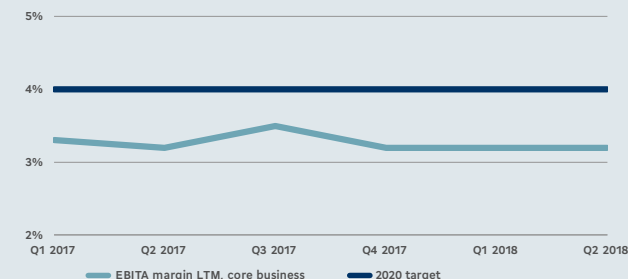
Share of net profit from associates

In H1 2018, DKK -5m was included as our share of earnings from our digital, construction and services associates.

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. By the end of Q1 2018, the BIMobject share price increased and we therefore reversed the write-down of DKK 59m. By the end of Q2 2018, the share price had decreased and the need for write-down of DKK 15m was identified. In H1 2018, reversal of impairment of associates thus amounted to DKK 44m.

EBITA margin LTM , core business



Gearing, no. of times

(interest-bearing liabilities, net / EBITDA)





Financials

Net financials totalled DKK -12m against DKK 65m in H1 2017 when taking into account the DKK 79m in fair value adjustment of associated businesses relating to BIMobject. Up until the end of May 2017, Solar's equity interest in BIMobject was less than 20% and for that reason the fair value adjustment was recognised in the income statement as financial income.

Earnings before tax

Earnings before tax were down at DKK 105m from DKK 147m in H1 2017. However, if adjusted for the impact from associates in terms of share of net profit, impairment, and fair value adjustment, earnings before tax amounted to DKK 66m in H1 2018 against DKK 68m in H1 2017.

DKK million	H1 2018	H1 2017	FY 2017
Earnings before tax	105	147	126
Share of net profit from associates	5		11
<i>Impact due to market value changes in BIMobject:</i>			
Impairment on associates	-44		59
Fair value adjustment, recognised under financials		-79	-79
Earnings before tax, adjusted for associates	66	68	117
Impairment loss, other intangible assets			10
Impairment loss, goodwill			65
Impairment loss, customer-related assets			22
Earn-out provision reversed			-15
Adjusted earnings before tax	66	68	199

Net profit

Profit from continuing operations came to DKK 88m against DKK 128m in H1 2017. Loss from discontinued operations amounted to DKK 14m against DKK 17m in H1 2017. Net profit for the Solar Group thus totalled DKK 74m in H1 2018 against DKK 111m in H1 2017.



Investments in associates

In 2017, we increased our investments in BIMobject and other associates. Thus, at the end of H1 2018, investments in associates came to DKK 243m, of which DKK 229m relates to BIMobject. As at 30 June 2018, Solar's share of the market value of BIMobject amounted to DKK 229m. In 2017, Solar acquired the shares at a price of DKK 171m.

Cash flows

Compared to H1 2017, net working capital calculated as an average of the last four quarters amounted to 10.5% of revenue up from 9.8%. Net working capital at the end of H1 2018 amounted to 10.7% of revenue, down from 10.9% at the end of H1 2017. However, the fact that the last day of Q1 2018 was a non-working day affected net working capital negatively by approx. 0.3 percentage points.

Cash flow from operating activities totalled DKK -78m against DKK -266m in H1 2017. In H1 2018, changes to inventories had a DKK -2m impact on cash flow from

operating activities, while changes to receivables had an impact of DKK -68m. The development in receivables was affected by the negative growth in Solar Sverige and Solar Norge. Furthermore, as part of a contract with a major customer, Solar Danmark entered into a factoring agreement which reduced trade receivables by approx. DKK 40m.

Total cash flow from investing activities came to DKK -16m against DKK -281m in H1 2017. The divestment of GFI GmbH, Austria, and the activities in Claessen ELGB NV, Belgium, had a positive impact of DKK 60m. In H1 2017, cash flow from investing activities saw a DKK 209m negative impact from the investment in activities and associated businesses.

Cash flow from financing activities was affected by dividend distributions of DKK 73m against DKK 88m in H1 2017.

Cash flow from discontinued operations amounted to DKK -8m against DKK -27m in H1 2017.



Consequently, total cash flow in H1 2018 amounted to DKK -180m against DKK -674m in H1 2017.

Compared to H1 2017, net interest-bearing liabilities decreased by DKK 50m to DKK 662m. Over the past 12 months, we have invested DKK 108m in digital improvements, an additional DKK 13m in subsidiaries and associated businesses, paid dividend of DKK 73m and received DKK 60m from the divestment of our Austrian and Belgian businesses. By the end of H1 2018, gearing had decreased from 2.0 to 1.9 times EBITDA. Our gearing target is 1.5-2.5 times EBITDA.

