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10 August 2017

Announcement no. 16 2017

Quarterly Report Q2 2017

Q2 EBITA was on par with expectations and we reconfirm our EBITA guidance for the full year. Revenue and results for the quarter were negatively impacted by the timing of Easter compared to Q2 2016, but when taking the number of working days into consideration, Solar's business experienced solid growth.

CEO Anders Wilhjelm says:

"The main business improved performance in H1. Our key markets, Denmark, Sweden, Norway, and the Netherlands generated both growth and earnings significantly above last year, and performance was good in both installation and industry. However, as we are investing in new business, such as MAG45 and Solar Polaris, earnings were diluted as expected."

Financial highlights (DKK million)	**Q2 2017**	**Q2 2016**	**H1 2017**	**H1 2016**
Revenue	2,861	2,811	5,857	5,467
EBITA	43	57	99	109
Net financials*	-31	-6	64	-17
Earnings before tax	-5	37	129	65
Cash flow from operating activities	-197	40	-293	-211
Financial ratios (%)				
Organic growth adj. for number of working days	7.4	-1.8	5.9	-0.2
EBITA margin	1.5	2.0	1.7	2.0
Net working capital, period-end/revenue (LTM)	11.4	11.1	11.4	11.1
Net working capital, average/revenue (LTM)**	10.4	11.2	10.4	11.2
Gearing (NIBD/EBITDA), no. of times	2.2	0.6	2.2	0.6
Return on invested capital (ROIC)	6.5	8.4	6.5	8.4

* Fair value adjustment of BIMobject AB is recognised in the income statement as financial income.

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

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Q2 2017 revenue

- Organic growth increased to 7.4% from -1.8% in Q2 2016 adjusted for the number of working days.

Q2 2017 EBITA

- EBITA was on par with expectations.
- Compared to Q2 2016, there has been an increase in external operating costs and staff costs, which was primarily related to MAG45's growth-related initiatives, the effect of the acquisitions of STI and Solar Polaris in 2016 and 2017, and necessary structural changes.
- In H1, approx. DKK 30m of the expected 2017 costs related to innovation and business development as well as to the necessary structural changes were included. Hence, operational EBITA increased to approx. DKK 130m from approx. DKK 115m in H12016.

2017 outlook

- We expect revenue above DKK 11.4bn, corresponding to organic growth above 3%.
- For 2017, we expect to spend approx. DKK 25m in innovation and business development and approx. DKK 20m on structural changes.
- We reconfirm our expectations for EBITA of approx. DKK 300m.

EBITA overview

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

Audio webcast and teleconference today
The presentation of the Quarterly Report Q2 2017 will be made in English on 10 August 2017 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

Anders Wilhjelm

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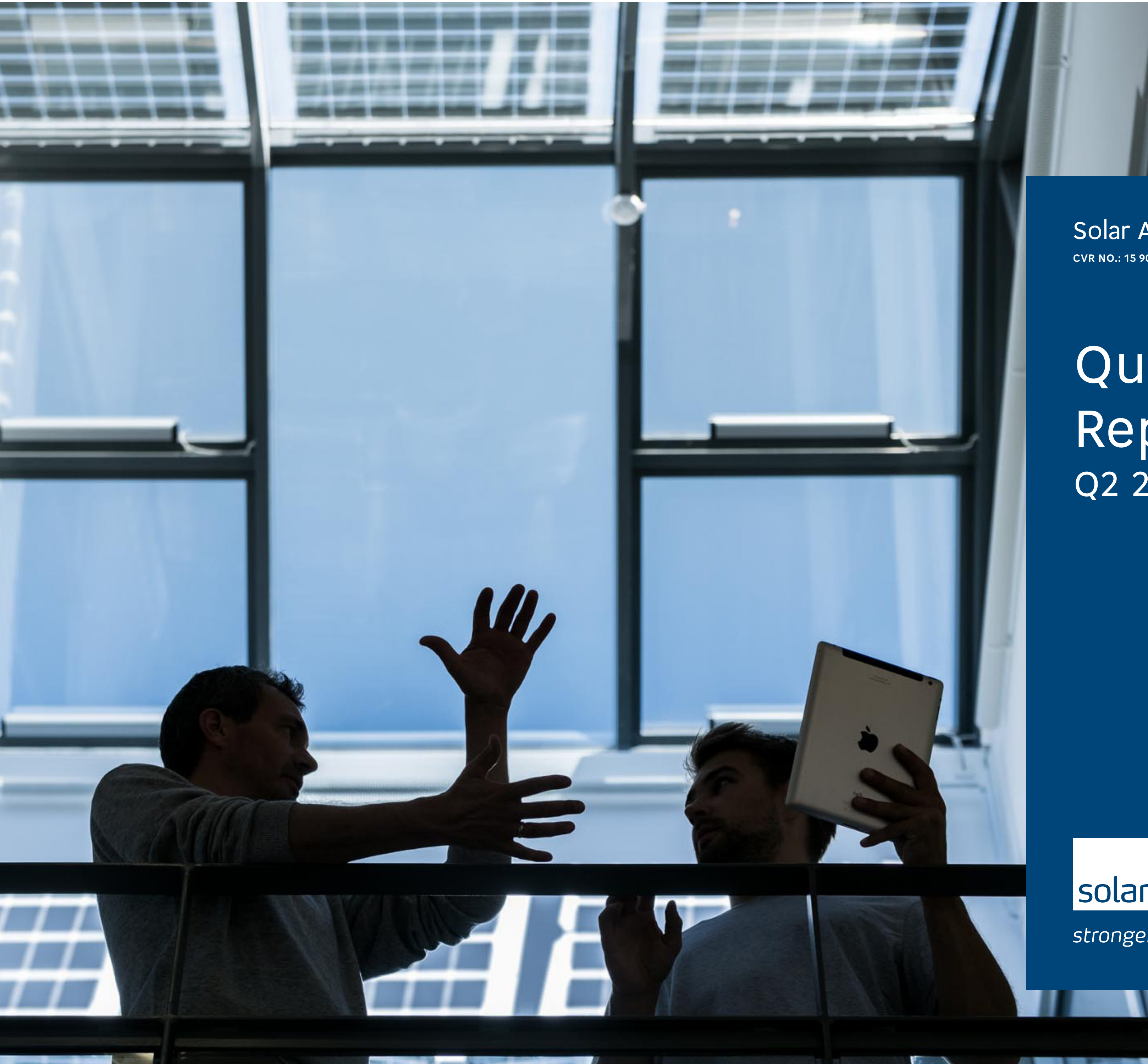
Enclosure: Quarterly Report Q2 2017, pages 1-33.

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

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

Solar Group is headquartered in Denmark, generated revenue of approximately DKK 11.1bn in 2016 and has more than 3,000 employees. Solar is listed on Nasdaq Copenhagen and operates under the short designation SOLAR B. For more information, please visit www.solar.eu.

