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26 October 2017

Announcement no. 18 2017

Quarterly Report Q3 2017

Q3 EBITA was in line with expectations and we see a positive trend in organic growth. We reconfirm our guidance for operational EBITA. However, non-recurring costs will, among other things, be impacted by severance pay with regard to the change in CEO.

CEO Jens Andersen says:
"Our core business saw an improved performance in Q3 and we keep improving net working capital. We have a strong platform in the core business, and we will continue to develop and optimise this in order to increase competitiveness and make us an even more attractive sourcing and services company. While strengthening focus on the core business, we are continuing our digital journey with introducing digital solutions and cooperation with partners within digital construction and services."

Financial highlights (DKK million)	**Q3 2017**	**Q3 2016**	**Q1-Q3 2017**	**Q1-Q3 2016**
Revenue	2,773	2,595	8,630	8,062
EBITA	87	67	186	176
Net financials*	-4	-9	60	-26
Earnings before tax	62	44	191	109
Cash flow from operating activities	9	-7	-284	-218
Financial ratios (%)				
Organic growth adj. for number of working days	8.5	3.1	6.8	0.9
EBITA margin	3.1	2.6	2.2	2.2
Net working capital, period-end/revenue (LTM)	12.0	12.2	12.0	12.2
Net working capital, average/revenue (LTM)**	10.4	10.9	10.4	10.9
Gearing (NIBD/EBITDA), no. of times	2.1	1.4	2.1	1.4
Return on invested capital (ROIC)	7.0	7.5	7.0	7.5

* 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.

Q3 2017 revenue

- Organic growth increased to 8.5% from 3.1% in Q3 2016 adjusted for the number of working days.

Q3 2017 EBITA

- EBITA was in line with expectations.
- EBITA for the core business was up by more than a third or DKK 25m in Q3, while our related business diluted EBITA by DKK 10m compared to DKK 5m in Q3 2016.

2017 outlook

- We now expect revenue of approx. DKK 11.7bn, corresponding to organic growth of approx. 6%. Our previous expectations were revenue above DKK 11.4bn, corresponding to organic growth above 3%.
- We expect an operational EBITA of DKK 345m, which is unchanged. Also unchanged, we expect to spend approx. DKK 25m on innovation and business development. Compared to previously announced, costs related to structural changes are expected to increase with approx. DKK 15m to a total of DKK 35m. The increase is among other things due to severance pay with regard to the change in CEO announced in October. Thus, we expect an EBITA of approx. DKK 285m, down from DKK 300m.

EBITA overview

DKK million	Guidance 2017	Actual 2016
Operational EBITA	345	302
Innovation and business development	-25	-20
Non-recurring costs	-35	-15
Positive one-offs	0	11
EBITA	**285**	**278**

Audio webcast and teleconference today

The presentation of the Quarterly Report Q3 2017 will be made in English on 26 October 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

Jens Andersen

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Enclosure: Quarterly Report Q3 2017, 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 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

Q3 2017

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Contents

Management's review

03 Financial highlights
04 Business update
06 Segments
08 Financial review
12 Outlook 2017
13 Shareholder information

Financial statements

15 Statement of comprehensive income
16 Balance sheet
17 Cash flow statement
18 Statement of changes in equity
20 Notes
28 Quarterly figures
31 Statement by the Executive Board and the Board of Directors

Financial highlights

	Q3		Q1-Q3		Year
Consolidated (DKK million)	**2017**	**2016**	**2017**	**2016**	**2016**
Revenue	2,773	2,595	8,630	8,062	11,072
Earnings before interest, tax, depreciation and amortisation (EBITDA)	100	74	227	213	330
Earnings before interest, tax and amortisation (EBITA)	87	67	186	176	278
Earnings before interest and tax (EBIT)	67	53	132	135	222
Earnings before tax (EBT)	62	44	191	109	188
Net profit for the period	42	29	153	77	125
Balance sheet total	5,014	4,571	5,014	4,571	4,506
Equity	1,745	1,631	1,745	1,631	1,683
Interest-bearing liabilities, net	728	476	728	476	43
Cash flow from operating activities	9	-7	-284	-218	219
Net investments in property, plant and equipment	7	-4	-10	19	56

Employees					
Average number of employees (FTEs)	3,112	3,051	3,085	3,014	3,032

	Q3		Q1-Q3		Year
Financial ratios (% unless otherwise stated)	**2017**	**2016**	**2017**	**2016**	**2016**
Organic growth adjusted for number of working days	8.5	3.1	6.8	0.9	1.8
Gross profit	20.6	20.8	20.7	20.8	20.8
EBITDA margin	3.6	2.9	2.6	2.6	3.0
EBITA margin	3.1	2.6	2.2	2.2	2.5
Net working capital (NWC at end of period)/ revenue (LTM)	12.0	12.2	12.0	12.2	9.0
Gearing (net interest-bearing liabilities/EBITDA), no. of times	2.1	1.4	2.1	1.4	0.1
Return on equity (ROE)	11.7	6.6	11.7	6.4	7.1
Return on invested capital (ROIC)	7.0	7.5	7.0	7.5	7.5
Equity ratio	34.8	35.7	34.8	35.7	37.4

Share ratios (DKK unless otherwise stated)					
Earnings per share outstanding (EPS)	5.75	3.84	20.96	10.04	16.50

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

Business update

We strengthen our focus on the core business and continue our digital journey

We are strengthening our focus on our core business, i.e. the sourcing of electrical, heating, plumbing and ventilation products combined with value-adding services within support, logistics and other areas. At the same time, we are continuing our digital journey with introducing digital solutions and cooperation with strategic partners within digital construction and services.

Optimising our core business

We have a strong platform in our core business, and we will continue to develop and optimise this in order to ensure that we remain a competitive and highly attractive sourcing and services company.

One of the driving factors behind our business activities is to meet our customers' needs and to support them in running their businesses more efficiently. In the installation sector, our Fastbox concept has proved itself as a means of responding to labour shortage within the construction industry.