As at 30 June 2018, Solar had undrawn credit facilities of DKK 328m.

End H1 2018, ROIC was negatively impacted by the impairment loss on related business in Q4 2017 and amounted to 3.7% against 9.2% in H1 2017. ROIC on core business was down from 12.4% to 10.9%, negatively impacted by impairment loss on other intangible assets in Q4 2017.

Invested capital for the Solar Group totalled DKK 1,972m against DKK 2,129m at the end of Q2 2017.

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

Remuneration of Executive Board and management team

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

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

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

Events after the end of the period under review

At 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 the dilution of about 13% for

BIMobject's existing shareholders following the issue. Consequently, Solar's equity interest in BIMobject will be reduced from 20.01% to 17.4%. However, as Solar remains a large shareholder in BIMobject and is represented on the Board of Directors, we continue to assess our influence as significant. For that reason, the reduction of our equity interest will not mean any change in our accounting policy for BIMobject.

Key risks

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



Segments

Trends in Installation and Industry

In Q2 2018, organic growth* amounted to 1.6%.

The installation sector

The slowdown we have seen since Q4 2017 in Scandinavia continued in Q2 and we experienced negative growth in Sweden and Norway, see page 5. Growth in Denmark remained flat during the quarter. However, the strong growth in the Netherlands and Poland was sufficient to offset the negative growth in Scandinavia.

In general, the growth we are experiencing primarily relates to large and medium-sized customers. In Sweden, in particular, we lost revenue from small-size customers despite a growing market.

Solar's overall organic growth* for Installation was slightly above 0% for Q2 2018.

The industry sector

In Q2, we saw continued industrial growth in our markets apart from Sweden and Norway, resulting in organic growth* of around 8%. This was especially the case in Denmark and MAG45, where we continue to see double-digit growth.

Sweden and Norway, in particular, saw negative growth in Q2. In Norway, we saw the same pattern as in Q1: the North Sea offshore industry and related industries continue to improve but not sufficiently to offset the decline within Utility.

Compared to Q2 2017, the segment margin was slightly down mainly due to a decline in the gross profit margin largely related to strong growth in Denmark within low margin areas.

Other

Our segment Other covers smaller areas within core business along with the Scandinavian Technology Institute (STI) and Solar Polaris. In Q2, STI and Solar Polaris delivered revenue of DKK 14m, corresponding to approx. 8% of the segment revenue.

DKK million	Revenue		Segment profit		Segment margin in %	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Installation	1,707	1,703	129	130	7.6	7.6
Industry	871	794	127	118	14.6	14.9
Other	166	187	23	31	13.9	16.6
Total	2,744	2,684	279	279	10.2	10.4

DKK million	Revenue		Adjusted organic growth in %	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Denmark	841	787	5.1	11.4
Sweden	584	644	-5.2	9.2
Norway	452	462	-3.8	3.1
The Netherlands	668	635	3.2	5.5
Other markets	223	179	19.6	7.4
Eliminations	-24	-23		
Total	2,744	2,684	1.6	7.4

* Organic growth adjusted for the number of working days.



H1 2018

In H1, we saw flat development in installation overall, with negative growth in mainly Sweden but also in Norway. This was offset by strong growth in the Netherlands and Poland. Development in Denmark remained flat.

Within Industry we saw strong growth in Denmark, the Netherlands and MAG45. We saw a decline in the gross profit margin of 0.7 percentage points mainly due to an unexpected decline in MAG45's gross profit margin in Q1. Despite several margin improving initiatives, it remained below H1 2017 level. This had an impact of approx. 0.2 percentage points for Industry at group level. In addition, there was a diluting effect from growth within low margin areas in Denmark.

Compared to H1 2017, non-allocated costs decreased from 8.2% of revenue to 7.6% in H1 2018 despite the growth costs in MAG45 and the costs of restructuring.

DKK million	Revenue		Segment profit		Segment margin in %	
	H1 2018	H1 2017	H1 2018	H1 2017	H1 2018	H1 2017
Installation	3,430	3,510	280	289	8.2	8.2
Industry	1,727	1,602	252	242	14.6	15.1
Other	415	410	37	64	8.9	15.6
Total	5,572	5,522	569	595	10.2	10.8

DKK million	Revenue		Adjusted organic growth in %	
	H1 2018	H1 2017	H1 2018	H1 2017
Denmark	1,675	1,625	4.5	10.3
Sweden	1,203	1,306	-2.7	6.3
Norway	903	989	-3.8	5.9
The Netherlands	1,392	1,292	7.5	2.2
Other markets	445	355	21.4	-4.0
Eliminations	-46	-45		
Total	5,572	5,522	3.1	5.8





Outlook 2018

We reconfirm our guidance

Market outlook for Solar's business areas

Installation

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

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

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

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

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

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

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

Industry

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

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

Other

We expect growth within the Other segment.