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



Solar A/S

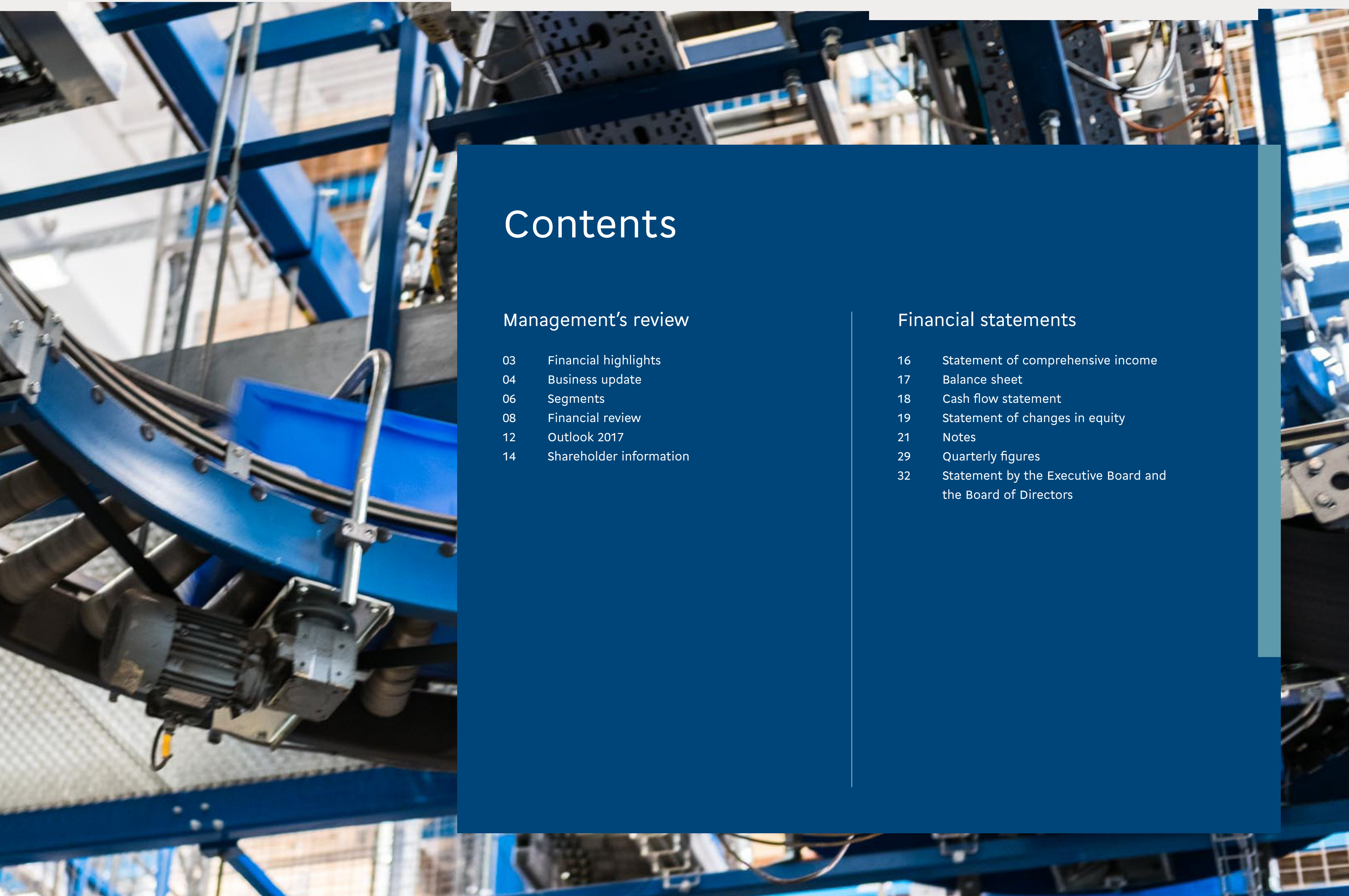
CVR NO.: 15 90 84 16

Quarterly Report

Q2 2017

solar

stronger together



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Financial highlights

	Q2		H1		Year
Consolidated (DKK million)	**2017**	**2016**	**2017**	**2016**	**2016**
Revenue	2,861	2,811	5,857	5,467	11,072
Earnings before interest, tax, depreciation and amortisation (EBITDA)	57	72	127	139	330
Earnings before interest, tax and amortisation (EBITA)	43	57	99	109	278
Earnings before interest and tax (EBIT)	26	43	65	82	222
Earnings before tax (EBT)	-5	37	129	65	188
Net profit for the period	-12	27	111	48	125
Balance sheet total	4,903	4,537	4,903	4,537	4,506
Equity	1,696	1,740	1,696	1,740	1,683
Interest-bearing liabilities, net	712	231	712	231	43
Cash flow from operating activities	-197	40	-293	-211	219
Net investments in property, plant and equipment	-3	-9	-17	23	56

Employees					
Average number of employees (FTEs)	3,080	3,024	3,071	2,996	3,032

	Q2		H1		Year
Financial ratios (% unless otherwise stated)	**2017**	**2016**	**2017**	**2016**	**2016**
Organic growth adjusted for number of working days	7.4	-1.8	5.9	-0.2	1.8
Gross profit	20.5	20.5	20.8	20.7	20.8
EBITDA margin	2.0	2.6	2.2	2.5	3.0
EBITA margin	1.5	2.0	1.7	2.0	2.5
Net working capital (NWC at end of period)/revenue (LTM)	11.4	11.1	11.4	11.1	9.0
Gearing (net interest-bearing liabilities/EBITDA), no. of times	2.2	0.6	2.2	0.6	0.1
Return on equity (ROE)	11.0	7.3	11.0	7.3	7.1
Return on invested capital (ROIC)	6.5	8.4	6.5	8.4	7.5
Equity ratio	34.6	38.4	34.6	38.4	37.4

Share ratios (DKK unless otherwise stated)					
Earnings per share outstanding (EPS)	-1.64	3.51	15.21	6.21	16.50

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

Business update

Our approach to sourcing and services pays off

Our approach to sourcing and services appeals to an increasing number of customers. Consequently, we are working to build strong and value-creating customer relationships.

As an example, we have agreed a renewal of the major framework agreement with Norwegian Telenor, a long-standing Solar customer. The agreement includes the establishment of new customer logistics services in line with our sourcing and services strategy.

We welcome the fact that Norway's second largest company and the world's fifth largest telecommunications company has once again selected Solar as a partner.

Solar will continue to supply and distribute telecom installation equipment for Telenor as we have done for many years. In addition, Telenor will move two project warehouses to Solar to enable us to handle the stock on their behalf. Furthermore, the agreement includes an option for other services and opportunities.

The new agreement runs for several years and will potentially generate sales of more than NOK 1 billion.

Customers are looking to improve efficiency

We always strive to meet our customers' requirements. Doing business with Solar should be the easiest and most obvious choice.

In Denmark, our expertise in logistics, consistency of supply, day-to-day delivery and ability to enhance our customers' efficiency were the reasons behind an important agreement with the fibre network company, Fibia.

As Fibia wants to focus on their core business – the operation and expansion of the fibre network – they chose Solar as a partner and supplier of a comprehensive stock and logistics solution. We have now established a strong, technical and cost-effective partnership to ensure the expansion of Fibia's fibre optic connections. The agreement also means that Fibia has moved two warehouses to Solar to enable us to handle all stock and logistics.