Many of our customers have reduced their number of pickups substantially. When in need of specific materials, they order a Fastbox instead. At the end of September 2017, the total number of Fastboxes was up by approx. 40% compared to 30 September 2016. Moreover, our customers are keen users of mobile apps for ordering our services.

Sourcing and services in demand

In Denmark, we are taking advantage of the sharing economy with a new rental service. In a partnership with Garant Udlejning, we have launched an app for tool rental, which provides access to a wide range of electrical and plumbing tools as well as test and measurement equipment. The tools are despatched – via Fastbox - on a daily basis to customers across Denmark who can return them – also by Fastbox - to their nearest mail delivery point.

Rental is the ideal solution for fluctuating activity levels. During peak periods with larger construction projects, companies in the construction industry often need extra tools. Renting is an economic way of ensuring that the necessary tools are at hand only when required.

Our service concepts ensure that Solar remains competitive in the market. In Norway, we have won several large projects in the installation segment largely because of our Site Logistics Services. Furthermore, our sourcing approach is paying off in Norway and we are continually attracting new industry customers. With a Total Cost of Ownership mindset, we focus on supplier consolidation and value-adding services to reduce our customers' handling costs.

In the Netherlands, Solar has started to act as an integrator of hardware and software solutions in the field of energy neutral buildings and monitoring energy consumption. The energy performance management system provides both corporations and private homes with a high-end, user-friendly, independent and comprehensive solution to achieve 100% safe and secure insight into the energy performance of the building.

In Sweden, we have implemented a new customer support organisation in order to create a better customer experience while optimising our business performance at the same time. The change frees up resources to develop new business. The reason behind the organisational change is the fact that the market is becoming increasingly digital and customers' demands are changing. Customers want availability, effective solutions and access to expertise.

Centralising our master data organisation in Poland

We maintain a keen focus on optimising systems and processes that support and facilitate changing business requirements. Therefore, we have decided to centralise our master data organisation in Poland. We have assigned greater importance to the way we handle master data - information about products, customers, etc.

By setting up a dedicated team in one location, we can create a framework that provides our master data experts with settings that enable us to prepare for a future with even greater focus on master data.

Industry customers wish to focus on their core business

MAG45 is expanding its footprint in order to serve a growing customer base. MAG45 has established an operational hub for the Singapore region following an agreement with the global medical and biosciences company, Becton Dickinson, which comprises an MRO (Maintenance, Repair and Operations) integrated supply solution for a total of four Asian sites. As part of the collaboration, Becton Dickinson wishes to move towards a professionally-managed MRO supply chain to reduce the workload of end-users, allowing the company to fully concentrate on its core business.

Likewise, Thermo Fisher Scientific, a worldwide leader in biotechnology products and services, wishes to focus on its core business. The company has fully optimised its supply chain and production processes by introducing a customised supply chain solution from MAG45.

Digitalisation is essential

A new survey from TEKNIQ, a Danish employer and business organisation for the installation sector, shows that smartphones and tablets play an increasingly important role in installers' daily work. In this year's member survey, 78 per cent of installers use apps for smartphones or tablets in their work. This is a significant increase compared to the 60 per cent in last year's survey.

We see the same pattern in other countries. Whereas digital tools have been used for decades in design and engineering, wider adoption in the construction sector itself is new and presents new opportunities for Solar's core business. This is why we keep developing new digital tools and services.

As a sourcing and services company, it is crucial that we understand how materials will be sourced and supplied most advantageously in the future of digital construction. As an example, our Site Logistics Services will be greatly enhanced through integration with BIM models and real-time construction planning and in that connection our investment in BIMobject is an important factor. Working with construction technology leaders, such as BIMobject, GenieBelt and Minuba, gives Solar access to cutting edge business development expertise and opens the door to industry leaders, such as building owners, contractors, and forward-thinking installers who are driving the change in our industry.

At the same time, Solar brings value to our partners through our brand, our regional position and customer reach, our leadership within digital business and our strong supply expertise.

BIMobject supports the UK's Ministry of Justice

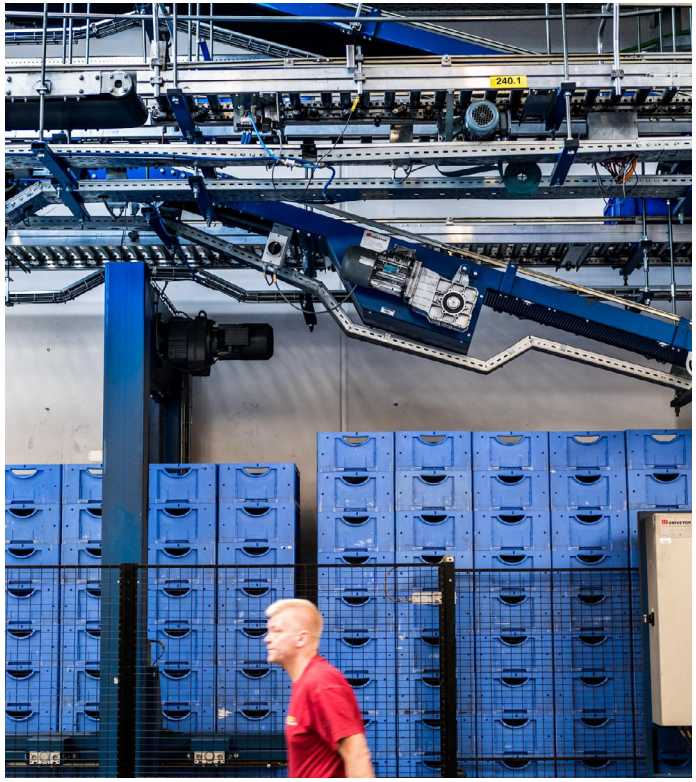
BIMobject has signed a contract with the United Kingdom's Ministry of Justice to support the ongoing development of the ministry's content library.