Financial outlook

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

Guidance 2018, DKK million	Core business	Related business	Solar Group
Revenue	10,800	600	11,400
EBITA guidance, published 09.02.2018	365	-20	345
Change	10	-10	0
EBITA guidance, updated	375	-30	345

For 2018, we maintain our EBITA expectations at approx. DKK 345m.

For core business we increase our EBITA expectations from approx. DKK 365m to approx. DKK 375m. Our cost-reducing initiatives are expected to compensate for the negative development in Solar Sverige.

If the current exchange rates remain unchanged this will have a negative impact on core business of close to DKK 100m on revenue and approx. DKK 4m on EBITA.

For related business our expectations in terms of revenue are unchanged as lower revenue expectations in STI and Solar Polaris is expected to be compensated by strong growth in MAG45.



However, our expectations for EBITA have changed from approx. DKK -20m to approx. DKK -30m. Despite the strong growth in MAG45 we continue to see gross profit margin below last year's level and below our initial expectations. Our margin improving initiatives will not be able to compensate for the development in H1. As regards STI and Solar Polaris, we have taken several initiatives to reduce costs in order to compensate for the lack of revenue. We expect, however, the recovery process to take more time. We continue to expect an improvement in H2 compared to last year in all our related businesses.

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

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

EBITA, DKK million	Core business	Related business	Solar Group
2017, actual, published 12.01.2018	309	-45	264
Divestment of Austrian & Belgian businesses	31	-	31
2017, actual, continuing operations	340	-45	295
Overhead costs	-10	-	-10
Planned improvements	35	25	60
2018 guidance, published 09.02.2018	365	-20	345
Impact from cost- reducing initiatives	10	-	10
Impact from lower revenue and gross profit	-	-10	-10
2018 guidance, updated	375	-30	345





Shareholder information

Share and webcast information

Solar's shares

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

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

The share capital includes 900,000 A shares and 6,845,625 B shares. Solar's portfolio of treasury shares totalled 447,333 B shares or 5.8% of share capital as at 30 June 2018.

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

Audio webcast

The presentation of the Quarterly Report Q2 2018 will be conducted in English on 9 August 2018 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu.

IR quiet periods

We have changed the timing for our IR quiet periods. These periods now 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 still starts on the 10th of the next month following the closed year and ends with the publication of the annual report.

Distribution of share capital and votes as at 30 June 2018 in %

Holdings of 5% or more of share capital	Share capital	Votes
The Fund of 20 th December, Vejen, Denmark	16.0%	58.1%
RWC Asset Management LLP, London, England	11.9%	5.8%
Chr. Augustinus Fabrikker A/S, Copenhagen, Denmark	10.6%	5.2%
Nordea Funds Oy, Danish Branch, Copenhagen, Denmark ¹	10.2%	<5%
Solar A/S, Vejen, Denmark	5.8%	2.8%

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

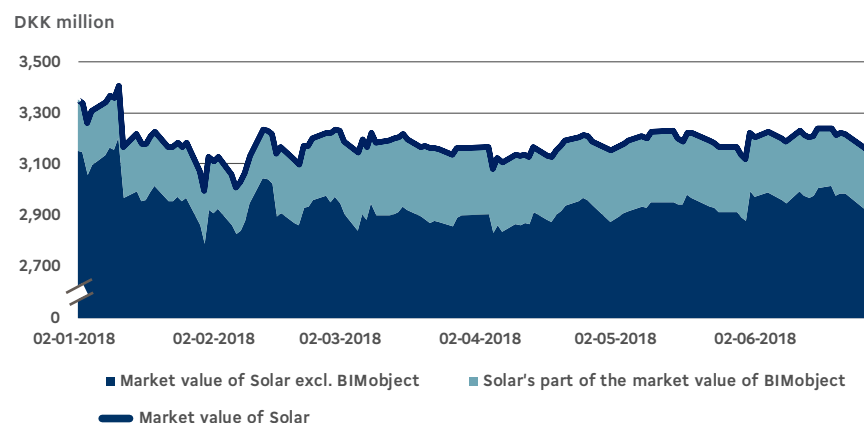
Financial calendar 2018

4 October – 1 November	IR quiet period
1 November	Quarterly Report Q3 2018

Solar's market value

Solar holds a 20.01% equity interest in BIMobject AB, which is a listed company on First North. In June 2018, BIMobject announced that the company has decided to begin the process of listing the company's shares at Nasdaq Stockholm with an ambition of being listed within 16-20 months.