Taking advantage of sharing economy

We continue our strong growth in Fastbox, the just-in-time delivery service, as more and more customers can see the opportunity for reducing costs, inventory and workload while increasing productivity.

In Denmark, the increasing Fastbox activity has led to a strategic cooperation with Mover, a sharing economy start-up focused on short-haul transportation of goods.

Mover offers a transport platform, which conveniently connects Solar with available drivers and cars. This offers our customers increased availability and provides Solar with a high-quality and cost-efficient alternative to conventional logistics providers.

Strengthening our sales organisation

As part of our continued focus on profitable growth, we are strengthening the sales organisation.

A new executive will join our team and be responsible for industry sales in all the Nordic countries.

Cross-country responsibility is ideally suited to Industry because most of our industry customers are active in several countries. Solar will, thus, ensure that they encounter the same professionalism and that their requirements are consistently met irrespective of location.

Digital investments and activities

We continue our digital investments and improvements to strengthen the leading position of our main business.

Understanding our customers' preferences, buying patterns and behaviours enables Solar to make interactions more relevant, simple and convenient for our customers.

As part of our digital strategy, we are now rolling out new web shops across several of our companies with significantly better functionality and ease of use.

As our customers become increasingly digital and require less physical presence, we are increasing our digital presence and reducing our local footprint. In H1 2017, we closed or announced the closure of 12 branches, while our digital business share continues to grow to well above 50% in terms of both orders and revenue.

In May, our network company, MAG45, launched their new e-commerce solution with strong search capabilities focused specifically on industrial supply requirements.

Our networked development strategy in practice

We continue to support the development of our associated businesses in order to create synergies.

We work innovatively and openly with our business partners to increase our customers' productivity and profitability through digitalisation and networked development.

When making digital business developments we scan the market for new or improved ways of adding value through digital solutions and our expertise. We have identified a number of digital technologies that mature quickly and have the potential to increase the productivity of our construction and industry customers. We have selected a few areas that we believe can contribute greatly to an acceleration of this development.

Whether the issue for the customer is a lack of skilled labour, cost of production, a wish to reduce waste and complexity or reduced capital employment, we see vast opportunities for addressing this through technology.

Delivering results through strategic cooperation

Solar has increased its equity interest in BIMobject AB to more than 20%, which means that the company is reclassified as an associate going forward. We jointly seek out common commercial opportunities in the interface between BIMobject and Solar, and the first results have already materialised.

The team has developed parametric BIM objects of Solar's entire range of Thermrad* radiators, which have been placed in BIMobject's cloud database – the world's biggest and fastest growing digital system for content management of BIM objects. This is to facilitate the opportunity to digitally design and dimension a heating solution using our products.

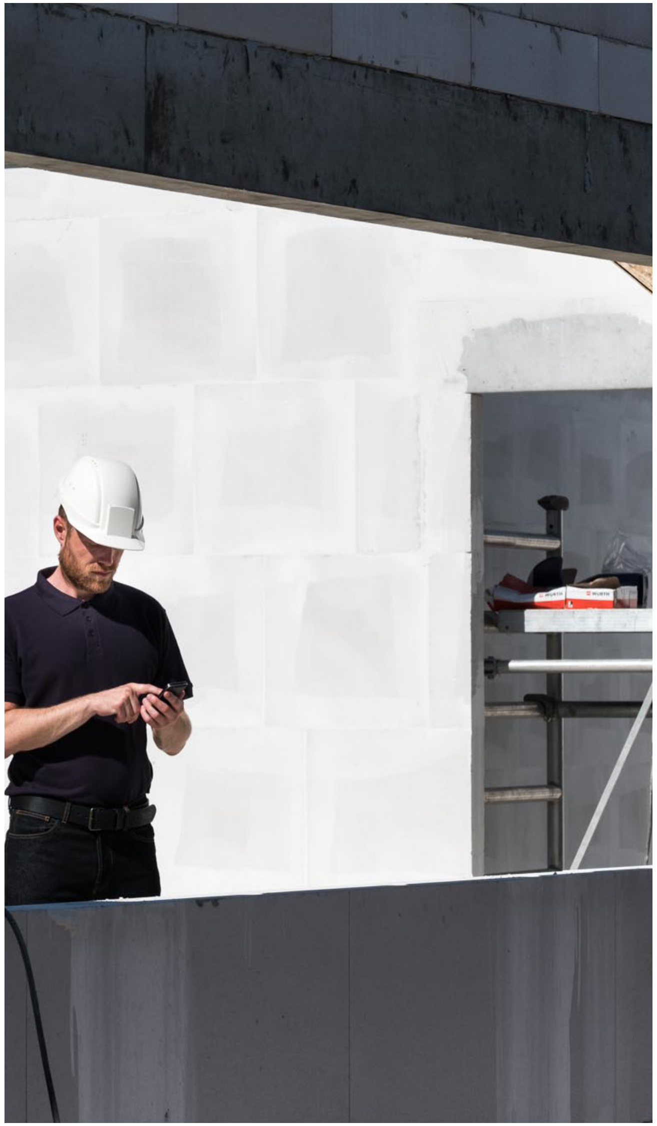
At the same time, we have succeeded in factoring in delivery during the design phase. For instance, when modelling a building, Thermrad products can be selected based on availability via Solar Fastbox.

Furthermore, Solar supported BIMobject in the recent introduction of the international ETIM classification standard to the digital content platform BIMobject Cloud.

The ETIM classification standardises product information and streamlines its usage across systems, effectively making it easier for products to be searched, procured and integrated into the supply chain.

Viva Labs, another associate, secured a major commercial milestone by signing a deal with a large European telecommunications provider to launch a smart home solution based on Viva's solution in several European markets.

* Thermrad is a registered trademark of the Solar Group.



Segments

Trends in Installation and Industry

In Q2 2017, organic growth* amounted to 7.4%, accelerating towards the end of the quarter.

We have not identified any major changes to the market conditions than those mentioned in the quarterly report for Q1 2017.

The installation sector

Construction activity saw ongoing improvement in a number of our markets in Q2, which had an overall positive effect on the installation sector's results. The construction activity in Scandinavia and the Netherlands is healthy, whereas the Polish construction sector is performing significantly below market expectations.

In Scandinavia and the Netherlands, the strengthened construction activity is mainly driven by the residential housing market, whereas commercial housing is growing at a lower rate.

Solar's overall organic growth for Installation amounted to around 7% for Q2. As in Q1 2017, we continue to see growth in Denmark, Sweden, Norway, the Netherlands and Austria, whereas Poland and Belgium remained negative.

*Organic growth adjusted for the number of working days.

In Scandinavia and the Netherlands we saw growth within all major sub-segments. In particular, we saw increased sales to large key customers in Scandinavia.

Compared to Q2 2016, the segment profit margin was down mainly due to a less favorable product mix in combination with more project deliveries.