The content management system will enable the Ministry of Justice to create content for a library of digital building products through requirement object models. It will allow the ministry to control the distribution of the content to suppliers and partners in a secure environment, as well as monitor who accesses the content. This exemplifies how digitalisation is changing the construction industry and creates new opportunities for sourcing and services companies like Solar.

Viva Labs lands a large agreement

As mentioned briefly in the Q2 report, Solar's associate and partner within home automation, Viva Labs, has landed a large agreement with a European telecommunications provider, Telekom Austria Group, TAG.

Agreements such as the one with TAG open up new geographical markets for Solar's core business within the growth area of smart homes, where Solar manages sourcing and logistics on behalf of Viva customers.



Segments

Trends in Installation and Industry

We have not identified any major changes to market conditions other than those mentioned in the quarterly report for Q2 2017.

The installation sector

As was the case in Q2, construction activity saw ongoing improvement in a number of our markets, which had an overall positive effect on the installation sector's results. Construction activity in Scandinavia and the Netherlands remains healthy. We do see minor improvements in the Polish market.

In Scandinavia and the Netherlands, greater 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 6% for Q3. As in Q1 and Q2 2017, we continue to see growth in Scandinavia, the Netherlands and Austria. In Poland, sales were slightly down, which nevertheless represented a sequential improvement compared to the last quarter. Belgium remained negative.

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 Q3 2016, the profit margin for the sector was slightly down mainly due to a less favourable product mix coupled with more project deliveries.

The industry sector

In Q3, we saw continued industrial growth in our markets, resulting in organic growth. This was especially the case in Denmark, where we saw double-digit growth supported by our agreement with Fibia.

Sweden, the Netherlands and Poland also delivered growth in Q3. Growth in the Netherlands was broadly based on all major sub-segments.

In Norway, the North Sea offshore industry and related industries continue to improve by double-digit growth rates.

	Revenue		Segment profit		Segment margin	
DKK million	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Installation	1,757	1,708	138	143	7.9%	8.4%
Industry	763	699	111	98	14.5%	14.0%
Other	253	188	45	22	17.8%	11.7%
Total	**2,773**	**2,595**	**294**	**263**	**10.6%**	**10.1%**

	Revenue		Segment profit		Segment margin	
DKK million	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2017	Q1-Q3 2016
Installation	5,568	5,321	430	426	7.7%	8.0%
Industry	2,399	2,183	354	309	14.8%	14.2%
Other	663	558	109	54	16.4%	9.7%
Total	**8,630**	**8,062**	**893**	**789**	**10.3%**	**9.8%**

Solar's overall organic growth in the industry sector amounted to around 5% in Q3.

Compared to Q3 2016, the segment margin in Q3 was positively influenced by a more favourable product and customer mix.

Other

Scandinavian Technology Institute (STI) and Solar Polaris delivered revenue of DKK 13m, corresponding to approx. 5% of the segment revenue.

Non-allocated costs

Our earnings before tax are impacted by non-allocated costs, which, in Q1-Q3, increased by DKK 90m to DKK 666m compared to Q1-Q3 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	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Denmark	824	730	13.8	10.0
Sweden	585	558	6.9	1.4
Norway	444	446	1.8	7.9
Benelux	633	592	8.7	-3.4
Other markets	310	283	10.4	-4.4
Eliminations	-23	-14		
Total	**2,773**	**2,595**	**8.5**	**3.1**

	Revenue		Adjusted organic growth in %	
DKK million	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2017	Q1-Q3 2016
Denmark	2,449	2,186	11.5	6.1
Sweden	1,891	1,822	6.6	1.0
Norway	1,433	1,334	4.6	2.8
Benelux	2,022	1,962	3.4	-5.1
Other markets	898	803	8.3	-0.2
Eliminations	-63	-45		
Total	**8,630**	**8,062**	**6.8**	**0.9**

Financial review

Positive trend in organic growth continues in Q3 and EBITA in line with expectations

Organic growth adjusted for the number of working days increased to 8.5% in Q3 and to 6.8% in Q1-Q3. EBITA was in line with expectations and increased by DKK 20m to DKK 87m in Q3 and by DKK 10m to DKK 186m in Q1-Q3.

Our core business saw an improved performance in Q3 compared to Q3 2016. Overall, the core business generated both growth and earnings above Q1-Q3 2016 level.

In Belgium, Solar has been adversely affected by the transition of the business into a more centralised structure. We experienced delivery issues from the central warehouse at the beginning of the year, which resulted in an unsatisfactory performance also in Q3.

Our related business diluted earnings as we continue to invest in future growth.

The integration of Solar School into STI and the planned upgrade of the e-learning platform have required more resources than originally estimated but is now on track. However, revenue has been delayed and more costs added leading to a negative EBITA in Q1-Q3, albeit with a zero result in September 2017.

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

In Q1-Q3, approx. DKK 45m of the costs related to innovation and business development as well as to the necessary structural changes. Hence, operational EBITA increased to approx. DKK 231m from approx. DKK 190m in Q1-Q3 2016.

In Q3, DKK -1m is included as our share of earnings from our digital, construction and services associates.

Net profit for the Solar Group amounted to DKK 42m in Q3 against DKK 29m in Q3 2016 and DKK 153m in Q1-Q3 against DKK 77m Q1-Q3 2016.

Core business includes Solar Danmark, Solar Sverige, Solar Norge, Solar Nederland, Solar Polska, Claessen ELGB, GFI Austria 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. As at 30 September 2017, the invested capital in BIMobject amounted to DKK 250m, while the Solar share of BIMobject's market value amounted to SEK 286m.