This is an illustration of the impact of BIMobject's market value on Solar's market value.





Consolidated financial statements



Statement of comprehensive income

Income statement

DKK million	Q2		H1		Year
	2018	2017	2018	2017	2017
Revenue	2,744	2,684	5,572	5,522	11,105
Cost of sales	-2,176	-2,123	-4,418	-4,353	-8,776
Gross profit	568	561	1,154	1,169	2,329
External operating costs	-117	-120	-252	-263	-482
Staff costs	-381	-375	-751	-756	-1,484
Loss on trade receivables	-4	-3	-6	-7	-16
Earnings before interest, tax, depreciation and amortisation (EBITDA)	66	63	145	143	347
Write-down and depreciation on property, plant and equipment	-14	-13	-27	-26	-52
Earnings before interest, tax and amortisation (EBITA)	52	50	118	117	295
Amortisation of intangible assets	-20	-18	-40	-35	-169
Earnings before interest and tax (EBIT)	32	32	78	82	126
Share of net profit from associates	-4	0	-5	0	-11
Impairment on associates	-15	0	44	0	-59
Financial income	6	-20	11	86	110
Financial costs	-13	-10	-23	-21	-40
Earnings before tax (EBT)	6	2	105	147	126
Income tax	-9	-7	-17	-19	-25
Net profit from continuing operations	-3	-5	88	128	101
Profit from discontinued operations	-4	-7	-14	-17	-82
Net profit for the period	-7	-12	74	111	19
Earnings in DKK per share outstanding (EPS)	-0.96	-1.64	10.14	15.21	2.60
Diluted earnings in DKK per share outstanding (EPS-D)	-0.96	-1.64	10.12	15.19	2.60
Earnings in DKK per share outstanding (EPS) of continuing operations	-0.41	-0.69	12.06	17.54	13.84
Diluted earnings in DKK per share outstanding (EPS-D) of continuing operations	-0.41	-0.68	12.04	17.52	13.82

Other comprehensive income

DKK million	Q2		H1		Year
	2018	2017	2018	2017	2017
Net profit for the period	-7	-12	74	111	19
Other income and costs recognised:					
Items that can be reclassified for the income statement					
Foreign currency translation adjustments of foreign subsidiaries	-3	-19	-10	-20	-35
Value adjustments of hedging instruments before tax	-1	5	2	13	16
Tax on value adjustments of hedging instruments	1	-1	0	-3	-4
Other income and costs recognised after tax	-3	-15	-8	-10	-23
Total comprehensive income for the period	-10	-27	66	101	-4



Balance sheet

as at 30 June

Consolidated (DKK million)	30.06		31.12
	2018	2017	2017
ASSETS			
Intangible assets	431	500	427
Property, plant and equipment	808	849	814
Deferred tax assets	16	10	18
Investments in associates	243	265	203
Other non-current assets	63	57	60
Non-current assets	1,561	1,681	1,522
Inventories	1,426	1,430	1,437
Trade receivables	1,512	1,691	1,492
Income tax receivable	1	13	5
Receivables from construction contracts	1	1	1
Other receivables	8	13	13
Prepayments	52	55	45
Cash at bank and in hand	27	19	77
Assets held for sale	0	0	125
Current assets	3,027	3,222	3,195
Total assets	4,588	4,903	4,717

DKK million	30.06		31.12
	2018	2017	2017
EQUITY AND LIABILITIES			
Share capital	775	775	775
Reserves	-166	-145	-158
Retained earnings	975	1,066	901
Proposed dividend for the year	0	0	73
Equity	1,584	1,696	1,591
Interest-bearing liabilities	412	183	423
Provision for pension obligations	3	15	3
Provision for deferred tax	101	126	107
Other provisions	24	42	24
Non-current liabilities	540	366	557
Interest-bearing liabilities	277	548	143
Trade payables	1,742	1,812	1,848
Income tax payable	5	12	19
Payables from construction contracts	1	2	1
Other payables	429	452	482
Prepayments	3	1	1
Other provisions	7	14	7
Liabilities held for sale	0	0	68
Current liabilities	2,464	2,841	2,569
Liabilities	3,004	3,207	3,126
Total equity and liabilities	4,588	4,903	4,717