The industry sector

In Q2, we saw moderate industrial activity in our markets, resulting in organic growth, especially in Denmark and Sweden where we saw double-digit growth. In Denmark, growth was supported by our agreement with Fibia, see page 4. Sweden also saw strong growth within Utility.

Norway, the Netherlands and Poland also delivered growth in Q2.

In Norway, the North Sea offshore industry and related industries continue to improve by double-digit growth rates, albeit from a low level. Growth in the Netherlands was broadly based in all major sub-segments.

	Revenue		Segment profit		Segment margin	
DKK million	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Installation	1,862	1,858	133	143	7.1%	7.7%
Industry	812	780	119	108	14.7%	13.8%
Other	187	173	31	17	16.6%	9.8%
Total	**2,861**	**2,811**	**283**	**268**	**9.9%**	**9.5%**

	Revenue		Segment profit		Segment margin	
DKK million	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
Installation	3,811	3,613	292	283	7.7%	7.8%
Industry	1,636	1,484	243	211	14.9%	14.2%
Other	410	370	64	32	15.6%	8.6%
Total	**5,857**	**5,467**	**599**	**526**	**10.2%**	**9.6%**

The growth initiatives of MAG45 continue to deliver results and we saw strong growth throughout the quarter. MAG45 continues to broaden its customer base and signed a pan-European agreement with Teva, the world's largest generic pharmaceutical company, in Q2. Once implemented, the agreement involves a number of Teva sites, and as a consequence of this, MAG45 will open an office in Hungary. MAG45 delivered double-digit growth in H1.

Solar's overall organic growth in the industry sector amounted to around 10% in Q2.

Compared to Q2 2016, the segment margin in Q2 was positively influenced by a more favorable product and customer mix.

Other

The acquisition of Scandinavian Technology Institute (STI) and Solar Polaris delivered revenue of DKK 15m, corresponding to approx. 8% of the segment revenue.

If adjusted for the impact from STI and Solar Polaris, the segment margin would have been at approximately the same level as in Q2 2016.

STI and Solar Polaris have similar impacts on the segment profit.

H1 2017

In H1, we saw organic growth in all segments. For installation, the segment margin was down compared to last year, whereas the other segments managed to increase the segment margin.

All segments saw an increased segment profit, where the improvement in Other was mainly structural.

If we adjust for the impact from STI and Solar Polaris, the segment margin and the segment profit for the Other segment would have been at approximately the same level as in H1 2016.

The improvement within industry was driven by growth and improved efficiency combined with improved gross profit margin.

Our earnings before tax are impacted by non-allocated costs, which increased by DKK 85m to DKK 472m compared to H1 2016. The increase was primarily related to MAG45's growth initiatives, the effect of the acquisitions of STI and Solar Polaris, and necessary structural changes.

	Revenue		Adjusted organic growth in %	
DKK million	**Q2 2017**	**Q2 2016**	**Q2 2017**	**Q2 2016**
Denmark	787	739	11.4	3.1
Sweden	644	664	9.2	-3.0
Norway	462	471	3.1	5.4
Benelux	682	668	4.1	-8.4
Other markets	307	285	9.7	-4.3
Eliminations	-21	-16		
Total	**2,861**	**2,811**	**7.4**	**-1.8**

	Revenue		Adjusted organic growth in %	
DKK million	**H1 2017**	**H1 2016**	**H1 2017**	**H1 2016**
Denmark	1,625	1,456	10.3	4.2
Sweden	1,306	1,264	6.3	0.7
Norway	989	888	5.9	0.5
Benelux	1,389	1,370	1.0	-5.9
Other markets	588	520	4.5	2.2
Eliminations	-40	-31		
Total	**5,857**	**5,467**	**5.9**	**-0.2**

Financial review

Positive trend in organic growth and EBITA on par with expectations

Organic growth adjusted for the number of working days increased to 7.4% in Q2 and to 5.9% in H1. EBITA was in line with expectations and amounted to DKK 43m in Q2 and DKK 99m in H1. Revenue and results for the quarter were negatively impacted by the timing of Easter compared to Q2 2016.

Our main business improved performance in H1 compared to H1 2016. Overall, Denmark, Sweden, Norway and the Netherlands generated both growth and earnings significantly above H1 2016 level.

As expected, our new entities, MAG45 and Solar Polaris, diluted earnings as we invest in future growth. However, we see the dilution as a short-term matter and expect the two subsidiaries to be margin accretive in the longer term.

In Belgium, Solar has been hurt by a required transition of the business into a more central structure. We saw delivery problems from the central warehouse in the beginning of the year, which has resulted in unsatisfactory performance also in Q2.

The integration of Solar School into STI and the planned upgrade of the e-learning platform have required more resources than originally estimated. This has resulted in additional costs and revenue being delayed, leading to a negative EBITA in H1.

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

In H1, approx. DKK 30m of the expected 2017 costs related to innovation and business development as well as to the necessary structural changes were included.

Hence, operational EBITA increased to approx. DKK 130m from approx. DKK 115m in H1 2016.

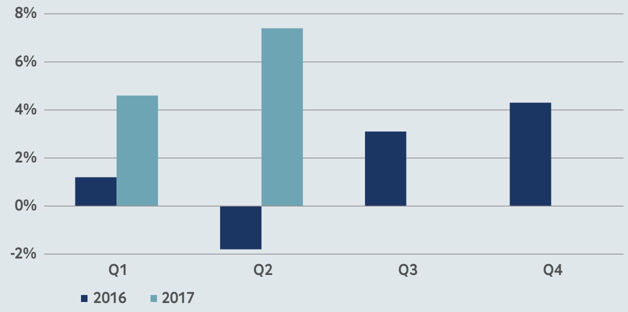
Fair value adjustment of BIMobject AB amounted to DKK -24m at the end of May and total fair value adjustment for H1 amounted to DKK 79m. The amount is recognised in the income statement as financial income.

Thus, net profit amounted to DKK -12m in Q2 against DKK 27m in Q2 2016 and DKK 111m in H1 against DKK 48m H1 2016.

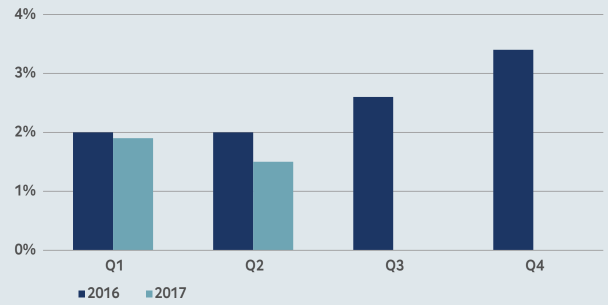
By the end of May, we acquired additional shares in BIMobject and now hold 20.01% of the shares, cf. company announcement no. 15 2017. Consequently, at the end of May, BIMobject became an associate of Solar. Going forward, our share of BIMobject's earnings after tax will be recognised in the income statement on a separate line together with our share of earnings after tax from other associates.

Our share of earnings from associates will be recognised in the income statement when the information has been published, meaning with a delay of one quarter.

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



EBITA margin in %



Q2 2017

Revenue

Revenue amounted to DKK 2,861m, up from DKK 2,811m in Q2 2016. Taking the number of working days into consideration, our main markets experienced growth in Q2. Actual organic growth increased to 7.4% from -1.8% in Q2 2016 adjusted for the number of working days.