Q3	Revenue		EBITA		Invested capital	
DKK million	2017	2016	2017	2016	2017	2016
Core business	2,660	2,505	97	72	2,006	1,932
Related business	113	90	-10	-5	184	190
Digital, construction & services	-	-	-	-	304	13
Eliminations	-	-	-	-	-304	-13
Total	**2,773**	**2,595**	**87**	**67**	**2,190**	**2,122**
Q1-Q3						
Core business	8,298	7,832	215	183	2,006	1,932
Related business	332	230	-29	-7	184	190
Digital, construction & services	-	-	-	-	304	13
Eliminations	-	-	-	-	-304	-13
Total	**8,630**	**8,062**	**186**	**176**	**2,190**	**2,122**

Q3	Adj. organic growth		EBITA margin	
	2017	2016	2017	2016
Core business	8.0%	3.1%	3.6%	2.9%
Related business	21.5%	-	-8.8%	-5.3%
Total	**8.5%**	**3.1%**	**3.1%**	**2.6%**
Q1-Q3				
Core business	6.5%	0.9%	2.6%	2.3%
Related business	17.0%	-	-8.8%	-3.0%
Total	**6.8%**	**0.9%**	**2.2%**	**2.2%**

Q3 2017

Revenue

Revenue amounted to DKK 2,773m, up from DKK 2,595m in Q3 2016. Overall, our core business experienced growth of 8.0% in Q3 while related business overall saw growth of more than 20%.

Actual organic growth for the group increased to 8.5% from 3.1% in Q3 2016 adjusted for the number of working days.

Gross profit margin

The gross profit margin amounted to 20.6%, down from 20.8% in Q3 2016. The margin was negatively impacted by a change in customer mix within our core business.

EBITA

EBITA amounted to 3.1% of revenue, or DKK 87m, in Q3 2017, up from 2.6% of revenue or DKK 67m in Q3 2016.

In Q3 2016, the proceeds from a property sale had a positive impact on write-down and depreciation on property, plant and equipment of DKK 6m.

EBITA for the core business was up by more than a third, or DKK 25m, in Q3 while our related business diluted EBITA by DKK 10m compared to DKK 5m in Q3 2016.

EBITA for the group was in line with expectations.

Net profit for the period

Net profit ended at DKK 42m, up from DKK 29m in Q3 2016.

Q1-Q3 2017

Revenue

Revenue totalled DKK 8,630m, up from DKK 8,062m in Q1-Q3 2016. Actual organic growth was 6.8% against 0.9% in Q1-Q3 2016 adjusted for the number of working days.

Overall, the core business generated growth of 6.5% compared to 0.9% in Q1-Q3 2016 while related business generated 17.0% organic growth in Q1-Q3 2017.

Gross profit margin

The gross profit margin amounted to 20.7%, slightly down from 20.8% in Q1-Q3 2016.

EBITA

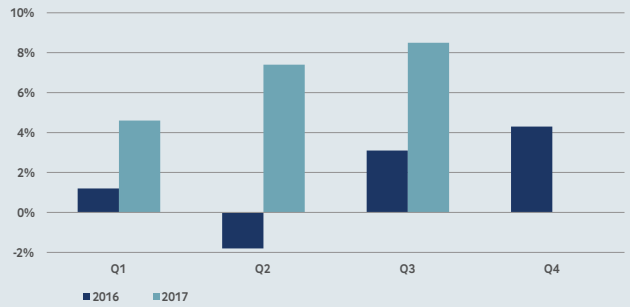
As in Q1-Q3 2016, EBITA amounted to 2.2% of revenue. EBITA increased by DKK 10m to DKK 186m compared to DKK 176m in Q1-Q3 2016.

Core business EBITA was up by more than 17%, or DKK 32m, compared to Q1-Q3 2016 level. The four main markets, Denmark, Sweden, Norway and The Netherlands, all delivered earnings above Q1-Q3 2016 level. However, in Belgium, Solar has been adversely affected by the required transition of the business into a more centralised structure. We experienced delivery issues from the central warehouse at the beginning of the year, which resulted in unsatisfactory performance in Q1-Q3.

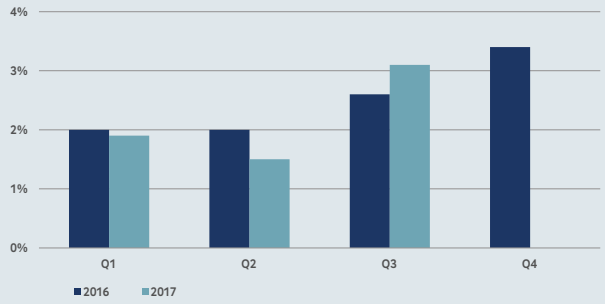
Related business diluted EBITA by DKK 29m compared to DKK 7m in Q1-Q3 2016 as we continue to invest in future growth. The integration of Solar School into STI and the planned upgrade of the e-learning platform have required more resources than originally estimated but is now on track. However, revenue has been delayed and more costs added leading to a negative EBITA in Q1-Q3.

The growth plan for MAG45 and our initiatives relating to innovation and business development as well as the necessary structural changes in both core and related business are proceeding as planned. Thus, approx. DKK 45m of the expected 2017 costs related to innovation and business development as well as to the necessary structural changes were included in Q1-Q3.

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



EBITA margin in %



Compared to Q1-Q3 2016, there has been an increase in external operating costs and staff costs, which primarily relate to MAG45's growth initiatives, the effect of the acquisitions of STI and Solar Polaris in 2016 and 2017 and necessary structural changes.

Write-down and depreciation on property, plant and equipment amounted to DKK 41m compared to DKK 37m in Q1-Q3 2016. In Q1-Q3 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 Q1-Q3 2016 was DKK 6m.

Operational EBITA increased to approx. DKK 231m from approx. DKK 190m in Q1-Q3 2016.

Amortisation

As part of our focus on digital improvement projects, we have made investments in software. Thus, amortisation is up to DKK 54m against DKK 41m in Q1-Q3 2016.

Financials

By the end of May 2017, 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. From that date, our share of BIMobject's earnings after tax is recognised in the income statement on a separate line together with our share of earnings after tax from other associates.