Cash flow statement

DKK million	Q2		H1		Year
	2018	2017	2018	2017	2017
Net profit from continuing operations for the period	-3	-5	88	128	101
Depreciation, write-down and amortisation	34	31	67	61	221
Impairment on associates	15	0	-44	0	59
Changes to provisions and other adjustments	3	-1	3	-5	-9
Share of net profit from associates	4	0	5	0	11
Financials, net	8	30	13	-65	-70
Income tax	9	7	17	18	25
Financial income, received	2	1	4	3	6
Financial expenses, settled	-9	-7	-15	-15	-28
Income tax, settled	-9	-9	-30	-28	-49
Cash flow before working capital changes	54	47	108	97	267
Working capital changes					
Inventory changes	-10	-46	-2	-128	-226
Receivables changes	72	-12	-68	-307	-226
Non-interest-bearing liabilities changes	-155	-169	-116	72	197
Cash flow from operating activities, continuing operations	-39	-180	-78	-266	12
Cash flow from operating activities, discontinued operations	-13	-17	-8	-27	-13
Cash flow from operating activities	-52	-197	-86	-293	-1
Investing activities					
Purchase of intangible assets	-28	-27	-53	-55	-110
Purchase of property, plant and equipment	-7	-4	-23	-18	-37
Disposal of property, plant and equipment	0	1	0	1	22
Acquisition of subsidiaries and activities	0	0	0	-10	-16
Acquisition of associates	0	-10	0	-10	-16
Divestment of subsidiaries and activities	60	0	60	0	0
Other financial investments ¹	0	-10	0	-189	-190
Cash flow from investing activities, continuing operations	25	-50	-16	-281	-347
Cash flow from investing activities, discontinued operations	0	0	0	0	0
Cash flow from investing activities	25	-50	-16	-281	-347

DKK million	Q2		H1		Year
	2018	2017	2018	2017	2017
Financing activities					
Repayment of non-current interest-bearing debt	-3	-7	-5	-12	-69
Raising of non-current interest-bearing liabilities	0	0	0	0	135
Dividends distributed	0	0	-73	-88	-88
Cash flow from financing activities, continuing operations	-3	-7	-78	-100	-22
Cash flow from financing activities, discontinued operations	0	0	0	0	0
Cash flow from financing activities	-3	-7	-78	-100	-22
Total cash flow	-30	-254	-180	-674	-370
Cash at bank and in hand at the beginning of the period	-216	-99	-66	222	321
Assumed on divestment of subsidiaries	-5	0	-5	0	0
Foreign currency translation adjustments	1	-10	1	-10	-17
Cash at bank and in hand at the end of the period	-250	-363	-250	-462	-66
Cash at bank and in hand at the end of the period					
Cash at bank and in hand	27	19	27	74	77
Current interest-bearing liabilities ²	-277	-382	-277	-536	-143
Cash at bank and in hand at the end of the period	-250	-363	-250	-462	-66

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

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



Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions	Reserves for foreign currency translation adjustments	Retained earnings	Proposed dividends	Total
2018						
Equity as at 1 January	775	-61	-97	901	73	1,591
Foreign currency translation adjustments of foreign subsidiaries			-10			-10
Fair value adjustments of hedging instruments before tax		2				2
Tax on value adjustments		0				0
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	2	-10	0	0	-8
Net profit for the period				74		74
Comprehensive income	0	2	-10	74	0	66
Distribution of dividends (DKK 10.00 per share)					-73	-73
Transactions with the owners	0	0	0	0	-73	-73
Equity as at 30 June	775	-59	-107	975	0	1,584



Statement of changes in equity

– continued

DKK million	Share capital	Reserves for hedging transactions	Reserves for foreign currency translation adjustments	Retained earnings	Proposed dividends	Total
2017						
Equity as at 1 January	792	-73	-62	938	88	1,683
Foreign currency translation adjustments of foreign subsidiaries			-20			-20
Fair value adjustments of hedging instruments before tax		13				13
Tax on value adjustments		-3				-3
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	10	-20	0	0	-10
Net profit for the period				111		111
Comprehensive income	0	10	-20	111	0	101
Distribution of dividends (DKK 12.00 per share)					-88	-88
Deduction in share capital	-17			17		0
Transactions with the owners	-17	0	0	17	-88	-88
Equity as at 30 June	775	-63	-82	1,066	0	1,696



Notes

Segment information

Solar's business segments are Installation, Industry and Other and are based on the customers' affiliation with the segments. Installation covers installation of electrical, and heating and plumbing products, while Industry covers industry, offshore and marine, and utility and infrastructure. Other covers other small areas. The three main segments have been identified without aggregation of operating segments. Segment income and costs include any items that are directly attributable to the individual segment and any items that can be reliably allocated to the individual segment. Non-allocated costs refer to income and costs related to joint group functions. Assets and liabilities are not included in segment reporting.