Gross profit margin

As in Q2 2016, the gross profit margin amounted to 20.5%. However, there was a positive impact on the margin from STI and when adjusted for this, the margin decreased slightly.

EBITA

EBITA amounted to 1.5% of revenue or DKK 43m in Q2 2017, down from 2.0% of revenue or DKK 57m in Q2 2016.

Compared to Q2 2016, there has been an increase in external operating costs and staff costs, which was primarily related to MAG45's growth initiatives, the effect of the acquisitions of STI and Solar Polaris in 2016 and 2017, and necessary structural changes.

Loss on trade receivables made up 0.1% of revenue, unchanged from Q2 2016.

EBITA was on par with expectations.

Financials

Net financials were impacted by the fair value adjustment of BIMobject at the end of May, which amounted to DKK -24m. Thus, net financials totalled DKK -31m against DKK -6m in Q2 2016. In Q2 2016, a closed tax matter had a positive impact of DKK 4m on financial income. Also, in connection with the payment of a loan, a value adjustment of a hedging instrument of DKK -2m was reclassified from other comprehensive income to financial costs.

Net profit for the period

Net profit ended at DKK -12m, down from DKK 27m in Q2 2016. However, adjusted for the fair value adjustment of associated businesses, net profit amounted to DKK 12m in Q2 2017.

H1 2017

Revenue

Revenue totalled DKK 5,857m, up from DKK 5,467m in H1 2016. Actual organic growth was 5.9% against -0.2% in H1 2016 adjusted for the number of working days. Overall, Denmark, Sweden, Norway and the Netherlands generated growth significantly above H1 2016 level.

Gross profit margin

The gross profit margin amounted to 20.8%, slightly up from 20.7% in H1 2016. However, there was a positive impact on the margin from STI and when adjusted for this, the margin decreased slightly.

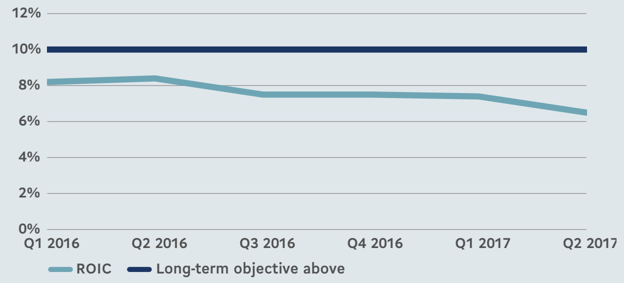
EBITA

EBITA amounted to 1.7% of revenue or DKK 99m in H1 2017 compared to DKK 109m in H1 2016. Overall, Denmark, Sweden, Norway and the Netherlands generated earnings significantly above H1 2016 level.

The growth plan for MAG45 and our initiatives relating to innovation and business development, as well as the necessary structural changes are proceeding as planned. Thus, approx. DKK 30m of the expected 2017 costs related to innovation and business development as well as to the necessary structural changes were included in H1.

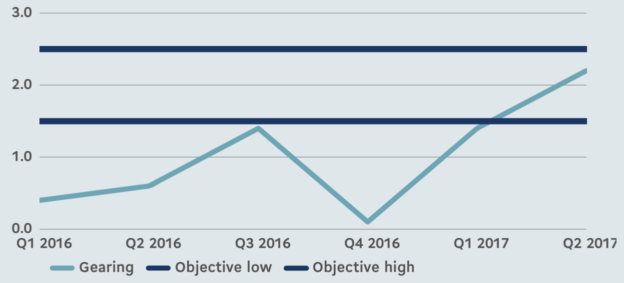
In Belgium, Solar has been hurt by a required transition of the business into a more central structure. We saw delivery problems from the central warehouse in the beginning of the year, which has resulted in unsatisfac-tory performance in H1.

Return on invested capital (ROIC) in %



Gearing, no. of times

(interest-bearing liabilities, net / EBITDA)



The integration of Solar School into STI and the planned upgrade of the e-learning platform have required more resources than originally estimated. This has resulted in additional costs and revenue being delayed, leading to a negative EBITA in H1.

Write-down and depreciation on property, plant and equipment amounted to DKK 28m in H1 2017 compared to DKK 30m in H1 2016. In H1 2016, Solar sold four properties and a property was written down to fair value. The net impact of the capital gain and subsequent write-down to fair value in H1 2016 was insignificant.

Hence, operational EBITA increased to approx. DKK 130m from approx. DKK 115m in H1 2016.

Amortisation

As part of our focus on digital improvement projects and networked development we have made investments in software and new entities. Thus, amortisation is up to DKK 34m against DKK 27m in H1 2016.

Financials

Net financials were impacted by the fair value adjustment of BIMobject totalling DKK 79m. Thus, net financials totalled DKK 64m against DKK -17m in H1 2016.

Share capital

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

Solar now holds 447,333 treasury B shares, corresponding to 5.8% of Solar's total share capital and 2.8% of votes.

Investments in associates
In Q2 2017, we increased our investments in BIMobject and other associates. Thus at the end of June 2017, investments in associates totalled DKK 265m.

Cash flows
We retain our focus on improving net working capital, which fell to 10.4% of revenue from 11.2% in Q2 2016 calculated as an average of the last four quarters. Net working capital at 30 June amounted to 11.4% of revenue and was slightly up from 11.1% at the end of Q2 2016.

Cash flow from operating activities amounted to DKK -293m against DKK -211m in H1 2016. In H1 2017, changes to inventories had a DKK -118m impact on cash flow from operating activities, while changes to receivables had an impact of DKK -330m. The negative changes to inventories were partly due to the handing-over of inventories from Fibia, see page 4. We expect inventories to be normalised in H2 2017. The negative changes to receivables were due to the usual seasonal fluctuations and higher level of activity.

Cash flow from investing activities saw a DKK 208m negative impact from the investment in BIMobject and other associated businesses. Investments in intangible assets were up by DKK 25m to DKK 56m, mainly due to digital improvement projects such as our new web shop, see page 4. In H1 2016, cash flow from investing activities saw a DKK 53m negative impact from the acquisition of MAG45 and a DKK 38m positive impact from the sale of properties. Thus in H1 2017, total cash flow from investing activities came to DKK -281m against DKK -61m in H1 2016.

Cash flow from financing activities was impacted by the distribution of DKK 88m in dividend against DKK 77m in H1 2016. In H1 2016, cash flow from financing activities saw a DKK -47m impact from Solar's share buy-back programme and a DKK -65m impact from the repayment of a loan in connection with the sale of property in Denmark and the repayment of a loan in Norway. Overall, cash flow from financing activities totalled DKK -100m against DKK -217m in H1 2016.

Consequently, total cash flow in H1 2017 amounted to DKK -674m against DKK -489m in H1 2016.

Compared to H1 2016, net interest-bearing liabilities increased by DKK 481m to DKK 712m. During this period, purchase of treasury shares and distributed dividend amounted to DKK 238m and we invested DKK 270m in subsidiaries and associated businesses. Gearing increased to 2.2 times EBITDA from 0.6 in H1 2016. Our gearing objective is 1.5-2.5 times EBITDA.