Net financials were impacted by the fair value adjustment of BIMobject, totalling DKK 79m by the end of May. Thus, net financials totalled DKK 60m against DKK -26m in Q1-Q3 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.

In Q3, DKK -1m is included as our share of earnings from our digital, construction and services associates.

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

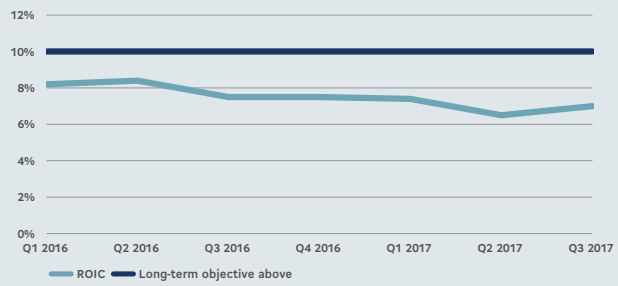
In Q2-Q3 2017, we increased our investments in BIMobject and other associates. Thus, at the end of September 2017, investments in associates totalled DKK 273m of which BIMobject amounted to DKK 250m.

Cash flows

We retain our focus on improving net working capital, which fell to 10.4% of revenue from 10.9% in Q3 2016 calculated as an average of the last four quarters. Net working capital at 30 September amounted to 12.0% of revenue and was slightly down from 12.2% at the end of Q3 2016. However, the fact that the last day of Q3 2017 was not a working day affected net working capital negatively by approx. 0.5 percentage point.

Cash flow from operating activities amounted to DKK -284m against DKK -218m in Q1-Q3 2016. In Q1-Q3 2017, changes to inventories had a DKK -189m impact on cash flow from operating activities, while changes to receivables had an impact of DKK -380m. The negative changes to inventories were partly due to the handing over of inventories from Fibia in Q2. We expect inventories to start normalising in Q4 2017. The negative changes to receivables were due to the usual seasonal fluctuations and higher level of activity.

Return on invested capital (ROIC) in %



Gearing, no. of times
(interest-bearing liabilities, net / EBITDA)

Cash flow from investing activities saw a DKK 214m negative impact from the investment in BIMobject and other associated businesses that in Q3 was extended with HomeBob - an intelligent app which facilitates cooperation between craftsmen and homeowners. Investments in intangible assets were up by DKK 29m to DKK 82m, mainly due to digital improvement projects such as our new web shop. In Q1-Q3 2016, cash flow from investing activities experienced a DKK 110m negative impact from the acquisition of MAG45, STI and investments in other associated businesses but a DKK 44m positive impact from the sale of properties. Thus in Q1-Q3 2017, total cash flow from investing activities came to DKK -306m against DKK -144m in Q1-Q3 2016.

Cash flow from financing activities was affected by the distribution of DKK 88m in dividend against DKK 77m in Q1-Q3 2016. In Q1-Q3 2016, cash flow from financing activities saw a DKK -197m 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 -106m against DKK -376m in Q1-Q3 2016.

Consequently, total cash flow in Q1-Q3 2017 amounted to DKK -696m against DKK -738m in Q1-Q3 2016.

Compared to Q3 2016, net interest-bearing liabilities increased by DKK 252m to DKK 728m. During this period, we invested DKK 219m in subsidiaries and associated businesses. By the end of Q3 2017, gearing had increased to 2.1 times EBITDA from 1.4. Our gearing objective is 1.5-2.5 times EBITDA.

As at 30 September 2017, Solar had undrawn credit facilities of DKK 372m.

We aim to deliver long-term return on invested capital (ROIC) of more than 10%. As at 30 September 2017, ROIC was 7.0% compared to 7.5% at 31 December 2016. Invested capital totalled DKK 2,190m at the end of Q3 2017, up from DKK 2,122m at the end of Q3 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/.

Events after the end of the period under review

Effective 8 October 2017, the Board of Directors of Solar A/S appointed Jens E. Andersen as the new CEO. He replaces Anders Wilhjelm who resigned by mutual agreement.

Henceforward, CEO Jens E. Andersen, CCO Hugo Dorph and CFO Michael H. Jeppesen constitute the Executive Board of Solar A/S, cf. announcement no.17 2017.

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 our operational EBITA

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.

The sequential improvement that we are seeing in the Polish market is expected to continue.

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, including in MAG45's global market niche.

Other

We expect continued growth within the Other segment.

Financial outlook

For 2017, we now expect revenue of approx. DKK 11.7bn corresponding to organic growth of approx. 6% against our previous expectations of revenue above DKK 11.4bn and 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.

DKK million	Guidance 2017	Actual 2016
Operational EBITA	345	302
Innovation and business development	-25	-20
Non-recurring costs	-35	-15
Positive one-offs	0	11
EBITA	**285**	**278**

For 2017, we expect an operational EBITA of DKK 345m, which is unchanged. Also unchanged, we expect to spend approx. DKK 25m on innovation and business development. Costs related to structural changes are expected to increase - compared to our Q2 reporting - by approx. DKK 15m to a total of DKK 35m. The increase is primarily due to severance pay with regard to the change in CEO announced in October. Thus, for 2017 we expect an EBITA of approx. DKK 285m, down from DKK 300m.

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

Shareholder information

Share and webcast information

Solar 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, designated SOLAR B, and form part of the MidCap index and MidCap on Nasdaq Nordic.

The share capital includes 900,000 A shares and 6,845,625 B shares. Solar's portfolio of treasury shares totalled 447,333 B shares or 5.8% of share capital as at 30 September 2017.