DKK million	Installation	Industry	Other	Total
Q2 2018				
Revenue	1,707	871	166	2,744
Cost of sales	-1,381	-673	-122	-2,176
Gross profit	326	198	44	568
Direct costs	-63	-26	-8	-97
Earnings before indirect costs	263	172	36	471
Indirect costs	-134	-45	-13	-192
Segment profit	129	127	23	279
Non-allocated costs				-213
Earnings before interest, tax, depreciation and amortisation (EBITDA)				66
Depreciation and amortisation				-34
Earnings before interest and tax (EBIT)				32
Financials, net				-26
Earnings before tax (EBT)				6

DKK million	Installation	Industry	Other	Total
Q2 2017				
Revenue	1,703	794	187	2,684
Cost of sales	-1,375	-609	-139	-2,123
Gross profit	328	185	48	561
Direct costs	-64	-25	-5	-94
Earnings before indirect costs	264	160	43	467
Indirect costs	-134	-42	-12	-188
Segment profit	130	118	31	279
Non-allocated costs				-216
Earnings before interest, tax, depreciation and amortisation (EBITDA)				63
Depreciation and amortisation				-31
Earnings before interest and tax (EBIT)				32
Financials, net				-30
Earnings before tax (EBT)				2



Notes

Segment information - continued

DKK million	Installation	Industry	Other	Total
H1 2018				
Revenue	3,430	1,727	415	5,572
Cost of sales	-2,752	-1,331	-335	-4,418
Gross profit	678	396	80	1,154
Direct costs	-129	-53	-16	-198
Earnings before indirect costs	549	343	64	956
Indirect costs	-269	-91	-27	-387
Segment profit	280	252	37	569
Non-allocated costs				-424
Earnings before interest, tax, depreciation and amortisation (EBITDA)				145
Depreciation and amortisation				-67
Earnings before interest and tax (EBIT)				78
Financials, net				27
Earnings before tax (EBT)				105

DKK million	Installation	Industry	Other	Total
H1 2017				
Revenue	3,510	1,602	410	5,522
Cost of sales	-2,823	-1,224	-306	-4,353
Gross profit	687	378	104	1,169
Direct costs	-129	-49	-14	-192
Earnings before indirect costs	558	329	90	977
Indirect costs	-269	-87	-26	-382
Segment profit	289	242	64	595
Non-allocated costs				-452
Earnings before interest, tax, depreciation and amortisation (EBITDA)				143
Depreciation and amortisation				-61
Earnings before interest and tax (EBIT)				82
Financials, net				65
Earnings before tax (EBT)				147



Notes

Segment information - continued

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

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

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

DKK million (unless otherwise stated)	Core business	Related business	Digital, Construction & Services	Eliminations	Total
Q2 2018					
Revenue	2,599	145	-	-	2,744
Gross profit	528	40	-	-	568
EBITA	62	-10	-	-	52
Invested capital	1,859	113	277	-277	1,972
Adj. organic growth in %	0.5	27.8	-	-	1.6
Gross profit margin	20.3	27.6	-	-	20.7
EBITA margin	2.4	-6.9	-	-	1.9
ROIC in %	10.9	N/A	-	-	3.7

Q2 2017					
Revenue	2,577	107	-	-	2,684
Gross profit	529	32	-	-	561
EBITA	62	-12	-	-	50
Invested capital	1,948	181	294	-294	2,129
Adj. organic growth in %	7.4	7.9	-	-	7.4
Gross profit margin	20.5	29.9	-	-	20.9
EBITA margin	2.4	-11.2	-	-	1.9
ROIC in %	12.4	N/A	-	-	9.2

DKK million (unless otherwise stated)	Core business	Related business	Digital, Construction & Services	Eliminations	Total
H1 2018					
Revenue	5,276	296	-	-	5,572
Gross profit	1,073	81	-	-	1,154
EBITA	136	-18	-	-	118
Invested capital	1,859	113	277	-277	1,972
Adj. organic growth in %	2.1	28.8	-	-	3.1
Gross profit margin	20.3	27.4	-	-	20.7
EBITA margin	2.6	-6.1	-	-	2.1
ROIC in %	10.9	N/A	-	-	3.7

H1 2017					
Revenue	5,302	220	-	-	5,522
Gross profit	1,103	66	-	-	1,169
EBITA	136	-19	-	-	117
Invested capital	1,948	181	294	-294	2,129
Adj. organic growth in %	5.8	-	-	-	5.8
Gross profit margin	20.8	30.0	-	-	21.2
EBITA margin	2.6	-8.6	-	-	2.1
ROIC in %	12.4	N/A	-	-	9.2