As at 30 June 2017, Solar had undrawn credit facilities of DKK 381m.

We aim to deliver long-term return on invested capital (ROIC) of more than 10%. As at 30 June 2017, ROIC was 6.5% compared to 7.5% at 31 December 2016. Invested capital totalled DKK 2,129m at the end of H1 2017, up from DKK 1,986m at the end of H1 2016.

Activities where our equity interest is < 50% are not included in the ROIC calculation. Invested capital includes operating assets and liabilities only.

Remuneration of Executive Board and management team

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

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

Key risks

Solar's Annual Report 2016 details the commercial and financial risks related to our activities. The key risks remain that Solar, like other international companies, is affected by both global trends and local conditions in the markets where we operate.

Outlook 2017

We reconfirm EBITA guidance

Outlook for Solar's business areas

Installation

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

In the Danish market, new construction and renovation activities are expected to improve compared to 2016.

We expect to see growth in the Swedish market but at a lower level than in 2016.

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

The positive trends in the Dutch market are expected to continue. We therefore expect to see continuous, but modest improvement.

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

Industry

Our outlook for Industry is for positive growth.

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

Other

We expect continued growth within the other segment.

Financial outlook

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

In 2016, our spend on innovation and business developments amounted to approx. DKK 20m and non-recurring costs relating to structural changes amounted to approx. DKK 15m. The strong focus on innovation and business development continues in 2017, and we have initiated the necessary structural changes made possible by our digital investments and our ongoing investment in new developments.

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

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

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

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

Outlook 2017

Financial targets

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

As part of our networked development activities, we are now an involved shareholder in a number of companies, where our equity interest is < 50%.

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

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

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 2017.

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 2017 will be made in English on 10 August 2017 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu.

Distribution of share capital and votes as at 30 June 2017 in %

Holdings of 5% or more of share capital	Share capital	Votes
The Fund of 20th December, Kolding, Denmark	16.0%	58.1%
RWC Asset Management LLP, London, England	11.2%	5.5%
Chr. Augustinus Fabrikker A/S, Copenhagen, Denmark	10.6%	5.2%
Nordea Funds Oy, Danish Branch, Copenhagen, Denmark	9.2%	4.5%
Solar A/S, Vejen, Denmark	5.8%	2.8%

Financial calendar 2017

10 October - 26 October	IR quiet period
26 October	Quarterly Report Q3

Consolidated financial statements

Statement of comprehensive income

Income statement

	Q2		H1		Year
DKK million	2017	2016	2017	2016	2016
Revenue	2,861	2,811	5,857	5,467	11,072
Cost of sales	-2,274	-2,234	-4,638	-4,333	-8,764
Gross profit	**587**	**577**	**1,219**	**1,134**	**2,308**
External operating costs	-133	-127	-286	-252	-492
Staff costs	-394	-376	-798	-736	-1,469
Loss on trade receivables	-3	-2	-8	-7	-17
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**57**	**72**	**127**	**139**	**330**
Depreciation and write-down on property, plant and equipment	-14	-15	-28	-30	-52
Earnings before interest, tax and amortisation (EBITA)	**43**	**57**	**99**	**109**	**278**
Amortisation of intangible assets	-17	-14	-34	-27	-56
Earnings before interest and tax (EBIT)	**26**	**43**	**65**	**82**	**222**
Share of net profit of associates	0	0	0	0	0
Financial income	-21	10	85	15	26
Financial costs	-10	-16	-21	-32	-60
Earnings before tax (EBT)	**-5**	**37**	**129**	**65**	**188**
Income tax	-7	-10	-18	-17	-63
Net profit for the period	**-12**	**27**	**111**	**48**	**125**
Earnings in DKK per share outstanding (EPS)	-1.64	3.51	15.21	6.21	16.50
Diluted earnings in DKK per share outstanding (EPS-D)	-1.64	3.50	15.19	6.21	16.49

Other comprehensive income

	Q2		H1		Year
DKK million	2017	2016	2017	2016	2016
Net profit for the period	**-12**	**27**	**111**	**48**	**125**
Other income and costs recognised:					
Items that cannot be reclassified for the income statement					
Actuarial gains / losses on defined benefit plans	0	0	0	0	-9
Tax on actuarial gains/losses on defined benefit plans	0	0	0	0	2
Items that can be reclassified for the income statement					
Foreign currency translation adjustments of foreign subsidiaries	-19	-8	-20	-5	2
Value adjustments of hedging instruments before tax	5	-1	13	-12	8
Tax on value adjustments of hedging instruments	-1	0	-3	2	-2
Other income and costs recognised after tax	**-15**	**-9**	**-10**	**-15**	**1**
Total comprehensive income for the period	**-27**	**18**	**101**	**33**	**126**

Balance sheet

as at 30 June

DKK million	30.06 2017	30.06 2016	31.12 2016
ASSETS			
Intangible assets	500	426	475
Property, plant and equipment	849	855	865
Deferred tax assets	10	28	10
Investments in associates	265	0	0
Other non-current assets	57	7	47
Non-current assets	**1,681**	**1,316**	**1,397**
Inventories	1,430	1,325	1,321
Trade receivables	1,691	1,550	1,404
Income tax receivable	13	14	5
Receivables from construction contracts	1	-	-
Other receivables	13	30	10
Prepayments	55	40	26
Cash at bank and in hand	19	200	343
Assets held for sale	0	62	0
Current assets	**3,222**	**3,221**	**3,109**
Total assets	**4,903**	**4,537**	**4,506**

DKK million	30.06 2017	30.06 2016	31.12 2016
EQUITY AND LIABILITIES			
Share capital	775	792	792
Reserves	-145	-158	-135
Retained earnings	1,066	1,106	938
Proposed dividend for the year	0	0	88
Equity	**1,696**	**1,740**	**1,683**
Interest-bearing liabilities	183	209	194
Provision for pension obligations	15	15	18
Provision for deferred tax	126	125	122
Other provisions	42	38	41
Non-current liabilities	**366**	**387**	**375**
Interest-bearing liabilities	548	222	192
Trade payables	1,812	1,679	1,727
Income tax payable	12	9	16
Payables from construction contracts	2	-	-
Other payables	452	479	495
Prepayments	1	0	0
Other provisions	14	21	18
Current liabilities	**2,841**	**2,410**	**2,448**
Liabilities	**3,207**	**2,797**	**2,823**
Total equity and liabilities	**4,903**	**4,537**	**4,506**