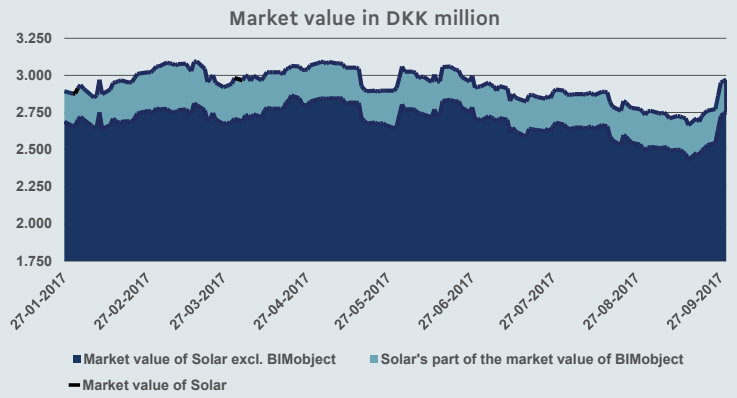
A shares have 10 votes per share amount of DKK 100, while B shares have 1 vote per share amount of DKK 100.

Distribution of share capital and votes as at 30 September 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	11.6%	5.7%
Chr. Augustinus Fabrikker A/S, Copenhagen, Denmark	10.6%	5.2%
Nordea Funds Oy, Danish Branch, Copenhagen, Denmark	9.3%	4.6%
Solar A/S, Vejen, Denmark	5.8%	2.8%

Solar's market value

Solar holds a 20.01% equity interest in BIMobject AB, which is a listed company at First North. To the right is an illustration of the impact of BIMobject's market value on Solar's market value.



Audio webcast

The Quarterly Report Q3 2017 will be presented in English on 26 October 2017 at 11:00 CET. The presentation will be transmitted as an audio webcast and will be available at www.solar.eu.

Financial calendar 2018

10 January - 9 February	IR quiet period
9 February	Annual Report 2017
16 March	Annual General meeting
10 April - 24 April	IR quiet period
24 April	Quarterly Report Q1 2018
10 July - 9 August	IR quiet period
9 August	Quarterly Report Q2 2018
10 October – 1 November	IR quiet period
1 November	Quarterly Report Q3 2018

Consolidated financial statements

Statement of comprehensive income

Income statement

	Q3		Q1-Q3		Year
DKK million	**2017**	**2016**	**2017**	**2016**	**2016**
Revenue	2,773	2,595	8,630	8,062	11,072
Cost of sales	-2,203	-2,055	-6,841	-6,388	-8,764
Gross profit	**570**	**540**	**1,789**	**1,674**	**2,308**
External operating costs	-118	-119	-404	-371	-492
Staff costs	-346	-343	-1,144	-1,079	-1,469
Loss on trade receivables	-6	-4	-14	-11	-17
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**100**	**74**	**227**	**213**	**330**
Depreciation and write-down on property, plant and equipment	-13	-7	-41	-37	-52
Earnings before interest, tax and amortisation (EBITA)	**87**	**67**	**186**	**176**	**278**
Amortisation of intangible assets	-20	-14	-54	-41	-56
Earnings before interest and tax (EBIT)	**67**	**53**	**132**	**135**	**222**
Share of net profit of associates	-1	0	-1	0	0
Financial income	5	5	90	20	26
Financial costs	-9	-14	-30	-46	-60
Earnings before tax (EBT)	**62**	**44**	**191**	**109**	**188**
Income tax	-20	-15	-38	-32	-63
Net profit for the period	**42**	**29**	**153**	**77**	**125**
Earnings in DKK per share outstanding (EPS)	5.75	3.84	20.96	10.04	16.50
Diluted earnings in DKK per share outstanding (EPS-D)	5.75	3.84	20.94	10.03	16.49

Other comprehensive income

	Q3		Q1-Q3		Year
DKK million	**2017**	**2016**	**2017**	**2016**	**2016**
Net profit for the period	**42**	**29**	**153**	**77**	**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	5	11	-15	6	2
Value adjustments of hedging instruments before tax	2	1	15	-11	8
Tax on value adjustments of hedging instruments	0	0	-3	2	-2
Other income and costs recognised after tax	**7**	**12**	**-3**	**-3**	**1**
Total comprehensive income for the period	**49**	**41**	**150**	**74**	**126**

Balance sheet

as at 30 September

DKK million	30.09 2017	30.09 2016	31.12 2016
ASSETS			
Intangible assets	505	492	475
Property, plant and equipment	829	857	865
Deferred tax assets	10	30	10
Investments in associates	273	0	0
Other non-current assets	58	20	47
Non-current assets	**1,675**	**1,399**	**1,397**
Inventories	1,504	1,354	1,321
Trade receivables	1,755	1,623	1,404
Income tax receivable	5	12	5
Receivables from construction contracts	1	-	-
Other receivables	13	28	10
Prepayments	44	30	26
Cash at bank and in hand	17	63	343
Assets held for sale	0	62	0
Current assets	**3,339**	**3,172**	**3,109**
Total assets	**5,014**	**4,571**	**4,506**

DKK million	30.09 2017	30.09 2016	31.12 2016
EQUITY AND LIABILITIES			
Share capital	775	792	792
Reserves	-138	-146	-135
Retained earnings	1,108	985	938
Proposed dividend for the year	0	0	88
Equity	**1,745**	**1,631**	**1,683**
Interest-bearing liabilities	177	206	194
Provision for pension obligations	19	16	18
Provision for deferred tax	125	125	122
Other provisions	41	60	41
Non-current liabilities	**362**	**407**	**375**
Interest-bearing liabilities	568	333	192
Trade payables	1,861	1,654	1,727
Income tax payable	17	24	16
Payables from construction contracts	3	-	-
Other payables	441	500	495
Prepayments	1	2	0
Other provisions	16	20	18
Current liabilities	**2,907**	**2,533**	**2,448**
Liabilities	**3,269**	**2,940**	**2,823**
Total equity and liabilities	**5,014**	**4,571**	**4,506**