Notes

Segment information - continued

Geographical information

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

DKK million	Q2		H1		Non-current assets
	Revenue	Adjusted organic growth	Revenue	Adjusted organic growth	
2018					
Denmark	841	5.1	1,675	4.5	1,878
Sweden	584	-5.2	1,203	-2.7	241
Norway	452	-3.8	903	-3.8	157
The Netherlands	668	3.2	1,392	7.5	292
Other markets	223	19.6	445	21.4	69
Eliminations	-24	-	-46	-	-1,076
Total	2,744	1.6	5,572	3.1	1,561
2017					
Denmark	787	11.4	1,625	10.3	2,163
Sweden	644	9.2	1,306	6.3	283
Norway	462	3.1	989	5.9	194
The Netherlands	635	5.5	1,292	2.2	280
Other markets	179	7.4	355	-4.0	105
Eliminations	-23	-	-45	-	-1,344
Total	2,684	7.4	5,522	5.8	1,681



Notes

Discontinued operation

As of 5 April 2018, Solar A/S finalised the divestment of all shares in GFI GmbH, and of 1 May the assets in Claessen ELGB N.V. to Sonepar Group with an accounting loss of DKK 47m.

The discontinued operation impacted the income statement as follows:

DKK million	Q2		H1		Year
	2018	2017	2018	2017	2017
Revenue	16	177	157	335	664
Cost of sales	-13	-151	-130	-285	-566
Gross profit	3	26	27	50	98
Costs	-6	-32	-39	-67	-129
Earnings before interest and tax (EBIT)	-3	-6	-12	-17	-31
Financials	0	-1	-1	-1	-2
Earnings before tax (EBT)	-3	-7	-13	-18	-33
Tax on net profit or loss for the period	-1	0	-1	1	-2
Net profit or loss for the period	-4	-7	-14	-17	-35
Write-down to fair value less costs to sell	0	0	0	0	-47
Net profit or loss for discontinued operations	-4	-7	-14	-17	-82

Earnings from discontinued operations in DKK per share outstanding (EPS)	-0.55	-0.96	-1.92	-2.33	-11.24
Diluted earnings from discontinued operations in DKK per share outstanding (EPS-D)	-0.55	-0.96	-1.92	-2.33	-11.24



Notes

Grant of restricted shares

In accordance with Solar's remuneration policy and general guidelines for incentive-based remuneration, the Board of Directors decided to grant restricted shares to the Executive Board and management team in 2018. Overall, the grant of shares is covered by the same terms as the previous grants of share options.

Restricted shares are granted for no consideration and provide the holder with a right and an obligation to receive B shares at a nominal value of DKK 100. The price at the time of granting is fixed at DKK 399.19 based on the average price on Nasdaq Copenhagen the first 10 business days after publication of Annual Report 2017. A total amount of 3,423 restricted shares was granted amounting to a fair value of DKK 1.3m.

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

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

Share option plans

In February 2018, 19,786 share options from the 2014 granting and 17,875 share options from the 2015 granting were, respectively, exercised. In addition, Solar granted 2,322 additional share options to a senior management employee. So on 23 February 2018, outstanding share options totalled 74,935.

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

Contingent liabilities

Litigation

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

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



Notes

Accounting policies

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

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

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

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

New accounting standards implemented during the period

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

Revenue

Revenue includes goods for resale recognised in the income statement if the passing of the risk to the customer takes place before the end of the year and if revenue can be determined reliably. Revenue is measured exclusive VAT and duties charged on behalf of a third party. All types of discounts allowed are recognised in revenue. Revenue from delivery of services, which are consumed by the customer simultaneously with delivery such as training is recognised along with delivery.

Trade receivables

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

New accounting standards to be implemented in coming accounting periods

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

On audit

This quarterly report has not been audited or reviewed.