Cash flow statement

	Q2		H1		Year
DKK million	**2017**	**2016**	**2017**	**2016**	**2016**
Net profit for the period	**-12**	**27**	**111**	**48**	**125**
Write-down, depreciation and amortisation	31	29	62	57	108
Changes to provisions and other adjustments	-4	-5	-7	-5	4
Financials, net	31	6	-64	17	34
Income tax	7	10	18	17	63
Financial income, received	1	5	3	6	10
Financial expenses, settled	-7	-11	-16	-33	-52
Income tax, settled	-9	-9	-28	-31	-54
Cash flow before working capital changes	**38**	**52**	**79**	**76**	**238**
Working capital changes					
Inventory changes	-40	5	-118	1	5
Receivables changes	-27	-72	-330	-256	-63
Non-interest-bearing liabilities changes	-168	55	76	-32	39
Cash flow from operating activities	**-197**	**40**	**-293**	**-211**	**219**
Investing activities					
Purchase of intangible assets	-28	-19	-56	-31	-88
Purchase of property, plant and equipment	-4	-9	-18	-15	-46
Disposal of property, plant and equipment	1	0	1	38	102
Acquisition of associates[1]	-10	0	-10	0	0
Acquisition of subsidaries and activities[2]	0	0	-10	-53	-97
Other financial investments	-9	-	-188	-	-18
Cash flow from investing activities	**-50**	**-28**	**-281**	**-61**	**-147**

	Q2		H1		Year
DKK million	**2017**	**2016**	**2017**	**2016**	**2016**
Financing activities					
Repayment of non-current interest-bearing debt	-7	-46	-12	-93	-114
Treasury share purchase and sales	0	-14	0	-47	-197
Dividends distributed	0	-77	-88	-77	-77
Cash flow from financing activities	**-7**	**-137**	**-100**	**-217**	**-388**
Total cash flow	**-254**	**-125**	**-674**	**-489**	**-316**
Cash at bank and in hand at the beginning of the period	-99	272	321	639	639
Assumed on acquisition of subsidaries	0	-	0	-3	-2
Foreign currency translation adjustments	-10	1	-10	1	0
Cash at bank and in hand at the end of the period	**-363**	**148**	**-363**	**148**	**321**
Cash at bank and in hand at the end of the period					
Cash at bank and in hand	19	200	19	200	343
Current interest-bearing liabilities[3]	-382	-52	-382	-52	-22
Cash at bank and in hand at the end of the period	**-363**	**148**	**-363**	**148**	**321**

1. Relates to the acquisition of additional shares in BIMobject AB and other associates.
2. Relates to the acquisition of activities in Solar Polaris A/S in Denmark in Q1 2017.
3. Not including the short-term part of long-term liabilities that falls due in 2017.

Statement of changes in equity

DKK million	Share capital	Reserves for hedging transactions	Reserves for foreign currency translation adjustments	Retained earnings	Proposed dividends	Total
2017						
Equity as at 1 January	**792**	**-73**	**-62**	**938**	**88**	**1,683**
Foreign currency translation adjustments of foreign subsidiaries			-20			-20
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					-88	-88
Reduction 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**

Statement of changes in equity

– continued

DKK million	Share capital	Reserves for hedging transactions	Reserves for foreign currency translation adjustments	Retained earnings	Proposed dividends	Total
2016						
Equity as at 1 January	**792**	**-79**	**-64**	**1,104**	**78**	**1,831**
Foreign currency translation adjustments of foreign subsidiaries			-5			-5
Value adjustments of hedging instruments before tax		-12				-12
Tax on value adjustments		2				2
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-10	-5	0	0	-15
Net profit for the period				48		48
Comprehensive income	**0**	**-10**	**-5**	**48**	**0**	**33**
Distribution of dividends					-77	-77
Buy-back of treasury shares				-46	-1	-47
Transactions with the owners	**0**	**0**	**0**	**-46**	**-78**	**-124**
Equity as at 30 June	**792**	**-89**	**-69**	**1,106**	**0**	**1,740**

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 and other costs that cannot be reliably allocated to the individual segment. Assets and liabilities are not included in segment reporting.

DKK million	Installation	Industry	Other	Total
Q2 2017				
Revenue	1,862	812	187	2,861
Cost of sales	-1,511	-624	-139	-2,274
Gross profit	**351**	**188**	**48**	**587**
Direct costs	-72	-26	-5	-103
Earnings before indirect costs	**279**	**162**	**43**	**484**
Indirect costs	-146	-43	-12	-201
Segment profit	**133**	**119**	**31**	**283**
Non-allocated costs				-226
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**57**
Depreciation and amortisation				-31
Earnings before interest and tax (EBIT)				**26**
Financials, net				-31
Earnings before tax (EBT)				**-5**

DKK million	Installation	Industry	Other	Total
Q2 2016				
Revenue	1,858	780	173	2,811
Cost of sales	-1,492	-604	-138	-2,234
Gross profit	**366**	**176**	**35**	**577**
Direct costs	-77	-24	-5	-106
Earnings before indirect costs	**289**	**152**	**30**	**471**
Indirect costs	-146	-44	-13	-203
Segment profit	**143**	**108**	**17**	**268**
Non-allocated costs				-196
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**72**
Depreciation and amortisation				-29
Earnings before interest and tax (EBIT)				**43**
Financials, net				-6
Earnings before tax (EBT)				**37**

Notes

Segment information - continued

DKK million	Installation	Industry	Other	Total
H1 2017				
Revenue	3,811	1,636	410	5,857
Cost of sales	-3,079	-1,253	-306	-4,638
Gross profit	**732**	**383**	**104**	**1,219**
Direct costs	-146	-51	-14	-211
Earnings before indirect costs	**586**	**332**	**90**	**1,008**
Indirect costs	-294	-89	-26	-409
Segment profit	**292**	**243**	**64**	**599**
Non-allocated costs				-472
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**127**
Depreciation and amortisation				-62
Earnings before interest and tax (EBIT)				**65**
Financials, net				64
Earnings before tax (EBT)				**129**

DKK million	Installation	Industry	Other	Total
H1 2016				
Revenue	3,613	1,484	370	5,467
Cost of sales	-2,889	-1,141	-303	-4,333
Gross profit	**724**	**343**	**67**	**1,134**
Direct costs	-152	-48	-9	-209
Earnings before indirect costs	**572**	**295**	**58**	**925**
Indirect costs	-289	-84	-26	-399
Segment profit	**283**	**211**	**32**	**526**
Non-allocated costs				-387
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**139**
Depreciation and amortisation				-57
Earnings before interest and tax (EBIT)				**82**
Financials, net				-17
Earnings before tax (EBT)				**65**

Notes

Segment information – continued

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

	Q2		H1		
DKK million	Revenue	Adjusted organic growth	Revenue	Adjusted organic growth	Non-current assets
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
Benelux	682	4.1	1,389	1.0	280
Other markets	307	9.7	588	4.5	105
Eliminations	-21	-	-40	-	-1,344
Total	**2,861**	**7.4**	**5,857**	**5.9**	**1,681**
2016					
Denmark	739	3.1	1,456	4.2	1,764
Sweden	664	-3.0	1,264	0.7	267
Norway	471	5.4	888	0.5	140
Benelux	668	-8.4	1,370	-5.9	309
Other markets	285	-4.3	520	2.2	138
Eliminations	-16	-	-31	-	-1,302
Total	**2,811**	**-1.8**	**5,467**	**-0.2**	**1,316**

Notes

Acquisitions of subsidiaries

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

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

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

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

Transaction costs related to the acquisition totalled DKK 2m.