Cash flow statement

DKK million	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Year 2016
Net profit for the period	**42**	**29**	**153**	**77**	**125**
Write-down, depreciation and amortisation	33	21	95	78	108
Changes to provisions and other adjustments	5	8	-2	3	4
Share of net profit of associates	1	0	1	0	0
Financials, net	4	9	-60	26	34
Income tax	20	15	38	32	63
Financial income, received	2	2	5	8	10
Financial expenses, settled	-7	-11	-23	-44	-52
Income tax, settled	-6	2	-34	-29	-54
Cash flow before working capital changes	**94**	**75**	**173**	**151**	**238**
Working capital changes					
Inventory changes	-71	-26	-189	-25	5
Receivables changes	-50	-43	-380	-299	-63
Non-interest-bearing liabilities changes	36	-13	112	-45	39
Cash flow from operating activities	**9**	**-7**	**-284**	**-218**	**219**
Investing activities					
Purchase of intangible assets	-26	-22	-82	-53	-88
Purchase of property, plant and equipment	-11	-10	-29	-25	-46
Disposal of property, plant and equipment	18	6	19	44	102
Acquisition of associates[1]	-6	-44	-16	-97	0
Acquisition of subsidaries and activities[2]	0	0	-10	0	-97
Other financial investments	0	-13	-188	-13	-18
Cash flow from investing activities	**-25**	**-83**	**-306**	**-144**	**-147**

DKK million	Q3 2017	Q3 2016	Q1-Q3 2017	Q1-Q3 2016	Year 2016
Financing activities					
Repayment of non-current interest-bearing debt	-6	-9	-18	-102	-114
Treasury share purchase and sales	0	-150	0	-197	-197
Dividends distributed	0	0	-88	-77	-77
Cash flow from financing activities	**-6**	**-159**	**-106**	**-376**	**-388**
Total cash flow	**-22**	**-249**	**-696**	**-738**	**-316**
Cash at bank and in hand at the beginning of the period	-363	148	321	639	639
Assumed on acquisition of subsidaries	0	1	0	-2	-2
Foreign currency translation adjustments	0	0	-10	1	0
Cash at bank and in hand at the end of the period	**-385**	**-100**	**-385**	**-100**	**321**
Cash at bank and in hand at the end of the period					
Cash at bank and in hand	17	63	17	63	343
Current interest-bearing liabilities[3]	-402	-163	-402	-163	-22
Cash at bank and in hand at the end of the period	**-385**	**-100**	**-385**	**-100**	**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			-15			-15
Value adjustments of hedging instruments before tax		15				15
Tax on value adjustments		-3				-3
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	12	-15	0	0	-3
Net profit for the period				153		153
Comprehensive income	**0**	**12**	**-15**	**153**	**0**	**150**
Distribution of dividends					-88	-88
Reduction in share capital	-17			17		0
Transactions with the owners	**-17**	**0**	**0**	**17**	**-88**	**-88**
Equity as at 30 September	**775**	**-61**	**-77**	**1,108**	**0**	**1,745**

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			6			6
Value adjustments of hedging instruments before tax		-11				-11
Tax on value adjustments		2				2
Net income recognised in equity via other comprehensive income in the statement of comprehensive income	0	-9	6	0	0	-3
Net profit for the period				77		77
Comprehensive income	**0**	**-9**	**6**	**77**	**0**	**74**
Distribution of dividends					-77	-77
Buy-back of treasury shares				-196	-1	-197
Transactions with the owners	**0**	**0**	**0**	**-196**	**-78**	**-274**
Equity as at 30 September	**792**	**-88**	**-58**	**985**	**0**	**1,631**

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
Q3 2017				
Revenue	1,757	763	253	2,773
Cost of sales	-1,426	-591	-186	-2,203
Gross profit	**331**	**172**	**67**	**570**
Direct costs	-64	-20	-7	-91
Earnings before indirect costs	**267**	**152**	**60**	**479**
Indirect costs	-129	-41	-15	-185
Segment profit	**138**	**111**	**45**	**294**
Non-allocated costs				-194
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**100**
Depreciation and amortisation				-33
Earnings before interest and tax (EBIT)				**67**
Share of net profit of associates				-1
Financials, net				-4
Earnings before tax (EBT)				**62**

DKK million	Installation	Industry	Other	Total
Q3 2016				
Revenue	1,708	699	188	2,595
Cost of sales	-1,366	-538	-151	-2,055
Gross profit	**342**	**161**	**37**	**540**
Direct costs	-68	-22	-4	-94
Earnings before indirect costs	**274**	**139**	**33**	**446**
Indirect costs	-131	-41	-11	-183
Segment profit	**143**	**98**	**22**	**263**
Non-allocated costs				-189
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**74**
Depreciation and amortisation				-21
Earnings before interest and tax (EBIT)				**53**
Share of net profit of associates				-
Financials, net				-9
Earnings before tax (EBT)				**44**

Notes

Segment information - continued

DKK million	Installation	Industry	Other	Total
Q1-Q3 2017				
Revenue	5,568	2,399	663	8,630
Cost of sales	-4,505	-1,844	-492	-6,841
Gross profit	**1,063**	**555**	**171**	**1,789**
Direct costs	-210	-71	-21	-302
Earnings before indirect costs	**853**	**484**	**150**	**1,487**
Indirect costs	-423	-130	-41	-594
Segment profit	**430**	**354**	**109**	**893**
Non-allocated costs				-666
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**227**
Depreciation and amortisation				-95
Earnings before interest and tax (EBIT)				**132**
Share of net profit of associates				-1
Financials, net				60
Earnings before tax (EBT)				**191**

DKK million	Installation	Industry	Other	Total
Q1-Q3 2016				
Revenue	5,321	2,183	558	8,062
Cost of sales	-4,255	-1,679	-454	-6,388
Gross profit	**1,066**	**504**	**104**	**1,674**
Direct costs	-220	-70	-13	-303
Earnings before indirect costs	**846**	**434**	**91**	**1,371**
Indirect costs	-420	-125	-37	-582
Segment profit	**426**	**309**	**54**	**789**
Non-allocated costs				-576
Earnings before interest, tax, depreciation and amortisation (EBITDA)				**213**
Depreciation and amortisation				-78
Earnings before interest and tax (EBIT)				**135**
Share of net profit of associates				-
Financials, net				-26
Earnings before tax (EBT)				**109**

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.