Quarterly figures

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	2018	2017	2018	2017	2017	2016	2017	2016
Revenue	2,828	2,838	2,744	2,684	2,604	2,427	2,979	2,851
Earnings before interest, tax, depreciation and amortisation (EBITDA)	79	80	66	63	106	77	98	139
Earnings before interest, tax and amortisation (EBITA)	66	67	52	50	93	64	85	125
Earnings before interest and tax (EBIT)	46	50	32	32	74	49	-30	110
Financials, net	-5	95	-7	-30	-4	-7	9	-8
Earnings before tax (EBT)	99	145	6	2	69	42	-90	102
Net profit or loss for the quarter	81	123	-7	-12	42	29	-134	48

Balance sheet (DKK million)	2018	2017	2018	2017	2017	2016	2017	2016
Non-current assets	1,580	1,698	1,561	1,681	1,675	1,399	1,522	1,397
Current assets	3,254	3,217	3,027	3,222	3,339	3,172	3,195	3,109
Balance sheet total	4,834	4,915	4,588	4,903	5,014	4,571	4,717	4,506
Equity	1,594	1,723	1,584	1,696	1,745	1,631	1,591	1,683
Non-current liabilities	546	371	540	366	362	407	557	375
Current liabilities	2,694	2,821	2,464	2,841	2,907	2,533	2,569	2,448
Interest-bearing liabilities, net	632	458	662	712	728	476	489	43
Invested capital	1,895	1,899	1,972	2,129	2,190	2,122	1,790	1,744
Net working capital, end of period	1,145	1,132	1,196	1,309	1,398	1,323	1,081	998
Net working capital, average	1,168	1,162	1,173	1,191	1,209	1,185	1,133	1,187



Quarterly figures

- continued

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

Financial ratios (% unless otherwise stated)

Revenue growth	-0.4	13.5	2.2	1.6	7.3	6.4	4.5	8.1
Organic growth	1.3	11.0	3.6	2.1	7.3	3.3	5.3	5.5
Organic growth adjusted for number of working days	4.4	4.5	1.6	7.4	8.8	3.6	7.0	5.4
Gross profit margin	20.7	21.4	20.7	20.9	20.9	21.0	20.6	21.4
EBITDA margin	2.8	2.8	2.4	2.3	4.1	3.2	3.3	4.9
EBITA margin	2.3	2.4	1.9	1.9	3.6	2.6	2.9	4.4
EBIT margin	1.6	1.8	1.2	1.2	2.8	2.0	-1.0	3.9
Net working capital (NWC end of period)/revenue (LTM)	10.3	9.3	10.7	10.9	11.6	11.6	9.7	8.4
Net working capital (NWC average)/revenue (LTM)	10.5	9.6	10.5	9.8	9.8	10.3	10.2	10.1
Gearing (interest-bearing liabilities, net/EBITDA), no. of times	1.8	1.2	1.9	2.0	1.9	1.3	1.4	0.1
Return on equity (ROE)	-1.4	13.3	-1.1	11.0	11.7	6.6	1.1	7.5
Return on invested capital (ROIC)	3.9	10.1	3.7	9.2	10.1	9.1	3.8	10.0
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	10.9	9.1	11.0	10.2	9.5	11.4	11.0	8.8
Equity ratio	33.0	35.1	34.5	34.6	34.8	35.7	33.7	37.4



Quarterly figures

- continued

	Q1		Q2		Q3		Q4	
	2018	2017	2018	2017	2017	2016	2017	2016
Share ratios (DKK)								
Earnings in DKK per share outstanding (EPS)	11.10	16.85	-0.96	-1.64	5.75	3.84	-18.36	6.58
Intrinsic value in DKK per share outstanding	218.41	236.08	217.04	232.38	239.10	216.10	218.00	230.60
Share price in DKK	398.53	382.88	398.72	376.73	381.25	373.66	414.52	361.80
Share price/intrinsic value	1.82	1.62	1.84	1.62	1.59	1.73	1.90	1.57

Employees

Number of employees (FTEs), end of the period	2,994	2,864	3,001	2,882	2,920	2,863	2,959	2,834
Average number of employees (FTEs), LTM	2,939	2,843	2,968	2,861	2,875	2,783	2,901	2,814

Definitions

Organic growth	Revenue growth adjusted for enterprises acquired and sold off and any exchange rate changes. No adjustments have been made for number of working days.
Net working capital	Inventories and trade receivables less trade payables.
ROIC	Return on invested capital calculated on the basis of operating profit or loss less tax calculated using the effective tax rate. Activities where our equity interest is <50% are not included in the ROIC calculation. The invested capital only includes operating assets and liabilities.

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



Statement by the Executive Board and the Board of Directors

Today, the group's Board of Directors and Executive Board have discussed and approved the Q2 2018 quarterly report of Solar A/S.

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

In our opinion, the quarterly report gives a fair presentation of the group's assets, equity and liabilities and financial position as at 30 June 2018 as well as of the results of the group's activities and cash flow for Q2 2018.

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

Vejen, 9 August 2018

EXECUTIVE BOARD

Jens E. Andersen
CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

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Chairman

Ulf Gundemark
Vice chairman

Lars Lange Andersen

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Jesper Dalsgaard

Ulrik Damgaard

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