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

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

Notes

Acquisitions of subsidiaries - continued

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

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

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

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

Transaction costs related to the acquisition totalled DKK 1m.

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

Fair value at the date of acquisition (DKK million)	
Property, plant and equipment	2
Trade receivables	7
Other receivables	3
Cash	1
Provision for deferred tax	2
Other non-current liabilities	-8
Current liabilities	-4
Net assets acquired	**3**
Goodwill	52
Other intangible assets	4
Acquisition cost	**59**
Of this, net cash	-1
Acquisition price on net debt-free basis	**58**
Hereof expected earnout	-15
Acquisition price on net debt-free basis excl. expected earn-out	**43**

Total acquisition price for MAG45 and STI	95
Of this, net cash	2
Total acquisition price for MAG45 and STI recognised in the cash flow statement	**97**

Notes

Share option plans

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

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

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

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

Exercise period:	
10 banking days following publication of the annual report in	2020/2021

DKK million	
Market value estimated at the time of granting using the Black-Scholes model	1.5

Conditions applying to the statement of market value at the time of granting using the Black-Scholes model:	
Average share price	381.23
Exercise price	381.23
Expected volatility	30.6%
Expected dividend in proportion to market value	2.6%
Risk-free interest rate	0.1%

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

Notes

Accounting policies

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

Apart from the effect of new IAS/IFRS standards implemented during the period and the additional accounting policies mentioned below, the accounting policies remain unchanged from the Annual Report 2016, which contains a full description of these on pages 47-48 as well as of relevant, supplementary notes.

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

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

Additional accounting policies applied

As a consequence of additional investments and activities acquired in H1 2017, the following accounting policies have been applied:

Consolidated financial statements

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%.

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.

Translation of foreign currency items

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.

Statement of comprehensive income

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

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

Balance sheet

Investments 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.

Notes

Accounting policies - continued

Investments in associates are tested for impairment when there is any 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.

Other non-current assets
Equity investments with no controlling or significant influence are measured at fair value.

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

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

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

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

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

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

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

New accounting standards implemented during the period

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

New accounting standards to be implemented in coming accounting periods

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

On audit

This quarterly report has not been audited or reviewed.

Quarterly figures

	Q1		Q2		Q3		Q4	
Income statement (DKK million)	**2017**	**2016**	**2017**	**2016**	**2016**	**2015**	**2016**	**2015**
Revenue	2,996	2,656	2,861	2,811	2,595	2,449	3,010	2,819
Earnings before interest, tax, depreciation and amortisation (EBITDA)	70	67	57	72	74	104	117	117
Earnings before interest, tax and amortisation (EBITA)	56	52	43	57	67	89	102	99
Earnings before interest and tax (EBIT)	39	39	26	43	53	77	87	87
Financials, net	95	-11	-31	-6	-9	-12	-8	-21
Earnings before tax (EBT)	134	28	-5	37	44	65	79	66
Net profit or loss for the quarter	123	21	-12	27	29	48	48	34

Balance sheet (DKK million)								
Non-current assets	1,698	1,324	1,681	1,316	1,399	1,281	1,397	1,250
Current assets	3,217	3,285	3,222	3,221	3,172	3,201	3,109	3,421
Balance sheet total	4,915	4,609	4,903	4,537	4,571	4,482	4,506	4,671
Equity	1,723	1,813	1,696	1,740	1,631	1,812	1,683	1,831
Non-current liabilities	371	394	366	387	407	623	375	592
Current liabilities	2,821	2,402	2,841	2,410	2,533	2,047	2,448	2,248
Interest-bearing liabilities, net	458	156	712	231	476	294	43	-184
Invested capital	1,899	1,984	2,129	1,986	2,122	2,219	1,744	1,662
Net working capital, end of period	1,132	1,232	1,309	1,196	1,323	1,403	998	989
Net working capital, average	1,162	1,233	1,191	1,205	1,185	1,282	1,187	1,252

Quarterly figures

- continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	**2017**	**2016**	**2017**	**2016**	**2016**	**2015**	**2016**	**2015**
Cash flow from operating activities	-96	-251	-197	40	-7	-68	437	524
Cash flow from investing activities	-231	-33	-50	-28	-83	-17	-3	-19
Cash flow from financing activities	-93	-80	-7	-137	-159	-12	-12	-30
Net investments in intangible assets	-28	-12	-28	-19	-22	-10	-35	-10
Net investments in property, plant and equipment	-14	32	-3	-9	-4	-7	37	-9
Acquisition and disposal of subsidiaries, net	-10	-53	0	0	-44	0	0	0

Financial ratios (% unless otherwise stated)								
Revenue growth	12.8	0.4	1.8	5.1	6.0	1.3	6.8	1.6
Organic growth	10.7	-0.3	2.3	3.8	3.0	3.8	4.4	3.2
Organic growth adjusted for number of working days	4.6	1.2	7.4	-1.8	3.1	3.8	4.3	1.5
Gross profit margin	21.1	21.0	20.5	20.5	20.8	20.8	21.1	20.5
EBITDA margin	2.3	2.5	2.0	2.6	2.9	4.2	3.9	4.2
EBITA margin	1.9	2.0	1.5	2.0	2.6	3.6	3.4	3.5
EBIT margin	1.3	1.5	0.9	1.5	2.0	3.1	2.9	3.1
Net working capital (NWC end of period)/revenue (LTM)	9.9	11.6	11.4	11.1	12.2	13.3	9.0	9.3
Net working capital (NWC average)/revenue (LTM)	10.2	11.6	10.4	11.2	10.9	12.2	10.7	11.8
Gearing (interest-bearing liabilities, net/EBITDA), no. of times	1.4	0.4	2.2	0.6	1.4	1.0	0.1	-0.5
Return on equity (ROE)	13.3	6.9	11.0	7.3	6.6	-5.0	7.5	9.2
Return on invested capital (ROIC)	7.4	8.2	6.5	8.4	7.5	2.0	7.5	8.5
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	10.3	9.3	11.7	8.6	11.8	17.8	9.4	10.6
Equity ratio	35.1	39.3	34.6	38.4	35.7	40.4	37.4	39.2

Quarterly figures

- continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK)	**2017**	**2016**	**2017**	**2016**	**2016**	**2015**	**2016**	**2015**
Earnings in DKK per share outstanding (EPS)	16.85	2.71	-1.64	3.51	3.84	6.11	6.58	4.33
Intrinsic value in DKK per share outstanding	236.08	233.91	232.38	225.93	216.10	230.81	230.60	234.43
Share price in DKK	383	329	377	307	374	409	362	432
Share price/intrinsic value	1.62	1.41	1.62	1.36	1.73	1.77	1.57	1.84

Employees								
Average number of employees (FTE)	3,062	2,968	3,080	3,024	3,051	2,840	3,083	2,864

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 2017 quarterly report of Solar A/S.

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

In our opinion, the quarterly report gives a fair presentation of the group's assets, equity and liabilities and financial position as at 30 June 2017 as well as of the results of the group's activities and cash flow for Q2 2017.

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

Vejen, 10 August 2017

EXECUTIVE BOARD

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CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

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stronger together