	Q3		Q1-Q3		
DKK million	Revenue	Adjusted organic growth	Revenue	Adjusted organic growth	Non-current assets
2017					
Denmark	824	13.8	2,449	11.5	2,185
Sweden	585	6.9	1,891	6.6	264
Norway	444	1.8	1,433	4.6	197
Benelux	633	8.7	2,022	3.4	283
Other markets	310	10.4	898	8.3	104
Eliminations	-23	-	-63	-	-1,358
Total	**2,773**	**8.5**	**8,630**	**6.8**	**1,675**
2016					
Denmark	730	10.0	2,186	6.1	1,825
Sweden	558	1.4	1,822	1.0	267
Norway	446	7.9	1,334	2.8	210
Benelux	592	-3.4	1,962	-5.1	310
Other markets	283	-4.4	803	-0.2	139
Eliminations	-14	-	-45	-	-1,352
Total	**2,595**	**3.1**	**8,062**	**0.9**	**1,399**

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**	**2017**	**2016**	**2016**	**2015**
Revenue	2,996	2,656	2,861	2,811	2,773	2,595	3,010	2,819
Earnings before interest, tax, depreciation and amortisation (EBITDA)	70	67	57	72	100	74	117	117
Earnings before interest, tax and amortisation (EBITA)	56	52	43	57	87	67	102	99
Earnings before interest and tax (EBIT)	39	39	26	43	67	53	87	87
Financials, net	95	-11	-31	-6	-4	-9	-8	-21
Earnings before tax (EBT)	134	28	-5	37	62	44	79	66
Net profit or loss for the quarter	123	21	-12	27	42	29	48	34
Balance sheet (DKK million)								
Non-current assets	1,698	1,324	1,681	1,316	1,675	1,399	1,397	1,250
Current assets	3,217	3,285	3,222	3,221	3,339	3,172	3,109	3,421
Balance sheet total	4,915	4,609	4,903	4,537	5,014	4,571	4,506	4,671
Equity	1,723	1,813	1,696	1,740	1,745	1,631	1,683	1,831
Non-current liabilities	371	394	366	387	362	407	375	592
Current liabilities	2,821	2,402	2,841	2,410	2,907	2,533	2,448	2,248
Interest-bearing liabilities, net	458	156	712	231	728	476	43	-184
Invested capital	1,899	1,984	2,129	1,986	2,190	2,122	1,744	1,662
Net working capital, end of period	1,132	1,232	1,309	1,196	1,398	1,323	998	989
Net working capital, average	1,162	1,233	1,191	1,205	1,209	1,185	1,187	1,252

Quarterly figures

- continued

	Q1		Q2		Q3		Q4	
Cash flows (DKK million)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2016**	**2015**
Cash flow from operating activities	-96	-251	-197	40	9	-7	437	524
Cash flow from investing activities	-231	-33	-50	-28	-25	-83	-3	-19
Cash flow from financing activities	-93	-80	-7	-137	-6	-159	-12	-30
Net investments in intangible assets	-28	-12	-28	-19	-26	-22	-35	-10
Net investments in property, plant and equipment	-14	32	-3	-9	7	-4	37	-9
Acquisition and disposal of subsidiaries, net	-10	-53	0	0	0	-44	0	0

Financial ratios (% unless otherwise stated)								
Revenue growth	12.8	0.4	1.8	5.1	6.9	6.0	6.8	1.6
Organic growth	10.7	-0.3	2.3	3.8	6.8	3.0	4.4	3.2
Organic growth adjusted for number of working days	4.6	1.2	7.4	-1.8	8.5	3.1	4.3	1.5
Gross profit margin	21.1	21.0	20.5	20.5	20.6	20.8	21.1	20.5
EBITDA margin	2.3	2.5	2.0	2.6	3.6	2.9	3.9	4.2
EBITA margin	1.9	2.0	1.5	2.0	3.1	2.6	3.4	3.5
EBIT margin	1.3	1.5	0.9	1.5	2.4	2.0	2.9	3.1
Net working capital (NWC end of period)/revenue (LTM)	9.9	11.6	11.4	11.1	12.0	12.2	9.0	9.3
Net working capital (NWC average)/revenue (LTM)	10.2	11.6	10.4	11.2	10.4	10.9	10.7	11.8
Gearing (interest-bearing liabilities, net/EBITDA), no. of times	1.4	0.4	2.2	0.6	2.1	1.4	0.1	-0.5
Return on equity (ROE)	13.3	6.9	11.0	7.3	11.7	6.6	7.5	9.2
Return on invested capital (ROIC)	7.4	8.2	6.5	8.4	7.0	7.5	7.5	8.5
Adjusted enterprise value/earnings before interest, tax and amortisation (EV/EBITA)	10.3	9.3	11.7	8.6	11.0	11.8	9.4	10.6
Equity ratio	35.1	39.3	34.6	38.4	34.8	35.7	37.4	39.2

Quarterly figures

- continued

	Q1		Q2		Q3		Q4	
Share ratios (DKK)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2016**	**2015**
Earnings in DKK per share outstanding (EPS)	16.85	2.71	-1.64	3.51	5.75	3.84	6.58	4.33
Intrinsic value in DKK per share outstanding	236.08	233.91	232.38	225.93	239.10	216.10	230.60	234.43
Share price in DKK	383	329	377	307	381	374	362	432
Share price/intrinsic value	1.62	1.41	1.62	1.36	1.59	1.73	1.57	1.84

Employees								
Average number of employees (FTE)	3,062	2,968	3,080	3,024	3,112	3,051	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 Q3 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 September 2017 as well as of the results of the group's activities and cash flow for Q3 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, 26 October 2017

EXECUTIVE BOARD

Jens E. Andersen
CEO

Hugo Dorph
CCO

Michael H. Jeppesen
CFO

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